

Stakeholder expectations and value creation in corporate sustainability

Using the VSME framework in a non-listed case company

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Abstract

The importance of sustainability and ESG (Environmental, Social, Governance) reporting has increased in recent years. Companies outside the scope of the Corporate Sustainability Reporting Directive (CSRD) are required to respond to an increasing number of sustainability-related information requests through their supply chains. The aim of this thesis is to examine the impact of sustainability practices and ESG reporting on the business operations of an unlisted case company. The study analyses how improving the management and reporting of sustainability information can support internal decision-making and respond to the changing expectations of stakeholders.

The research was conducted as a qualitative case study, with data collected through thematic interviews and internal documents from the case company. The theoretical framework is primarily based on stakeholder theory, which is used to assess the significance of voluntary sustainability reporting (VSME) as a value-adding measure.

The results reflect that the successful implementation of ESG practices requires a clear governance model and the integration of ESG goals into management and strategy. Responding to stakeholder expectations should be a proactive part of strategic management, rather than a reactive one. In this case, corporate sustainability is slowed down by fragmented data and manual data management processes. EFRAG's VSME standard was considered the most scalable reporting framework for the needs of a non-listed company. Customer requirements and expectations in particular drive the development of voluntary reporting. With clear responsibilities and processes, reporting becomes a tool for decision-making that supports value creation, rather than an administrative liability. Transparent ESG data makes it possible to reduce customer risks and thereby create a competitive advantage.

Key words: ESG, sustainability reporting, non-listed companies, VSME, strategic management, sustainable development

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Tiivistelmä

Vastuullisuuden ja ESG-raportoinnin (Environmental, Social, Governance) merkitys on kasvanut viime vuosina. Vastuullisuusraportoinnin direktiivin CSRD:n ulkopuolelle jäävät yritykset joutuvat vastaamaan entistä enemmän vastuullisuuteen liittyviin tietopyyntöihin toimitusketjujen kautta. Tämän diplomityön tavoitteena on tutkia vastuullisuustyön ja ESG-raportoinnin vaikutuksia ei-listatun case yrityksen liiketoimintaan. Työssä selvitetään, kuinka vastuullisuustiedon hallintaa ja raportointia kehittämällä voidaan tukea sisäistä päätöksentekoa ja vastata sidosryhmien muuttuviin odotuksiin.

Tutkimus toteutettiin laadullisena tapaustutkimuksena, jonka aineisto kerättiin teemahaastatteluina ja case yrityksen sisäisestä dokumenttiaineistosta. Teoreettinen viitekehys perustuu ensisijaisesti sidosryhmäteoriaan, jonka avulla arvioidaan vapaaehtoisen vastuullisuusraportoinnin VSME merkitystä lisäarvoa tuottavana toimenpiteenä.

Tulokset heijastavat, että ESG-työn onnistunut jalkauttaminen edellyttää selkeää hallintomallia, sekä tavoitteiden kytkemistä osaksi johtamista ja strategiaa. Sidosryhmien vaatimuksiin vastaamisen tulee olla reaktiivisuuden sijaan proaktiivinen osa strategista johtamista. Case yrityksen vastuullisuutta hidastaa datan hajanaisuus ja manuaaliset tiedonhallintaprosessit. EFRAG:n VSME-standardi tunnistettiin skaalautuvimmaksi raportointiviitekehyykseksi ei-listatun case yrityksen tarpeisiin. Erityisesti asiakkaiden vaatimukset ja odotukset ohjaavat vapaaehtoisen raportoinnin kehitystä. Selkeiden vastuiden ja prosessien avulla raportointi muuttuu hallinnollisesta velvoitteesta arvonluontia tukevaksi työkaluksi päätöksentekoon. Läpinäkyvän ESG-datan avulla on mahdollista vähentää asiakkaiden riskejä ja luoda siten kilpailuetua.

Avainsanat: ESG, vastuullisuusraportointi, ei-listatut yritykset, VSME, strateginen johtaminen, kestävä kehitys

Glossary of abbreviations:

<i>ESG</i>	Environmental, Social and Governance
<i>CSRD</i>	Corporate Sustainability Reporting Directive
<i>ESRS</i>	European Sustainability Reporting Standards
<i>VSME</i> Enterprise	Voluntary Sustainability Reporting Standard for Small and Medium-sized
<i>SDG</i>	Sustainable Development Goals

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1 Introduction

1.1 Research framework and importance

Environmental, social, and governance (ESG) reporting has become an important part of corporate responsibility and decision-making. Sustainability reporting is shaped by constantly changing regulations and data collection requirements. Companies must balance the expectations and priorities of their stakeholders. (Chopra et al., 2024)

The aim of this thesis is to study how reporting requirements affects a company's legitimacy and its ability to meet stakeholder expectations, as well as the opportunities and challenges this may present for a non-listed company that is currently not required to report under any legal obligations. Although there is no legal obligation, stakeholders such as customers increasingly expect sustainability information on the entire value chain. (Annesi et al., 2025)

The aim of this thesis is to examine sustainability reporting standards and practices, as well as stakeholder expectations. The aim is to create value for the case company in support of its ESG reporting by addressing stakeholders' information needs, helping to build legitimacy, and identifying key sustainability themes using the selected reporting framework. Since the case company has no reporting obligation, the focus of the work is on establishing the foundations of ESG and planning practical implementation.

The importance of sustainability is constantly growing, as companies and their stakeholders increasingly recognize that financial figures alone are no longer sufficient to describe a company's overall performance. Environmental, social, and governance factors influence business operations. Social factors, such as the achievement of human rights, the reduction of inequality, and a company's impact on local communities, are becoming increasingly important in responsible business practices. At the same time, environmental challenges, such as climate change and the decrease in natural resources, are having an increasing impact on companies' business environments. As a result of these factors, stakeholders are increasingly aware that traditional financial metrics alone are not sufficient to describe a company's sustainability and performance, which is driving the integration of ESG perspectives into

business decision-making. (Chen et al., 2023; Jonsdottir et al., 2022; Taliento et al., 2019)

The content of sustainability is developed through an iterative process in which stakeholder dialogue plays a central role. A company's stakeholder relationships, as well as the legitimacy requirements set by stakeholders, determine who is taken into account in decision-making and how. This has a major impact on the content of the reporting itself and on the prioritization of selected topics. (Herremans et al., 2016; Lokuwaduge & Heenetigala, 2017)

The economic aspect of sustainability is not just about pure profit but is defined by how a company meets the expectations of its stakeholders and creates value for them. This value creation is made visible and verified by complying with the governance requirements set by ESG reporting. Social responsibility also includes social sustainability, which refers to a company's active responsibility toward society and its various stakeholders. Environmental sustainability, in turn, takes into account the impacts of operations on the environment and requires transparency and communication of sustainability efforts at the interfaces of the supply chain to achieve objectives.

Companies can take their stakeholders into account at different levels, ranging from simple communication to close collaboration. Interaction is beneficial to the company, as it helps maintain its legitimacy and identify key issues that affect reporting, as well as potential data gaps. Through stakeholder dialogue, a company can identify its most important sustainability themes to better meet the sustainability reporting standards required by its stakeholders throughout the value chain. Sustainability work is an ongoing process in which stakeholder feedback and expectations can be directly utilized in defining the materiality of reporting and creating shared value. (Annesi et al., 2025; Herremans et al., 2016; Lokuwaduge & Heenetigala, 2017)

1.2 Research challenges and goals

The aim of this thesis is to examine the impact of sustainability and sustainability reporting (ESG) on the business operations, stakeholder relations, and maintenance of legitimacy of a non-listed company. The thesis focuses on how the collection, management, and reporting of sustainability data can be developed to support the company's decision-making and meet stakeholder expectations.

The research questions guide the structure and analysis of this study. They help to explain the role of sustainability in the operations of the case company and guide the examination of how the company can develop the fundamentals of sustainability without a mandatory reporting requirement, though still under pressure from stakeholders.

Research questions:

- I. How do stakeholder expectations affect the content and focus of ESG reporting?
- II. What kind of challenges and opportunities do sustainability standards and ESG reporting create for Vahterus?
- III. What kind of reporting framework helps a non-listed company meet the data needs of its stakeholders and create value for customers and other stakeholders?

The goal of this thesis is to understand and explain how sustainability can be integrated into the value chain's requirements and stakeholders' value creation. The study examines the information needs of stakeholders and how material sustainability information can be identified, analyzed, and reported within the framework of sustainability standards. The study applies existing theories and frameworks to the analysis of responsibility and evaluates how they function in practice and what challenges and opportunities their utilization presents for a non-listed company.

The primary focus of this thesis is to support the development of Vahterus Oy's sustainability reporting by making sustainability information more practical. This study

examines how information related to corporate sustainability can be integrated seamlessly into business operations to meet the legitimacy requirements set by stakeholders and overcome the reporting challenges faced by non-listed companies. The goal is to identify key factors in sustainability while understanding the company's sustainability data and developing methods to utilize this data more effectively in decision-making, determining materiality, stakeholder dialogue, and ESG reporting.

The study focuses on the context of non-listed companies and does not consider large corporations or industries where ESG reporting is already heavily regulated and more established. The aim of this study is to provide insights and recommendations suitable for non-listed companies to help them develop their sustainability reporting, considering their specific needs, resources, and operating environment.

1.3 Scope and structure of the research

The scope of this thesis is the development of ESG reporting, particularly in companies that are not subject to sustainability reporting requirements. The analysis emphasizes stakeholder expectations and the application of reporting standards to non-listed companies. The theoretical part discusses the organisational theories, stakeholder theory, and legitimacy theory that affect sustainability reporting, which are used to understand the motives, target groups, and mechanisms of the increasing popularity of reporting.

This research focuses on non-listed companies, using Vahterus Oy as a practical example. Through this case study, the challenges and opportunities of ESG reporting are analyzed, along with the types of solutions that non-listed companies can utilize to develop their sustainability reporting. This research examines how ESG reporting can be organized and integrated into business strategy to meet stakeholder expectations and maintain the organization's legitimacy, as well as how such reporting can, for example, create value for various stakeholders.

This thesis can be divided into two parts. First, the thesis reviews the theory behind ESG reporting, which serves as the theoretical framework for the study. This section is followed by an empirical section that assesses the current state of the case company

and an interview section. The theoretical section focuses on various theories and takes a closer look at current sustainability reporting standards and frameworks. The research part of the thesis is based on the analysis of secondary data and interviews with various stakeholders. The interviews aim to provide an understanding of the expectations of the company's various stakeholders regarding sustainability, while also seeking to gain a clearer picture of the stakeholders' knowledge of sustainability.

This thesis examines key aspects related to the development of reporting. First, the thesis focuses on theoretical frameworks and motivations to understand why non-listed companies begin reporting on their sustainability and what internal or external factors influence reporting decisions. Through these theoretical perspectives, it is possible to outline the role of sustainability reporting as part of a method of maintaining legitimacy, creating value for stakeholders, and meeting the information needs of the value chain.

Second, this study examines EU reporting requirements, such as the sustainability reporting standard, the EU's Corporate Sustainability Reporting Directive (CSRD), and the VSME framework designed for SMEs. These are used to understand what kinds of expectations may be placed on non-listed companies in the future and how these companies can respond to them in practice. Examining these standards also helps to outline the trend towards standardisation in reporting and its direction, as well as its impact on the operations and development of non-listed companies. Next, the focus is on the challenges faced by non-listed companies, such as limited resources, a lack of expertise, and difficulties with reporting, particularly in identifying data gaps in the value chain and determining the relevance of themes. These challenges significantly influence how sustainability reporting can be implemented and developed.

The empirical part of the research aims to break down the entire process into smaller thematic components so that the underlying structures and principles can be better identified. These themes form an overall picture that provides a deeper understanding of the phenomenon under study. In this context, analytical specifically refers to taking into account the organization's everyday choices and conflicts. This method is based on interaction, in which the traditional roles of the interview are reversed. The interviewer and interviewee build understanding together through discussion, rather than collecting

information through one-way questions. An analytical interview can therefore be more of a collaborative and mutual working method, in which the examination is deepened actively and flexibly. (Kreiner & Mouritsen, 2005)

The interviews collected for this thesis were completed in January and February 2026 and were divided into two stages. The first round focused on five international customers from different countries around the world. The interviewees were selected based on the fact that each of them works in the next stage of the value chain and is in continuous cooperation with the company under observation. As a result, the discussions and responses were diverse in nature and reflected different market areas and operating environments. At the same time, many perspectives emerged regarding the customer interface and how processes and the customer journey function. The interviews were structured as thematic interviews, meaning they were held in a conversational style, so that the interviewees could freely describe their experiences, while themes central to the study were still brought to the fore. The interview focused on five themes, as outlined in Appendix 1, each with a main question, which was clarified with additional questions during the conversation.

The second round of interviews was structured on the basis of customers' insights. In this round, the interviewees were Vahterus Oy's own employees, whose views were compared to the customers' responses on the same themes. The aim was to understand to what extent the perspectives align and where potential conflicts or differences in interpretation arise. At the same time, this phase strengthened the company's ability to meet the requirements set by sustainability standards, maintain its legitimacy, and support value creation by stakeholders throughout the value chain. The interviews were based on the same analytical approach as in the first round, which allowed for a discussion in which the interviewee could reflect on operating methods, choices, and challenges arising in everyday situations.

1.4 Key concepts of research

This chapter introduces the key concepts relevant to this thesis. The purpose of these definitions is to clarify the terminology used in the study and to provide a conceptual basis for the analysis. The key concepts and their definitions are presented below:

Sustainability: Sustainability in terms of the three pillars is based on the concepts of environmental, social, and economic sustainability. (Purvis et al., 2019)

ESG reporting: Refers to the systematic reporting of environmental, social, and governance (ESG) information related to corporate sustainability and responsibility, with the aim of increasing transparency and supporting sustainable development goals. (Gillan et al., 2021; GRI 2021)

Environmental Impact (E): The direct and indirect impacts of the company's operations on the environment, such as emissions, use of natural resources, and waste management.

Social Responsibility (S): The company's impact on people and communities, including employee rights, occupational safety, and human rights in the supply chain.

Good Governance (G): The company's management practices, ethical guidelines, anti-corruption measures, and board diversity.

Sustainability strategy: The company's strategic action plan, which integrates environmental, social, and economic responsibility considerations into its business operations and decision-making. (White, 2009)

Stakeholder: Stakeholders are internal or external parties that influence a company's operations or are affected by them, such as owners, employees, customers, and government agencies. (Freeman, 1984). The importance and role of stakeholders differs according to the organizational culture and leadership, particularly depending on how much power, legitimacy, and urgency they have. (Mitchell et al., 1997). (Boesso & Kumar, 2016)

Company culture: Activities that affect the organization; a social experience shaped by visible behavior patterns and values. This influences the interactions and behavior of individuals and groups both within and outside the company. (Schein, 2017)

Materiality assessment: A process through which a company identifies and selects ESG-related topics that are relevant to its own sustainability practices and reporting. The assessment helps determine which themes are critical to the business and society. (Garst et al., 2022)

Corporate Sustainability Reporting Directive, CSRD: The EU Sustainability Reporting Directive (2022/2464), which requires companies to report on their sustainability impacts in a more comprehensive and standardised form. (CSRD Directive, 2022)

European Sustainability Reporting Standards, ESRS: Sustainability reporting standards that define what and how companies subject to the CSRD must report (Commission Regulation (EU) 2023/2772). Commission Regulation (EU) 2023/2772 & Directive 2013/34/EU of the European Parliament and of the Council (ESRS Regulation, 2023) (ESRS Delay Decision, 2024)

European Financial Reporting Advisory Group, EFRAG: Expert group created on the European Union's behalf to serve the public interest. In 2022, EFRAG was tasked with drafting the CSRD Directive, as well as the ESRS and VSME standards. (EFRAG, n.d.)

