

Master's Programme in Information and Service Management

# Effectiveness of the CSRD in Improving Comparability in Sustainability Reporting

Insights from the first reporting year

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### **Abstract**

Sustainability reporting has become an established practice especially among large companies. Various reporting standards and frameworks aimed at ensuring high-quality sustainability reporting have emerged in response to the rising demand from investors and other stakeholders for credible and consistent sustainability disclosures. To ensure disclosures can be utilised effectively in decision-making, policymakers and standard setters have focused on enhancing comparability in sustainability reporting. However, achieving comparability has proven to be difficult and remains a critical challenge in sustainability reporting.

This study focuses on the comparability challenge from the perspective of the EU's recent Corporate Sustainability Reporting Directive (CSRD) which entered into force in 2023. The CSRD aims to ensure that companies report comparable, reliable, and useful sustainability information. Although the directive aims to address shortcomings in sustainability reporting, its practical effectiveness in improving comparability remains uncertain.

The first CSRD-compliant reports have been published in 2025, and this study examines how comparability is perceived after the first year of reporting. The objective of is to gain an understanding of how the CSRD impacts comparability, identify factors that might hinder it, and examine how comparability can be improved in the future. This research is a qualitative study and data is collected through semi-structured interviews with ESG professionals who work with CSRD-compliant sustainability reports. The interview data is analysed using thematic analysis.

The findings of this study show that the CSRD has improved the structure and reliability of sustainability reports through the mandatory reporting standards and external assurance. Still, several challenges remain to achieving comparability. For example, subjectivity of double materiality assessments, complexity of reports, heavy reliance on narrative information and ongoing changes in the regulatory environment create barriers to comparability. The findings suggest that achieving the CSRD's goal of enhanced comparability requires general and sector-specific guidance, machine-readable formats, better aligning disclosure requirements with user needs, and extending reporting mandate beyond the largest companies.

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**Keywords** sustainability reporting, comparability, corporate sustainability, CSRD, ESRS

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### **Tiivistelmä**

Kestävyysraportoinnista on tullut vakiintunut käytäntö erityisesti suurissa yrityksissä. Erilaisia raportointistandardeja ja -kehyksiä, joiden tarkoituksena on varmistaa korkealaatuinen kestävyysraportointi, on syntynyt vastauksena sijoittajien ja muiden sidosryhmien kasvavaan kysyntään luotettavista ja johdonmukaisista kestävyystiedoista. Jotta raporttien tietoja voidaan hyödyntää tehokkaasti päätöksenteossa, päättäjät ja standardien laatijat ovat keskittyneet edistämään kestävyysraportoinnin vertailukelpoisuutta. Vertailtavuuden saavuttaminen on kuitenkin osoittautunut vaikeaksi ja on yhä kriittinen haaste kestävyysraportoinnissa.

Tämä tutkimus keskittyy vertailtavuuden haasteeseen EU:n vuonna 2023 voimaan tulleen kestävyysraportointidirektiivin (CSRD) näkökulmasta. CSRD:n tavoitteena on varmistaa, että yritykset raportoivat vertailukelpoista, luotettavaa ja hyödyllistä kestävyystietoa. Vaikka direktiivin tavoitteena on korjata kestävyysraportoinnin puutteita, sen käytännön tehokkuus vertailtavuuden edistämässä on epävarmaa.

Ensimmäiset CSRD:n mukaiset raportit on julkaistu vuonna 2025, ja tässä tutkimuksessa tarkastellaan, miten vertailukelpoisuus nähdään ensimmäisen raportointivuoden jälkeen. Tavoitteena on ymmärtää, miten CSRD vaikuttaa vertailtavuuteen, tunnistaa tekijöitä, jotka saattavat haitata sitä, ja tutkia, miten vertailtavuutta voidaan edistää tulevaisuudessa. Tutkimus on laadullinen, ja aineisto on kerätty puolistrukturoiduilla haastatteluilla ESG-ammattilaisilta, jotka työskentelevät CSRD:n mukaisten kestävyysraporttien parissa. Haastatteluaineisto on analysoitu teema-analyysin avulla.

Tutkimuksen tulokset osoittavat, että CSRD on parantanut kestävyysraporttien rakennetta ja luotettavuutta pakollisten raportointistandardien ja ulkoisen varmuksen kautta. Vertailtavuuden saavuttamisessa on kuitenkin edelleen monia haasteita. Esimerkiksi kaksinkertaisen olennaisuusarvioinnin subjektiivisuus, raporttien monimutkaisuus, voimakas painotus laadullisiin tietoihin ja jatkuvat muutokset sääntely-ympäristössä luovat esteitä vertailukelpoisuudelle. Tulokset osoittavat, että CSRD:n tavoitteen, vertailtavuuden parantumisen, saavuttaminen edellyttää sekä yleisiä että toimialakohtaisia ohjeita, koneluettavia raportointimuotoja, raportointivaatimusten parempaa sovittamista käyttäjien tarpeisiin sekä raportointivelvoitteen laajentamista suurimpien yritysten ulkopuolelle.

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**Avainsanat** kestävyysraportointi, vertailtavuus, yritysvastuu, CSRD, ESR5

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## Sustainability abbreviations

CSRD	Corporate Sustainability Reporting Directive
DMA	Double Materiality Assessment
EFRAG	European Financial Reporting Advisory Group
ESRS	European Sustainability Reporting Standards
GRI	Global Reporting Initiative
ISSB	International Sustainability Standards Board
SASB	Sustainability Accounting Standards Board

## Other abbreviations

AI	Artificial Intelligence
EU	European Union
NGO	Non-Governmental Organisation
PDF	Portable Document Format
PIE	Public Interest Entity
SME	Small and Medium-sized Enterprise
XBRL	eXtensible Business Reporting Language

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# 1 Introduction

Sustainability reporting has become an established practice among large and medium-sized companies over the past two decades (Roszkowska-Menkes et al., 2024). Its growing relevance is driven by increasing pressure from investors, regulators, and the public for companies to disclose reliable information on environmental, social, and governance (ESG) performance (Elkins et al., 2024). As sustainability reporting has become more common in various industries globally, new reporting standards aimed at ensuring high-quality sustainability information have been created (Jørgensen et al., 2022). In response to the rising demand for credible and consistent ESG disclosures, particularly from investors and other key stakeholders, policymakers and standard setters have focused on enhancing the comparability of sustainability reports (Korca et al., 2023).

Over time, several sustainability reporting standard setters and standards have emerged with the aim to ensure consistency, transparency and comparability of sustainability reporting. To foster comparable sustainability reporting and better serve the needs of investors and society as a whole, the EU parliament passed the European Non-Financial Reporting Directive (NFRD) in 2014 which mandated large public-interest entities (PIEs) to disclose certain sustainability information (European Parliament and European Council, 2014). However, these companies were not required to base their reports on any specific national or international reporting standard or framework. As a result, there has been a wide variation in how companies report and most users of NFRD-based reports found that sustainability reporting lacks comparability (Korca et al., 2023).

The aim of sustainability reporting is to provide society with comprehensive, meaningful, comparable, and reliable information. However, as Zsóka & Vajkai (2018) point out, it is often criticised for failing to achieve these goals, and therefore research and suggestions for developing sustainability reporting are valuable and needed. Furthermore, the principle of comparability in sustainability reporting has often been taken for granted and has received limited attention in academic literature (Boiral & Henri, 2017). Although comparability is widely recognised as a key feature of useful information disclosure, few studies have thoroughly examined whether the sustainability information published by organisations is truly comparable.

Earlier studies have examined comparability within common previously adopted reporting frameworks. Research has found that significant challenges exist for comparability, for example, due to flexibility of guidelines, large number of indicators (Zsóka & Vajkai, 2018), non-compliance with

protocols, ambiguous and incomplete information (Boiral & Henri, 2017), and lack of mandatory regulatory constraints (Cardoni et al., 2019).

A recent significant regulatory development in sustainability reporting scene is the Corporate Sustainability Reporting Directive (CSRD) (European Parliament and Council of the EU, 2022) which entered into force in January 2023. The CSRD addresses shortcomings of the NFRD and aims to ensure companies provide reliable and comparable sustainability information to various stakeholders (European Parliament, 2022). To enable this, the CSRD introduced a broad, detailed, and standardised reporting framework, the European Sustainability Reporting Standards (ESRS) (European Commission, 2023a). The first companies covered by the CSRD are the entities that were previously subject to the NFRD and they have applied the new standards for the first time in their sustainability reports published in 2025 (European Commission, 2023b). The CSRD expands the scope of mandatory sustainability reporting and introduces the requirements in phases depending on the size of the company, and whether it is listed or not (Hummel & Jobst, 2024).

By mandating the use of the new reporting standards, the CSRD intends to help stakeholders to evaluate the ESG performance of companies (European Commission, 2023b). It introduces several measures to enhance reporting quality and comparability. On top the reporting standards, these measures include, for example, mandatory external assurance, integration of sustainability information in the management report, and a requirement for digital tagging of sustainability information to facilitate machine-readability (Hummel & Jobst, 2024).

Accordingly, a central objective of the CSRD is to establish standardised and measurable sustainability reporting, enhance transparency and comparability, and support informed decision-making (Suta et al., 2025). As the CSRD is expected to resolve several long-standing issues in sustainability reporting, it is interesting to study how its effectiveness is perceived following its first year of implementation. This study focuses specifically on comparability as it is a key characteristic linked to the overall usability and decision-usefulness of information (FASB, 2010).

Furthermore, while the CSRD aims to address many of the recognised challenges in sustainability reporting, its practical effectiveness is likely to be affected by recent political developments. In February 2025, the European Commission released the Omnibus proposal package which aims, among other things, to reduce the sustainability reporting burden for organisations in relation to the CSRD (European Commission, 2025). As a result, it is now expected that the overall scope of companies subject to the reporting requirements will decrease and no sector specific ESRS will be adopted (European

Commission, 2025). These changes will influence how sustainability reporting develops and simultaneously raise questions about the extent to which the CSRD will fulfil its original ambitions and support achieving improved comparability.

