Actions, Impact Creation, and Communication in Sustainable Business Renewal

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INTRODUCTION

1. Introduction

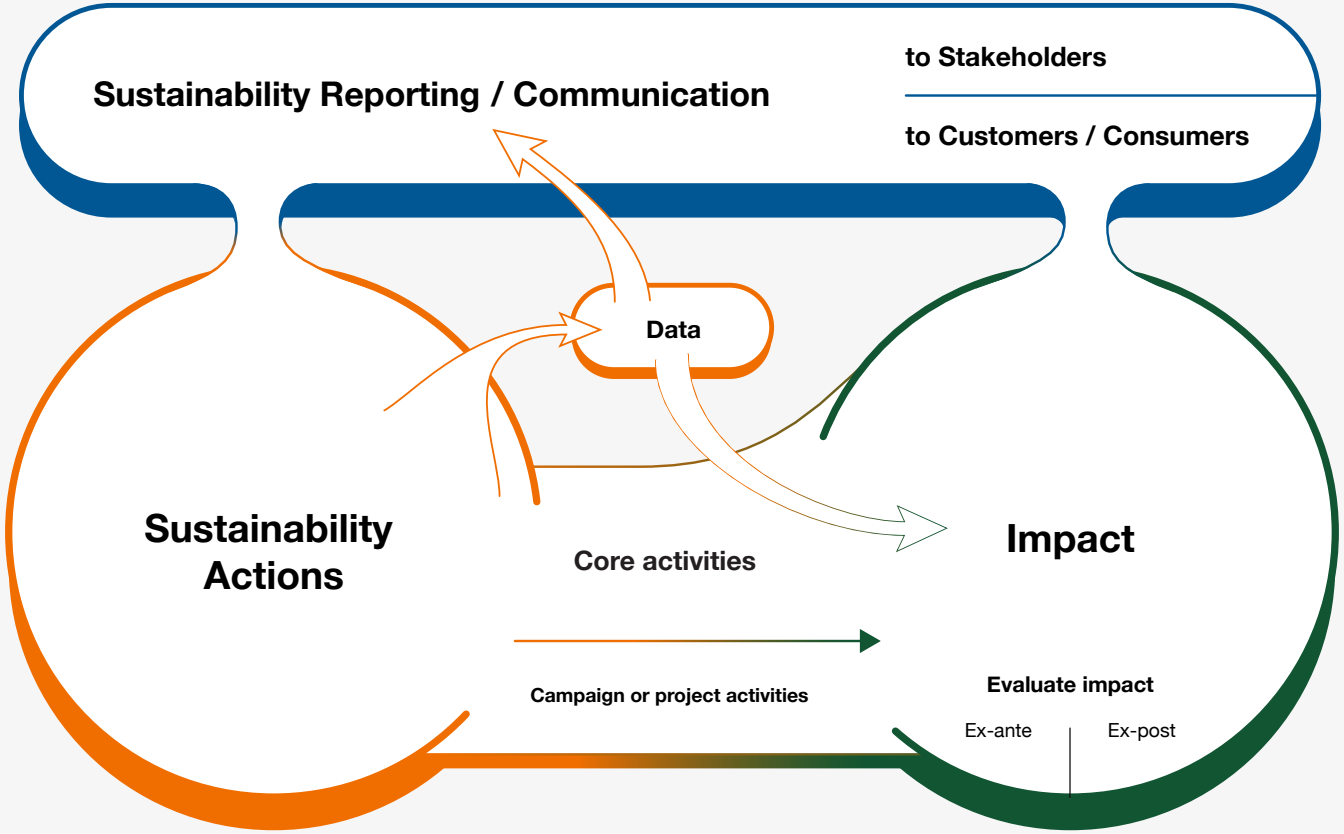
Anthropogenic environmental problems, such as climate change, pollution, and biodiversity loss, not only put pressure on nature and humans, but also on economies. Solving these grand challenges and advancing the sustainability transition requires actions from multiple actors, including companies. There is increasing public and policy pressure on companies to take action for sustainability and to comply with environmental policy goals and regulations.

In addition to taking action and complying with sustainability targets, companies face more stringent regulations on sustainability reporting. Sustainability reporting is one of the key instruments in communicating sustainability-related activities of companies. However, currently the format of reporting does not reveal the actual impacts of sustainability efforts nor help consumers in making informed choices.

This white paper presents key findings from a jointly funded public research project, Actions for Sustainable Business Renewal, and provides tools and guidance for decision-makers to gain a deeper understanding of the microfoundations of sustainability activities, impact creation, reporting, business models, and consumer expectations.

Based on these findings and information, the paper also provides actionable information in the form of recommendations to decision-makers. To conclude, for companies to have positive and effective sustainability

impacts, they need to focus more on their **1) core actions, 2) impact creation, and 3) communication. In other words, to ensure sustainable business renewal, companies need to strengthen the sustainability of their core activities and measure and communicate the impacts of these activities more thoroughly and transparently.**



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MANDATORY REPORTING, TALK VS. ACTIONS, AND ECONOMIC CONSEQUENCES

2. Mandatory reporting, talk vs. actions, and economic consequences

THE INTENDED SUSTAINABILITY ACTIVITIES OUTPERFORM THE ACTUAL EFFORTS

There is a growing emergence of sustainability reporting mandates (for example, the EU Corporate Sustainability Reporting Directive, CSRD), which is putting pressure on the disclosure of sustainability of the level of a company. It is of great importance and relevance to understand how firms within the scope respond to the mandate (i.e., how they communicate) and what are the economic consequences of the sustainability reporting mandate.