Voluntary Sustainability Reporting Standard for SMEs, VSME: Voluntary sustainability reporting standard for SMEs. Developed by the European Financial Reporting Advisory Group (EFRAG) at the request of the European Commission. (EFRAG, 2024)

2 Literature review

2.1 Circular economy and ESG

The significance of the Corporate Sustainability Reporting Directive extends beyond ESG reporting requirements, it serves as a tool through which organizations can structure and operationalize their sustainability goals as part of their business strategy. The circular economy and ESG are two different concepts, but both relate to sustainable development. Whereas ESG defines the basic principles of an organization's responsibility, the circular economy serves to implement these principles in practice. For example, material reuse and production optimization are circular economy measures that support the environmental pillar of ESG. Through ESG, these sustainable development goals take on a structure that brings the three pillars together as shown in Figure 1. (Bonciu, 2023)

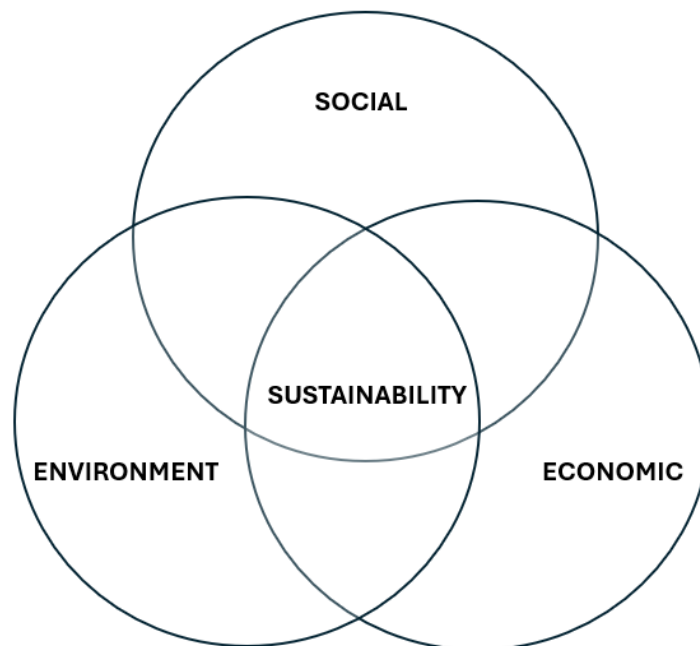


Figure 1. The three pillars of sustainability adapted from Purvis (Purvis et al., 2019)

There are various definitions of sustainable development, but the fundamental idea is based on the framework presented by the Brundtland Commission (1987). According to

this framework, sustainable development is development that meets the needs of the present without compromising the needs of future generations. According to one study, circular economy strategies have been found to advance all 17 of the United Nations' Sustainable Development Goals (SDGs). In particular, these strategies have a significant impact on climate action (SDG 13), responsible consumption and production (SDG 12), and promoting economic growth and decent work (SDG 8). (Garcia-Saravia Ortiz-de-Montellano et al., 2023)

The principles of sustainable development have played a role in shaping ESG. The approach began with the interest of investors and entrepreneurs in identifying factors that create value for a company but could not be measured using traditional financial criteria. It was noticed that organizations operating responsibly performed better in the long term. This led to a trend of incorporating intangible assets, such as environmental responsibility and social commitment, into market value. Over time, ESG criteria have become more common and are now part of official reporting guidelines and, in some cases, mandatory requirements. (Bonciu, 2023; Kennedy, 2022)

It is important to understand that the regulatory environment has also been undergoing change and is constantly developing, which adds to the uncertainty. The European Union remains strongly committed to the Paris Agreement and to the goal of achieving carbon neutrality by 2050. The EU's Green Deal and the related Industrial Green Deal have launched hundreds of policy proposals. These aim to advance the Union's transition toward a fair and competitive green economy, promote the development of clean technologies, and support sustainable innovation. (European Commission, 2025e)

2.2 Stakeholder theory

Stakeholder theory examines the operations of organizations and the stakeholders that influence them from a business perspective. Previously, corporate operations were guided by the primary goal of making a profit for shareholders. During the transition from shareholder-centric thinking to the stakeholder theory paradigm, the business world was changed by globalization, the strengthening of environmental values, the emphasis on employee rights, and increasing public regulation. (Freeman et al., 2018)

The basic concept of stakeholder theory is that an organization's mission is not only to produce value for its owners, but also to create as much value as possible for all stakeholders affected by its operations, in collaboration with them (Donaldson & Preston, 1995). According to Freeman (1984), a company's relationships must be managed with all groups that influence the company's objectives or are affected by its operations. A purely economic perspective was no longer sufficient to explain a company's responsibility or success. Taking stakeholders into account was seen as important for long-term value creation. (Freeman et al., 2018)

In current literature, stakeholder theory views corporate operations as a wider concept, in which each stakeholder has their own expectations, rights, and influence. An organization cannot be understood purely as a representative of shareholders' interests, but rather as one that is strategically committed to stakeholders who form a complex network of interdependent relationships. In such relationships, the organization's decisions and actions continuously influence the creation of both economic and non-economic value. Sustainable success cannot be built if stakeholders other than shareholders are ignored. (Freeman et al., 2010)

The central purpose of stakeholder theory is to explain how an organization can manage its operations in a way that takes into account the different needs and expectations of different stakeholders. This requires the organization to identify strategically important stakeholders and build long-term relationships that truly create value. Value creation is not a one-way process, but rather is built on continuous, trust-based interactions. Understanding and aligning the needs and expectations of stakeholders is an essential part of corporate management and strategy. (Freeman et al., 2018)

Later, research aims to combine objectives and morally justified choices with the economic perspective of business, as well as with practical management processes (Preble, 2005). In the literature, a key development in stakeholder theory has been the clarification of its fundamental principles and the identification of the importance of stakeholders. Additionally, how these factors influence an organization's financial and social performance. (Kivits & Sawang, 2021; Laplume et al., 2008) Freeman's original theory has also been critiqued and reviewed based on normative assumptions.

Stakeholder relationship management is a dynamic process that requires an organization to continuously adapt and balance the expectations of different stakeholders. (Stieb, 2009)

2.2.1 Identification and classification of stakeholders

Business operations are significantly shaped by the mutual needs and requirements of the company and its stakeholders. In decision-making, the organization must be able to identify and consider the needs of various stakeholders, which helps determine whose requirements the organization should primarily respond to. Stakeholders can be identified and categorized in several different ways. Different stakeholders participate in the company's operations because they either benefit from it themselves or reduce their own risks. Stakeholder management can be divided into 1. Identifying stakeholders, 2. Understanding stakeholder interests, and 3. Actively managing stakeholder relationships. (Mitchell et al., 1997)

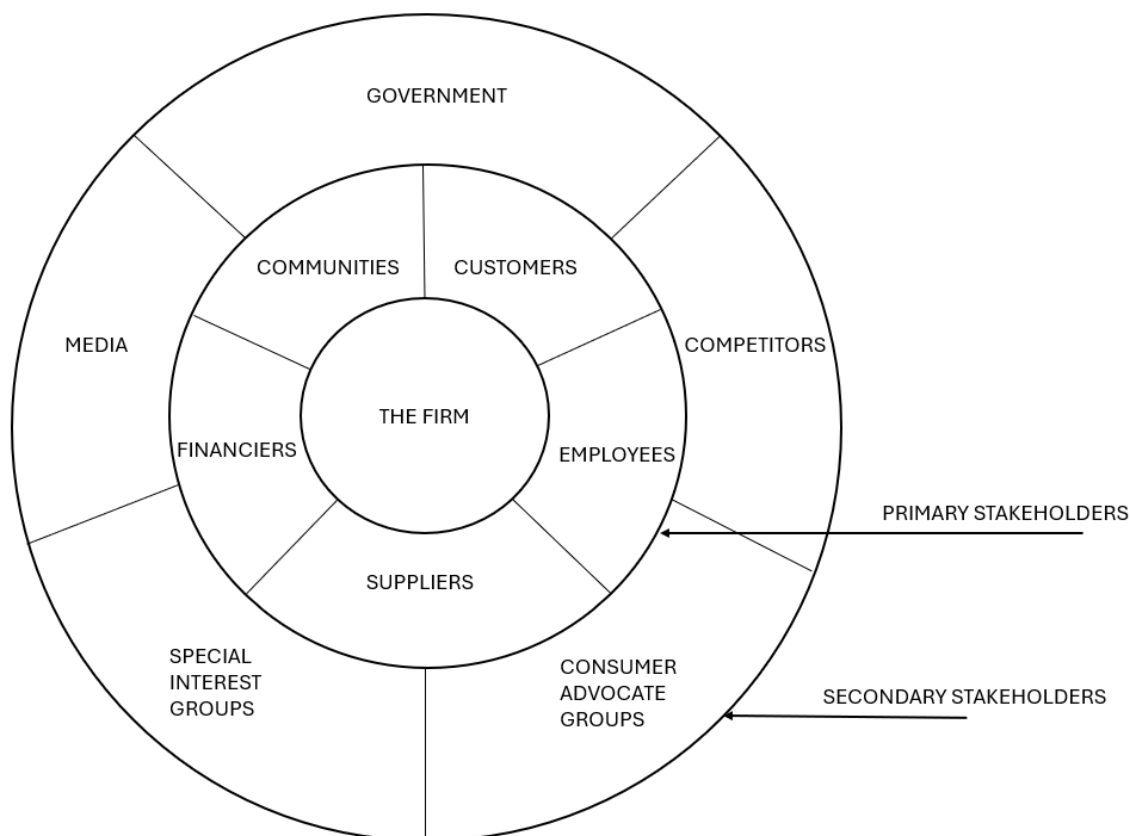


Figure 2. An organization's primary and secondary stakeholders, adapted from Freeman

According to Freeman's theory, stakeholders can be divided into two groups, as shown in Figure 2. An organization has internal stakeholders, such as management and employees, who need structures and operating models to function, which maintain and balance interaction with external stakeholders. External stakeholders, such as customers, suppliers, communities, and authorities, have their own economic and non-economic expectations. Stakeholders can also be divided into primary and secondary groups. Primary stakeholders help the organization remain viable and build a competitive advantage. (Freeman et al., 2010; Parmar et al., 2010)

As companies must meet different expectations from various stakeholder groups, classification alone is not sufficient, stakeholders must be prioritized. Mitchell et al. (1997) developed a stakeholder significance model based on stakeholders' power to influence company operations, the legitimacy of the relationship, and the urgency of their demands (Mitchell et al., 1997).

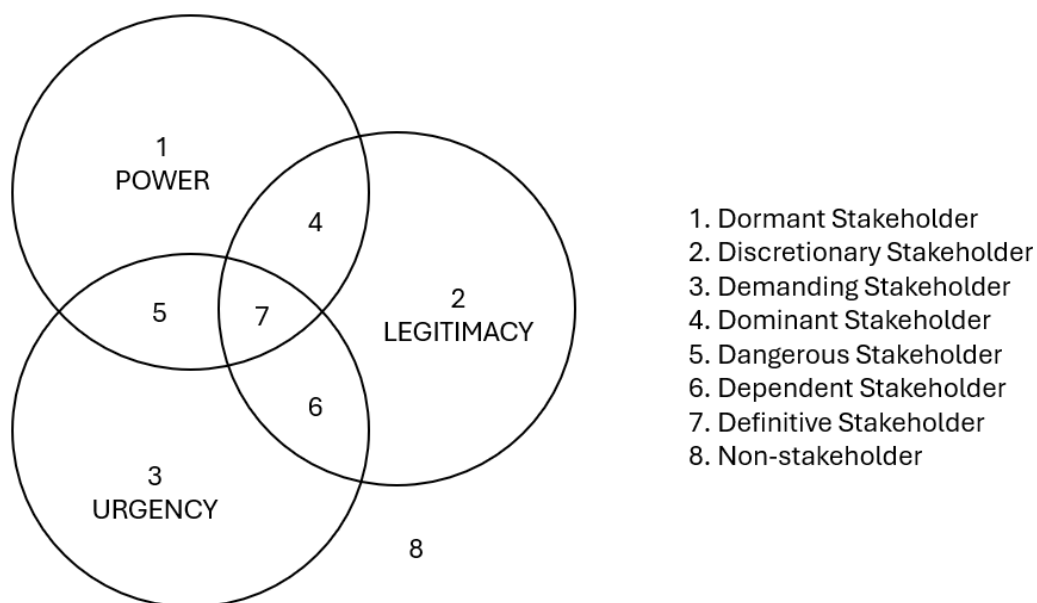


Figure 3. Stakeholder materiality model adapted from Mitchell

Figure 3. Demonstrates the importance of stakeholders based on their power, legitimacy, and urgency. The better a stakeholder fulfills these criteria, the more significant that stakeholder is. The more of these criteria a stakeholder group fulfills, the higher its significance in the view of management. If a stakeholder group fulfills only one of these criteria, it is considered a latent group and less significant from management's perspective. When there are two criteria, the group moves into the expectant category and already requires an active response from management. The most important, however, are the mandatory stakeholders, who fulfil all three criteria. The demands of this group will always take priority over others in strategic decision-making. (Mitchell et al., 1997)

Mitchell's model remains a common prioritization tool, but in today's business environment, other models should be incorporated to support it. Traditional models that focus on economic power do not sufficiently take into account weaker stakeholders, such as local communities and the environment, even though they are essential for responsibility and sustainability. (Diwan & Amarayil Sreeraman, 2023; Preble, 2005)

An organization's success depends on how well it identifies, understands, and manages its relationships and creates value for them. Value creation can be viewed as a process that focuses on generating mutual benefits and building long-term relationships, rather than just financial profit. Moral responsibility and business efficiency are connected as a single entity, and business decisions cannot be made without moral content.