## **1.1 Research objectives and questions**

This is a timely and relevant thesis topic, as it offers insights into how users of sustainability disclosures prepared under the CSRD perceive its effectiveness in enhancing comparability of sustainability disclosures. According to PricewaterhouseCoopers (2025), the first sustainability reports prepared in accordance with the ESRS come with a lot of variation, and making comparisons is expected to be difficult until reporting practices develop. This means that users such as investors and other stakeholders who try to compare reports are likely to face challenges in the early years of CSRD-compliant reporting. Therefore, research on this topic is seen important to gather information on the current state of comparability, identified challenges, and ways in which comparability could be improved in the coming years.

The theoretical objective of the study is to address a research gap by examining how the CSRD and ESRS may enhance comparability of sustainability reporting compared to previously studied, commonly used reporting frameworks. Additionally, this study seeks to improve understanding of the various elements of sustainability reporting in the EU and assess the current state of comparability in sustainability disclosures.

The empirical objective of the study is to assess how well the recent developments in the sustainability reporting field in the EU are reaching their intended goals especially considering the comparability aspect. In addition, the study aims to identify current challenges in implementation of comparable sustainability reporting. It examines how users of sustainability data perceive its usefulness and how effectively they are able to utilise it. Based on these findings, this study highlights the ways in which the CSRD enhances comparability, while also identifying areas where further improvements are needed to achieve truly comparable and meaningful sustainability reporting.

The study collects the views of various ESG professionals on the changes brought about by the CSRD and their impact on the comparability of sustainability reporting. The research focuses primarily on the user group of financial market professionals, but it also includes views from large listed companies that have already prepared CSRD-compliant reports, as well as from other ESG reporting experts. As this is the first year that the CSRD reports have been published, it is particularly valuable to also gather experiences

from those who have been directly involved in the reporting process. Their first-hand views provide an understanding of practical challenges, and initial results of the new reporting requirements. In addition to their expertise with the CSRD, they have experience in assessing comparability, for example through competitor analyses, which broadens the perspectives of the study.

Despite the aim of the CSRD to improve the quality of corporate sustainability reporting and harmonise it across the EU, it remains unclear whether it is effectively enhancing the comparability of sustainability reports. Hence, the research questions are:

**Q1:** What is the perceived impact of the CSRD on the comparability of companies' ESG performance?

**Q2:** What factors hinder the comparability of sustainability reports prepared under the CSRD?

**Q3:** How could the comparability aspect be enhanced in the future?

Through these research questions, this thesis aims to assess the early effects of CSRD implementation to comparability of sustainability reporting. It also seeks to contribute to ongoing academic, managerial, and policy discussions on this matter, and to provide practical insights for improving the comparability of sustainability disclosures in the future.

This research is based on a qualitative approach and empirical data will be collected through semi-structured interviews. The data will be analysed using a thematic analysis to identify recurring themes related to the current state of comparability of the sustainability information and identify challenges and development areas for the coming years.

## **1.2 Scope of the research**

This thesis focuses on the effects of the CSRD on the comparability of sustainability information, viewed from the perspective of Finnish financial market professionals like ESG analysts and sustainable finance experts. In addition to professionals working in the financial market, the study includes insights from sustainability reporting experts working at large Finnish listed companies' as well as other sustainability reporting experts familiar the CSRD and sustainability reporting according to the ESRS. This allows for different viewpoints to be taken into account. These groups were chosen because they have experienced the changes posed by the CSRD and consider comparable and reliable information essential for their work.

As such, this research does not explore the perceptions of all intended user groups of CSRD-based sustainability reports as outlined in the directive (European Parliament and Council of the EU, 2022). In particular, civil society actors and consumers are not included in the scope of this study.

Additionally, it is important to note that the study examines comparability in the early state of the CSRD, where the first CSRD-compliant reports from the EU's large public interest entities have been published in spring 2025. The CSRD is still evolving and legislative changes are expected to impact the content and scope of reporting following the release of an Omnibus package by the European Commission that proposes several amendments to the directive (European Commission, 2025).

### **1.3 Structure of the thesis**

This study consists of six chapters. The first chapter sets out the broader context of the study and outlines the research questions and objectives. The second chapter provides a literature review where the research is related to existing knowledge and literature in the field. The chapter explores the perspectives, concepts, and theoretical foundations of sustainability reporting and information comparability, and examines stakeholder expectations for ESG disclosures. In addition, the chapter provides an overview of the CSRD and the accompanying ESRS framework.

Following the literature review, chapter 3 presents the research methodology. This chapter provides a detailed description of the methodology and how data was collected and analysed. It also discusses research ethics as well as trustworthiness and limitations of the chosen research method.

Chapter 4 presents the results of the research. The results are divided into chapters on double materiality and industry context, data quality and reliability, usability of sustainability disclosures, and transitional reporting environment and user needs. The chapters are based on the four themes identified from the interview data through the thematic analysis.

Chapter 5 discusses the results in relation to existing research and provides their theoretical and practical implications. This chapter also outlines the limitations of the study and provides suggestions for future research. Finally, chapter 6 concludes the study by summarising the key findings.

## **2 Literature review**

This chapter reviews the literature on sustainability reporting, including conceptual foundations and the theoretical perspectives commonly used to explain it. It explores the development of reporting standards and frameworks, with a focus on the Corporate Sustainability Reporting Directive (CSRD) which has recently introduced changes to sustainability reporting in the European Union. The chapter provides an overview of the European Sustainability Reporting Standards (ESRS) and briefly reviews other commonly used global reporting frameworks. Finally, it examines characteristics of sustainability reporting, with a focus on the comparability of disclosures and explores the expectations stakeholders have for sustainability reporting.

### **2.1 Foundations of sustainability reporting**

Sustainable development is commonly defined as meeting present needs in a way that does not compromise the ability of future generations to meet their needs (Brundtland, 1987). It has received widespread attention, and compliance with this principle is also generally considered to be the responsibility of companies. The growing use of sustainability reporting reflects this and has become a key mechanism for businesses to communicate corporate responsibility and accountability (Rezaee et al., 2023; Zsóka & Vajkai, 2018). Over the past few decades, reporting on social, environmental and governance issues has expanded considerably, and companies are producing a variety of reports describing their impact on society and the environment (Gray, 2010).

This first section of the literature review explores how sustainability reporting has become an established business practice and outlines theoretical foundations that offer explanations to why companies engage in such practice and why it has become increasingly important. The section provides a conceptual basis for understanding the development, purpose and common challenges of sustainability reporting.

#### **2.1.1 Corporate sustainability and sustainability reporting**

It is evident that companies have a significant influence on economic, environmental, and social well-being, and therefore corporate sustainability is seen critical for the long-term development of both the economy and society (Schaltegger et al., 2006). With the growing emphasis on sustainability and corporate responsibility, the analysis and integration of ESG performance has become a key part of corporate strategy. Consequently, stakeholders and regulators are placing increasing emphasis on sustainable development in

their decision-making processes, growing the importance of sustainability reporting (Romero et al., 2018; Suta et al., 2025). Schaltegger et al. (2006) define sustainability reporting as formalised communication to internal and external stakeholders that aims to provide information on the company's social and environmental impacts and progress towards sustainability goals.

In 2024, 79% of the largest 100 companies in 58 countries reported on sustainability and among the world's 250 largest companies the total was 96% (KPMG, 2024). This shows that sustainability reporting is increasingly becoming a standard practice, starting from the largest companies. It has become common globally across industries and new measurement and disclosure standards have been developed to promote the availability of high-quality sustainability information (Jørgensen et al., 2022). As a result, it has become a standard business practice and can be seen as increasingly institutionalised over time (van Bommel et al., 2023). The adoption of sustainability reporting is driven by a combination of internal and external pressures (Herold, 2018) and currently development in this field is happening at a pace and scale that has never been seen before in corporate reporting (Abela, 2022).

The scope of corporate reporting has expanded significantly over the past two decades. The assessment of a corporation's financial health has traditionally been grounded in the principles and practices of financial accounting (Barker, 2025) but over time sustainability information has increasingly become an important element of the information needs of financial statement users (Elkins et al., 2024). Sustainability disclosures differ from financial information in its forward-looking orientation, inclusion of impacts on resources not owned by the reporting entity, and its emphasis on non-monetary information (Barker, 2025). Unlike the content of financial statements, the non-financial information presented in sustainability reports is still largely evolving and unclear, and its valuation among different stakeholder groups raises questions (Suta et al., 2025).

It has been argued that sustainability reporting often lacks clarity, consistency, and focus on material issues which can keep companies unaware of significant risks and limit investors' ability to assess those risks accurately (Eccles et al., 2012). Like financial statements, sustainability reports are intended to provide users with material information that supports decision-making (Barker, 2025). To achieve this, companies should continuously evaluate and prioritise their sustainability efforts and the way these efforts are communicated. This involves decisions about which initiatives to implement, which metrics best reflect performance, and what information is most relevant to disclose (Jørgensen et al., 2022). Materiality assessments play a key role in this process by helping determine which sustainability issues are most important. However, as Barker (2025) points out, material sustainability

issues differ between industries and norms and a consensus on how material issues should be determined are still evolving.

It is widely believed that sustainability reporting and "real action" are two different things, and researchers have long argued that sustainability reporting is often not truly meaningful in terms of sustainability goals (Gray, 2010). It has also been noted that sustainability reporting has shifted from its original emphasis on morality and ethical responsibility toward an emphasis on economic performance, where the disclosure of sustainability information is increasingly being used to create strategic value for the company (van Bommel et al., 2023). Despite these concerns, reporting has been linked with improvements in ESG performance. Operato et al. (2025) suggest that the process of collecting data for sustainability reporting can support organisational decision-making and help improve the company's overall approach to sustainability. Also, research by Fiechter et al. (2022) which evaluated the NFRD found that companies covered by the directive were responding to it by increasing their sustainability activities and starting to do so even before the directive entered into force. This suggests that although the purpose and impact of sustainability reporting still varies, it is linked to the actual actions taken by companies with the aim to support sustainable development and address social and environmental issues.

