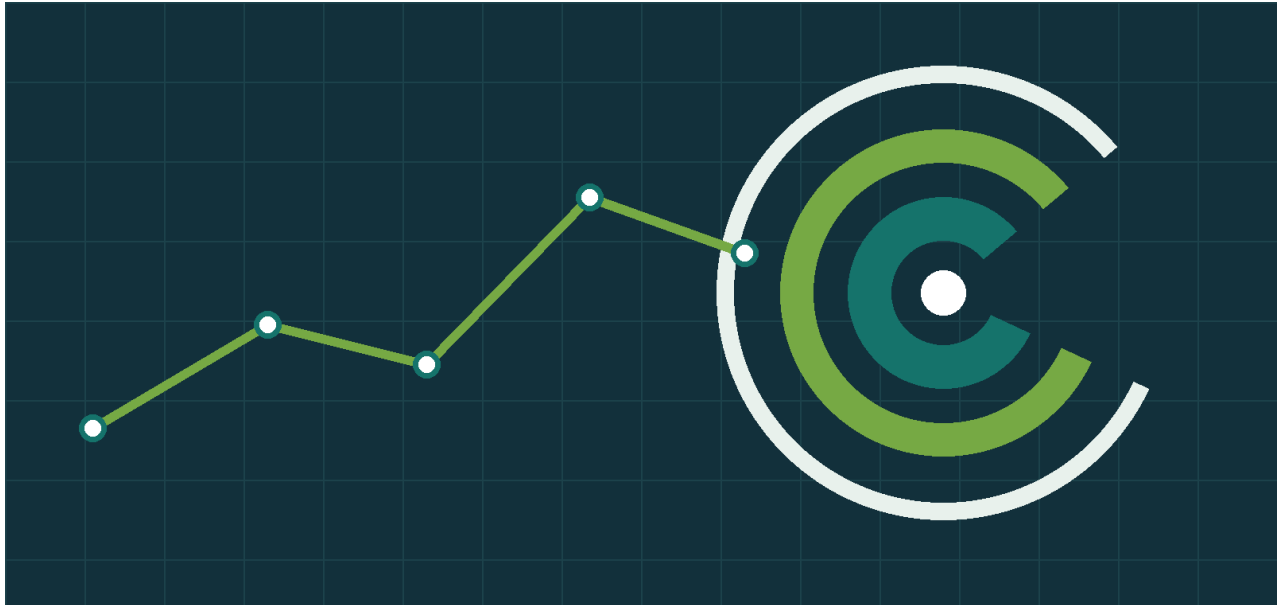




WHEN SUSTAINABILITY RULES BECOME REALITY

Lessons from industry's transition to net zero

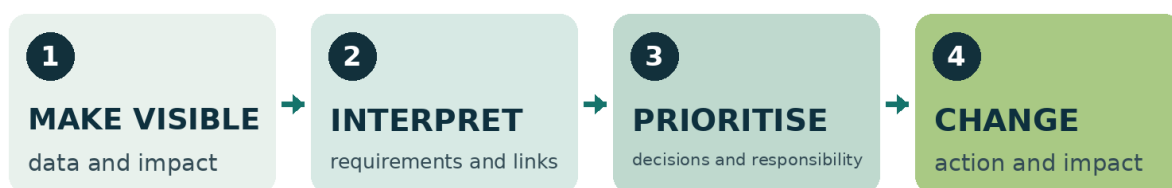
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Can new sustainability reporting rules help industry reduce its emissions? Yes, but a report changes nothing on its own. What matters is whether the information is used to make different decisions.

This is one of the most important outcomes from the CIRCLE-PACT research project. Researchers from the School of Business, Economics and Law at the University of Gothenburg and Luleå University of Technology have followed a large multinational manufacturing company as new EU rules became part of its day-to-day operations.

The study shows what happens in the process of preparing the first sustainability report under CSRD/ESRS: new tasks, difficult assessments, large volumes of information, and many conversations between people with different expertise and perspectives.

From emissions targets to everyday decisions



Reporting has an impact when information travels all the way from data to decisions and action.