According to stakeholder theory, a key competitive advantage lies in how well an organization is able to take stakeholders' perspectives into account in its business operations. (Donaldson & Preston, 1995; Freeman, 2010)

In stakeholder theory, an organization is an interactive operator whose overall value is created through cooperation, trust, and ongoing negotiation in changing situations (Freeman, 2010). The stakeholder network is constantly shaped by negotiations and disagreements, which is why a company's reputation is also a critical factor in the eyes of stakeholders. A good reputation strengthens relationships, while a poor reputation weakens a company's influence. The quality of these relationships is influenced by moral principles, such as respect and fairness, which also promote social capital. (Jones, 1995; Post et al., 2002)

Because stakeholders' influence and expectations are constantly changing, a company must respond to these changes through strategic decisions. In this situation, a company can be a reactive player that responds to expectations only as they appear, or a proactive player that has integrated stakeholders into the decision-making process. (Freeman et al., 2018)

2.2.2 Materiality and the challenges of stakeholder engagement

Sustainability reporting and stakeholder theory are linked by materiality, which considers how significant different stakeholders are and what expectations they have. Materiality can be defined as sustainability themes that influence stakeholders' decision-making. The double materiality underlying sustainability standards requires a company to maintain dialogue with its stakeholders. It is essential to understand the impacts of sustainability themes on the company itself and the company's own impacts on the environment and society. (Gerber et al., 2024)

Companies' engagement with stakeholders is often limited, which affects how well the company's key themes actually reflect stakeholders' expectations. However, the reporting reveals an unbalanced level of stakeholder contribution. (Tan & Dipendra, 2024). In practice, when evaluating materiality, companies may place more emphasis on the economic perspective and the more powerful stakeholders related to it. At the same time, they may pay less attention to broader social and environmental interests. (Suhardjo et al., 2026) Although bias affects the final outcome, a high-quality materiality analysis offers clear business benefits. Careful assessment and stakeholder engagement increase market value, especially if sustainability issues that are financially material have been integrated into the business strategy. (Delegkos et al., 2025)

2.2.3 Data gaps, value creation and the role of ESG reporting

When examining corporate sustainability and the communication and reporting related to it, stakeholder theory can be used as a framework for analysis (Del Gesso & Lodhi, 2025). The purpose of sustainability reporting is to balance the information gaps between internal and external stakeholders, and it also allows the company to demonstrate a wider sense of responsibility for its own operations (Diwan & Amarayil Sreeraman, 2023; Sun et al., 2022). Internal stakeholders naturally have more information about the organization's operations and risks than external stakeholders. Sharing accurate information reduces information gaps and effectively meets the need to meet the expectations of various stakeholders. (Asif et al., 2023)

Stakeholder theory can be approached by researching how companies actually operate, how taking stakeholders into account affects a company, or how companies should act from a moral point of view. The common factor in all of these is value creation. It arises from the cooperation between the organization and its stakeholders and generates both financial and non-financial benefits for all groups. (Freeman et al., 2018) In order to measure and monitor the value created for stakeholders, an organization must manage stakeholder relations and data collection. This approach is different from traditional economic thinking, in which an organization is seen as a distributor of assets. (Freeman, 2010) Because stakeholders are an important part of the strategy, companies' value

creation indicators must include not only financial considerations but also soft values, such as trust and social acceptability. Without these soft values, the theory remains a normative ideal. (Parmar et al., 2010)

Reporting provides stakeholders with a more comprehensive and transparent picture of a company's performance and risks, which in turn builds trust in the company's operations. However, based on one research study, it remains uncertain whether reporting benefits certain stakeholders, such as investors, more than others, or whether it actually serves all other stakeholders as well. (Izzo et al., 2025)

2.3 Legitimacy theory

However, are companies' materiality assessments driven by genuine value creation for stakeholders or by the need to maintain their public reputation? Stakeholder theory does not directly explain everything about companies' reporting practices to their stakeholders. Companies may conduct analyses less to listen to stakeholders' expectations than to maintain their own reputation and social acceptability. In such cases, legitimacy theory can be linked to stakeholder theory, which explains how companies build and maintain the organization's public legitimacy. (Meutia et al., 2022)

The legitimacy theory, in addition to stakeholder theory, guides responsible behavior.

The theory is based on the idea that the continuing existence and legitimacy of a company depend on how society considers the company's operations to align with its own values, norms, and expectations. If there are differences between a company's operations and society's expectations, this can threaten the company's business.

(Shocker & Sethi, 1973; Suchman, 1995)

Companies use sustainability reporting as a means to build, maintain, or attempt to restore the acceptability of their operations. Legitimacy theory explains why companies respond to external pressures and engage in reporting. (C. M. Deegan, 2019) For example, increased public attention and negative publicity increase the company's need to prove in its communications that it is paying attention to social issues and that the organization's legitimacy is deserved. By reporting on its environmental and social

practices, among other things, the company seeks to prove to its stakeholders that it is a genuine and responsible business. (Brown & Deegan, 1998)

However, achieving legitimacy cannot be based on misleading communication to stakeholders. Various accusations can quickly undermine a company's credibility if there is a gap between its claims and the facts. For this reason, a purely formal governance model is no longer sufficient to meet the needs of stakeholders. (Seele & Gatti, 2017)

An organization's ability to operate depends on the acceptance of the surrounding society. The connection between a company's actual actions and perceived legitimacy becomes more important when the ethical standards of the operating environment are strict. According to one research study, only genuinely implemented sustainability efforts build credibility and increase a company's economic value (Lee et al., 2020). The company's success and vitality are based on its ability to respond consistently and transparently to the demands of the surrounding society.

2.4 The connection between stakeholder theory and legitimacy theory

A company's ability to respond to evolving sustainability efforts and the pressures exerted by stakeholders guides its operations. In order for a company to integrate ESG requirements into its strategy, stakeholder theory and legitimacy theory can be viewed as interrelated theories. The core connection between the theories lies in the fact that stakeholder theory helps identify whose expectations the company must meet (Freeman et al., 2018; Mitchell et al., 1997) while legitimacy theory explains why this interactive relationship must be prioritized to secure the company's existence and social license to operate (C. M. Deegan, 2019; Suchman, 1995).

Legitimacy does not exist in itself but is granted and maintained by the stakeholders identified by the company (Meutia et al., 2022). Although macro-level pressures, such as European Union legislation and the Green Deal (European Commission, 2025e) establish general definitions of sustainability, a company's immediate legitimacy requirement is driven by its own value chain. Stakeholders need force the company to respond. Stakeholder theory and legitimacy theory complement each other, and here

sustainability and the circular economy serve to integrate these theories (C. M. Deegan, 2019). Since ESG reporting provides a framework for sustainability goals and the circular economy offers concrete means for their implementation, a company gains legitimacy in the eyes of stakeholders through circular economy practices such as material reuse and production optimization. (Bonciu, 2023)

Stakeholder and legitimacy theories complement each other in explaining the motives behind corporate sustainability, and while they are not mutually exclusive, they differ from one another. Stakeholder theory is a micro-level strategic model that proactively considers relationship building and responding to concrete information needs (Freeman, 2010). Legitimacy theory, on the other hand, examines the organization at the macro level and its relationship to broader society (C. Deegan & Blomquist, 2006). It interprets sustainability activities more as a reactive strategy through which the organization adapts to the social structures of its (C. M. Deegan, 2019; Meutia et al., 2022; Suchman, 1995). Stakeholder theory, therefore, clarifies this macro-level perspective by showing that the value of sustainability reporting and the building of trust are determined by how well it meets the expectations of precisely those stakeholders on whom the company is most dependent (Mitchell et al., 1997)

In decision-making, the perspectives of these two theories constantly affect the achievement of balance. An organization cannot define its sustainability themes based only on internal considerations but must be aware of the demands of stakeholders that appear in the value chain. (Diwan & Amarayil Sreeraman, 2023; Mitchell et al., 1997) If a gap emerges between the organization's operations and stakeholder expectations, the company's legitimacy is undermined (Shocker & Sethi, 1973). For this reason, decision-making must be proactive, with the organization selecting measures to promote responsibility that emerge from the materiality assessment. Only responsibility efforts that meet these expectations can build and maintain strong legitimacy. (Garcia-Saravia Ortiz-de-Montellano et al., 2023; Lee et al., 2020)

3 Sustainability standards and practices

In the last few years, the importance of sustainable development has grown, causing regulatory authorities to clarify and adapt the framework guidelines for companies' reporting requirements. The significance has changed and regulations have evolved to the current state, starting with the EU's Green Deal 2020, which is based on the Paris Climate Agreement, the Sustainable Development Goals (SDGs), and other international initiatives and standards. (European Commission, 2026)

The European Union's Corporate Sustainability Reporting Directive (CSRD) is a key driver of this development, and its aim is to improve the transparency and sustainability of reporting on environmental, social, and governance (ESG) criteria. The CSRD replaces the Non-Financial Reporting Directive (NFRD). Sustainability reporting is a constantly evolving field, and evolving regulations are tightening reporting requirements. Reporting is influenced by the following regulations: the CSRD, the CSDDD due diligence requirement and the EU taxonomy, while the ESRS serves as the actual reporting standard for CSRD reporting. (CSRD Directive, 2022)

3.1 The practical meaning, evolution and challenges of standards

3.1.1 CSRD

The European Union's Corporate Sustainability Reporting Directive (CSRD) is a regulatory framework aimed at reforming corporate sustainability reporting and enhancing the quality and transparency of sustainability information. The directive entered into force on January 2023, and the first companies to apply it included their sustainability reports in their annual reports in 2025. The previous regulatory framework, the NFRD, which guided non-financial reporting, was considered in many aspects to be unspecific and open to interpretation, resulting in significant variation in the quality of reporting across companies. The CSRD aims to address these gaps by increasing the standardization of reporting, expanding the group of entities subject to reporting requirements, and linking sustainability-related risks and opportunities more closely to companies' financial assessments. (CSRD Directive, 2022; European Commission, 2025c)

Key objectives of the CSRD include improving the transparency of corporate operations and highlighting the impacts of sustainability risks as an integrated part of business operations. The directive aims to make the environmental and social impacts of companies more understandable and to clarify how these impacts are reflected in financial performance and long-term value creation. In addition, the CSRD requires the value chain to be taken into account in reporting, which expands the scope of analysis from an individual company to the entire value chain. This change aims to create a more comprehensive approach to sustainability management, ensuring that data quality is comparable. (European Commission, 2025c)

The application of the Directive is based on a company-specific size classification. The CSRD broadly applies to large companies listed on regulated markets in the EU, as well as other entities that meet at least two of the following three criteria: more than 250 employees, revenue exceeding 50 million euros, or a balance sheet total exceeding 25 million euros. (European Commission, 2025c) Although smaller companies are not in principle within the scope of the CSRD, they are often required to provide data as part of the reporting by larger companies in their value chains. This indirect impact stems from the fact that large companies need reliable and comprehensive information from their suppliers to fulfill their legal obligations.

The CSRD is based on the double materiality requirement, which requires companies to assess their impacts on the environment and society, as well as the resulting effects on their financial performance. This approach confirms the link between responsibility and financial decision-making, taking into account the importance of stakeholder engagement. Information obtained from stakeholders is an essential part of impact assessment and helps identify the themes that are socially and business-relevant to report on. (CSRD Directive, 2022)

Regarding reporting requirements, the CSRD requires companies to report information related to environmental, social, and governance issues in accordance with the ESRS standards. Reports must include information on, among other things, greenhouse gas emissions, resource use, waste management, targets and operating principles, labor-related impacts, human rights, anti-corruption measures and board diversity. The

reported information must also be verified by an external party, which underscores the importance of the quality and reliability of the reporting. (CSRD Directive, 2022; EFRAG, 2025)

The timeline and implementation of the CSRD Directive have changed significantly in the last few years. The original plan was based on a phased implementation between 2025 and 2028. In the first phase, the reporting obligation would have applied to companies subject to the NFRD. Later, other large companies and listed SMEs would have been included. However, the situation has changed with the Omnibus Reduction Package presented in February 2025. The package aims to simplify regulations and reduce the administrative workload for companies. The preparation of simplified ESRS requirements indicates that the EU has begun to reduce the administrative workload of the CSRD. In the spring of 2025, the Commission launched a process to simplify the requirements, following which EFRAG published a draft in July 2025, proposing a significant reduction in reporting data points: 57 percent of mandatory data and 68 percent of all data in total. The draft was open for public consultation until the end of September 2025, and a refined version was submitted to the Commission in December 2025. The aim was for the updated requirements to be accepted and implemented during 2026, at which point EU Member countries would incorporate them into national legislation. (EFRAG, 2025; European Commission, 2025b; European Council, 2025)

These changes have led to most European companies being released from mandatory CSRD reporting. The shift in the regulatory landscape has made previous estimates and timelines out of date. This is a political compromise aimed at balancing sustainability requirements with companies' cost pressures. (European Commission, 2025d; European Council, 2025)

Related to the CSRD is the Voluntary Standard for SMEs (VSME), which offers small and medium-sized enterprises, as well as companies not subject to mandatory reporting, a lighter approach to reporting sustainability information. The VSME standard is linked to the CSRD framework, particularly from the perspective of value chains. Large companies need sustainability information from their supply chains. The VSME standard has been developed to facilitate this exchange of information so that

companies not subject to reporting requirements do not have to apply the heavy ESRS requirements. This makes the VSME standard a key part of the revised CSRD framework. (EFRAG, 2024)

3.1.2 VSME

The Voluntary Sustainability Reporting Standard for SMEs (VSME) is a voluntary sustainability reporting standard designed primarily for micro, small, and medium-sized enterprises. (EFRAG, 2024) However, it is designed also for companies that are not covered by the EU's CSRD Directive. The standard was developed by ERFAG, which is also responsible for drafting other EU sustainability reporting guidelines. The VSME was developed specifically to support non-listed European companies, and its scope is determined in accordance with directive 2013/34/EU. (EFRAG, 2024; European Commission, 2025a)

VSME offers companies that are not covered by the CSRD a simpler and clearer way to report on their sustainability. Since VSME is voluntary, its use does not lead to an official sustainability reporting structure in line with the CSRD. Instead, it offers a lighter alternative that can help companies communicate their sustainability efforts to their stakeholders, such as customers and partners. The Value Chain Cap limits data requirements to material information only, meaning large companies cannot demand comprehensive data from companies in their value chain that fall outside the scope of CSRD reporting. It is specifically designed for companies that fall outside the scope of mandatory reporting requirements, offering a proportionate approach compared to the ESRS standards for large companies. The model is scalable, and its underlying principle is to take into account the limited resources of SMEs and LSME, such as time, money, expertise, and human resources. The goal is to ease the collection and reporting of data so that even smaller companies can participate in sustainability efforts without a heavy administrative workload. This reduces the administrative workload by replacing multiple separate and differing surveys with a more standardised reporting model. (EFRAG, 2023; European Commission, 2025a; EFRAG, 2025)

Although VSME is a voluntary reporting standard, the reported information must meet certain quality criteria. The information must be 1) relevant, 2) faithful, 3) comparable,

4) understandable, and 5) verifiable. These requirements help ensure that the report is useful, beneficial, and reliable for both the company itself and its stakeholders. VSME reporting is based on modules, which must be reported in their totality as a rule. An exception to this is the “if applicable” principle, under which an individual disclosure requirement may be excluded if it is not relevant to the company’s operations or context. However, it is important to remember what information stakeholders need most. This exception makes reporting more practical for companies outside the scope of CSRD reporting, which may have very different business models and resources.