### **2.1.2 Theoretical foundations**

Sustainability reporting, also earlier referred to as corporate social reporting, is a complex phenomenon and it cannot be explained by a single theory (Gray et al., 1995). It is shaped by a combination of institutional pressures and stakeholder expectations (Herold, 2018) which has led researchers to apply multiple theories to better understand sustainability reporting practices and reasons behind it. There are several theoretical perspectives in sustainability reporting and studies highlight that theories are often interrelated and should be viewed as complementary rather than competing (Fernando & Lawrence, 2014; Gray et al., 1995). Legitimacy theory, stakeholder theory, and institutional theory are widely recognised as the main theoretical frameworks in sustainability reporting literature (Fernando & Lawrence, 2014).

The central idea of legitimacy theory is the justification of a company's existence, activities and use of resources, which the company can earn by acting in accordance with the norms and values expected by society (O'Donovan, 2002). Companies risk damaging the implicit social contract they have with stakeholders if their actions are perceived as misaligned with the expectations and values underlying the contract (Deegan, 2002). Thus, legitimacy theory suggests that companies need to behave in ways that society sees as acceptable in order to continue operating successfully (O'Donovan, 2002).

Furthermore, according to legitimacy theory, companies constantly strive to improve the public image of their activities (Correa-Mejía et al., 2024). To preserve legitimacy, especially when actual performance is weak, firms often use sustainability reporting to influence public perception (O'Donovan, 2002). Companies with poor sustainability performance tend to provide opaque and superficial disclosures as a means of concealing their actual performance while seeking to preserve their legitimacy (Hummel & Schlick, 2016). Thus, according to legitimacy theory, sustainability reporting is done with the aim to gain, keep, or rebuild acceptance from society and it can also be used to explain why many companies choose to report sustainability information voluntarily (O'Donovan, 2002).

In addition to legitimacy theory, institutional theory can also be used to examine how companies maintain legitimacy in the context of sustainability (Herold, 2018). The central idea of institutional theory is that organisations tend to adapt to the rules, norms, and expectations shaped by their external environment (DiMaggio & Powell, 1983). Thus, according to institutional theory, the expected motive of an organisation is the desire to become like other organisations by adopting their practices and behaviour that is considered normal by society or particularly influential groups (Fernando & Lawrence, 2014). According to DiMaggio & Powell (1983), organisations adapt their structures and practices to align with what is considered legitimate within their field. They describe this process as isomorphism. Unlike legitimacy theory, which assumes that managers can influence perceptions through actions like disclosure, institutional theory views that legitimacy is shaped by norms that are largely imposed on organisations (Deegan, 2002).

Research on institutional isomorphisms identifies coercive, mimetic and normative factors as drivers to similarity of organisations (DiMaggio & Powell, 1983). Coercive isomorphism arises from pressures imposed by strong stakeholders, such as governments or other organisations on which a company depends for resources (Herold, 2018). A typical example is regulatory pressure forcing companies to implement certain changes. According to DiMaggio & Powell (1983), mimetic factors refer to changes resulting from the imitation of other organisations' practices, and uncertainty increases the likelihood of such imitation. Normative isomorphism, in contrast, is associated with professionalisation. From this view, similarities arise as organisations adopt shared norms and practices for example through participation in professional networks and associations. (DiMaggio & Powell, 1983) Therefore, similarly to legitimacy theory, institutional theory emphasises the importance of legitimacy but focuses on how external norms and pressures shape organisational behaviour.

In addition to isomorphism, institutional theory also addresses the concept of decoupling which means the discrepancy between an organisation's image and its actual practices (Fernando & Lawrence, 2014). A misalignment between a company's operations and what it discloses is a well-known challenge of sustainability reporting. From an institutional theory perspective, this misalignment can occur when formal reporting practices are adopted for compliance, but the underlying activities are not in line with social norms (Roszkowska-Menkes et al., 2024). Similarly, Hopwood (2009) argues from the perspective of legitimacy theory that firms can use disclosure to strengthen their legitimacy and reduce external scrutiny, even though such efforts do not necessarily lead to greater transparency.

Stakeholder theory offers similar insights to sustainability activities and disclosure as legitimacy theory (Deegan, 2002; Gray et al., 1995). The general idea behind stakeholder theory is that a company's long-term survival depends on the support of its stakeholders. The theory explicitly assumes that different stakeholder groups have differing opinions and expectations about how organisations should operate and have also different capabilities to influence organisations (Deegan, 2002). Therefore, a key responsibility of management is to address stakeholders' needs and expectations and balance potentially conflicting interests among them (Herold, 2018). As Abela (2022) points out, stakeholder theory emphasises the importance of considering the interests of all stakeholders and offers an alternative to the traditional focus on shareholders alone. This perspective aligns with the growing recognition that companies have responsibilities beyond just their shareholders (Barker, 2025). In line with stakeholder theory, sustainability reporting is considered a tool for companies to respond to stakeholder expectations by communicating their actions and demonstrating accountability.

## **2.2 Sustainability reporting standards and frameworks**

There has been a growing focus on standardisation of non-financial information as a solution to challenges in sustainability reporting. According to Wijen (2014), reporting standards offer institutional clarity and motivate adopters to address more issues by raising awareness and encouraging responsiveness to stakeholder expectations. Moreover, the adoption of more structured and harmonised frameworks has been shown to be associated with higher levels of ESG disclosure (Rezaee et al., 2023). The aim of standardising sustainability reporting is to clarify and, above all, improve comparability (Suta et al., 2025). However, standardisation alone is not sufficient to ensure compliance with reporting standards and enable meaningful comparison among standard adopters. Wijen (2014) points out that effective

compliance with standards requires strict external monitoring, clear rules, strong incentives, and the sharing of best practices.

This section of the literature review examines the role of sustainability standards and frameworks in shaping sustainability reporting practices. It reviews the existing literature on sustainability reporting within the EU and provides an overview of the efforts to standardise and enhance comparability across organisations through regulatory initiatives. Emphasis is given to the CSRD and the related European Sustainability Reporting Standards, but also other commonly adopted global standards and frameworks are explored.

### **2.2.1 Sustainability reporting in the European Union**

The European Union is at the forefront of the change to make disclosure of sustainability information mandatory and has adopted legislation to regulate companies' sustainability disclosures (Hummel & Jobst, 2024). The EU's sustainability reporting obligation is based on the Non-Financial Reporting Directive which was adopted in 2014 (European Parliament and European Council, 2014). The NFRD represents a significant shift in non-financial reporting, transforming it from a voluntary practice into a mandatory requirement for the entities it covers (La Torre et al., 2018). It required large EU-based public-interest entities with more than 500 employees to disclose certain ESG information and it was seen as a key part in the EU Commissions' efforts to transform the European economy in a more sustainable direction (Baumüller & Grbenic, 2021).

A goal for the NFRD was to improve consistency and comparability of non-financial information by requiring companies to prepare a non-financial statement that contains information on environment, social and employee matters, human rights, and bribery and corruption matters (European Parliament and European Council, 2014). However, the NFRD lacked detailed disclosure requirements and sector-specific indicators, and it did not require companies to use any specific reporting standard or framework (European Commission, 2020). As a result, companies were free to choose whether to base their reports on a single reporting standard, a combination of standards, or none at all.

The NFRD was repeatedly criticised for its shortcomings in fostering comparability, consistency, and reliability of sustainability disclosures, as well as for covering only a limited number of companies (La Torre et al., 2018). In 2020, the European Commission held a public consultation on the review of the NFRD which indicated that the sustainability disclosures of companies fail to respond to the needs of the information users (European Commission, 2020). Some key issues they found included a lack of comparable and reliable

data, gaps in the information reported, the inclusion of irrelevant details, limited reporting by some companies, and difficulties in locating the disclosed information.

In 2019, the EU introduced the European Green Deal that consists of several policy actions which aim to make the EU a fair, resource-efficient, and competitive economy and eliminate net greenhouse gas emissions in Europe by 2050 (European Commission, 2019). In line with the political development programs and identified shortcomings of the NFRD, EU legislation on sustainability disclosures has evolved since. In November 2022, the EU adopted the Corporate Sustainability Reporting Directive (CSRD), which replaced the NFRD from the 2024 financial year onwards (European Parliament and Council of the EU, 2022).

### **2.2.2 Corporate Sustainability Reporting Directive**

The Corporate Sustainability Reporting Directive (European Parliament and Council of the EU, 2022) is one key component of the European Green Deal and the Sustainable Finance Agenda, and forms part of EU's broader effort to ensure that companies respect human rights and reduce their environmental impact (European Parliament, 2022). The directive entered into force in January 2023 with the aim to enhance and harmonise sustainability reporting across the EU by obligating companies to disclose relevant information on environmental, social, and governance matters (European Commission, 2022). Ultimately, CSRD marks a shift away from voluntary reporting practices and reliance solely on market mechanisms towards mandatory disclosure of corporate sustainability information (Baumüller & Grbenic, 2021).

The CSRD significantly increases the number of companies required to report on sustainability matters. It is estimated to cover around 50 000 organisations, compared to 11 700 under the NFRD and it will apply to all large EU companies, listed SMEs, and non-EU companies with significant EU activity (European Parliament, 2022). The CSRD introduces reporting requirements in phases based on company type and size, starting with companies that were already subject to the NFRD (European Commission, 2022). These entities have been required to start reporting from the financial year 2024, with reports published in 2025. The scope and phased implementation timeline of the CSRD is presented in Table 1. The table also shows proposed amendments to the scope and reporting timeline based on recent regulatory initiatives which are discussed later in this chapter.

Main aspects of the CSRD include mandatory reporting in line with the European Sustainability Reporting Standards, the integration of sustainability

reporting within the management report of the annual report, mandatory external assurance, and digital tagging of the reported information (Hummel & Jobst, 2024). Before the CSRD, the absence of mandatory reporting guidelines and assurance has been seen as a major barrier to consistently measuring corporate responsibility within and across companies (Romero et al., 2018). In response, the CSRD and the ESRS are aiming to establish standardised and measurable sustainability reporting, enhance comparability and transparency, and support more informed decision-making (Suta et al., 2025).