The trend of sustainability reporting in China is mainly driven by the long-term development plan toward carbon neutrality, and stock exchanges have played a key role in making guidelines and the enforcement of disclosure requirements. Mandatory sustainability reporting was introduced at the end of 2008 and came into effect in 2009, whereas the reporting requirements and framework are yet to be developed. China, therefore, provides an interesting research setting that allows us to investigate corporate sustainability reporting practices and the impact of reporting mandates in its infancy.

The research evaluated the symbolic sustainability reporting and substantive sustainability reporting of the firms through the lens of institutional theory and explored the factors that drive the substantiveness of the reporting in 100 stock-listed Chinese companies based on context analysis. Furthermore, the study explored whether and how mandatory sustainability reporting affects firm risk in Chinese companies through empirical analysis.

Chinese listed companies tend to engage more in symbolic sustainability reporting to maintain political legitimacy. Corporate sustainability reports lack substantive evidence of follow-up actions toward sustainable business.

The findings show that, in general, Chinese listed companies tend to engage more in symbolic sustainability reporting, which is often referred to as an effort to maintain political legitimacy. Corporate sustainability reports lack substantive evidence of follow-up actions toward sustainable business. Firms with shares cross-listed on foreign stock exchanges and firms operating in environmentally sensitive industries are more likely to engage in substantive sustainability reporting.[1] (Huang, 2022, 2023f, 2023g)

The result of the research is also highly relevant to the Finnish society. The European Union (EU) passed the Corporate Sustainability Reporting Directive (CSRD), which mandates a broader set of companies to report on sustainability. CSRD is perceived as a big step towards a sustainable global economy, while it brings about challenges in terms of implementation and enforcement. Furthermore, built upon the Non-Financial Reporting Directive (NFRD), it expands the scope including listed small and mediumenterprises (SMEs) that might not have reported on sustainability before.

IMPACT OF REPORTING ON FIRM RISK

Firms subject to the disclosure mandate experience a decrease in total firm risk and systematic risk after the mandate. The findings show little evidence to support the idea that they experience a reduction in firm unique risk. The risk-decreasing effect is more pronounced for firms headquartered in regions/provinces with strong legal enforcement. Nevertheless, no evidence supports that firms subject to the reporting mandate significantly increase research and development (R&D) expenditures and

The firms subject to the reporting mandate experience a decrease in firm total risk and systematic risk after the mandate. The risk-decreasing effect is more pronounced for firms headquartered in provinces with strong legal enforcement.

employee salaries following the mandate. The mandatory sustainability regulation, as an unprecedented act of disclosure regulation, requires firms to disclose sustainability-related information, enabling stakeholders access to incremental information and reducing information uncertainty. Therefore, the reporting mandate helps decrease systematic risk[2] (Huang, 2023a, 2023b, 2023c, 2023d, 2023e).

However, the disclosure regulation is vague, without specifying quantitative performance metrics. Firms may continue their current trajectory without any substantive change when they can easily comply with minimum reporting requirements, in which case they cannot mitigate the unique risk inherent in internal operations. Collectively, the results suggest that mandatory sustainability reporting will bring about risk-decreasing benefits, and the enforcement and effectiveness of such disclosures play a pivotal role in tapping into those benefits.

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[1] The results were presented in the Botnia Accounting & Accounting Seminar 2022, the Journal of Accounting, Auditing and Finance (JAAF) Conference 2023, and the 1st Interdisciplinary workshop on Sustainability and ESG dynamics 2023.

[2] The results were presented in the IE Doctoral Consortium 2023, the 9th workshop on Accounting and Regulation, the 1st Conference on Sustainable Banking and Finance, the 5th EU JRC Summer School on Sustainable Finance, and Nordic Accounting Conference 2023.

Key Takeaways

- The existing sustainability reporting regulation in China lacks reporting harmonisation, which leads to a lack of substantive evidence and inconsistencies in the reporting content. There is a need to improve the existing sustainability reporting by standardising the reporting framework and enhancing legal enforcement that enables firms to alter their behaviour. More metrics on performance measurement are required to clearly measure how the carried activities progress their sustainability goals. In addition, more research is needed on the real effects of mandatory sustainability reporting.
- In Europe, the recent CSR directive mandates a broader set of companies to report sustainability. Therefore, it is critical for regulators in EU member countries to understand how firms respond to the reporting mandate and perform monitoring. The effectiveness of such a disclosure is highly dependent on strong legal enforcement.
- Furthermore, it is essential to invest in know-how through integrating sustainability into university education, as more experts on sustainability reporting and assurance are needed.

3

ENVIRONMENTAL SUSTAINABILITY EFFORTS BY FORERUNNER COMPANIES

3. Environmental sustainability efforts by forerunner companies

THE INSIGHTS FROM THE SUSTAINABILITY REPORTS

ESG ratings are used widely for the sustainability evaluation of companies, despite ongoing criticism. Part of the problem is that the ratings act as a 'black box', since publicly available rating providers do not disclose the concrete actions taken by companies to achieve a certain level of a rating. Although the methodologies used in the ratings are accessible, they do not reveal the overall indicator list, neither if the rating in a certain sustainability pillar was based on action or, for instance, on a communication of an activity that has yet to be taken in the future. In other words, it is not possible to directly connect the implemented activities to the received rating, or differentiate the actions from goals, or define what creates impact.