(EFRAG, 2024)

The voluntary reporting standard includes two different modules, and companies must decide which option is more suitable and better for their situation. The VSME standard does not require double reporting, which simplifies the decision-making process. The Basic Module is the minimum requirement for compliance with the standard, while the Comprehensive Module requires reporting of the data from the Basic Module first, meaning the Basic Module always serves as the foundation. Table 1. outlines the differences between the VSME modules. (EFRAG, 2024)

Table 1. VSME Standard modules

Basic Module	Comprehensive Module
The minimum requirement of the standard for reporting basic information	A module that complements the minimum requirements of the standard, providing additional information on corporate responsibility that banks for example may require
The report covers, for example, basic information about the company, sustainability goals, greenhouse gas emissions, energy consumption, as well as workplace accidents and pay equity	Reports include information on the business model and strategy, emission reduction measures, climate risks, and human rights policies
Designed for small businesses that want to get started slowly, with no prior experience, covering the basics	For companies whose investors or major clients require more extensive reporting, and who wish to demonstrate their commitment to sustainability more comprehensively and stand out from the competition

It is important to remember that a sustainability report based on VSME standards is not the same as a sustainability report based on the CSRD, which follows ESRS standards. Although the reports share similarities in their content guidelines, they differ in terms of

their mandatory scope and target groups. For example, a major difference between these reports is that VSME does not require a double materiality assessment.

3.1.3 CSDDD

The Corporate Sustainability Due Diligence Directive (CSDDD) guides corporate operations and requires large enterprises to identify, prevent, mitigate, and remove any negative human rights and environmental impacts arising from their activities. This responsibility is not limited to the company's own operations but extends to the entire value chain and also to any subsidiaries. (Directive (EU) 2024/1760, 2024)

CSDDD affects smaller companies because responsibility flows down the value chain from larger companies to smaller businesses. Since large companies are legally required to take action, unlisted companies and subcontractors face increasingly tight requirements to maintain their position in the supply chain. The directive primarily emphasizes proactive cooperation, where terminating the partnership is a last option if the negative impacts cannot otherwise be resolved. (European Commission, 2024)

The Corporate Sustainability Due Diligence Directive (CSDDD) is related to sustainability reporting, as it defines the practical measures that must be reported in line with the CSRD. The CSDDD requires companies to identify and mitigate the negative impacts of their operations and engage in dialogue with their stakeholders. When large companies prepare their sustainability reports, they need information across their entire value chain. (EFRAG, 2024; European Commission, 2024)

3.2 Challenges in non-listed enterprises

Adapting to the circular economy is particularly challenging for small and medium-sized manufacturing companies. However, these non-listed companies play a key role in reaching the full potential of the circular economy, as they represent about half of the world's gross domestic product. Without the participation of non-listed companies, the transition toward sustainable development goals and responsibility cannot be fully achieved. (Nadeem et al., 2025)

According to a document published by the Ministry of the Environment, sustainability efforts in non-listed companies often begin in response to external demands, such as customer enquiries. From the perspective of stakeholder theory, non-listed companies must be able to proactively meet the expectations of the value chain rather than passively fulfilling requirements, to maintain their legitimacy in the B2B market. Such reactivity can lead to a situation where a lot of quiet sustainability work is done within the organization that goes undocumented. Undocumented work represents lost value for both the company itself and its stakeholders. Instead of being a separate area, sustainability should be integrated into all of the organization's operations as a whole. (Alho & Ranta, 2025) According to legitimacy theory, accountability must be transparently reflected in a company's structures so that stakeholders' information needs are met and data gaps in the value chain can be minimized.

Stakeholder demands and legislation are increasingly pushing companies toward better transparency. The CSRD introduces requirements that also indirectly affect supply chains. (Niemann et al., 2025)

Supply chain management is becoming a critical factor as listed companies increase their requirements, both within the framework of legislation and in line with their own objectives. More than 50 % of large companies have decided to switch subcontractors due to increased sustainability requirements. (Elinkeinoelämän keskusliitto, n.d.) Future prospects support this trend, and research shows that 40 % of large companies expect to switch suppliers in the future as well. (OP, 2026) These developments are placing medium-sized companies, which operate as part of global supply chains, in a new situation. Regulation of large companies inevitably affects the subcontracting chain. Companies that can demonstrate their responsibility with reliable data and communicate it transparently can turn these requirements into a competitive advantage while opening up new opportunities in supply chains. (Elinkeinoelämän keskusliitto, n.d.)

The systematic collection and reporting of sustainability data as part of stakeholder dialogue remains a challenge for many non-listed organisations, even though there is a growing understanding of their role in maintaining legitimacy. According to a survey by

the Confederation of Finnish Industries, the most significant barriers to progress are limited resources, which were cited by 69% of respondents. Companies often act responsibly because of their values. However, the economic benefits of responsibility do not yet drive decision-making. These limitations are clearly evident in the fact that companies most need support in developing sustainability indicators and planning their strategy. Without clear indicators and targets, the valuable work done by the organization cannot be translated into a form that stakeholders can understand, and therefore cannot be turned into a competitive advantage. With limited resources, the focus must therefore be on impacts that are essential to the company's own operations, and progress must be made from analyzing the current state toward defined goals. (Elinkeinoelämän keskusliitto, n.d.)

According to stakeholder theory, the purpose of reporting is to guide value creation and address material information needs. Sustainability reporting should therefore support business operations, and if reporting is disconnected from these requirements, there is a risk of inefficient use of resources. A survey of large companies shows that nearly half of them feel that reporting takes resources away from their actual sustainability work. (OP, 2026) This insight is also important when developing voluntary reporting.

According to Toivonen (2025), a sustainability expert at the Helsinki Chamber of Commerce, the challenges are not limited to reporting alone but are increasingly related to concrete changes in business models. In her webinar, the expert emphasizes the need to critically examine how a company can truly transition from a traditional linear economy toward a circular economy. This, however, also requires, for example, a reassessment of supply chains to determine how products from third countries should be replaced with European alternatives whenever possible. Furthermore, a strategic approach opens opportunities for new sources of funding, such as EU innovation grants, which often require participation in international collaborations. Looking at sustainability as an opportunity rather than a threat requires incorporating it into value creation and having the ability to meet stakeholder expectations by ensuring that operations are transparent and reliable.

3.3 Summary of the theoretical framework

Legislation and its ongoing development, such as the CSRD, create uncertainty for companies regarding their operating (CSRD Directive, 2022; European Commission, 2025e). The stakeholder pressure related to sustainability faced by non-listed companies differs from the situation of larger listed companies. For these companies, stakeholder pressure often comes directly from investors and financiers. For most unlisted companies, stakeholder pressure is exerted indirectly through the value chain as a trickle-down (European Commission, 2024; Niemann et al., 2025). In the B2B market, the most significant stakeholders for companies are their larger client companies, whose information needs and expectations determine the conditions for the legitimacy and continuity of the supplier company's business operations (Elinkeinoelämän keskusliitto, n.d.).

From the perspective of legitimacy theory, standards serve as tools that enable a company to respond to changes in legislation and ensure that the company and its stakeholders share a common understanding of sustainability (C. M. Deegan, 2019). These tools provide a structured framework that enables a company to demonstrate its compliance and ensure the acceptability of its operations in the eyes of stakeholders (Alho & Ranta, 2025; Suchman, 1995). Consistent ESG reporting reduces data gaps between companies, transforming stakeholder pressure into clear and comparable data (Asif et al., 2023; EFRAG, 2024)

Responding to data requests and managing uncertainty are directly linked to the customer experience within the value chain. The listed companies face sustainability reporting obligations in their own operations and therefore need reliable information about their supply chains (OP, 2026). In this context, the customer experience is shaped by how a non-listed company can proactively provide its customers with the data they need in a standardized format. When a supplier helps proactively fill data gaps in the value chain, it directly reduces the customer's workload and minimizes risks, which strengthens trust and the continuity of the business relationship. (Amel-Zadeh & Serafeim, 2018; Elinkeinoelämän keskusliitto, n.d.)

A company and its stakeholders create shared value when the company uses integrated data to manage risks and meet stakeholder expectations. By doing so, the company creates success that benefits both the company and its stakeholders. (Freeman, 2010)

In this context, value creation is not a one-way process of meeting expectations, but rather continuous interaction within the value chain. This continuous interaction is described as collaborative value creation, where close and open communication benefits both parties (Austin & Seitanidi, 2012). When an unlisted company balances the different expectations of stakeholders with its own limited resources, responsibility standards provide tools for decision-making. By combining concrete actions and stakeholder expectations into transparent operations, the company transforms external pressure into a strategic competitive advantage. (Elinkeinoelämän keskusliitto, n.d.) In this way, the company not only meets external requirements but also creates measurable economic and soft value for its customers, such as trust and reduced supply chain risks (Parmar et al., 2010) At the same time, shared value strengthens the company's own legitimacy and long-term viability (Lee et al., 2020).

4 Methods

4.1 Research approach and methodology

This thesis is a qualitative study, as its aim is to understand how sustainability is integrated into a company's strategy, decision-making, and operations. According to Dowling et al. (2016), qualitative methods, such as interviews, are an effective way to gain a deeper understanding of processes and strategies. A qualitative approach allows for a comprehensive and context-specific analysis of different perspectives when interpreting complex causes and effects and a company's operating practices. (Dowling et al., 2016)

Corporate sustainability is not reflected in individual activities, as it is built on practices, stakeholder engagement and expectations, as well as the aim to achieve legitimacy. Understanding these different aspects requires methods that allow for the examination of meaning and experiences from the participants' perspective. Qualitative research allows us to go deeper and identify the underlying assumptions that drive the organisation's operations. At the same time, it helps us understand how experts make decisions and solve practical problems in their own work tasks. (Tracy, 2010) qualitative approach also makes it possible to identify the connection between stakeholder expectations and reporting standards.

The case study focuses on Vahterus Oy, and the aim of the study is to provide information that can be directly applied to the development of the company's sustainability activities. At the same time, the case study enables the theoretical framework to be applied and developed through practical findings. The goal is not only to describe the current state of the company, but also to support the development of its sustainability reporting and to produce methods through which sustainability information can be put into practice and used in decision-making. The case study provides an opportunity to understand the company's operating practices and identify methods through which sustainability information can be used more systematically.

According to relevant theories, value creation and long-term success are based on continuous interaction with key stakeholders. A company's primary stakeholders, such

as customers and employees, are crucial to its vitality. (Freeman, 2010) Stakeholders' responses are directly reflected in a company's market position, especially in situations where competition is strong and growing, and differentiation is difficult. When a company understands the different stakeholders' perspectives and is able to respond to them consistently, its actions can build and strengthen trust, which is central to operational development and business success. (Arikan et al., 2016)

4.2 Data collection

The research data consists of documentary and interview data. Vahterus's internal documentary data serves as secondary data, which was collected during a project in spring 2025. The data includes the results of a double materiality analysis and a gap analysis. The material describes the company's identified sustainability themes and areas for improvement. The document provides context for the company's current state and helps to understand the structural factors that influence sustainability.

The interviews provided the primary data for the study and were completed in two separate phases in January and February 2026. The interviews were performed via Microsoft Teams. The interviews were recorded in their entirety and transcribed word for word using Microsoft's own Teams transcription feature, which automatically converts speech into text that is saved as a separate file. On average, the transcriptions produced 33 pages of text per interview for analysis. The first round focused on external stakeholders, and the interviews lasted an average of about 45 minutes. Five international customers from around the world were selected for the interviews. The selection criteria were that the interviewees operate in the next stage of the value chain and are in ongoing collaboration with Vahterus. This helped to gain an overall picture of the differences between market areas, the functionality of the customer interface, and how expectations and practices related to sustainability are perceived from the customers' perspective. Customer experiences provide valuable information on how the company's operations are seen from the outside.

Table 2. Background information on the customer experts who participated in the research and the duration of the interviews

Interviewee	Role description	Industry experience	Duration
Interviewee A	Sourcing Manager	12 years	41min
Interviewee B	Sourcing Team Lead	3 years	43min
Interviewee C	Supply Chain Manager	16 years	38min
Interviewee D	Sourcing Specialist	6 years	51min
Interviewee E	Procurement Buyer	4 years	56min

A second round of interviews was performed with five of Vahterus's own employees. The average duration of the interviews was approximately 33 minutes. The purpose of this phase was to compare internal perspectives with the observations raised by customers and to identify potential contradictions, similarities, and explanations for the processes behind them. The interviews provided an opportunity to deepen our understanding of how sustainability information is currently being used in decision-making and operations.

The interviews were structured as thematic interviews, which helped maintain a conversational environment. The interviewer guided the discussion using the five main themes and questions presented in Appendix 1, and the themes were expanded upon with additional questions as needed. This method made it possible to maintain a structure in each interview and ensure comparability, while also allowing the interviewee space to express their own priorities. In addition, following the themes, clients were given a short four-point quantitative survey that served as a summary of the entire interview.

4.3 Analysis methods

The data was analyzed using thematic content analysis. The goal was to understand the structures of the data and identify the key themes related to the topic. Content analysis allows for the examination of predefined themes and the identification of new perspectives.

The primary purpose of analyzing the document data was to establish a foundation for the study and guide the selection of interview themes. In practice, key sustainability impacts, risks, and opportunities that the company had already identified in its own value chain were extracted from the data. This analysis phase produced predetermined themes, such as sustainability goals, upon which the actual interview framework was built. The document analysis thus served as a contextual backdrop for the study and, at the same time, as a critical guiding tool. The document ensured that the interviews focused precisely on those themes where the differences between the company's internal processes and the expectations of external stakeholders are most significant.

The analysis of the interviews started deductively, that is, based on information derived from the documentary data. The interview data was organized chronologically into predefined themes derived from the company's internal documentary data. This structure served as a foundation, after which the data was searched for recurring keywords, concepts, and observations. These individual observations were then grouped into broader categories. In addition to the themes of the interview framework, the strongest categories naturally emerged as the overarching categories of environmental sustainability, social sustainability, and good governance.

The analysis focused on finding patterns, differences, and variances. Particular attention was paid to differences between the views of customers and employees, as these can provide more detailed insights into areas for development or misunderstandings between different stages of the value chain. The document analysis process was conducted in Finnish, and the interview data was analyzed in English. It should be noted that in the analysis of qualitative data, occasional contradictions among interviewees or overlapping themes required the researcher to interpret and revisit the original audio recordings in order to distinguish the core messages of stakeholder expectations from the fragmented narrative. Distinguishing the core message necessarily relies on the researcher's own judgment regarding what is essential and what is not.

4.4 Research data

The research data consists of secondary data, as well as five external interviews and five internal interviews, which together provide a comprehensive overview of the current state of sustainability and opportunities for improvement. The scope of the data is sufficient, as the aim of the thesis is to gain a deeper understanding of a single case company rather than to generalize to a wider target group.

The reliability of the study was enhanced through data triangulation by combining documentary data, external customer interviews, and internal employee interviews. The secondary data consists of documentation from a project carried out in the spring of 2025, which includes a duality analysis and the results of a gap analysis. The insights gained from the interviews were compared with these documents. For example, in a situation where a customer highlighted sustainability as a competitive advantage and a differentiating factor in an interview, this claim was cross-checked against the documentary data, which confirmed that the company had identified the same factor as a driver of change, among other things. This integration enabled the formation of a more comprehensive and balanced overall picture and reduced potential biases in individual data sources.

Detailed documentation, interview recordings, and transcripts enabled a systematic analysis and the opportunity to return to the original data to verify interpretations. Interviewees were also given the opportunity to comment on, clarify, and revisit their own responses. Validation by the interviewees reduced the risk of misunderstandings and strengthened the reliability of the analysis.