A fundamental part of the CSRD is the mandate to report in accordance with the European Sustainability Reporting Standards (European Commission, 2022). The standards have been developed by the European Financial Reporting Advisory Group (EFRAG) which is an independent, multi-stakeholder advisory body funded primarily by the EU (European Commission, 2023b). Based on EFRAG's standards, the European Commission adopted the Delegated Act on the first set of ESRS in July 2023 (European Commission, 2023a). This provides the framework for companies to comply with the CSRD and to communicate their sustainability initiatives and impacts with a structured approach. It is expected that with the introduction of the CSRD and the ESRS, sustainability reporting will be placed on an equal footing with financial reporting (European Commission, 2022).

The ESRS covers a wide and comprehensive set of ESG topics (Operato et al., 2025). It includes environmental issues related to climate change, pollution, water, biodiversity and resource use, social impacts on employees, workers in the value chain, communities, consumers and end-users, and governance matters (European Commission, 2023a). These topics form the 10 topical standards of the ESRS. The ESRS also contains cross-cutting standards ESRS 1 and ESRS 2 which define the general principles of reporting and the essential information that must be disclosed regardless of the sustainability issue being addressed (European Commission, 2023b). Both topical standards and cross-cutting standards are sector-agnostic meaning they apply to all companies regardless of which sector they operate in. Additionally, if a company identifies a material sustainability issue that it sees is not adequately addressed by the ESRS, it must provide supplementary entity-specific disclosures on this sustainability matter. (European Commission, 2023a)

All topical standards and their disclosure requirements are subject to a materiality assessment, meaning companies should only report information that is relevant to their business model and may omit what is not considered material (European Commission, 2023b). The disclosure requirements are further broken down into individual data points, which specify the exact information that organisations must report. The ESRS contains around 1 000

datapoints of which around 100 are mandatory for all companies regardless of materiality, and ultimately complying with the CSRD means fulfilling the disclosure requirements at the data point level (Operato et al., 2025). A visualisation of the structure and content of ESRS is shown in Figure 1.

<b>Sector-agnostic standards</b>			
<b>Cross-cutting standards</b>	<b>Topical standards</b>		
<b>ESRS 1</b> General requirements	<b>Environmental information</b>	<b>Social information</b>	<b>Governance information</b>
<b>ESRS 2</b> General disclosures	<b>E1</b> Climate change	<b>S1</b> Own workforce	<b>G1</b> Business conduct
	<b>E2</b> Pollution	<b>S2</b> Workers in value chain	
	<b>E3</b> Water and marine resources	<b>S3</b> Affected communities	
	<b>E4</b> Biodiversity and ecosystems	<b>S4</b> Consumers and end-users	
	<b>E5</b> Resource use and circular economy		

Figure 1 Content of the ESRS (adapted from: European Commission (2023a), Annex I of (EU) 2023/2772)

The concept of materiality is a central part of reporting under the CSRD. It originates from financial reporting and it has been a cornerstone also in the NFRD (Baumüller & Grbenic, 2021). However, a significant shift has occurred as the CSRD is now demanding that companies report their sustainability information using a double materiality approach (European Parliament and Council of the EU, 2022). This requires companies to consider both financial materiality, which refers to how sustainability issues affect their financial performance, and impact materiality, which relates to the actual or potential effects their activities have on the environment and society (European Commission, 2023b). Thus, applying the double materiality principle requires companies to consider the perspectives of both shareholders and other stakeholders (Dunfjäll, 2025). Additionally, the CSRD specifies that companies should assess impact materiality and financial materiality separately and disclose information that is significant under either one or both perspectives (European Parliament and Council of the EU, 2022).

Double materiality is the most comprehensive type of materiality assessment and a fundamental part of CSRD compliance (KPMG, 2024). Moreover, the

principle aligns with earlier demands from the EU Commission and other stakeholders, in particular NGOs, who have advocated for more accountable disclosures among European companies (Baumüller & Grbenic, 2021). The materiality principle has been less clearly defined in the NFRD, which has led many companies to struggle with its interpretation and implementation. As a result, there has been a lack of sufficient public information on how sustainability issues impact companies, and what impact companies themselves have on environment and society (European Commission, 2020). While the CSRD offers a more structured and detailed framework, it has been argued that it does not remove the uncertainty regarding how double materiality should be applied in practice (Baumüller & Grbenic, 2021; Dunfjäll, 2025).

Overall, the introduction of the CSRD has brought opportunities such as the increasing importance and value of corporate sustainability reporting and its positive impact on stakeholder communication (Birkmann et al., 2024). However, the rapid evolution of sustainability reporting in the EU with diverse objectives and regulatory requirements is making it difficult for both organisational decision-makers and researchers to stay up to date with changes in legislation and reporting standards (Hummel & Jobst, 2024). Consequently, research by Birkmann et al. (2024) points out that the CSRD is largely perceived as a burdening regulation.

### **Latest developments to the CSRD**

In response to concerns that the administrative burden of sustainability reporting under the CSRD could be placing European companies and the EU economy at a competitive disadvantage, the European Commission released an Omnibus Simplification Package in February 2025 (Malone et al., 2025). This simplification was introduced with the aim “to reduce administrative burdens by 25% for all businesses and 35% for SMEs” (European Commission, 2025, p. n/a).

One of the main changes introduced by the Omnibus Package to sustainability reporting is the revised threshold for companies subject to the CSRD. Only companies that have over 1 000 employees and either a turnover above €50 million or a balance sheet total above €25 million would remain subject to mandatory reporting. This adjustment would remove around 80% of companies from the scope of the CSRD. (European Commission, 2025) The CSRD has initially been expected to significantly expand sustainability reporting among large unlisted companies and small and medium-sized listed companies (Hummel & Jobst, 2024). However, the proposed scope reduction could significantly limit this expected expansion. Instead of the initially estimated 50 000 companies, the revised criteria would reduce the number of reporting entities to around 10 000. In addition, the simplification would remove the

requirement for the Commission to adopt the planned sector-specific reporting standards (European Commission, 2025).

The simplification measures also include a separate “stop the clock” proposal which postpones the application of the CSRD by two years for companies currently in the scope of CSRD that were expected to start reporting in 2026 or 2027 (European Commission, 2025). Furthermore, The European Commission has requested EFRAG to simplify the ESRS and as a result, EFRAG published a proposal of a simplified set of the ESRS in July 2025 (EFRAG, 2025). This simplification would reduce the full set of disclosures (all mandatory and voluntary datapoints) by 68% compared to the current set of ESRS and is intended to cut complexity and enhance practical implementation (EFRAG, 2025).

Table 1 The original CSRD scope and proposed changes (adapted from: Malone et al., 2025)

<b>Entity type</b>	<b>Original CSRD scope</b>	<b>Original timing of first reports</b>	<b>Proposed CSRD scope</b>	<b>Proposed timing of first reports</b>
<b>Wave 1</b> PIEs and large listed companies	PIEs and large listed companies with more than 500 employees	Report in 2025 for FY 2024	Large companies with more than 1000 employees	Reports for FY 2024 are already due to be published in 2025
<b>Wave 2</b> Large EU companies	EU large companies exceeding at least 2 of the following thresholds: (a) balance sheet total: €25mn (b) net turnover: €50mn (c) employees: 250	Report in 2026 for FY 2025	EU large companies with at least 1000 employees and at least 1 of the following thresholds: (a) balance sheet total: €25mn (b) net turnover: €50mn	Delayed Report in 2028 for FY 2027
<b>Wave 3</b> SME PIEs and listed SMEs	SMEs that are PIEs or listed	Report in 2027 for FY 2026	Removed from scope	N/A
<b>Wave 4</b> Non-EU companies	Subsidiaries whose ultimate parent is a third country undertaking where: (a) the EU subsidiary is a large company or an SME PIE, or the EU branch generates	Report in 2029 for FY 2028	The EU net turnover threshold for the non-EU undertaking is increased to €450mn; the threshold for the in-scope subsidiary undertaking is increased to align to the	Unchanged

more than €40mn net turnover; and (b) the third-country undertaking, at a group level generates more than €150mn net turnover in the EU	large undertaking thresholds; and the net turnover threshold for an EU branch is increased to €50mn
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### 2.2.3 Other sustainability reporting standards and frameworks

At the international level, several standard setters are involved in developing frameworks for sustainability reporting. In addition to the ESRS, the Global Reporting Initiative (GRI) standards and the IFRS sustainability disclosure standards are considered the main reporting frameworks (Hummel & Jobst, 2024). The GRI reporting framework is widely applied by multinational companies operating in a variety of industries and it is known for leading the international standardisation of sustainability reporting (Gray, 2010). Before the ESRS, the GRI has been the most used set of guidelines with 77% of the 250 largest companies in the world by turnover reporting according to GRI standards in 2024 (KPMG, 2024).

The GRI framework is flexible and voluntary and as a result it has been argued that it offers significant discretion to management, which can lead to symbolic use of the standards (Roszkowska-Menkes et al., 2024). Thus, voluntary reporting in line with the GRI might be used to enhance an organisation's public image rather than to promote genuine impact or accountability. However, studies have found that adhering to GRI can enhance precision and comparability of the report when companies report substantive performance outcomes, rather than merely describing sustainability programs and policies (Michelon et al., 2015). Thus, the framework can support meaningful and transparent sustainability reporting when applied with genuine intent and used for performance-related disclosures.

To create a global baseline of investor-focused sustainability reporting, the International Sustainability Standards Board (ISSB) under the IFRS foundation has published its own sustainability disclosure standards (KPMG, 2023). This initiative builds on the IFRS Foundation's history of driving the globalisation of financial reporting standards and reflects its ambition to apply similar credibility and technical expertise to non-financial reporting (Abela, 2022). The ISSB has released its first standards, IFRS S1 and IFRS S2, that are designed to provide relevant and comparable information to global capital markets (KPMG, 2023). These standards are designed to integrate with financial statements and can be applied globally across jurisdictions. However, unlike its previous adoption of IFRS for financial reporting, the EU does

not plan to adopt the ISSB standards directly under the CSRD framework (European Commission, 2022).