Ratings are based on publicly available company reports, such as annual or sustainability/responsibility reports. These reports provide a window to the actual measures, including core activities related to the main business operations, but also activities at the campaign or project level. ESG rating providers use these reports as the basis for their assessments. The evaluation is guided by the needs of the finance sectors, which can be controversial to those needed to track the actual progress of the sustainable development. Companies do communicate their impacts, for instance, as in annual emission reductions, but oftentimes no connection can be made between a particular action and a created impact. Another great challenge is in defining the significance of the impact, as benchmark figures are often not mentioned, and a figure alone does not reveal the extent of an impact.

Sustainability reports lack the link between carried activities and the impacts achieved.

It is necessary to demonstrate the actions that have brought a company to a specific rating level and connect the rating with the actual impact of those sustainability actions. As stated previously, the current sustainability reporting format does not allow for an effective connection between the activity performed and its impact. Therefore, the objective of the study was to shed light on the concrete activities of the forerunner companies with high environmental sustainability ratings. A methodology was created for an automated analysis that identifies concrete actions to provide the much-needed transparency to track the progress of sustainable development. For easy access and exploitation, the results of the study have been presented as a PowerBI dashboard, which allows the examination of the results from the broad to the granular level.

The findings show that Emissions, Materials and Products, Energy, Circular Economy and Waste Management were the most frequent activity categories within all sectors. Whereas, Biodiversity and Supplier Sustainability were emerging categories with fewer activities (Figure 1).

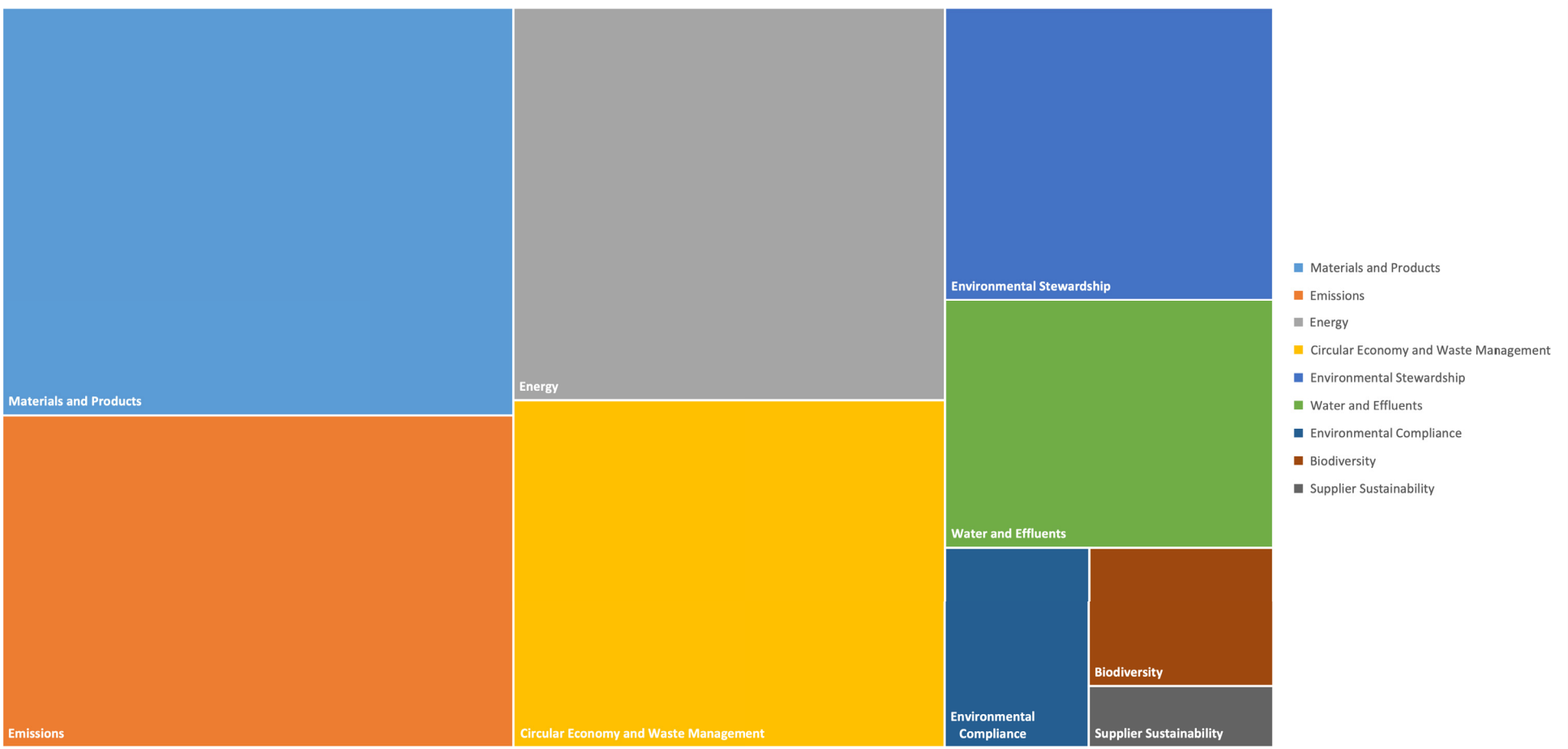


Figure 1. The share of actions by sustainability categories including companies from the USA, Europe and Finland. Sustainability categories include Materials and Products, Emissions, Energy, Circular Economy, and Waste Management Environmental Compliance, Environmental Stewardship, Water and Effluents, Biodiversity, and Supplier Sustainability.