The interviewer is employed by the case company, which may influence the interviewees' responses as well as the interpretation of the data. This has been taken into account in the study through a data-driven approach and the documentation of the analysis process. To manage this risk, the researcher has consciously sought to adopt the role of a critical analyst and interviewer, as well as to question their own assumptions. Working at the target company may introduce bias into the analysis, as the researcher's prior experience of for example, the organization's operations, processes, and corporate culture influences their observations. The interviewees were

informed prior to the interview that participation was voluntary and that the aim of the study was to develop the company's operations, not to evaluate individual persons, teams, or the company. The interviewer's role as a company employee may influence the dynamics of the interview situation and how interviewees frame their responses. Internal interviewees may express their views more cautiously, which may reduce the emergence of critical observations. External interviewees, on the other hand, may perceive the interviewer as a representative of the company, which can lead to more normative responses.

5 Results

5.1 The current state of ESG activities

The current state of Vahterus Oy's sustainability work is based to a significant extent on the results of the double materiality assessment performed in the spring of 2025 and the gap analysis that followed. This project provides an overall picture of the extent to which Vahterus's current practices, metrics, and data points meet the requirements of sustainability reporting. The project and the materiality assessment were based on the information available at the time, when the CSRD Directive was expected to become mandatory. The available material presents in detail the topics the company should have reported on and the data gaps that would require further action.

5.2 Critical ESG themes in Vahterus's business operations

ESG reporting provides a framework that allows companies to highlight the material themes and actions related to their sustainability activities. Identifying material sustainability themes is a key part of ESG reporting and is based on an understanding of the company's operations and the identification of sustainability risks. In CSRD reporting, materiality is assessed through a double materiality assessment, which considers both the company's impacts on its external operating environment and the financial significance of sustainability factors to the company. Since sustainability reporting must be verified by a third party, the double materiality assessment must identify the correct themes and ensure that they are linked to the company's strategy and decision-making.

In the materiality assessment performed, Vahterus identified the following as material sustainability topics: climate change (E1), resource use and the circular economy (E5), its own workforce (S1), employees in the value chain (S2), and consumers and end users (S4). The selection of these topics is based on their importance, either for the company's own operations or for its impact on stakeholders. The gap analysis confirmed that the greatest gaps were related to aspects of the climate change theme, particularly the calculation of the organization's carbon footprint and the development of a transition plan. No significant information gaps were identified in social

responsibility when utilizing the phased approach permitted by the transition provisions.

Although the reporting requirement would have focused primarily on the themes mentioned above, it is also justified to examine, for example, good governance (G1) from the perspective of long-term business development. Governance is a cross-cutting theme that necessarily affects all a company's operational and strategic activities.

5.2.1 Environmental

Climatic change-related information represents the largest area in terms of workload, and according to the data, this topic includes a total of 104 data points to be reported. The biggest gap relates to the calculation of the company's organizational-level carbon footprint, which requires not only Scope 1–2 emissions but also a Scope 3 calculation covering the entire value chain. If the CSRD reporting requirement had been implemented, scope 3 emissions data could have been delayed, but the consultation used in the project recommended carrying out the calculation early on, as the information needs of customers and other stakeholders are increasingly focused on total emissions across the value chain.

Another gap relates to the transition plan, which, based on current information and requirements, should extend to 2050 and include an intermediated target for 2030. According to the data, the plan should include not only targets but also concrete measures, indicators, and investment plans. Although the transition options allow for qualitative reporting, the gap analysis indicates a need for a more structured approach in which climate targets are linked to business strategy and trackable measures. The data illustrates key reporting data points in a transition plan, such as methods for decarbonization, scenario analysis of climate risks, and monitoring of targets.

The most significant gaps in the areas of resource use and the circular economy relate to the level of recycling and waste management monitoring across organizations, taking into account international criteria. Some of the financial indicators for this theme are subject to transitional requirements. However, reporting capability for this theme requires comprehensive documentation and coordination of material flows. This

confirms that reporting on environmental responsibility requires the establishment of metrics and the standardization of data collection as part of Vahterus's normal operational processes.

Although the gap analysis highlights areas for improvement in environmental issues, the data reveals strengths that support Vahterus's transition toward more comprehensive sustainability efforts. A significant strength is that the company already has the capacity to report on general environmental disclosures, and there are no significant gaps in these reports. Basic management structures, principles, and documented practices related to environmental responsibility are in place and effective and provide a good foundation for further development. A clear understanding of the workload required for carbon footprint calculation and the transition plan can be seen as a strength of the company. The ability to identify and prioritize these challenging areas early on demonstrates a commitment to the systematic development of the reporting process.

5.2.2 Social

In the social responsibility themes, the results of the gap analysis are more balanced than in the environmental themes, which means that Vahterus is in a good position to report on its social sustainability performance. No significant data gaps were identified in the workforce theme when transitional measures were taken into account. This theme covers a wide range of areas related to personnel responsibility, such as working conditions, occupational health and safety, equality, and skills development. In addition, the themes related to consideration of customers and end users are also on solid ground from a sustainability perspective. The fact that no information gaps were identified suggests that these areas are a central part of business operations and that the related processes and practices are under control.

However, there is a contradiction in the data regarding the theme of value chain workers. One section says that there are no data points, while another lists 71 possible data points. Such internal inconsistency points to the need to review the final scope of data requirements. Regarding the topic related to customers and end users, there appears to be a good level of readiness for reporting, and the transitional regulations support the phased development of reporting.

5.2.3 Governance

The data do not present the G1 governance topic as a separate area, nor are there any detailed data points on the topic. However, the findings from the project suggest that the governance responsibility framework is still in its early stages of development and requires systemic changes.

The minor gaps in approximately 140 general data requirements indicate that the organization has a solid foundation for data collection. However, the full implementation of data points requires a clearer definition of strategic guidelines and focus areas. The basic structures of the governance model are in place, but their roles are not yet fully clarified, and the identification and strategic integration of sustainability themes have not yet been systematically incorporated into decision-making.

However, the results of the report and the gap analysis have a positive impact on the governance theme. The systematic nature of the analysis and the definition of the next steps demonstrate that the organization has the capacity to manage its sustainability efforts and develop a comprehensive overview of them. Although the data does not include a separate governance model analysis, the identified competencies provide a good starting point for advancing the theme.

5.3 Analysis of the ESG project results

Vahterus's sustainability work is guided and influenced by a number of external and internal factors. These include, for example, the EU taxonomy, customers' growing need for information on emissions in the value chain, opportunities related to cost efficiency, risks to business operations caused by climate change, and the importance of sustainability in strengthening competitiveness, brand image, and employer reputation. Since Vahterus operates within the supply chains of several large companies Pressure from stakeholders and regulatory pressure are exerted through the value chain.

Based on the gap analysis, Vahterus is in a situation where key aspects of its environmental sustainability reporting require further development. Social responsibility topics are better managed thanks to transitional provisions, but some of these topics need to be clarified. Overall, Vahterus's capabilities regarding general

reporting requirements are reasonable, but systematic reporting requires strategic guidelines and clarification of responsibilities. The expansion of reporting scope requires a phased and systematic approach, in which data collection and the development of internal coordination will play a major role. The current state has many strengths that form a solid base for sustainable business operations.

After the gap analysis was performed, there have been significant changes in the regulations governing sustainability reporting, as a result of which Vahterus is no longer directly required to report on its operations in accordance with the CSRD Directive. However, some of Vahterus's customers and other stakeholders may still fall under the reporting requirement. Companies that fall under this requirement will continue to need information about their entire value chain and, therefore, also from their customers and subcontractors.

The pressure to collect data is limited by the regulatory value chain cap. It protects smaller companies from unreasonable reporting requirements from larger companies. (Directive (EU) 2026/470, 2026) The report describes how Vahterus's large corporate clients specifically expect transparency and information regarding sustainability in the value chain, such as emissions. Although the company is not legally required to report, indirect market and customer-driven pressure demands such information. As noted in the theoretical section, non-listed companies often do not report on their operations simply because they are required to do so by law. A more significant reason is the desire to serve stakeholders who are important to the company and to provide them with the information they need (C. Deegan & Blomquist, 2006).

In this changed situation, reporting should not be viewed simply a requirement, but its value should be seen as part of the company's strategic competitiveness. The data shows that sustainability is an integral part of Vahterus's business operations. This is supported by external factors, such as customer requirements, which increase the need for transparent sustainability information. Operating as part of large companies' supply networks increases the company's strategic weight in the sustainability assessment of the value chain. Producing reliable and standardized sustainability data provides a competitive advantage over other players. From this perspective, reporting

can be viewed as an investment that strengthens both the company's market position and trust among stakeholders.

Developing sustainable business practices requires a comprehensive knowledge of how a company's operations affect various stakeholders and what expectations these groups have regarding sustainability issues. Key stakeholders define expectations for sustainability management. Meeting these expectations should not be limited to reactive reporting, but would strengthen the company's position in value chains where sustainability has become a key factor in assessing quality and partnerships.

The systematic collection of sustainability data and its sharing with stakeholders builds a company's long-term value and credibility. Reporting provides a way to communicate and commit to sustainable business goals, track progress, and report on it reliably, regardless of whether legislation requires it or not. Although the CSRD has removed the formal reporting requirement from business operations, the importance of sustainability in the market and among stakeholders is on the rise. The direction of the directive indicates that voluntarily developed sustainability reporting can become a competitive advantage that strengthens a company's position and allows it to participate in value chains where sustainability is increasingly a prerequisite for business rather than just a complementary part of it.

5.4 Identifying stakeholder needs

Corporate sustainability cannot be developed alone but is built through a company's interaction with its key stakeholders. In this case, customers, employees from different departments, and management have been identified as key stakeholders. Each of these groups influence sustainability in their own way, and their perspectives are essential when assessing the materiality and future direction of sustainability.

Customers reveal a lot about a company and have a significant influence on how its operations take shape, and the same applies from a sustainability perspective. Their demands and expectations drive the company to develop its operations, for example, in reducing environmental impacts and ensuring sustainability in the supply chain.

Customers' growing interest in sustainability can serve as a driving force for

development, but it can also create pressure for the company to be more transparent and offer more sustainable solutions. In this way, customers directly influence the company's reputation, competitiveness, and market position. (Arikan et al., 2016)

A company's employees are the ones who make the business run. Their everyday experiences and perspectives reveal concrete issues that may not necessarily be apparent to management or external parties. Employees in different departments can offer perspectives on issues such as working conditions, safety, or resource utilization. Furthermore, employee commitment to sustainability, for example, has an overall impact on the organization's operating culture and on how sustainability principles are integrated into daily work tasks. (Collier & Esteban, 2007)

The company's board of directors and management guide the work at the strategic level. They make decisions regarding the focus of operations, how goals are set, and what resources are allocated to development, for example. Management also plays a key role in how sustainability is integrated into the overall business and long-term planning. Among the various stakeholders, management plays the connecting role, combining external expectations of the company with internal operating models directed toward the employees. (Waldman et al., 2006)

Developing sustainability requires an understanding of how different stakeholders view the themes that are important to the company, their relevance, and their role in business operations. In this case, the selected stakeholders influence sustainability from different perspectives. Customers guide sustainability through external requirements and market pressures, employees highlight everyday practices, and management determines the strategic direction and the resources to be used. The perspectives of these identified groups provide a valuable starting point for a more detailed assessment of the materiality of ESG practices (Calabrese et al., 2013).

5.4.1 Customer expectations

Customer interviews performed in early 2026 revealed that the role of sustainability in supplier-customer relationships is undergoing a transition, in which traditional expectations such as delivery reliability and technical reliability are still strongly linked

to sustainability-related information and strategic expectations. There are notable differences in the data regarding customer experiences. Some customers have long operated in a sustainability-regulated environment where measured sustainability data is an integral part of procurement processes. For others, sustainability is reflected more indirectly, for example, in expectations regarding quality and delivery reliability. Overall, the expectations reported by customers, which are presented by theme in Table 3, present a clear picture that sustainability is not viewed as a separate issue, but rather as part of a supplier's overall performance and strategic relevance.

Table 3. Key points from the interview structure and assessments provided by customers.

Theme	Key points	Key finding	Numerical rating
A. Collaboration & Partnership	Smooth collaboration is a critical source of trust	Customers value prompt communication, clear points of contact, and proactive service. Challenges include conflicting schedules, delays in documentation, and inconsistent quality.	7 (fluency) / 8 (daily communication) / 9 (ease of collaboration)
B. Sustainability Goals & Procurement	Social responsibility has become a fundamental criterion in procurement	Customers expect certifications, emissions and energy data, clear processes, and transparent supplier evaluations. Supply reliability is considered part of corporate responsibility.	5–8 (satisfaction with sustainability information)
C. ESG Data	ESG data serves as a direct measure of trust	The most challenging aspects are product-specific CO ₂ calculations, monitoring energy consumption, and consistent reporting. Standardization would facilitate collaboration.	8–9 (sufficiency of data) / CO ₂ and energy cited as the most challenging
D. Development Opportunities	The need for improvement focuses on quality, foresight, and documentation	Customers want clearer approval processes, faster response times, consistent quality across production sites, and standardized data.	No direct numerical question
E. Customer Journey	Customers value 'ease', consistency, and proactive communication	The best aspects are quick response times and direct communication. The weakest points are delivery delays, slow documentation, and visible quality issues.	3–10 (varies significantly depending on the customer)

The majority of interviews brought up the importance of concrete and measurable sustainability data. Information related to environmental responsibility such as product-

specific carbon footprints, energy consumption and material flows was highlighted in particular. For many customers, these will become a basic requirement when selecting suppliers. Calculating the carbon footprint was described as challenging but absolutely essential. Customers pointed out that the credibility of the calculation requires transparent information on the origin of raw materials, energy consumption in production processes and for example, the impacts of logistics. Many interviewees also expressed concern that there are no consistent practices across all suppliers regarding the level or methods of emissions calculation. In such cases, the supplier performs the calculation using its own resources, which makes it difficult to compare data. According to one interviewee, for example it is difficult to demonstrate energy efficiency and improvements in it. As a result, the systematic collection of product-specific environmental data is becoming a requirement for sustainable business practices and credibility.

Alongside environmental sustainability, expectations also were raised regarding stronger visibility of social and governance aspects of sustainability. These expectations related, in particular, to the development of employee skills, the clarity of occupational health and safety practices, responsible operating methods at the beginning of the supply chain, and availability to participate in audits. Several customers reported that responsibility assessment is already included in their own or third-party established supplier evaluation processes, which cover topics such as safety management and human resources policy. Such requirements did not appear as separate sustainability criteria, but rather as part of the supplier's basic qualifications. A supplier must be able to show that its operations meet certain standards in order to be included in the supplier network at all. Supplier evaluation is conducted before the start of cooperation. The information is typically revalidated in 3–5-year cycles, unless emerging issues require more frequent reviews.