Complementing the ISSB standards, the Sustainability Accounting Standards Board (SASB) develops industry-specific standards under the IFRS Foundation that help companies to disclose financially material sustainability information to investors (KPMG, 2024). Currently, SASB Standards provide detailed guidance for 77 industries, focusing on sustainability-related risks and opportunities that are likely to impact financial performance. Under the ISSB framework, companies are expected to consider and refer to the SASB Standards when applying ISSB standards. (IFRS Foundation, 2025)

A key difference between ISSB, SASB and GRI are their definitions of materiality, which reflect the two dimensions of the CSRD's double materiality principle (Hummel & Jobst, 2024). GRI focuses more on impact materiality and guides organisations to disclose topics related to their significant economic, environmental, and social impacts, whereas ISSB and SASB emphasise financial materiality, prioritising sustainability issues that are likely to affect a company's financial performance and enterprise value (Global Reporting Initiative & Sustainability Accounting Standards Board, 2021). Thus, these frameworks differ in their underlying approach, the intended users of the information, and the purpose for which the information is used.

In order to minimise reporting burden and streamline companies' disclosure obligations, the EU Commission and EFRAG have worked to ensure a high level of alignment between the ESRS and the GRI and ISSB (European Commission, 2023b). This harmonisation intends to ensure that companies that operate in different jurisdictions can meet multiple reporting requirements without unnecessary duplication, while complying with the EU's more ambitious reporting objectives (European Commission, 2022).

## **2.3 Characteristics and expectations of sustainability reporting**

Sustainability reporting is characterised by the complex and sometimes contradictory demands from different stakeholders (Herold, 2018). The information that is presented in sustainability reports is highly context-specific, usually non-financial in nature, and inherently often difficult to quantify. Furthermore, unlike financial data, which can be presented in a standardised and structured format (Suta et al., 2025), sustainability disclosures are often unstructured and consist of individual metrics, a large amount of narrative description, tables and graphs. This unstructured nature complicates the extraction, analysis, and comparison of ESG data across companies (Zou et al.,

2025). Comparability is commonly acknowledged as one of the essential qualitative characteristics of useful sustainability information. However, it is still largely lacking in reporting practices (Cardoni et al., 2019).

This last section of the literature review examines characteristics of sustainability reporting with an emphasis on comparability. It traces the origin of this principle and how it is addressed within sustainability reporting frameworks. In addition, it explores the user groups of sustainability reporting under the CSRD and highlights the heterogeneity among information users. Furthermore, it also considers how comparability relates to stakeholder expectations.

### **2.3.1 Comparability of sustainability disclosures**

The concept of comparability originates from financial reporting literature, where it is seen as a factor that enables users, mainly financial stakeholders, to obtain consistent and comparable information that is essential for informed decision making (Dhaliwal et al., 2012). The Financial Accounting Standards Board (FASB) defines information comparability as “the qualitative characteristic that enables users to identify and understand similarities in, and differences among, items” (FASB, 2010, p. 19). Thus, comparability is seen as an information quality that advances the usefulness of financial information for decision-making. In sustainability reporting, comparability is considered a quality attribute of data in the same way as in financial reporting and all sustainability standards present comparability as a reporting principle (Unerman et al., 2018).

Consistency is a term that closely relates to comparability. According to FASB (2010), consistency refers to applying the same methods over time or across entities and it serves as a means to achieve the broader goal of comparability. Therefore, consistency is often used in the same context as comparability, as it helps to ensure that differences in data reflect real differences in performance rather than inconsistencies in reporting practices (Suta et al., 2025).

In sustainability reporting, the development of reporting standards has played an important role in the conceptualisation of comparability. However, comparing sustainability disclosures is proven to be challenging not only between companies using different frameworks, but also among those applying the same one (Boiral & Henri, 2017; Cardoni et al., 2019; Zsóka & Vajkai, 2018). Because sustainability reporting lacks a consistent framework, users of ESG information, including investors, often rely on rating agencies. However, these agencies use their own proprietary methods, which poses its own challenges. (Romero et al., 2018)

Comparability under the GRI framework has been researched earlier. In the GRI, comparability is defined as a core principle that is seen essential for identifying best-in-class organisations (Boiral & Henri, 2017). However, it has been found that the principle is poorly reflected in actual sustainability reports, which makes it difficult to compare disclosures (Boiral & Henri, 2017; Cardoni et al., 2019). Cardoni et al. (2019) highlight the absence of mandatory regulatory constraints as a key reason for these challenges, and Boiral & Henri (2017) point to subjective interpretations of guidelines, inconsistent measurement methods and vague or missing data as factors leading to incomparability.

In line with these findings, Barker (2025) points out that since comparability benefits all users and is not specific to any company, it is considered a positive externality and is unlikely to be sufficiently provided without clear reporting standards. Thus, despite its importance, comparability in sustainability reporting remains a challenge in practice. As a result, improving comparability through mandatory and clear standards is one of the main goals of the ESRS (Baumüller & Grbenic, 2021).

Boiral and Henri (2017) outline three theoretical perspectives on the comparability of sustainability information. The first and most widely adopted is the functionalist perspective, which sees comparability as a desirable objective that can be achieved through standardisation. In contrast, the critical perspective argues that even with strict indicators, comparability can be misleading as companies may engage in greenwashing or be driven by financial motives rather than sustainability goals. Lastly, the postmodernist perspective views that it is the inherent complex, context-specific, and often subjective nature of sustainability information which makes it unfeasible to be captured in a standardised framework. (Boiral & Henri, 2017) Thus, they argue that difficulties in achieving comparability between companies arise not only from technical factors but also from political and strategic considerations. Research by Korca et al. (2023) supports this and shows that companies can manage the disclosure of information strategically, especially when reporting standards such as GRI are flexible in selecting and calculating indicators.

Sustainability reporting frameworks recognise the importance of including both qualitative and quantitative data, with quantitative data often considered ideal for better supporting comparability and neutrality (Unerman et al., 2018). Although quantitative indicators can improve comparability, they also present challenges due to variations in measurement scales and the specific context of each company (Boiral & Henri, 2017). Besides, sustainability reports typically contain a lot of qualitative information, which by definition is often difficult to compare between companies (Zsóka & Vajkai, 2018). While comparability is often associated with benchmarking and comparing

different companies, it is also important within a single company over time. This intra-firm comparability is required for stakeholders to monitor progress towards sustainability goals and supports informed and responsible management practices (Korca et al., 2023).

### **2.3.2 Stakeholder expectations for sustainability reporting**

Sustainability reports are increasingly used by various user groups. As different stakeholders have different information needs, heterogeneity in stakeholder interests is a challenge in sustainability reporting (Jørgensen et al., 2022). Under the CSRD, users of sustainability reports are divided into two main groups. The first group consists of investors who seek to better understand both the risks and opportunities that sustainability issues present for their investments, as well as the broader social and environmental impacts of those investments (European Parliament and Council of the EU, 2022). Within this group, financial market professionals such as portfolio managers and financial analysts specifically prioritise financially material indicators that offer insights into future financial performance focusing on returns and risk (Jørgensen et al., 2022).

The second primary user group includes civil society actors, such as non-governmental organisations (NGOs) and social partners, who aim to hold companies accountable for their social and environmental impacts (European Parliament and Council of the EU, 2022). NGOs and concerned citizens may seek to evaluate corporate performance on social and environmental issues and want to distinguish companies that are genuinely contributing to sustainable transformation (Jørgensen et al., 2022). In line with this, Korca et al. (2023) point out that, in addition to serving the valuation and decision-making needs of investors, sustainability reporting should also meet the accountability expectations of non-financial stakeholders.

Other users of CSRD reports include stakeholders such as business partners, customers, policymakers, environmental agencies, and consumers, who may use disclosures to understand sustainability risks and impacts and make comparisons across and within market sectors (European Parliament and Council of the EU, 2022). This shows that the user-base for sustainability reporting is broad and extends beyond shareholders. However, as Abela (2022) notes, despite efforts to broaden the purpose and audience of ESG reporting, in practice the needs of investors continue to be prioritised over those of other stakeholders. Investor-oriented sustainability disclosures are in high demand, and as Barker (2025) argues, the interests of investors do not always fully align with the broader interests of society. Consequently, addressing the full range of stakeholder expectations is challenging.

Barker (2025) highlights that comparability is a key qualitative characteristic of reported information because it helps investors reduce the cost of evaluating different investment opportunities. Similarly, Eccles et al. (2012) argue that the ability to make comparisons is an essential requirement for building sustainability performance information into robust financial models. The growing emphasis placed by standards setters on comparability is a direct result of the mainstreaming of sustainability reporting and reflects the increased attention to the information needs of capital providers (van Bommel et al., 2023). Importantly, Eccles et al. (2012) note that comparability is valuable also for companies themselves, as it allows them to benchmark their sustainability performance against peers and competitors. Their research also argues that comparable publicly available data encourages companies to compete on sustainability performance in areas that are critical for long-term value creation.

As sustainability reporting becomes increasingly important for decision making among various stakeholder, many users are expecting disclosures to be machine-readable and available in digital formats. In response to this, Article 29d of the CSRD states that “undertakings [...] shall prepare their management report in the electronic reporting format [...] and shall mark up their sustainability reporting, in accordance with the electronic reporting format.” (European Parliament and Council of the EU, 2022, p. n/a) Although digital tagging has not yet been required, it will become so once the European Commission adopts a delegated Regulatory Technical Standard that includes a digital taxonomy (XBRL International, 2025).

The introduction of the digital taxonomy is expected to make ESG disclosures under the CSRD fully machine-readable which will facilitate automated analysis and enable AI-based insights (XBRL International, 2025). In addition, Hummel & Jobst (2024) argue that the digital tagging of sustainability information can enable generating large datasets without relying on third-party data providers which supports effective and consistent analysis both between companies and within the same company over time. Thus, the wider adoption of digital frameworks such as XBRL (eXtensible Business Reporting Language) is expected to streamline the disclosure of ESG information, improve its comparability, and enhance its accessibility to both internal and external stakeholders (Suta et al., 2025). The machine-readable formats will not replace human-readable PDF reports which is the current format of sustainability reports. Instead, in the future the use of both human-readable and machine-readable formats is seen essential to respond to stakeholder needs and ensure accessibility, transparency, and comparability in sustainability reporting (XBRL International, 2025).