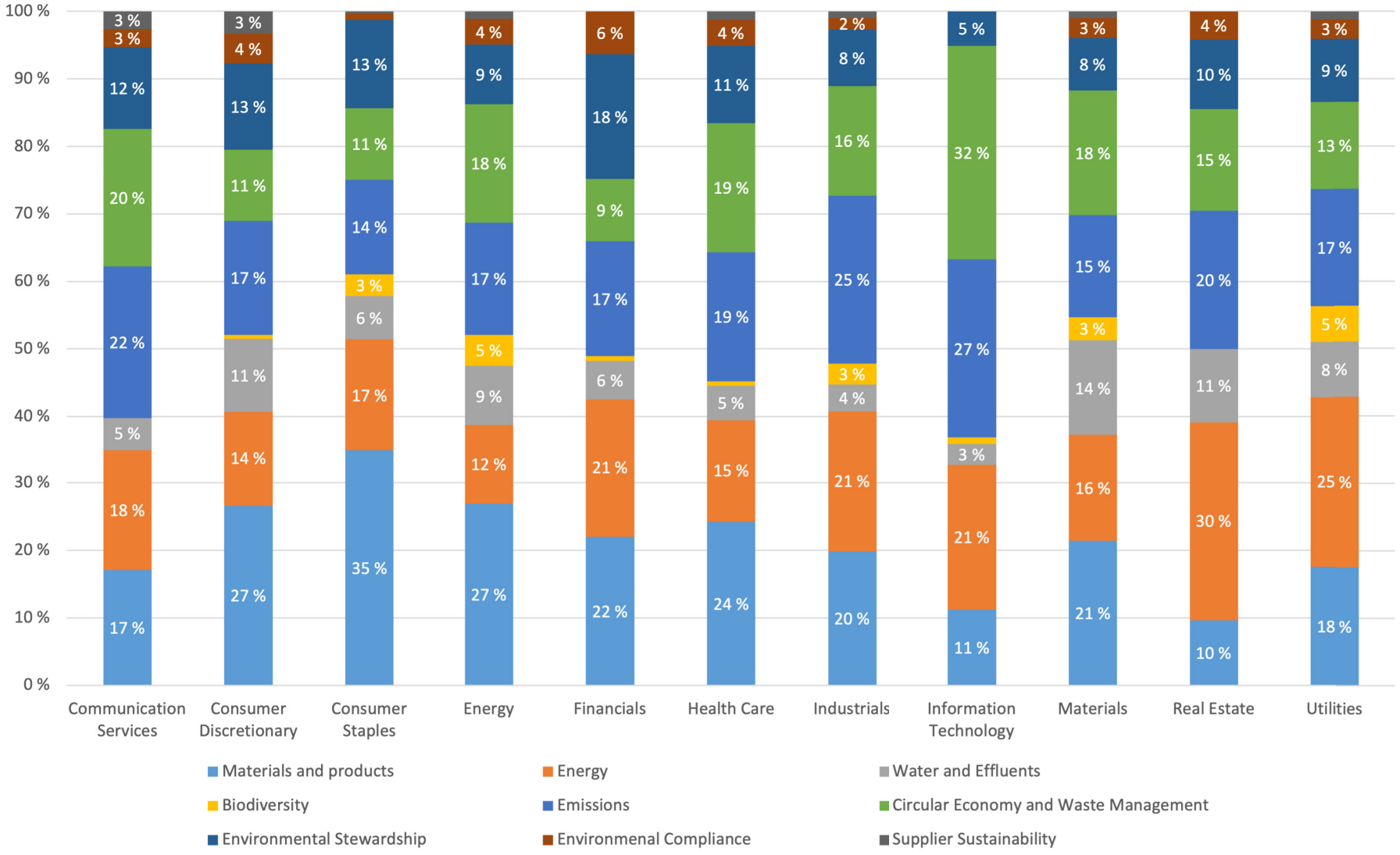


Figure 2. The distribution of environmental activities within different sectors.

The data analysis provides insights and visualisations from general to granular view. The data set displays actions in a summary format (brief and extensive) per sector and environmental sustainability categories, as well as lists of separate actions, which can also be filtered according to companies, geographic area, and environmental sustainability category (Figure 2).

The method developed for an automated analysis of concrete actions and visualisation of the results provides means for a more effective and evidence-based progress evaluation of environmental sustainability. The analysis was also tested for the identification of sustainability goals, targets, and strategies in the reporting, which can be further developed to track and match the communicated goals with the actions taken, as well as identify the capacity of achieved impact.

In the sectoral analysis, the activities are only from 3 companies per sector from each region; therefore, the findings cannot be extrapolated at this stage. However, in environmental categories, the activities are collected from all sectors, which consist of 9 companies, 3 from each sector, providing a broader view to the implemented actions.

A more detailed content of the results is demonstrated in PowerBI as an interactive dashboard that will be publicly available by the end of 2023 [3].

[3] *Contact the editor for details.*

DATA DEMONSTRATION AND VISUALISATIONS IN POWERBI

PowerBI is an interactive data visualisation software product by Microsoft that can be used for data preparation, data mining, and demonstration of a variety of data visualisations. The data are displayed in PowerBI as a dashboard for the examination of improved transparency of the analysed company actions. The content allows for a detailed examination of the activities and also provides brief and extensive summaries for each environmental category per sector.