Qualitatively, the interview data confirmed the finding that, in the view of customers, sustainability is strongly connected to the operational reliability of the supplier. In many interviews, sustainability was not primarily defined through formal reports or various public goals, but rather through operating practices. A responsible supplier communicates openly, acts proactively, takes responsibility for issues such as quality

problems, is able to respond quickly to customer inquiries, and provides clear evidence of its improvements. Delivery reliability has become particularly important. For some customers, previous delivery delays had caused significant risks and financial losses. Delivery reliability is not considered a secondary factor, but is often seen as a strategic requirement for cooperation. This concrete reliability is necessary to ensure that both the customer's and the supplier's performance, processes, schedules, and the quality of the final product remain at the expected level.

The supplier's role as a strategic partner appeared in two ways during the interviews. Some customers described situations where their own strategic decisions required suppliers to meet certain sustainability requirements. These requirements include, for example, environmental indicators, the need to meet audit requirements, or the requirement to move toward lower-carbon solutions in their own processes. In such contexts, sustainability was not negotiable but rather a basic requirement of regulation or the company's internal strategy. On the other hand, some interviewees described situations where a supplier's sustainable approach was viewed more as a competitive advantage. In such cases, the supplier's ability to set clear goals, track its progress, and communicate transparently about it was seen as significant added value that could make the supplier a more attractive partner than alternative suppliers. In this way, sustainability appeared as a strategic resource that enhances the supplier's position in long-term networks.

As the interviewer moved on to the topic of standardised practices and their impact on reducing overlapping tasks, a clear trend became apparent in the data. Many responses expressed a hope for clearer and more standardised reporting practices for sustainability. Customers wanted reporting formats to be standardised, as many have multiple suppliers from different geographic regions and industries. A standardised reporting framework would clarify differences between suppliers and facilitate the analysis and comparison of sustainability data. Although some respondents were hesitant about a voluntary standard, many saw standardisation as beneficial, particularly from the perspective of smaller suppliers. Interviews noted that small players often lack sufficient resources to respond to extensive and varied data requests, and standardisation could therefore support them. Respondents considered it

important that the sustainability reporting model be compatible with existing systems. In practice, this means compatibility with platforms such as EcoVadis, so that the reporting provides real benefits in supplier evaluations.

Expectations regarding the development of collaboration formed one part of the interview data. Customers described specific examples where the main challenges in supplier collaboration were related to communication, documentation management, and, among other things, quality differences between production sites. Slow documentation and unclear workflows were highlighted as particularly critical issues in projects where technical approvals and certifications are time-consuming and multi-stage processes. These delays were often caused by uncertainty regarding who was responsible for approving the documentation. Customer feedback highlighted a need for the supplier to take on a stronger role and provide guidance right from the early stages of collaboration. Several interviewees mentioned the need for early communication, particularly when there are potential risks to production schedules or if changes occur in the market situation for materials that could affect costs or delivery times. The importance of proactive communication was pointed out by noting that even a small delay can become critical if the customer is not informed of it in time.

The importance of personal interaction for collaboration stood out exceptionally strongly in the data. The interviewees reported that direct, face-to-face communication, such as visits to production facilities, builds trust and provides an opportunity to examine production processes firsthand. One respondent summed this up by saying that the real situation can only be understood on-site. At the same time, visits offer a concrete way to verify sustainability, as the actual state of working conditions and environmental issues, for example, often becomes clear only through on-site observation, not just by reading reports. Such visits were also considered important because they strengthened the supplier's presence and demonstrated a commitment to developing the partnership. Emails or remote meetings alone were found to be insufficient in complex or technically demanding situations where understanding the details is essential.

Based on the interview data, sustainability expectations are strongly connected to the supplier's general capabilities. Customers do not view responsibility as a separate reporting requirement, but rather as part of the company's overall operating approach, such as delivery capability, transparency, technical reliability, and the readiness to develop its own operations over the long term. Sustainability is a changing area that is expected to evolve and become more specific in the future. At the same time, it serves as a measure of reliability and competitiveness. If a supplier can provide transparent, verified, and accurate information, it strengthens customer trust and reduces the risks associated with the partnership. However, if sustainability cannot be demonstrated concretely, the partnership is perceived as uncertain and likely to be disrupted. It is important that essential information is not left unused. Through active communication and transparency, a sustainable competitive advantage can be built and trust in partners can be deepened.

Overall, the interview data gives a clear idea of what needs and expectations customers have concerning responsibility and how they experience it. Customers expect reliable information, smooth communication, technical consistency and a proactive approach to collaboration. These expectations are not separate but are all related to each other and to sustainability. The reliability of sustainability data can strengthen trust, trust improves collaboration and good collaboration, in turn reduces business risks. The data shows that future supplier relationships will be built on how well the supplier is able to respond to this overall picture, not to individual aspects of sustainability.

5.4.2 Employees' expectations

The data on employees' experiences gives a pretty solid idea of what expectations different departments have for taking responsibility and making improvements, which are presented by theme in Table 4.

Table 4. Themes and perspectives raised by employees.

Theme	A point of view that came up in the interview
Who is responsible for sustainability activities?	There is a need to designate a clear point of responsibility for sustainability efforts to achieve consistency in roles, decision-making, and implementation.
Clarifying change management	A request for common practices regarding when a customer request is considered a change (e.g., an additional charge), as well as a clear process for handling such changes.
Strengthening proactive customer communication	The need for standardised communication procedures (acknowledgments, delay warnings) to strengthen internal and external trust.
Structuring customer feedback	The need to create a standardised model for collecting, recording and sharing feedback, including making positive feedback visible.
Strengthening a shared understanding of the customer	Silent knowledge is currently concentrated within a small group of experienced experts, and there is a need to spread understanding of customer collaboration more widely throughout the organization.
Sustainable communication quality assessment	A suggestion for an expert team or person to review sustainability responses (technical accuracy, consistency) before they are sent to the client.
Alignment of ESG indicators	The need for a single, unified data reporting format: common indicators, data fields, and definitions.
Providing clarity on supply chain data	Growing demands for demonstrating authenticity and traceability require common operating principles and documentation.
Clarifying roles and responsibilities in the order-to-delivery process	The need to ensure that the effects of approval delays, for example, are understood in the same way across different functions.

The everyday practice of corporate sustainability was perceived as cross-functional, but its integration into daily routines was seen as uneven. Practices related to social sustainability, such as equality, workplace well-being, legal compliance, and the associated metrics, are the most advanced, and they have already been partially integrated into work through internal processes. Regarding other areas of sustainability, systematic adoption was still seen as a developing process. There are indicators, but their systematic use and role in guiding everyday decisions were described as lacking, meaning that operational priorities are still guided by quality, safety, and delivery

capability. At the same time, a few interviews noted that raising these factors above the minimum requirement level requires a solid business model so that the use of resources is justified.

Sustainability related to technical operations is reflected in standard compliance, documentation, and justification for decisions. When a customer's request cannot be fulfilled, the standard practice is to explain the limitations, such as material availability and technical feasibility, which supports more responsible decision-making.

Employees interviewed pointed out how interactions at the customer interface provide the context for operational activities. In customer-specific solutions, the smoothness of the delivery process is closely linked to co-development, technical precision, and responsiveness. Key factors driving and clarifying decision-making include collaboration during the offer phase and kick-off meetings for demanding projects. Internal collaboration was also generally viewed positively, but the need to clarify the division of responsibilities and improve the coordination of operational activities was highlighted. Nearly every interview noted that proactive communication is the foundation of the trust experienced. Customer expectations are best answered with quick acknowledgments, early-stage communication, and a description of the situation even when the final answer is still in progress. This principle was identified both in customer-facing interactions and in other internal operations.

When it comes to social sustainability topics such as occupational safety, onboarding, and equality, the data provided by Vahterus aligns with the requirements of customer surveys. When it comes to environmental topics, the gap is wider. For example, customers are asking for increasingly specific emission figures, energy efficiency, and material traceability, and the current data collection process is manual and dependent on individual employees. In a couple of the interviews, the need for more standardised and reliable data was raised, which would make responses faster and more comparable. This referred to the need for centralising information so that it is accessible to everyone, which would reduce manual data searching and eliminate the organisation's reliance on specific individuals. The importance of silent knowledge also came up in the material regarding employees' experiences. Experts who have worked in

the organization for a long time are better able to anticipate customer needs and also offer advice that provides added value outside of contracts.

The interviews showed that the management of sustainability data is fragmented. Guidelines, responsibilities, and documentation varies, and the same information is communicated in different ways. This results in delays, errors, and a failure to reliably verify the organization's positive impacts. Based on some of the interviewees, employees want a clearer, unified approach within the organization. Differences between departments are shown in Table 4. Some responsibility indicators are better developed than others. Plans for social themes have been published and implemented, but a clear approach is expected for other themes: what data is collected, from which sources, who is responsible, and what time series are required for the data.

In the majority of interviews, it was suggested that the role of sustainability work should be clearly defined and the structure of internal collaboration should be transparent. Without this, roles, decision-making, and implementation remain unclear, leading to delays and results that are inconsistent. For example, in project management, the key is to improve resource transparency and manage changes in a more systematic way. In such contexts, the need to clarify the connection between customer service and change management was highlighted. It is critical that, for example, additional work and changes to schedules or technology are managed more systematically to avoid undocumented promises made directly to the customer.

Regarding communication, expectations relate to clarifying current practices, such as updates on delays or acknowledgments. Based on the data, a need was identified to improve the collection of customer feedback and in particular its internal sharing as part of the organization's continuous learning. Improving the collection and internal sharing of customer feedback was considered necessary in order to make successes visible and ensure that the use of this information is not left to coincidence.

Table 5. Main findings from employee interviews by department

Project activities	Functions in the user interface	Technical and Design Functions	Back-office
Quality, safety, and delivery capability are top priorities Environmental issues can get overlooked when things get busy Development needs include resource planning, the approval process, and communication procedures	Trust is built on collaborative development, technical expertise, and responsiveness Setting specific goals for sustainability requires justification and data	Sustainability is demonstrated through compliance with standards and supported by documentation Clear change management and a mechanism to support the impact of sustainability are required	Social responsibility metrics and practices are effective The company's own indicators function as a model and source of motivation for other areas of sustainability.

Overall, employee expectations center on clarity, consistency, and predictability. Effective processes, transparent communication, and consistent accountability are expectations that apply to all departments, each from their own perspective but with a shared goal.

6 Discussion

The findings of this thesis indicate that ESG reporting has shifted from fulfilling requirements and mandatory obligations toward more proactively meeting stakeholder expectations and pursuing a strategic competitive advantage. Pressure from customers requires comparable and transparent data, particularly regarding emissions and energy efficiency. Although areas of social responsibility, such as safety and equality, are well organized, the collection of environmental data still appears to be a fragmented and manual process. The fact that data is tied to specific individuals slows down responses to information requests and causes inconsistencies in quality. Such data gaps highlight the challenges faced by non-listed companies, where companies must be able to address the indirect effects of their supply chain to ensure that stakeholders' information needs are fulfilled. The risk of losing customer trust stems from unclear roles and inadequate communication practices. If a company cannot demonstrate its sustainability through critical ESG data, its legitimacy in the eyes of stakeholders is compromised.

6.1 Key findings

The role of ESG reporting has shifted from a requirement to a strategic opportunity

The role of sustainability reporting is shifting from a regulatory requirement toward a strategic opportunity and as a way to create value for stakeholders. Even if a company is not included in the scope of the CSRD Directive, the pressure for information coming from the customer interface has increased significantly. The requirements of large customers are indirectly reflected further down the value chain, forcing smaller companies to produce comparable and reliable sustainability data as part of their customers' processes. External pressure shapes a company's operations, shifting the motivation for reporting from a forced, reactive adaptation to a continuous effort to maintain legitimacy, ensuring that the company remains acceptable to key stakeholders in the future as well. In this context, VSME becomes a practical solution for managing value chain communication and data requirements. To strengthen its position in the customer value chain, a company must view ESG reporting not as a

waste of resources but as an investment that validates and delivers value to stakeholders. Customers are increasingly emphasizing transparent data and concrete evidence of sustainability, which will continue to serve as a prerequisite for collaboration and a competitive advantage in the future.

Customer expectations and internal capabilities do not fully align

Along with the increased emphasis on stakeholder value and the growing strategic importance, another key finding of the study reveals a difference between customers' rising expectations and the company's current internal capabilities. The interview data clearly shows that customers are interested in concrete, quality and comparable data. At the same time, the company's internal data management is fragmented, manually managed, and heavily dependent on specific individuals. This information management gap creates a bottleneck that slows down operations, delays responses to data requests and also exposes the company to inconsistent stakeholder communication. The situation is different, however, when it comes to social responsibility, where customer requirements largely align with the company's already established practices. The gap between these areas shapes the public perception of the company as a responsible business. The data-related demands of major customers currently combine strong stakeholder influence with a sense of urgency, requiring immediate attention from company management. If a company is unable to fill the gap between its internal capabilities and external expectations, it puts its ability to create long-term stakeholder value at risk. (Mitchell et al., 1997; Parmar et al., 2010) The data collected and processed is critical to both the legitimacy of customer relationships and business continuity. (Garst et al., 2022)

Table 6. Differences in expectations between customers and employees by theme.

Theme	Customer expectations	Employee perspective
Collaboration & Partnership	Customers expect proactive communication and stable collaboration	Internal coordination is sometimes fragmented, which affects the customer experience
Sustainability Goals & Procurement	Transparent CO ₂ and energy data is needed	Data collection is experienced as difficult and fragmented
ESG Data	Standardisation (e.g., a common format) would be helpful	The company's data does not always meet customer requirements
Development Opportunities	Faster approval processes, streamlined documentation	Internal responsibilities should be clarified
Customer Journey	Simplicity and consistency are important	The experience varies depending on the process

Climate issues represent the most significant opportunity for growth

Vahterus's carbon footprint calculation is built on a solid foundation, but its strategic potential remains unused in value chain communication. Although the company produces the environmental data required by customers, both external and internal communication appears to be reactive, fulfilling minimum requirements rather than proactively creating value. For example, the absence of transition plans and emission reduction targets from stakeholder communications can influence how the company is perceived in terms of its climate efforts. In line with the EU Taxonomy and the dynamic materiality framework, merely verifying the current state is not enough to gain a competitive advantage. Sustainability practices must be an integral part of the future of core business operations. (Bonciu, 2023; Purvis et al., 2019) For the climate issues, the key focus is not on generating data itself, but on using existing information to make strategic planning, customer communications, and business development more sustainable.

Social themes and basic-level management are strengths

Based on the data, social responsibility practices are integrated into daily operations, their tracking is clear and the related data meets stakeholders' expectations. In particular, the management of themes S1 and S4 indicates that there are internal

differences in the company's sustainability work. Gaps in environmental data are not due to an ability to produce or document reliable information, but rather to the focus of strategic guidance and resource allocation. However, established social responsibility structures and processes form a strong foundation upon which the company's sustainability work can also be built (Donaldson & Preston, 1995). Since our ability to manage data has already been proven, the most important task now is to scale this expertise more evenly to other areas of sustainability as well (White, 2009).