Reaching net-zero emissions means first reducing greenhouse gas emissions as far as possible and addressing the remaining emissions according to a clear timeline. Industry needs new technology and new routines, but also better knowledge of its operations, which is a learning process that takes time. Where do the largest emissions arise? Where are materials and energy lost? Which suppliers and customers need to be part of the transition? And which investments have the greatest impact?

To answer such questions, companies need reliable information. This is why regulated sustainability reporting under CSRD/ESRS can play an important role. It is intended to make emissions, resource use, risks, and dependencies visible. But the information only becomes meaningful when it influences, for example, investments, material choices, product development, production, and procurement.

New rules bring sustainability issues closer to core operations

CIRCLE-PACT is a joint research project between the School of Business, Economics and Law at the University of Gothenburg, Luleå University of Technology and a large multinational manufacturing company. The project is funded by Vinnova, Formas, and the Swedish Energy Agency within the framework of the Net Zero Industry innovation program.

The researchers have followed how a large multinational manufacturing company implemented EU's new sustainability reporting rules. The rules consist of a directive, the Corporate Sustainability Reporting Directive (CSRD), and the associated European Sustainability Reporting Standards (ESRS).

CSRD and ESRS are intended to make companies' information on climate, the environment, social issues, and governance more reliable and comparable. This should give investors, customers, and other stakeholders a better basis for their decisions.

For companies, the rules involve much more than writing a report. They need to collect new information, allocate responsibilities, assess what is material, and integrate sustainability issues into their working methods and decisions.

The researchers have followed this work through interviews, roundtable discussions, workshops, and observations of meetings with key actors, including company managers at strategic and operational levels, as well as regulators and other decision-makers. In this way, the project has been able to study what happens when the rules meet the practical reality of a global industrial operation.

The company did not start from scratch

Even before the new rules, the company had a strong commitment to sustainability. Therefore, much of the currently required information already existed in some form. Even so, the transition to regulated reporting was extensive. Existing information had to be quality assured and, in some cases, collected in new ways. Responsibilities had to be allocated more clearly, and different parts of the organisation had to work more closely together. There is a major difference between voluntary initiatives and regulated reporting. When information is to be disclosed, compared, and assured, the requirements for how it is produced and who is responsible for it increase.

Assessments require dialogue

One of the greatest challenges has been creating a shared understanding of the requirements. Accountants and finance professionals, engineers, sustainability specialists, management, and suppliers may draw on different areas of expertise and use different terminology. One example is the question of what material is. The company must assess both how sustainability issues may affect its financial position and how its operations effect people and the environment.

The regulatory framework sets the boundaries, but the assessments must be made in the context of specific business. They require both facts and dialogue between people with different experiences and perspectives. They also need to be reviewed as the business or its external environment changes. Sustainability reporting is therefore both a technical and an organisational process. It requires a shared language and an ability to manage differing assessments of what matters most.

Information exists throughout the value chain

The impact of a large industrial company does not stop at its own factory gate. Important information is also held by suppliers, customers, and other partners. This makes reporting particularly complex in manufacturing, mining, and the metals industry. The company depends on many actors being able to provide the “right” information and understand how it should be used.

This also affects small and medium-sized enterprises. Even when they are not subject to the most extensive reporting requirements, they may need to provide sustainability information to larger customers or banks. The voluntary sustainability reporting standard for SMEs (the VSME standard) can help, but larger companies also need to set clear and reasonable requirements.

The rules change while companies are building their systems

During the project, the conditions have changed. Timelines have shifted, and the EU’s Omnibus process has brought simplifications and changes to the requirements. At the same time, companies have had to navigate an uncertain external environment, including the war in Ukraine, changing tariffs, and an international debate in which climate issues have received decreasing attention.

When the rules of the game change in the middle of the work, uncertainty arises. Companies that have already invested time and money in new systems may need to redo parts of the work. This can lead to additional work, inefficiency, and frustration. At the same time, the need for sustainability information does not disappear when the rules are simplified. Climate risks, resource dependencies, and requirements from customers and other stakeholders remain. Companies therefore need to build ways of working that are both stable and adaptable.