### **3 Research methodology**

This chapter presents the qualitative research method used in this study. It describes the data collection process, provides information about the interviews and interviewees, and explains the data analysis approach. Additionally, it discusses ethical considerations, trustworthiness, and limitations of the research methodology.

This study is based on semi-structured interviews conducted to explore how professionals who are familiar with the CSRD and have utilised CSRD-compliant sustainability reports in their work perceive the impact of the directive on information comparability. All participants are ESG professionals, but their areas of expertise vary. This diversity supports gaining a broad understanding of comparability across different work roles and report use cases. The interview data is analysed using thematic analysis to identify key recurring themes and produce reliable research findings.

#### **3.1 Research approach**

A qualitative research approach is commonly used in business research when prior insights into the phenomenon or topic is limited because it enables a holistic understanding of the studied issue (Eriksson & Kovalainen, 2008). In addition, as qualitative approach aims to interpret and understand the phenomenon under study and highlights the interviewees' perceptions of the situation (Hirsjärvi & Hurme, 2008), it is seen as a suitable approach for this research. The impact of the CSRD on comparability of sustainability information is a new research area. Therefore, an exploratory qualitative research method is appropriate for this thesis and its objectives. This study aims to explore expert perspectives, identify recurring themes, and develop a comprehensive understanding of how the impact of the CSRD on sustainability reporting and comparability is perceived after the first year of implementation.

Semi-structured interviews are a common data collection method in qualitative research and were considered suitable for this study for several reasons. Firstly, interviews are a flexible qualitative research method that can be adapted to various research objectives (Kallio et al., 2016). Semi-structured interviews consist of pre-set open-ended questions, and the discussion can be followed up with additional questions (Adeoye-Olatunde & Olenik, 2021). Asking follow-up questions is an important part of semi-structured interviews, as it enables a more in-depth exploration of certain topics and helps gather as much relevant data as possible (Hirsjärvi & Hurme, 2008).

Secondly, as a result of the flexibility, the interviewer can adapt questions based on the participant's background, expertise, and role. In addition, semi-structured interviews allow the discussion to focus on specific topics, while at the same time giving the freedom to follow relevant ideas that naturally emerge during the interview (Adeoye-Olatunde & Olenik, 2021). This is especially useful when interviewing experts from different sectors, as it supports a more tailored and relevant discussion. This allows the interviews to be personalised and the focus of the interview adjusted to the most relevant issues for each interviewee depending on their experiences. Therefore, a semi-structured format facilitates a focused interview but also provides flexibility for more informal discussion that gives the interviewer an insight into the interviewee's genuine perceptions and reflections on the topics. This was seen particularly valuable when exploring the individuals' perceptions of comparability of sustainability reports under the CSRD.

Thirdly, semi-structured interviews are well suited for research areas where existing knowledge is limited (Hirsjärvi & Hurme, 2008). As CSRD-compliant sustainability reporting is a very recent development, the academic and practical understandings of its implications, particularly regarding comparability, are still evolving. In such situations standardised questionnaires may not be able to capture the full complexity of the topic, whereas semi-structured interviews allow participants to express their views more freely and raise issues that the researcher may not have anticipated. Such openness supports the emergence of new insights and enables a deeper understanding of how the effects of the CSRD are experienced by various ESG professionals.

### **3.2 Data collection and research ethics**

Qualitative research typically relies on non-probability sampling, with purposive sampling being the most used approach. In this method, interviewees are selected based on meeting specific criteria and they share an experience that is relevant to the research questions. (Adeoye-Olatunde & Olenik, 2021) Accordingly, in this study, participants were selected based on specific criteria related to their professional background, work role, and level of expertise to ensure they can provide relevant and insightful perspectives on the research topic. Thus, interviews were conducted with experts who possess strong subject-matter knowledge relevant to the research topic.

To capture a range of different stakeholders' perspectives, participants were selected from various professional roles, including ESG analysts, sustainable finance specialists, corporate responsibility managers, and other ESG reporting professionals. All interviewees work in different organisations in Finland and have multiple years of experience in sustainability reporting or ESG

analysis. As part of their work, they have utilised sustainability reports and done comparisons between reporting organisations to support decision-making. All participants have experience in sustainability reporting under the CSRD through activities such as reviewing reports from different companies, conducting benchmarking, or performing company analyses based on CSRD disclosures. Additionally, most participants themselves have contributed to the preparation of a sustainability report for the 2024 financial year in accordance with the ESRS. Furthermore, all participants have prior experience with other sustainability reporting frameworks and disclosures preceding the CSRD. This makes it possible for them to compare and evaluate the CSRD and ESRS in relation to prior frameworks. A summary and basic information about the interviews and interviewees is presented in Table 2.

Finding and contacting participants was done carefully since as Adeoye-Olatunde & Olenik (2021) note, the reliability of research relies heavily on the participants' expertise on the subject matter. Potential interviewees were sought by searching information on sustainability teams, sustainability reporting experts, and ESG analysts on the websites of various financial service providers and large publicly listed companies. Individuals were also searched through LinkedIn by searching for sustainable finance professionals, ESG analysts, and corporate sustainability experts with experience with CSRD reporting. Several individuals were eventually contacted by email.

The interview request sent to potential interviewees included a brief introduction to the research topic, themes that will be covered in the interview as well as practical information on how the interview would be conducted. Providing information on the topics to be covered in the interview enabled the interviewees to assess their suitability for the study and prepare themselves to discuss the topics. The participants also received a Privacy Notice for Research Study document before the interview took place. This document contained information on the research ethics and explained the types of personal data that would be collected. Participants were informed how data will be used, stored, and finally deleted. Personal data collected for the study were the interview recordings and contact information of the participants. As outlined in the privacy notice, interview data was analysed anonymously, and all collected data was deleted as soon as it was no longer necessary for the analysis or validation of the results of the research.

Table 2 Basic information on interviews and interviewees

<b>Interviewee</b>	<b>Job description and relevant experience</b>	<b>Date</b>	<b>Length (min)</b>
<b>A</b>	ESG specialist at a financial services group with multiple years of experience working with sustainability reporting. Responsible of the group sustainability reporting. Background in sustainability reporting assurance.	25.6.2025	50
<b>B</b>	Corporate responsibility manager at a public listed company. Responsible of the group sustainability reporting. 6 years of experience with corporate sustainability.	27.6.2025	60
<b>C</b>	Sustainability expert in an audit firm. Assists assurance teams in particular on regulatory issues related to sustainability reporting. Previous experience as a corporate responsibility expert in public listed companies. Over 10 years of experience with corporate sustainability and reporting.	1.7.2025	52
<b>D</b>	Sustainable finance specialist at a financial services group. Works with sustainability-linked financing solutions for corporate clients. 6 years of work experience with various corporate sustainability topics.	2.7.2025	60
<b>E</b>	Head of sustainability reporting in a public listed company. Over 10 years of experience in group accounting and reporting.	2.7.2025	55
<b>F</b>	ESG analyst at a financial services group. Focuses on assessing climate and sustainability risks in corporate lending. 10 years of experience working with corporate sustainability and climate-related topics.	4.8.2025	57
<b>G</b>	ESG analyst at a financial services group with 5 years of experience in ESG analysis. Specialises in portfolio-level ESG risk assessment for large corporate clients, with prior experience in client-specific ESG risk evaluations.	8.8.2025	47
<b>H</b>	ESG analyst at a financial services group with 6 years of experience of working with sustainable investment. Supports portfolio managers in ESG-related matters and is also involved in sustainability reporting and other regulatory compliance activities.	14.8.2025	54

When contacting potential financial market professionals many declined to participate as they do not utilise sustainability reports as such for data collection but instead rely on third-party ESG data providers to get the needed data. As a result, finding financial market professionals, such as investors, who have experience of utilising CSRD reports for their work was more challenging than finding corporate responsibility managers and other sustainability reporting experts. Nevertheless, as obtaining first-hand information from professionals familiar with CSRD reports was key to the research objectives, participants were carefully searched and selected based on their direct engagement with sustainability reports. This ensured that the views gathered reflected practical experiences of the changes brought about by the CSRD and their impact on the comparability of data.

A total of eight semi-structured interviews were conducted. The interviews were guided by an interview guide (see Appendix 1), which consisted of three main themes, each with a set of open-ended questions. The themes were 1) Changes in sustainability reporting, 2) Practical use of CSRD reports, and 3) Future prospects for achieving comparability. The interview guide offered structure for the discussions during the interviews but was not followed strictly, as suggested by Kallio et al. (2016). For example, wording and order of the question varied between interviews and some topics were discussed more than others depending on the interviewee's areas of expertise. For example, in interviews with ESG analysts, the theme "Practical use of CSRD reports" was emphasised and other topics were discussed to the extent they were relevant to the interviewee's area of expertise.

The interviews were conducted in summer 2025 remotely via Microsoft Teams meetings. The interviews were recorded using the Microsoft Teams meeting recording feature and transcribed using the corresponding transcription feature. Permission for the recording was confirmed verbally from the interviewees at the time of the interview. After the interviews, the transcripts produced by Microsoft Teams were anonymised and manually checked and cleaned up for readability.

### **3.3 Data analysis**

The data from the interviews was analysed using thematic analysis, which is a common method used for identifying, analysing, and reporting patterns in qualitative data (Braun & Clarke, 2006). Thematic analysis was chosen for the analysis method for its flexibility and suitability for exploring subjective experiences without being bound to a particular theoretical framework. The data analysis follows Braun & Clarke's (2006) six-step approach. Accordingly, the analysis involves familiarising with the data, generating initial

codes, searching for themes, reviewing themes, defining and naming themes, and producing a final report. This method allows for a comprehensive and detailed interpretation of the participants' perspectives. The purpose of the analysis is to find themes from the interview data that show common patterns and reflect key ideas in relation to the research questions.