BACKGROUND INFORMATION OF THE ANALYSED DATA

The MSCI data was used to identify the top performing ESG companies. The criteria for selecting companies included the highest environmental sustainability ratings (AAA,AA,A). The primary geographical areas for the ESG lists were Finland, Europe, and USA. A company was selected from each top-level MSCI domain category, that is, sectors. The sustainability reports were analysed for a 3-year time interval / company and were chosen based on the availability of ESG ratings for different years. The final analysis included 9 Finnish companies, 9 European companies and 9 US companies.

Key Takeaways

- There is a need to improve both the monitoring and the demonstration of the impacts of the actions performed.
- More systematic and regular monitoring is necessary to follow progress in sustainability actions.
- Currently, sustainability reports lack the link between carried activities and the impacts achieved. The differences between core activity-level actions and project/campaign level activities should be communicated more clearly in the annual/sustainability reports to highlight more evidently which activities had a more prominent role in reducing environmental impacts.

4

ADVANCING SUSTAINABILITY THROUGH BUSINESS MODELS

4. Advancing sustainability through business models

Business models play a central role in advancing sustainability. To accelerate business transformation toward sustainability, companies need a more in-depth understanding on how to successfully develop and implement sustainable business models (SBM) (Ritala et al., 2018). The prior literature presents subcategories, archetypes, or generic strategies for sustainable business models, such as product-service systems, based on pyramid or circular business models (Bocken et al., 2014). Lüdeke-Freund et al. (2018) continued this discussion by creating a more formal and transparent methodology by creating the sustainable business model taxonomy (45 patterns). However, there is a need for more understanding on the building blocks of SBMs and what kind of combinations of SBM patterns can lead to a successful business model.

To investigate the SBM patterns in practice, the MSCI Europe SRI Index (12/2021) and the MSCI USA SRI Index (12/2021) were used for the selection of five top performers in both lists [4]. The data was collected from company sustainability reports (2021) and supplemented by other available public data (web sites, etc.). The analysis framework was based on the study conducted by Lüdeke-Freund et al. (2018) to analyse what kind of SBMs top rated ESG companies have implemented, and what kind of SBM patterns and their combinations can be found in their business operations.

The results show that the presence of three sustainability pillars (economic, environmental, social) in the business models varied between companies. In most of the companies, the focus was only on one or two

The sustainable business models of the best performing ESG companies are mainly focused on ecological perspectives.

pillars. Among the top performing ESG companies, ecological perspectives, supplemented by some economic and societal perspectives, were the most common. Sustainable business models focussing on strong economic or strong ecological viewpoints, as well as those focussing on social and combination of social-ecological viewpoints, were lacking. The most common business model patterns among top-rated companies focused on maximising material productivity, energy efficiency and product design. Many cases included green supply chain management as part of their sustainable business model. (Antikainen, 2022; Antikainen & Järnefelt, 2022).

[4] *The analysed companies consist of Microsoft, Tesla, NVidia, Home Depot, and Disney from the USA SRI Index 2021, and ASML Holding, Roche Holding, Novo Nordisk, SAP, and Unilever from the Europe SRI Index 2021.*

Key Takeaways

- Instead of identifying single pattern of SBMs, more emphasis should be placed on studying combinations of different patterns, their relationships and priority order, as well as to the maturity level and implementation processes of the patterns.
- Furthermore, more emphasis should be placed on understanding the sustainability impacts of patterns.
- This kind of exploration can offer a comprehensive approach, helping companies develop their own combinations of SBM business model patterns.

5

CIRCULAR ECONOMY AND ENVIRONMENTAL PERFORMANCE: LEARNINGS FROM THREE CASE STUDIES

5. Circular Economy and environmental Performance: Learnings from three case studies

The promotion of the circular economy is vital for a sustainable management of planetary resources. However, as the basis for global economy activities still relies on linear, ‘take, make, dispose’ principles, the deployment of circularity is not a trivial task.

The circular economy is in the mandate of several companies as a means of reducing the pressure of primary material use. However, the environmental impacts of circular economy activities have not yet been thoroughly studied nor communicated transparently. To address this gap, our researchers investigated the environmental impacts of the three circular case studies and their potential in improving environmental performance.

Case 1

Smart electronic devices: Repair vs. Replacement?

According to the waste hierarchy principle, which ranks the waste management options on their environmental benefits, repair and reuse are preferred over recycling. However, evaluating the impacts of the circular activities, such as repair, is complex and adopting circular approaches may not always ensure better environmental performance. Thus, the interest of research was to understand the potential of smart electronic device repair to reduce environmental impacts in comparison to replacement with a new one.

Globally, electronic waste is a challenging waste stream. According to Wieser and Tröger (2018), majority of smart phones are replaced with a new one within a year despite being in perfect use condition and the main reason for replacement is typically various kinds of defects and failures that require technical or mechanical repair and/or component change. When the device is not fixed, it will exit the system before reaching its designed lifespan, thus loosing economic and environmental value. Therefore, the provision of circular services is seen critical to keeping the devices in use for as long as possible.

Circular activities create reverse loops, where consideration of time is vital. In the evaluation of linear activities, the exclusion of time aspect

does not affect the environmental impact results in the same way, when analysing lifecycle emissions of a product. If product repair is evaluated solely based on traditional LCA, the decision process in favour or against repair can be distorted particularly regarding the evaluations of products that have a so-called ‘fixed’ lifespan particularly for smart devices that become technologically outdated.

To ease decision-making, an equation was developed that can be used with environmental impact results considering the time aspect in a circular economy. The assessment consists of scenarios of Repair and No Repair for the global warming potential (GWP) impact, 1) when the user chooses to repair, and 2) when the user decides to purchase a new product.