The transition changes skills requirements

The new rules also lead to a change regarding what knowledge and skills companies need to develop. The company studied has invested significant resources in external consultants and internal training. At the same time, expectations are increasing that new employees will already have a basic understanding of sustainability and reporting. This is also important for universities and other education providers. The finance professionals of the future need to understand sustainability issues. Engineers need to be able to explain technical information so that it can be used in management control and reporting. Leaders, procurement professionals, lawyers, and other occupational groups are also affected. The transition to net zero therefore requires more than new knowledge. It requires people with different expertise to understand one another and work towards the same goals.

Six lessons for companies and organisations

From reporting requirements to transition capability: six lessons to take forward.

The experiences from CIRCLE-PACT can be used by organisations facing new sustainability requirements or seeking to strengthen their transition efforts.

01 START WITH THE DECISIONS THAT NEED TO IMPROVE

Clarify early on what information will be used for and which investments, purchases, or priorities it should support. Reporting can then be integrated into management and decision-making rather than developed as a parallel administrative exercise.

02 EMBED RESPONSIBILITY THROUGHOUT THE ORGANISATION

Management, finance, engineering, procurement, HR, the sustainability function, and other relevant parts of the organisation need clearly defined roles. This applies both to responsibility for the information and to responsibility for the actions that the information calls for.

03 CREATE FORUMS FOR SHARED INTERPRETATION

Technical data, financial assessments, and sustainability requirements need to be understood in relation to one another. The organisation therefore needs forums where different professions can interpret the requirements together, test assessments, and develop a shared language.

04 INVOLVE THE VALUE CHAIN EARLY

Much of the information and impact that the company needs to understand lies with suppliers, customers, and other partners. Early dialogue about what information is needed, why it is needed, and how it can be produced can improve quality and reduce disproportionate burdens, particularly for small and medium-sized enterprises.

05 BUILD ADAPTABLE STRUCTURES

Rules and the external environment will continue to evolve. Working methods, responsibilities, and information systems therefore need to be stable enough to support the business while remaining adaptable when conditions change.

06 TRACK THE EFFECTS, NOT JUST IMPLEMENTATION

Follow-up needs to cover more than whether the report has been completed. The organisation should also track whether and how the new

knowledge influences decisions and contributes, for example, to lower emissions, more efficient resource use, or better social conditions.

QUESTIONS TO DISCUSS IN YOUR OWN ORGANISATION

- Which decisions should our sustainability information improve?
- Who is responsible for collecting the information – and who is responsible for acting on it?
- Where are our biggest knowledge gaps and dependencies in the value chain?
- Do different professional groups have a shared language for discussing sustainability?
- How do we track whether reporting leads to actual change?

The report is the starting point, not the end goal

The company has now introduced new ways of working and published its first sustainability report under CSRD. But the real test begins now. Will the information influence the company's investments and priorities? Will it lead to different material choices, new production methods, or changed business models? Will responsibilities become clearer? And can the changes contribute to lower emissions, more efficient resource use, and better social conditions? This needs to be followed up from 2026 onwards. Only after the information has been used over a longer period will it be possible to see whether the new rules have primarily improved reporting or have also changed how industry acts.

Knowledge for the next step in the transition

CIRCLE-PACT provides a close-up view of what happens when ambitious sustainability rules meet the day-to-day reality of industry. The experiences can help both companies already covered by the rules and companies facing similar changes. Above all, the project shows that sustainability reporting can create better knowledge, clearer responsibilities, and new conversations within the organisation. This can strengthen industry's capacity to transition, but the link to real change is not automatic. The next step for the research is therefore to follow how the information is used, how management systems develop, and what effects this has in practice.

The crucial question is not how many sustainability disclosures a company reports, but whether the information leads to the decisions required for industry to reach net zero.

ABOUT CIRCLE-PACT

A joint research project between the School of Business, Economics and Law at the University of Gothenburg, Luleå University of Technology and a large multinational manufacturing company. A joint research project involving the School of Business, Economics and Law at the University of Gothenburg, Luleå University of Technology, and a large multinational industrial company. The project is funded by Vinnova, Formas, and the Swedish Energy Agency within the framework of the Net Zero Industry innovation program.

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