Processes and roles are unclear, ESG is not yet systematically integrated into management

Sustainability is understood and prioritised within the company in a fragmented manner, according to the operational interests of individual units. The secondary and interview data from the research identified a lack of responsibility management and its isolation. In project activities, the theme is condensed into quality and delivery reliability, in planning into mechanical compliance with standards, and in administration into numerical social sustainability metrics. There is a gap between these separate approaches, as ESG themes are cross-cutting and there is a lack of ownership. Sustainability does not currently appear as a systematic part of management, as the collection, interpretation, and implementation of data are not coordinated. In practice, this lack of ownership and processes appears as a slow response time, risky dependence on individuals, and internal inconsistencies in the documentation provided to customers. According to Bryson, identifying and coordination of internal interests is a prerequisite for implementing goals. (Bryson, 2004). Vahterus's current state reflects a situation where departments are taking their sustainability efforts in slightly different directions. Without a shared understanding, ESG themes and processes remain unclear. Such distributed knowledge and expertise only become a competitive advantage when clear ownership and a connection to management are assigned to sustainability.

Communication and document management present both risks and opportunities

Customer communications, internal document workflows, and unclear approval chains lead to gaps and deficiencies in the company's ability to produce the reliable sustainability data required within the value chain. Although indirect regulatory pressure from customers at the upstream end of the supply chain requires proactive communication, even minor delays are critical. Internal information flow is fragmented across departments because the resources and structures of a non-listed company are not yet fully capable of meeting stakeholder expectations. Structural uncertainty necessarily leads to delays in processes and exposes the company to inconsistent customer promises. However, despite these process shortcomings, the employees share the principle of responsible communication, "promise only what can be delivered," which lays the foundation for developing operating models and adopting a framework such as the VSME standard. Shortcomings in internal communication can quickly undermine customer trust, even if the data itself is of high quality. From the perspective of legitimacy theory, the internal quality of data alone is insufficient for value creation if it cannot be verified and communicated to stakeholders in the format they require. Reputational risks typically become a reality as a result of reactive communication and the failure to meet customer expectations (Arikan et al., 2016).

Silent knowledge and individual dependency are critical challenges to scaling ESG work

The company's silent knowledge and heavy personal dependence are the most critical structural challenges to scaling sustainability activities. The research data shows that many of the organization's functions, such as meeting the expectations of stakeholders, still rely on individual experts' long experience and informal understanding of customer expectations, the company's history, and technical solutions. This focus on individuals creates a direct risk to sustainability management. It may prevent data comparability, complicate external auditing, and make the organization of operations practically impossible while weakening the company's ability to meet changing standards. To succeed, modern ESG reporting requires precisely the opposite ideology and operational approach, namely fully replicable, transparently documented, and

standardized processes. The company's internal structures and level of data collection directly define which requirements the organization is genuinely capable of responding to. When data collection and interpretation rely on silent knowledge, the organization loses its ability to produce the information customers demand (Garst et al., 2022). Therefore, the institutional change from a personal-based approach to a guided management approach is a requirement for ESG work to respond to external pressures.

Customers view standardisation a way to avoid having to do overlapping work

According to the interview data from this research, reporting on corporate responsibility using a standardized template would improve comparability and reduce duplication of effort which, according to theoretical analysis, reduces information asymmetry in the value chain. The data clearly shows that customers would find it more efficient if information requests were standardized solutions. The VSME, which is aimed at non-listed companies, is identified in the data as a concrete way to simplify information. However, the value of VSME alone is not realized, and its functionality requires the integration of data into the clients' own assessment platforms, such as the Ecovadis platform. Therefore, for the company under study, VSME does not appear simply as a reporting framework, but primarily as a strategic tool for improving customer collaboration and simplifying data flows. These findings support the content of EFRAG (2024), which states that large companies subject to CSRD requirements are passing their own reporting pressure on to their subcontractors. The VSME standard is designed to meet this challenge. For companies, VSME also serves as a protection against future data requests while helping them maintain their position in the supply chains of major customers.

Developing corporate sustainability requires a clear organizational structure and decision-making model

The systematic development of sustainability and the production of the sustainability data required by stakeholders are impossible without a clear organizational structure and decision-making model. Interviews with the company's own employees reveal a consistent need for clarity regarding roles and responsibilities. The question "who is responsible for sustainability" came up repeatedly in the interviews. This reflects a

strong view that progress cannot be made without administrative clarity. To meet the growing demands reflected in the value chain, ESG themes must be integrated into management and stakeholder communication with the same strategic weight as, for example, quality and occupational safety. For now, however, a steering structure is lacking. The company's current state reveals a gap in governance, resulting in sustainability work being reduced to fragmented expert-led efforts. Integrating sustainability as a stable component of management structures enables the creation of long-term stakeholder value.

6.2 Answering the research questions

- I. How do stakeholder expectations affect the content and focus of ESG reporting?

Based on the study, pressure from customers' sustainability requirements, such as the CSRD, which trickles down the value chain, drives the content and focus of non-listed companies' ESG reporting. Among external stakeholders, customers have by far the greatest influence. Customers increasingly require standardized and verifiable data from their supply chains and suppliers to fill their own regulatory data gaps. For this reason, for example, the validation of carbon footprints and energy efficiency is becoming central to the voluntary reporting framework, so that a company can maintain its legitimacy as part of its customers' value chain.

At the same time, internal stakeholders influence the structural development of reporting. The challenge experienced by employees in terms of the person-dependent nature of data collection creates pressure to establish a more systematic operating model, reporting practices, and governance, which is a prerequisite for achieving the verifiability required by standards such as VSME. This gap between the information needs of internal and external stakeholders and the limited resources of an unlisted company underscores the importance of materiality assessment. In such cases, the company must be able to prioritize the data and activities that are most critical in terms of stakeholder value. It must be possible to produce reliable sustainability data in accordance with the reporting framework and stakeholder requirements without data collection becoming an overwhelming workload for the company.

The data demanded by customers combines the power of stakeholders, the legitimacy of their demands, and elements of urgency (Mitchell et al., 1997). The study revealed that, from the company's perspective, transparent environmental responsibility has become a critical stakeholder expectation, and ignoring it directly impacts supplier selection and the company's social license to operate within the supply chain. Customers require environmental data to support their own reporting, making the provision of data a critical factor in preventing data gaps, maintaining stakeholder relationships, and ultimately ensuring business sustainability. Other sustainability themes also influence expectations, but in those areas, social responsibility and compliance have already been firmly established as part of business operations and the legal and minimum requirements of the industry, meaning that the greatest data gaps and standardization pressures in the value chain are focused specifically on environmental data.

Stakeholder expectations define the content and focus of ESG reporting, as the reporting is guided to address the most critical information needs of the value chain. According to stakeholder theory, meeting these expectations, the verifiability of sustainability data, and the structural integration of sustainability are essential for maintaining stakeholder relationships (Donaldson & Preston, 1995; Parmar et al., 2010). When reporting priorities are adjusted, for example, in line with data requirements set by customers, sustainability does not appear as a disconnected activity. Instead, it becomes a strategic tool through which the company manages its position and builds shared value in collaboration with its stakeholder network.

II. What kind of challenges and opportunities do sustainability standards and ESG reporting create for Vahterus?

The key challenges Vahterus faces in ESG reporting stem from its limited ability to meet regulatory requirements and expectations, as well as the need to implement reporting practices. Although customers require reliable and comparable data from their supply chains, a non-listed company's resources for producing standardised information are limited, which necessarily creates data gaps in the value chain. Data fragmentation, manual processes, and unclear areas of responsibility are structural risks and barriers

to meeting stakeholders' information needs. Structural weaknesses slow down response times and increase inconsistent practices, which undermines stakeholder trust in the company and can directly affect how the company is perceived as part of the customer value chain.

Despite the challenges, the situation is positive, and the company's position in the standards field also offers opportunities. Since the company avoids the heavy CSRD reporting requirements, it can allocate its resources more flexibly and prioritize the production and reporting of data that is most essential to stakeholders. Responsibility can then be developed voluntarily and proactively, which validates and creates value for the entire stakeholder network. (Freeman, 2010)

A scalable and flexible framework enables the phased development of sustainability reporting. As the pressure to produce transparent data at the customer interface continues to grow, the ability to meet these information needs becomes a competitive advantage. Proactively filling data gaps in the value chain sets the company apart from its competitors while strengthening its position as a long-term and reliable player in the stakeholder network. A key strength of the case company is its already solid social foundation and customer trust, which serve as a lever for systematizing its entire ESG work. This legitimacy, already established in the realm of social responsibility, serves as a structural foundation upon which it is natural to begin scaling up environmental data collection and a unified reporting framework.

- III. What kind of reporting framework helps a non-listed company meet the data needs of its stakeholders and create value for customers and other stakeholders?

For customers and stakeholders, the greatest value of sustainability reporting lies in risk management and filling data gaps in the supply chain. When a company is able to provide reliable and validated ESG data, it reduces legitimacy risks in the customer's value chain. When a company provides standardized and current data on its own sustainability, it directly supports the ability of upstream supply chain partners to meet their own CSRD requirements, which strengthens the company's position as a strategic and legitimate partner in the value chain. According to Freeman's stakeholder theory,

value is created in the relationships between stakeholders, not in individual processes. A transparent, standardized reporting framework serves as a good tool for managing these relationships and information needs. Simply producing documents does not make a company responsible, nor does reporting in itself meet customer expectations. The true value of reporting lies in translating the company's actual, existing actions into values that are validated by stakeholders.

For this purpose, the VSME framework published by EFRAG provides non-listed companies with a standardized structure that allows them to meet stakeholders' information needs in a resource-efficient manner, focusing on materiality while keeping the reporting workload reasonable. Additionally, VSME allows for a phased approach to sustainability reporting by first structuring data collection around the most critical data gaps identified by clients, without the need for a double materiality assessment under ERSR standards. It is essential to note, however, that the information generated by the VSME framework must genuinely address the pressures, expectations, and requirements flowing down from the top of the value chain, which major customers demand from their supply chains.

However, no sustainability reporting framework collects data on its own. A person or team must be designated to be responsible for sustainability work, including data collection, verification, and updating, and for creating repeatable routines so that the VSME standard can be utilized in creating stakeholder value. Reporting on sustainability should not be limited to filling out a form, but must be integrated into the company's business operations, management system, and, through them, into value creation processes. Only when standardized reporting functions as a tool and becomes an integral part of stakeholder engagement can a company ensure accuracy and meet stakeholder requirements throughout the value chain.

6.3 The significance of the results for Vahterus

The study identified challenges and opportunities that can be responded to with a scalable framework such as the VSME standard. It makes data management more efficient and allows for its partial integration with external platforms without significant duplication of effort. The successful implementation of the framework, however,

requires clear organizational structure, standardized operating procedures, and the integration of ESG goals into corporate management. In turn, understanding the key information needs of stakeholders is needed in order to define targets. In this way, reporting can support value creation, improve internal decision-making, and strengthen the competitive position at the customer interface and to maintain the company's legitimacy in the eyes of key stakeholders.

The move towards becoming more sustainable requires effort, but for non-listed companies, the smaller size of the organization can be a helpful advantage. Vahterus has many of these features. The organization's smaller size makes it more flexible and quick to respond to external changes. The transition toward a more sustainable everyday operation requires a broad approach, which demands changes in the company's mindset and operating culture. It requires employee engagement, training, and the integration of sustainability into the business strategy. (Hajirasouli, 2024)

Strategic planning and the integration of ESG into management

Reviewing sustainability has increased management and employees' understanding of the business impacts of ESG factors. This insight is crucial for the company's development. The results of the research show that sustainability should not be viewed only as an external requirement, but that taking it into account supports strategic decision-making.

Integrating ESG factors into business strategy significantly clarifies the roles and responsibilities of management. It removes sustainability from being a separate entity and, in its own way, forces the organization to recognize the causes and effects of how sustainability directly impacts operational decisions. At the same time, it helps the company manage long-term risks and identify new opportunities to improve value creation.

The first concrete step based on the research is to integrate a sustainability roadmap into the management system. The roadmap translates overall strategy into operational activities:

1. Prioritized themes: What materiality assessments does the company use to make decisions regarding the ESG themes that are most critical to its business and stakeholders?
2. Risks and Opportunities: Changing the selected themes into numerically and qualitatively measured business risks and opportunities.
3. Goal setting: Setting quantitative and qualitative goals for the short term (e.g. 1–2 years), medium term (3–5 years), and long term (over 5 years).

In addition to a general roadmap, a company can develop roadmaps for sector-specific themes, such as emission reduction targets, material flow management, and the sustainable use of natural resources, which can be directly linked to the company's investment decisions and process management. This approach ensures that goals do not remain mere strategic guidelines but instead guide the right allocation of resources and production.

ESG management model, responsibilities, and internal organization

The research findings show that there is a critical need within the organization to define a good governance model for sustainability that is more specific than the current approach. A clear division of ESG responsibilities, i.e., determining who in the organization is responsible for each topic, the distribution of responsibilities across departments, and the systematic flow of information all require clarification. When the sustainability management model is described transparently and management explains how sustainability is managed, it forces the organization to clarify its roles and evaluate the effectiveness of its own management model. This integrates ESG from a separate activity into the organization's daily operations. At the same time, the economic weight of ESG increases, as the business strategy becomes apparent through concrete choices in decision-making, planning, and oversight.

Based on the results, the organization should implement the following structural measures:

1. Defining ESG responsibility: A clear responsible person must be designated who has overall responsibility for promoting sustainability. It is important to consider

how these responsibilities will affect departmental management models and who is accountable for them. At the same time, it becomes clear to other employees who knows what, and information becomes more standardized.

2. Information flow and reporting: Information and operational-level ESG data must be systematically collected, verified, and transparently communicated to decision-makers, and then used for external reporting and communications.
3. ESG governance and development: The governance model and its indicators are regularly updated to reflect the organization's ESG progress and the changing needs of stakeholders.

Development of data management and automation

Vahterus's current sustainability data management is fragmented, manual, and dependent on specific individuals. This fragmented operating model leads to lack of consistency and delays, for example in responding to information requests from stakeholders. Based on the findings, a single source of truth would strengthen trust and transparency in sustainability data.

Originally, with the CSRD directive, sustainability reporting and data management have become technically demanding. Manual data collection is no longer a scalable or reliable solution. Automation, modern data platforms, and standardized data flows reduce risks and ensure data quality. This would be particularly beneficial in areas where gap analysis revealed the most significant gaps, such as the calculation of emissions and material flows. Data management within a company can be improved:

1. Data standardisation and use of VSME tools: Sustainability data is converted into a standardised format, allowing the use of for example the digital tools published by EFRAG under the VSME standard, such as Excel-based reporting templates and XBRL taxonomy.
2. Implementation of existing software: To replace manual work, a company can implement software designed for ESG work, which can be used to automate data collection, text generation, and risk assessment. Consultants and software providers offer solutions such as climate tools and tools for classification and

assessment in accordance with the EU taxonomy. Typically, these software solutions fall into two categories: one for analytics and planning, and the other for creating reports.

Table 7. Example of tools for data management and automation

Category	Primary use	Example systems	Role in automation
Data analytics and information management	Data gathering, carbon footprint calculation, climate scenarios, risk assessment	Sphera, Enablon, Osapiens, Novisto	Automate calculations and create a "single source of truth" for numerical data
Reporting and summary tools	Preparation of the final sustainability report, DMA documentation, XBRL tagging	Workiva, Position Green, Sweep	Decreases manual data collection and improves the auditability of the data
VSME and transition tools	Standardized formats for starting data collection	EFRAG Excel/XBRL templates, upcoming VSME applications	Lower the barrier to entry for digital reporting

- Integrating sustainability data into the company's own ERP and financial management systems: The long-term goal is to integrate sustainability into the company's own systems, such as operations management and financial management. By considering ESG indicators alongside other key figures, sustainability reporting becomes a data-driven component of the company's standard management system.