The findings show that the results of traditional LCA and the inclusion of time in the LCA assessment differ from each other. The LCA results of Repair scenarios show more positive environmental impact than the assessment of the potential benefits of the Repair and No repair scenarios with a developed equation that considers temporal dynamics. The outcomes with the inclusion of the time aspect show that the environmental impacts are affected by not only by what is being repaired, but also by the timing of the repair. The findings indicate that a sole comparison of the production emissions to component repair emissions will lead to different and in worst case, overly positive results on the extent of emission reductions in the decision-making of Repair or No repair scenarios. Improved decision-making would also require the inclusion of other impact categories to understand the trade-offs between different environmental impacts.

Case 2

Impacts of increasing recycled fibre content in laminate paper

The replacement of virgin materials with recycled materials is often perceived as improving environmental sustainability. In this case study, we analysed the effects of increased recycled fibre use in the production of laminate paper on environmental sustainability, supply resilience, and forest use.

The LCA was used for the assessment of environmental impacts and a qualitative analysis was used for the assessment of supply resilience and the impact to forest use. The purpose of the study was to gain understanding of the impacts of the nexus of environmental impacts (global warming potential, GWP), forest use, and supply resilience by increased use of recycled material in the production.

The results show that increasing recycled fibre (RCF) in the laminate paper production would decrease the carbon footprint of laminate paper production as well as reduce the overall energy need of the production line. The main reason for the reduction stems from the decreased activities in the pulp mill and through decreased upstream activities such as wood supply and acquisition of chemicals and energy. In comparison to a

Increased use of recycled fibre has a positive effect on the supply resilience of the operations.

pulp mill, the RCF plant does not require heat and requires less chemicals and electricity, which in turn positively affects the overall GWP results. In addition, based on findings the increase in RCF use decreases the supply need for the overall energy, chemicals and buy-in sawdust acquisition, having a positive impact on supply resilience.

In this assessment, the demand for the end products was assumed to continue based on predominant trajectory. The impact of the increased use of RCF on the forest use was evaluated considering the entire production site, including sawmill products, carboard and laminate paper lines. The results show that the effects of RCF utilisation on forest use depend on how the RCF market develops and in what kinds of applications it is used; therefore, it has no direct effect on reduced forest use.

If the demand for sawmill products does not change (that is, decrease), the acquisition of wood is not expected to change. As a result, forest use does not decrease. When the share of the RCF increases, this would mean more competition for the existent supply of the old corrugated cardboard (OCC) that is used as a source of fibre in the production of a laminate paper. Unless the share of the OCC market is not increased, the users of the OCC will be competing for the same supply, which imply that the actors who get less of the OCC than needed will have to be supplied from other sources. These sources might be primary fibre materials, which in turn could affect forest use.

Case 3

Prolonging the lifespan of workwear in healthcare sector

The textile industry is one of the most emitting industries, placing pressure on actors to find solutions to reduce their impact (Filho et al., 2022). Prolonging the lifecycle by keeping products in use as such is the most promoted principle of a circular economy to avoid loss of materials and economic value. However, emission reductions by prolonging the lifespan of a product may not always be a viable option for all types of textiles.

The case study on health care uniforms shows that the possibility for prolonging lifespan of a workwear depends on 1) the type of workwear, 2) type of material used, and 3) washing frequency. The material type, mechanical wear related to use, and washing times determine well for how long the apparel can be in use. For instance, if tears and opening of the seams can be repaired during the lifecycle, then the repair enables the products to reach (i.e., fulfil) their designed lifespan.

The repair activity as such does not prolong the designed lifespan of the apparel. In workwear, the repair activities have been recognised to be crucial in keeping the produced apparel in active use and preventing the product from reaching end-of-life too early. The longer the apparel can

Emission reductions by prolonging the lifespan of a product may not always be a viable option.

be kept in cycle (i.e., use, active, or passive), the production, transport, and end-of-life treatment emissions are expected to be divided between that lifespan. The use phase emissions must be considered differently; in case where the lifespan of the product is prolonged, it will have the use phase emissions (e.g., added washes) for as long as the apparel is in use.

In a case of health care uniform the consideration of decreasing the washing times is not a viable option. Thus, the repairs of the torn parts, seams, and zippers are one of the most efficient ways to keep the apparel in use and help reach the designed lifespan. Other options for the prolonging lifecycle lay in changing the material that would allow more washing cycles or for certain uniforms, depending on their use, self-cleaning properties that would decrease the frequency of washes.

The environmental impacts could be decreased further by using low carbon energy sources, less polluting chemicals, optimising the transport and use of less emitting and more resource efficient washing equipment.

Learnings from the case studies reveal that what works for one industry might not fit the other nor lead to the benefits achieved by another. However, studying the characteristics of each sector and different product groups, we can gain valuable and tangible insights on under which conditions different circular economy principles lead to reduced environmental impacts.

Key Takeaways

- The promotion of the circular economy is necessary and vital. But there is a need for more easily usable tools for decision making when evaluating the potential benefits of circular economy.
- The results show that there is no single suitable approach to circularity in terms of achieving better environmental performance. Different industries and product groups have inherent characteristics that need to be taken into consideration when measuring the impacts of sustainability actions.
- Temporal aspects must be included in the decision-making for product repair/refurbishing/remanufacturing, particularly in the case of smart electronic devices and for products that typically have a fixed lifespan that cannot be extended endlessly.
- Despite the lifespan prolonging being one of the most prioritised aspects of a circular economy, it is not a viable option for certain groups of products without long-term R&D&I and investments, which might be in conflict with other priorities of the company.
- To promote the longevity of products and to avoid excess environmental emissions, producers should pay a closer attention to the share of defaults in their products related to the parts that have the highest share of the production emissions.