In accordance with Braun & Clarke's (2006) approach, the process started with familiarising with the interview data. It was iteratively analysed by reading and re-reading the transcripts. The next step was creating the initial codes. All transcripts were coded with ATLAS.ti software and creating the initial codes was done systematically by coding all relevant parts from the eight interview transcripts. The aim of this phase was to assign codes that captured meaningful characteristics of the data, reflected the core content of each excerpt, and were relevant to the research questions. Coding was an iterative process and during the process some codes were redefined to better reflect the meaning of the data. Table 3 shows examples of how excerpts from interview transcripts were coded.

Table 3 Examples of coded sections from the interview data

<b>Transcript</b>	<b>Related codes</b>
That does, of course, affect the comparability of reports if somewhat different calculation principles have been applied or if there are uncertainties in the measured data.	Consistency of methodologies, Estimations in quantitative data
...it certainly makes comparing easier if everything is presented in a logical order and it is the same order for everyone.	Logical and consistent reporting order, Standardisation of format
The sustainability side is becoming really important alongside [financial reporting] but it's not yet clear what it affects. We are still trying to figure it out.	Uncertainty about users' needs, Questionable practical usefulness
Some qualitative disclosure requirements, as they still involve many interpretative elements and areas where clear guidance has not been available, force companies to make their own interpretations.	Ambiguity in standards, Fragmented reports
...those who do the materiality assessments do them in slightly different ways and different things have an impact, so at the moment I'd say that it hasn't [promoted comparability].	Inconsistency across companies, Lack of guidance and common practices, Subjectivity in DMA
There's certainly a lot of work to be done in this area, examining which of the narratives are actually necessary to be included in the report.	Burdensome to read and utilise reports, Large share of narrative data

The next step in the analysis process was to systematically and critically review the codes and find similar and overlapping codes. Codes were then combined and grouped into broader categories. This was a useful step to help identifying the final themes that reflect the perceptions of CSRD's effectiveness in improving comparability of sustainability reports. The identified categories created sub-themes that address specific topics and perspectives from the interview data. In this phase, relevant information for each code was compiled and key elements related to the research could be identified. Next, the sub-themes were examined in order to identify connections, overlaps, and patterns in the participants' responses.

In the final phase of the analysis, preliminary themes were generated. The themes were created by carefully reviewing the sub-themes and looking for broad patterns in the interview data. The preliminary themes were critically reviewed to ensure that the codes and sub-themes within each theme were clearly connected with each other, while each theme also remained distinct from the other themes, in line with Braun & Clarke's (2006) approach. The final themes were then carefully defined and named so that each of them captures a central idea of the findings. Finally, four themes: Double materiality and industry context, Data quality and reliability, Usability of sustainability disclosures, and Transitional reporting environment and user needs were developed. Figure 2 provides an overview of the data analysis process and illustrates how the themes were created.

### **3.4 Trustworthiness and limitations**

Some scholars argue that thematic analysis is not a distinct research method, but rather a process or tool that is used to assist in analysing data and identifying patterns within different qualitative approaches (Terry et al., 2017). However, many perceive that thematic analysis is a rigorous and systematic method of processing data that can be used to produce a robust analysis and should therefore be considered as a method in its own (Braun & Clarke, 2006; Nowell et al., 2017). In this study thematic analysis is used as the primary method and effort has been put into describing the process in sufficient detail to increase the credibility and transparency of data analysis. This is also done to increase the trustworthiness of the research (Nowell et al., 2017).

In qualitative research, knowledge is built together through interaction between the researcher and the participants, which means that data is not only collected but also interpreted within the researcher's own frame of reference (Hirsjärvi & Hurme, 2008). Accordingly, this study acknowledges that the researcher plays an active role throughout the research process and has an influence in both the collection and interpretation of data. Therefore, careful

attention has been paid to the design of the interview process to support the quality and credibility of the data. Also, as presented in section 3.3, the data was interpreted in short stages, and this process has been described so that the results do not contain large, inconsistent jumps from the data to the results and interpretations. In addition, to justify and support the interpretations as comprehensively as possible, the analysis and presentation of results in section 4 include quotes from the interviews.

Kallio et al. (2016) emphasise that a well-designed interview guide is essential for enhancing the objectivity and reliability of semi-structured interviews and increasing the credibility of the results. Accordingly, to support the collection of high-quality data, an interview guide was developed and refined after the first few interviews to better align the research objectives. In addition, prior to each interview, possible additional questions were considered for each interviewee to explore certain themes in more depth, as suggested by Hirsjärvi & Hurme (2008).

Furthermore, transcription was carried out in the same way for each interview and the recording was listened to several times, ensuring that the transcription corresponds to the interviewee's intended meanings. Since Finnish is the interview participants' native language, all interviews were conducted and analysed in Finnish to ensure clarity and minimise the risk of misunderstandings with terms. Selected quotes used in the thesis have been translated into English with attention to preserving their original tone and meaning.

It should be noted that due to the resource limitations of this study, the number of interviews (8) is limited, and the research is not sufficient to make generalisations. However, generalisability is not the aim of this study as the objective is to explore the current state of comparability in sustainability disclosures, generate ideas, and contribute to the ongoing discussion on the topic. While similarities in responses began to emerge within this study's sample, it remains possible that conducting a larger number of interviews could reveal additional issues in future research.

Furthermore, it should be emphasised that this study is bound by both time and context. The interviews were conducted in summer 2025, when only the "first wave" of CSRD reports were published and the regulatory environment around CSRD was uncertain due to the introduction of the Omnibus simplification proposals. Participants knew that changes to reporting requirements and scope were coming, but the exact nature and timeline of those changes was not clear. This uncertainty was reflected in their responses. However, this is seen valuable to the purposes of this study because it highlights how the impact of the CSRD is perceived, given its evolving nature in the early stages of implementation.

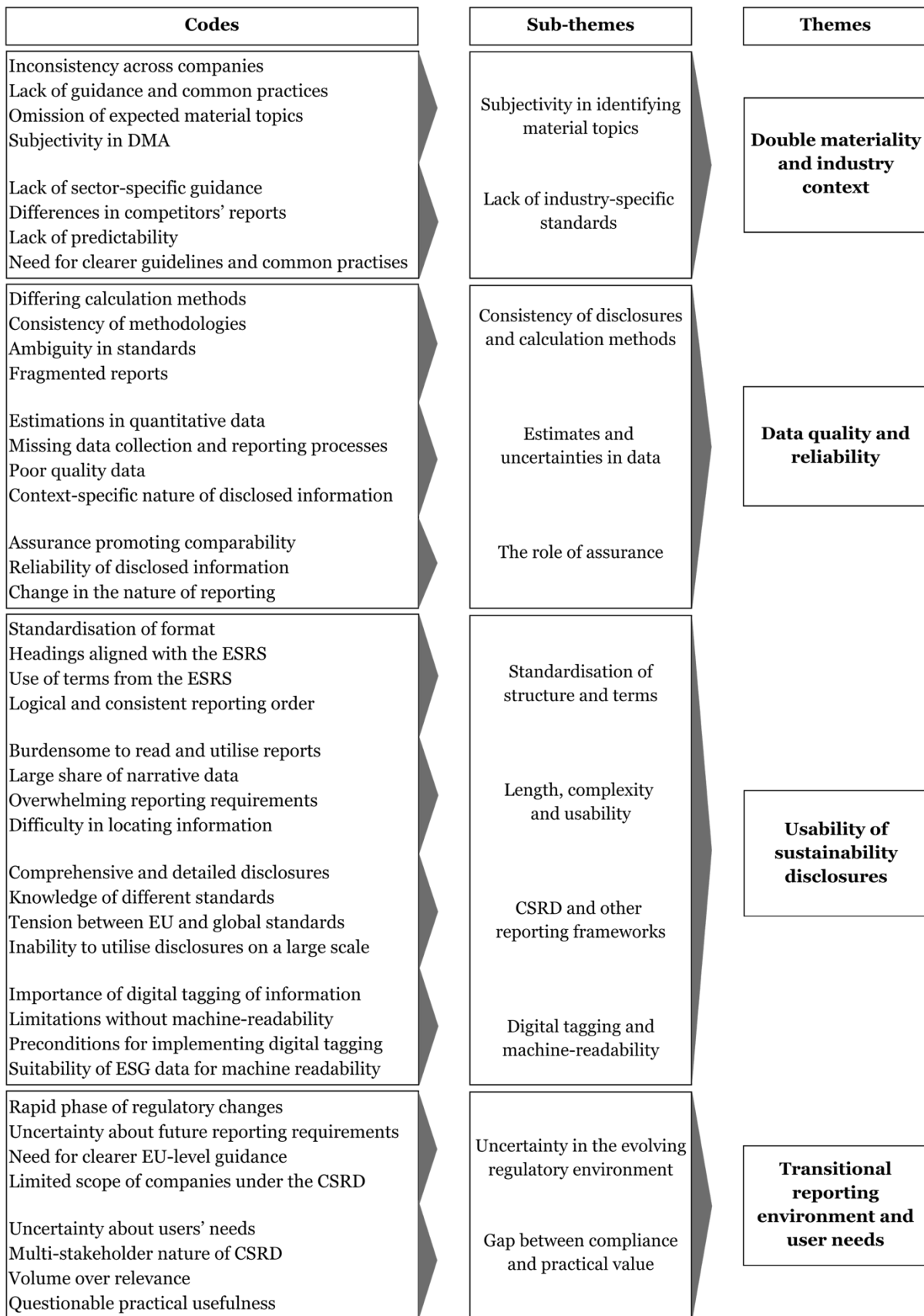


Figure 2 An overview of the data analysis

## 4 Findings

This section presents the research results structured around the four themes and corresponding sub-themes that were identified through the analysis of the interview data. The first section “Double materiality and industry context” presents findings that relate to the double materiality principle and the corresponding double materiality assessment that companies must conduct prior to reporting to identify material ESG issues. This assessment influences the topics and information to be included in the reports and as such impacts how comparability is achieved. Moreover, the first section highlights the importance of industry context, where comparability is deemed particularly critical.