Turning voluntary reporting into a competitive advantage

Since Vahterus already performs a significant amount of sustainability work, much of which remains largely undocumented and therefore invisible to stakeholders. Identifying, documenting and bringing this kind of silent work into the communications process is an area for development. As the Confederation of Finnish Industries points out in its article, sustainability work that remains hidden does not generate added value for the organization, while voluntary reporting serves as a tool for realizing this value (Elinkeinoelämän keskusliitto, n.d.). Documenting existing best practices builds stakeholder trust and strengthens the company's position.

For a non-listed company like Vahterus, the VSME standard provides a solid framework for reporting on sustainability practices. Utilizing it is a concrete action that allows the

company to demonstrate that sustainability is not simply a matter of regulatory compliance.

Strengthening stakeholder dialogue

Based on the standard, a company can build its stakeholder dialogue by measuring data and then communicating it openly. From the perspective of stakeholder theory, the company's customer interface serves as a critical factor. The information obtained from reporting can be directly utilized for various stakeholders, such as to engage customers, support sales, and foster a better employer image among skilled professionals.

Customer expectations are increasingly related to the reliability of communicated information, smooth collaboration, and transparent documentation.

Instead of reacting passively, a company can proactively communicate in line with customer expectations and leverage sustainability reporting to create value for stakeholders. When a company provides verifiable data, such as a report based on the VSME framework, as part of its customer service, it may directly address the customer's own regulatory pressures and data gaps in the value chain. The information stakeholders receive from reporting is thus not merely a compliance requirement but a tool that can directly engage customers and create added value for them by assisting with their own reporting.

However, creating this stakeholder value does not require deeper sustainability expertise from those working at the customer interface, but rather a clear internal governance model. To avoid the risks associated with tacit knowledge, employees working in sales and customer-facing roles must be familiar with the solutions the company offers and be able to delegate customer information requests to internal experts. This would require basic training for staff as well as access to standardized documentation, such as uniform operating guidelines, so that stakeholder communication is based on the company's shared knowledge base and legitimate processes.

When customers or other stakeholders recognize that a company has established and expert processes in place to meet sustainability requirements, the company's

legitimacy and reliability within the supply chain are strengthened. The value experienced by the customer stems not only from the data itself but also from the assurance that the company understands their needs and is capable of acting as a long-term partner.

Role and participation of employees

Each of the above measures is influenced by how sustainability is managed, but above all by the role of the employees and how they are involved in sustainability work. A corporate culture that values sustainability has an impact on how well it can be adopted within the company. The Confederation of Finnish Industries highlights that diversity in collaboration and active participation directly influence innovation (Elinkeinoelämän keskusliitto, n.d.). This will also improve the entire organization's capacity to understand customer needs. Sustainability goals cannot be translated into practice if employees view them as a separate project led only by management. The company must increase internal communication so that feedback and expectations from the customer interface reach the entire employee, for example as part of regular reviews. At the same time, department-specific information and customer insights become available to the entire organization to support decision-making.

7 Conclusions

7.1 Reaching goals

The purpose of this research was to study the integration of sustainability and ESG reporting into the business operations and value chain of a non-listed company. The aim of the study was to understand how collected sustainability data can be managed and applied in decision-making, as well as to meet stakeholder expectations. The research succeeded in its mission, and the thesis provided a concrete overview of the current state of Vahterus Oy's sustainability data and generated development proposals relevant to the company's operating environment's needs.

This thesis shows that the successful integration of sustainability practices into the business strategy of a non-listed company requires a clear governance model and the integration of sustainability goals into management. Although the case company has a strong foundation, particularly in social sustainability and the legitimacy achieved by it, overall sustainability progress is slowed by fragmented data and manual processes. The absence of a CSRD standard offers the company an opportunity to proactively develop sustainability as a competitive advantage by leveraging existing strong customer relationships.

Customer requirements strongly influence the focus of voluntary reporting. Reliable data creates value for customers by reducing risks, and internal value is generated by applying ESG knowledge in decision-making. Based on the research, the EFRAG VSME standard best responds to these needs. However, implementing the standard requires clear internal processes and a clarification and distribution of responsibilities so that reporting does not become an administrative workload but rather encourages proactive stakeholder collaboration.

7.2 Contribution

The research supports the basic assumptions of stakeholder theory by demonstrating that value is created through the relationships between a company and its stakeholders, rather than through separate processes. According to previous literature

and stakeholder theory, corporate sustainability reporting influences the views of customers and other stakeholders regarding the company's operating practices. The results of this thesis agree with Mitchell et al. (1997) understanding of stakeholder features, specifically how customer demands combine elements of power, legitimacy, and urgency features, particularly in light of stakeholders' increasingly stringent data requirements. The research takes into consideration how, for example, these external pressures and expectations shape internal information management structures.

According to legitimacy theory, voluntary ESG reporting is often viewed as a corrective action. If a disconnect arises between a company's practices and common values, the organization may seek to fill this legitimacy gap through public communication. By bringing the social and environmental impacts of its operations to light, the company assures stakeholders of its sense of responsibility. Essentially, it is about the company gaining its place in society by demonstrating the alignment between its operations and current values.

Research on sustainability reporting largely focuses on broader frameworks such as the CSRD Directive, leaving companies outside the reporting requirement with less attention. This thesis promotes an understanding of how frameworks such as the VSME standard can be applied in practice. The research shows that, for non-listed companies, the value of sustainability reporting does not arise from compliance with regulations but from the ability to respond to stakeholders' evolving information needs and also create shared value.

In previous literature and business practices, reporting is primarily viewed as an external communication tool for stakeholders. This thesis highlights the role of reporting as an internal and operational tool. (Schaltegger & Wagner, 2006) If sustainability is not integrated into business operations, information remains fragmented within the organization and its management impact remains reactive. This thesis confirms the view that systematically generated and managed sustainability information is connected to the ability to manage risks and build a long-term sustainable competitive advantage. (Schaltegger & Burritt, 2010; Seuring & Müller, 2008)

7.3 Practical implications

Implementing the study's findings requires the company to take clear and strategic actions. Concrete measures ensure that added value is created for stakeholders, the legitimacy of the company's operations is secured, and data gaps are filled. The results of this study provide the case company and, more broadly, unlisted companies with guidelines for developing ESG work so that reporting is not merely a reactive response to regulations but becomes a proactive part of corporate management. For the case company to be able to respond to external pressure and leverage the opportunities offered by the VSME standard, the identified measures have been categorized into strategic, operational, and commercial levels.

Strategic Level: Leadership and Governance Model

In order for sustainability efforts to succeed, they must be viewed as part of the company's business strategy rather than a standalone reporting exercise. Without clear and effective governance, sustainability remains a separate activity. The first step for the case company's management is to formalize ESG responsibilities and resolve the question raised by the data: "Who is responsible for sustainability?" A clear owner must be designated for sustainability work, and the objectives must be integrated into the job descriptions of relevant personnel. Since the company already has a strong foundation and tacit knowledge regarding sustainability, management must aim to make this work visible and systematic. Ensuring legitimacy in the value chain requires that ESG goals, particularly regarding environmental data, be systematically integrated into the company's long-term planning, resource allocation, and pursuit of competitive advantage. When metrics such as energy efficiency and emissions targets are incorporated into decision-making in procurement and investment situations, reporting transforms from a mandatory administrative expense into a proactive strategic management tool.

Operational level: Information management and process consistency

The study identified the most significant internal challenge as the fragmentation and personal dependence of data, which perpetuates information asymmetry in the value

chain. At the operational level, the company must transition from manual processes toward centralized data collection. A concrete measure is the phased implementation of the VSME standard, which prevents the organization from becoming overly burdened. This requires the creation of simple, centralized tools and standardized reporting templates, starting with the information most demanded by customers. The entire process requires a clear division of responsibilities in terms of who collects the data, where, why, and when.

The transition also requires the development of organizational culture to support it. All employees must be trained to understand the cause-and-effect relationships of data collection. When employees understand the direct link between high-quality data and maintaining customer trust and collaborative value creation, the repeatability of operating procedures improves and errors decrease. Sustainability themes must be given the same weight in internal communications as traditional quality and occupational safety issues.

Business level: Building customer value and competitive advantage

Customers expect increasingly accurate, transparent, and reliable data from their supply chains, particularly regarding environmental impacts, which reflects the stakeholder pressure created by the trickle-down effect. The case company should proactively leverage the ESG data it collects at the customer interface as part of its value proposition. Since the company is not directly subject to CSRD regulations, its ability to produce the data customers need in a flexible and agile manner is a significant competitive advantage. From a value creation perspective, the company delivers significant benefits to its customers by helping them solve reporting challenges. Experts working at the customer interface must be able to systematically use data in accordance with VSME as proof of reliability, for example, already at the proposal stage. In this way, the company can differentiate itself from competitors whose sustainability data is incomplete, fragmented, or merely reactive, while establishing its legitimacy as a long-term strategic partner.

7.4 Validity limitations

This research has certain limitations that must be taken into account when interpreting the results. The limitations of a qualitative case study relate to the scope of the data, the chosen time frame, the researcher's position, and fast changes in the regulatory environment.

A key limitation concerns the applicability of the results, i.e., external validity. This research focuses in detail on one specific case company and its limited industry environment. Although the analysis describes the business environment and presents guidelines, the results cannot be directly generalized to apply to all non-listed companies. In other industries, value chain structures, stakeholder requirements, and the starting points for ESG work may differ from the findings of this research.

The research design is a cross-sectional study that describes the current state of the case company's sustainability reporting and ESG work, as well as its development needs, at a specific point in time. The study is unable to assess the actual impacts of the measures taken or sustainability reporting on financial performance or value creation.

The reliability of the research must be considered in relation to the researcher's connection to the case company. The researcher has previously worked at the organization in question, which provides prior knowledge of the company's processes and culture. To minimize this risk, the analysis phase of the research focused on reflection and comparing the results with previous research.

The final significant limitation relates to the constant changes in the standards under study. Although this study recommends the use of VSME, the standards themselves are surrounded by uncertainty and may change on a short-term time frame. It should also be noted that the simplified reporting framework discussed in this study may not be sufficient in the long term to meet changing stakeholder expectations. The EU Expert Group on Sustainable Finance has noted that overly simplified ESRS standards may fall short of minimum requirements in some areas. This should be considered when implementing the research recommendations.

7.5 Recommendations for future research

The research findings, along with its limitations, point to interesting and important directions for future research. Since ESG reporting and sustainability requirements are currently evolving at an exceptionally quick pace, particularly in the context of companies within the scope of voluntary reporting, more empirical research data is needed.

In the future, the analysis could be expanded to include a larger group of non-listed companies of various sizes across different industries and market regions, which would improve the generalizability of the findings. Since non-listed companies have limited resources, it would be important in future studies to examine in more detail what practical solutions and tools companies can use to make their sustainability reporting increasingly cost-effective without compromising data quality and reliability.

The study provided a cross-sectional view of the current state of matters, so longitudinal studies on the topic would also be needed in the future. Future studies could track how the development of voluntary and proactive ESG strategies impacts, for example, financial figures and competitiveness.

Data fragmentation and manual processes have been identified as operational challenges, so further research could explore the potential of automation and data analytics. For example, how do consulting firms' services, such as AI-assisted data collection templates, generate predictive data to support decision-making? More research is needed on how new technologies can improve efficiency to support human work in ESG practices.

Non-listed companies often operate as part of multinational supply chains, where stakeholder demands force companies to reevaluate their processes. Further research should examine how differences between market regions can affect ESG requirements and how these requirements can concretely impact companies at the beginning of the value chain. This could be explored by examining how non-listed companies can incorporate multiple requirements into their operational management. From an efficiency perspective, it would be important to understand how organizations can build

better structural resilience and respond to changes without, for example reporting costs becoming too high.

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Appendices

Appendix 1 Interview questions template for stakeholders

The interviews were conducted as qualitative thematic interviews, in which the discussion was guided by predefined main themes. The method is flexible in nature and does not follow a strictly structured list of questions.

During the interviews, the interviewees were asked key questions related to the themes, and the discussion was deepened as needed with clarifying and follow-up questions. This allowed the interviewees to bring up perspectives that were important to them, and the conversation flowed naturally based on their experiences.

Customers:

A. Collaboration & Partnership

- How do you find the collaboration with Vahterus, what works well and where do you see room for improvement?

B. Sustainability Goals & Procurement

- What are yours key or most critical sustainability goals?

C. ESG data

- Which ESG data is the most critical or the hardest to obtain?

D. Development Opportunities

- Which themes could Vahterus better support your sustainability goals?

E. Customer Journey

- What do you see as the strengths and weaknesses of Vahterus customer experience?

F. Quantitative Ratings (Scale 1 poor – 10 excellent)

- Smooth/Seamless collaboration with Vahterus
- Sufficiency of ESG data received from Vahterus
- Usefulness of the VSME standard for you
- Trust in Vahterus' sustainability

Employees:

A. Collaboration & Partnership

- How do you find the collaboration with customers in your everyday work?

B. Sustainability Goals & Procurement

- How does our company take sustainability goals into account in procurement, supplier selection, and its own operations?

C. ESG data

- What ESG data are we most commonly asked for, and what can we respond to well? How reliable do you consider the current data quality and availability to be?

D. Development Opportunities

- What opportunities do you see for developing our operations, processes, or responsibility information so that we can better meet customer expectations?

E. Customer Journey

- If you think about recent customer feedback, what does it tell you about how they feel about our service journey?

Appendix 2 Report on the use of artificial intelligence

This appendix details the artificial intelligence (AI) tools utilized during the thesis process, their specific applications, and their role in the research and writing stages. While AI tools were used for structural support, linguistic editing, and information management, the author maintains full responsibility for the final content, analysis, and conclusions presented in this thesis.

Internal Microsoft 365 Copilot served as a primary "sparring partner" and process facilitator throughout the study.

- **Scoping and Structure:** The tool was used for iterative dialogue to define the research scope and to outline the logical structure of the thesis.

- **Guidance and Ideation:** Copilot assisted in brainstorming and refining the research questions to ensure a cohesive narrative throughout the work.
- **Internal Documentation:** The tool was utilized to internal company documents within a secure environment.

Google Gemini 3 Pro was primarily for technical assistance and the handling of reference materials.

- **Reference Management (Zotero):** Gemini provided technical support for using Zotero. It was used to interpret complex source metadata and provided guidance on how to correctly input various source types into the reference management system.
- **Translation of Open-Web Sources:** The tool was used to translate open-access web sources, ensuring a clear understanding of non-primary language materials and helping to identify key information.

DeepL services were utilized to ensure the linguistic of the manuscript.

- **Document Translation:** DeepL was used to translate source files and technical documents to simplify a better understanding of the content.
- **Editing and Clarification:** DeepL was used as an editing tool and language translator in the final thesis