6

CONSUMER EXPECTATIONS OF BUSINESS SUSTAINABILITY

6. Consumer expectations of business sustainability

Advancing sustainability transition requires not only understanding on how to innovative sustainable business models but also better insight on consumers, what they perceive as sustainable and what they value when it comes to making more conscious purchasing decisions.

The consumer survey investigated how sustainability creates value for consumers, what is responsible company for consumers, the role of communication in sustainability decision making, and how sustainability is considered in purchases.

The survey results show that consumers have begun to pay more attention to sustainability of the products and services they consume. They say to avoid purchasing products they do not need and try to use the products until the end of their life cycle. The survey indicates that during shopping, consumers aim to choose domestic or local products, buying second-hand products when possible, and that they are interested in sustainability of the products. Consumers prefer recyclable products and products produced of recycled materials.

Based on consumer viewpoints, a responsible company is seen to take care of the sustainability of its products and production and be a forerunner in sustainable development; pay attention to the quality, durability, and recyclability of their products, and recycle all their waste materials.

In addition to sustainable actions, consumers highlighted the social impact. According to results, responsible companies have an active role in society, they improve employment situation, support the wellbeing of the

Consumers have high expectations for companies for actively advancing sustainability.

community, and pay attention on wellbeing of their employees, working conditions, and pay sufficient salaries.

Consumers also emphasised the role of communication as well. They expect honesty and transparency in company communication. Responsible companies carry out the self-monitoring and reporting on their activities, regularly review their own operations, and changes are made if necessary.

Even if consumers highlight the role of companies in sustainable development, they agree that all sustainability actions cannot be placed solely on the responsibility of companies. Usually, this requires some preliminary work and spontaneity from consumers and might mean higher prices as well.

In summary, consumers prefer durable, long-lasting, high-quality products, consume second-hand products, and avoid shopping single-use products. They expect companies to actively advance sustainability and communicate their sustainability-related results with transparency (Vehmas et al., 2023).

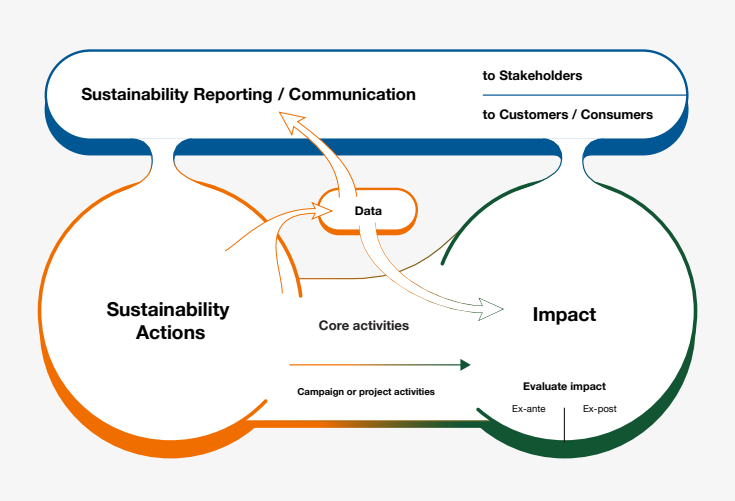
Key Takeaways

- Determining the sustainability of a product or service is a laborious task for consumers who want to opt for more sustainable options. In order to end up with a more sustainable option, consumers inform to have to investigate and find information about products/ services, which are not necessarily transparently displayed.
- Clear and transparent information about products and easy access to product sustainability information can affect decision-making in opting for a more sustainable option.
- A unified form of product/service sustainability information makes comparisons practical for consumers.
- Consumers inform the willingness to pay more for more sustainable products when this is communicated transparently. Therefore, in general, companies should pay more attention to their communication, which is directed at consumers.

7

SYNTHESIS AND RECOMMENDATIONS

7. Synthesis and Recommendations



Synthesis of key findings and recommendations to decision makers to advance sustainability in companies.

MORE EFFORT IS NEEDED IN CREATING IMPACT THROUGH CORE ACTIONS AND ENSURING TRANSPARENT COMMUNICATION

The missing link between actions and impact creation

As shown previously, companies can advance the sustainability transition through versatile ways. However, the emphasis should be on those activities that form the core of the business. In addition to focussing on core activities, their impact on sustainability needs to be better understood and measured. Currently, the link between core sustainability actions and their impact is too often too vague. If there is no clear demonstration of impact measurement, it is not possible to understand the consequences of sustainability actions.

Today, better communicators win the game at the cost of sustainability impacts

In addition to strengthening the sustainability of core activities and measuring impacts, it is important for companies to communicate these activities and impacts. By better sustainability communication, companies can gain competitive advantage, improve their brand image among stakeholders, particularly among investors, and, thus, help companies securing access to green funding.

Through efficient communication of their ESG risks and particularly opportunities, companies can also gain better ESG ratings. As the findings of the Actions for Sustainable Business Renewal project show, today skilled

communicators know how to report the results in a way that is beneficial in regard with ESG ratings. There is still too often a gap between what is said about sustainability activities and their true impact on sustainability. Therefore, there is an increasing need for harmonised reporting and particularly a format, that clearly shows the impacts achieved with taken actions.

Sustainability communication is directed to stakeholders; consumers have to do their own research

The research shows that sustainability communication is still often directed to stakeholders, not consumers. The main format for sustainability communication in leading companies is sustainability reporting, which is targeted to the stakeholders, such as investors, authorities, and other companies. Consumer communication takes place through, for example, marketing activities and not through sustainability reporting. Therefore, consumers may have difficulties in finding relevant, product-specific sustainability data, they would need when comparing different products and their sustainability prior making purchase decisions.

Transparency is a cornerstone in maintaining and building trust

Although skilled communicators can today win the game by improving brand image and securing future investments, regulation, particularly in Europe, is getting more stringent on how to communicate and report the sustainability actions and impacts. Recently, for example, the European Commission initiative on green claims (EC, 2023) aims to protect

and empower consumers in the green transition. Thus, companies need to further improve sustainability communication to ensure their communication is accurate and transparent, as unclear and misleading communication can lead to not only penalties but also to loss of trust, which in turn can weaken the brand image.

Key recommendation to decision-makers on how to advance sustainability in companies

Based on the findings of the Actions for Sustainable Business Renewal project, we introduce the following key recommendations to decision-makers on how they can advance sustainability in their companies and accelerate sustainability transition, Figure 3:

1. Prioritise the core activities as they provide the most impact in advancing sustainability
2. Measure and monitor the impact of activities
3. Put more efforts to communicate the impact of sustainability activities more clearly and transparently
4. Base all sustainability communication on measured and monitored information
5. Provide consumers with actionable sustainability information to make informed choices

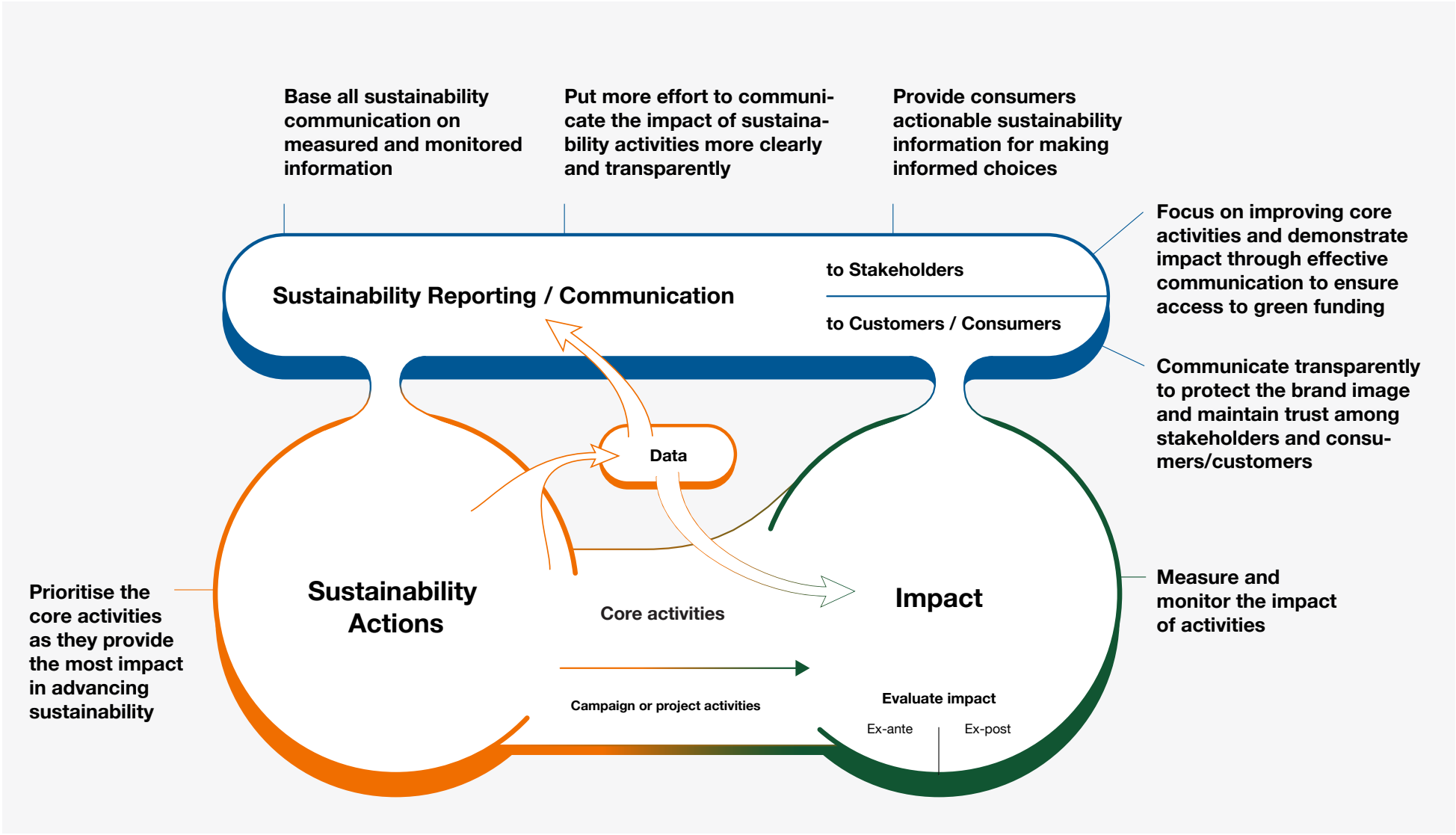


Figure 3. Synthesis of key findings and recommendations to decision makers to advance sustainability in companies.

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