The second section presents the results in relation to the theme “Data quality and reliability” which includes factors such as methodological choices, estimation practices, and assurance processes. All of these affect the overall comparability by influencing the quality and reliability of data. The third section presents results for the theme “Usability of sustainability disclosures”. Interviewees repeatedly mentioned usability in connection with enabling comparability in practice. Accordingly, the section covers factors that are perceived to either promote or hinder usability and presents results regarding the impact of format, structure, and accessibility on comparability of data. The last section “Transitional reporting environment and user needs” presents findings that relate to the evolving regulatory landscape. It highlights a perceived tension between regulatory compliance and practical value of CSRD reports which affects the achievement of comparability.

### 4.1 Double materiality and industry context

Double materiality is in the core of the CSRD. It is the principle that companies must follow to produce a sustainability report that focuses on the aspects that have been identified material for a particular company. All interviewees considered it an important part of CSRD reporting and viewed it to be well-intentioned to help bring relevant information to the report. It demands organisations to put effort into identifying the material sustainability issues and assess both the impact and financial materiality perspectives.

Overall, the interviewees noted that for the most parts the identified material topics were in line with their own assessments and information needs. However, all interviewees also highlighted that currently there are challenges to comparability that result from the implementation of the double materiality principle. The main challenge is that there seems to be too much subjectivity in the determination of the material issues, both on the level of the topical

standards as well as regarding individual disclosure requirements where reporting is subject to materiality.

The creation and implementation of sector-specific standards was initially intended to be included in sustainability reporting under the CSRD. They were expected to provide detailed guidance on the sustainability topics that are most significant to particular industries and were expected to be introduced in the coming years. However, following the revision and simplification of the CSRD, the adoption of such sector-specific standards is not expected. As a result, CSRD reports are largely based on each company's own double materiality assessment (DMA), which is used to identify the most material sustainability issues relevant to their operations. As there are no common sector-specific requirements or guidelines, there is currently no standardised framework for determining what constitutes material issues within a given sector. This lack of uniformity is seen as a limitation by the interviewees and it reduces the comparability of sustainability disclosures across companies.

#### **4.1.1 Subjectivity of identified material topics**

The interviewees highlighted that the CSRD's focus on limiting reported information only to material topics is, in principle, a valuable approach. While the principle was perceived as positive, the results highlight that the implementation of double materiality in line with the CSRD comes with challenges. All interviewees found that the double materiality assessment is not always producing the same results in terms of the material topics to be included in the reports that other stakeholders and users of the reports might have expected. In addition, it was highlighted that there are differences in how companies conduct their double materiality assessments to identify the material topics. This results in comparability challenges in the reported information.

*“If a company wants to report certain standards, it can kind of push that DMA through in a way that it'll get [to report] just the standards it wants. So, I'd say that process is still pretty much based on opinions. I feel like it's still a bit of a shot in the dark.” (Interviewee A)*

Some interviewees also expressed concerns about the authenticity of companies' efforts in identifying the material topics to be included in the report. In this regard, there is great variation in how well organisations justify the inclusion of material topics and the exclusion of non-material ones in their reports. During the first year of implementation of the CSRD's double materiality assessment, there was uncertainty about how the DMA should be carried out. It was noted that the lack of clear guidance on how the DMA should be conducted resulted in challenges and inconsistencies in companies

assessments. Consequently, many interviewees noted that there is still no consensus on what constitutes a "proper" DMA, nor on how much detail should be provided on the CSRD report to explain why certain topical standards were considered not material. As a result, participants found that the reported data appeared fragmented and that there were situations where similar companies reported different information due to different DMA results.

*"...who ultimately defines what a proper DMA is, if it's permissible to overlook matters that are obvious for a given sector. In that sense, the standard itself may have left too much of a loophole." (Interviewee B)*

*"...it's a bit strange that companies that essentially do the same things and operate in the same industry report completely different things. It probably isn't the purpose either." (Interviewee H)*

The subjectivity involved in determining material topics combined with the lack of guidance to how material topics should be identified was seen as a key reason to inconsistency and lack of comparability. Several participants pointed out an instance where topics that were widely expected to be material for all companies were not included in a report. These topics were climate change (E1), which includes emission data, and governance (G1).

*"... there were also some surprises, such as climate change not being considered material for some, or G1 not being material. [...] if a peer group is taken for comparison and one company does not report emissions at all, it does reduce comparability." (Interviewee D)*

Moreover, some of the interviewees who had done benchmarking on CSRD reports noted surprising differences in the specific topics and number of topics that were considered material and included in the report. It was also observed that, in some cases, information included in previous sustainability reports was excluded from CSRD reports because it was no longer deemed material based on the outcome of the double materiality assessment. This was perceived to affect the comparability of information over time within the same company and reduce the predictability of reporting practices.

*"The aim is, of course, to report on those matters that are material, which in some cases may mean that a company no longer reports on issues that [...] another stakeholder might nevertheless consider necessary." (Interviewee C)*

In addition to scoping topics out on the high level of topical standards, the scoping of material topics happens also within a topical standard. For

example, even if a company has identified a topic such as own workforce (S1) material, they can scope out individual disclosure requirements inside the standard. This means that there is variance in which information under a topical standard is included in the report. This selective scoping was seen to create inconsistencies and undermine comparability.

*“...companies have simply left out issues such as gender pay gap or the share of women in management, stating that this part of S1 was not material. That’s quite frustrating, because almost all companies say that S1 is material, yet only around 70% of them actually report these figures.” (Interviewee D)*

Furthermore, some interviewees also pointed out the variation in how risk management processes were integrated into the DMA. They found that there is a lack of guidance and commonly accepted thresholds that would support more objectively determining whether a topic should be included in the report or not. In this regard, it was found that the freedom to define material topics and the variation in identification of impacts, risks, and opportunities have not contributed to improving comparability at the early stages of CSRD reporting.

*“Then there’s the fact that companies carry out risk management process in slightly different ways, including how they score the level of a given risk. As long as each company is free to approach this in its own way, it’s difficult to achieve comparability.” (Interviewee E)*

Overall, interviewees found that companies had applied the DMA in varying ways. This has resulted in differences in the scope and content of the reports even among companies within the same industry, where comparability is seen particularly important. Interviewees noted that harmonisation of DMA practises will take time but also emphasised the need for clearer guidance on how the DMA should be conducted in order to achieve more comparable outcomes. The interviewees also believed that changes in DMA outcomes are expected in the next reporting cycle. Even though materiality assessments, in general, were already familiar to many companies prior to the CSRD, many were uncertain about how to properly carry out the assessment required by the CSRD during its initial implementation.

#### **4.1.2 Lack of industry specific standards**

Another significant theme that emerged from the interviews was the lack of sector-specific standards, which participants considered to be a limitation in terms of comparability. There was consensus across the interviews that sector-specific standards would be important in order to take into account

differences between sectors. They were also seen as a way to balance reporting requirements based on ESG risk levels in different industries and focus more comprehensive reporting only to higher-risk sectors such as oil, gas, energy, heavy industry, and transportation sectors. In addition, including sector-specific requirements or guidelines was seen as a way to improve comparability by clarifying the issues to be determined material and included in the reports for companies in the same industry.

*“There were some [disclosure requirements] where one really wonders how it could have been made a reporting requirement for all companies, when it so clearly applied only to industrial firms or companies that actually produce something.” (Interviewee H)*

As there are currently no plans to introduce the sector-specific standards after the EU’s simplification efforts, half of the interviewees (C, D, F, and G) did not consider implementing sector specificity to be critical and felt that it was a good thing in terms of managing the reporting burden. However, they also noted that on the other hand, it could increase comparability if sector-specificity was included in CSRD reporting. The other half considered sector-specific standards to be necessary to account for differences between sectors in the reporting requirements and ensure that not all companies are required to report the same mandatory information regardless of their business model.

Nevertheless, none of the interviewees supported the idea of adding sector-specific indicators in addition to the current sector-agnostic ESRS requirements. Instead, it was seen that sector-specific standards should serve as a contextual framework to guide the selection and interpretation of data with the aim to harmonise reporting within sectors and improve comparability.

*“...now it seems that [sector-specific standards] are not even being prepared not just postponed, but completely on hold. That’s a pity, and in my view, it also has a significant impact on comparability.” (Interviewee B)*

A few interviewees also noted that, although the ESRS already requires including entity-specific topics for disclosing material information when it is not covered by the topical standards, this take has not been widely applied in practice in the first year of reporting. Instead, companies appeared to limit their scope, assuming that sector-specific guidance would eventually fill possible information gaps. The interviewees pointed out that some companies have therefore used the lack of sector-specific standards to justify the relatively narrow scope of their reporting in the first year. As a result, there are inconsistencies in the reported information in the first CSRD reports and

stakeholders are currently unsure about what information could reasonably be expected to be included in a report from companies in a particular sector.

*“...It seems to me that many have sought to limit the scope of reporting, with the idea that the sector-specific standards are still forthcoming.” (Interviewee C)*

Most participants stressed that sector-specific standards would make reporting more predictable and consistent within industries. Such standards would provide a shared framework that would reduce the current subjectivity in determining material topics and support assessing companies in the same sector against comparable metrics. Sector-specific standard or other formal guideline would also help both reporters and stakeholders to identify issues that should always be considered material within a given sector. This was believed to reduce the risk of important topics being omitted and also improve stakeholders’ ability to utilise relevant information consistently.

*“...it could also be easier for stakeholders if there were such a [sector-specific] standard, so they would know which issues are material for a given industry and could more easily see what to look for.” (Interviewee F)*

*“Then, perhaps, certain metrics would have to be reported, because we’ve been surprised that for some companies certain topics haven’t been material” (Interviewee E)*

## **4.2 Data quality and reliability**

Another recurring theme raised in the interviews concerned the quality and completeness of ESG data disclosed in the reports. Although the CSRD aims to enhance quality and comparability through stricter reporting requirements and mandatory external assurance, interviewees noted that many reports still have shortcomings when it comes to providing comprehensive, transparent and reliable data. All interviewees emphasised that data quality has a direct impact on comparability. If the underlying data is incomplete, inconsistent, or unreliable, it is not possible to achieve real comparability between companies or within a company over time.

Many challenges arise from the nature of ESG data which, unlike financial data, often include non-monetary, qualitative, and context-specific information that is inherently difficult to measure in a consistent way. Also, many ESG metrics still lack commonly accepted or standardised measurement methods or heavily rely on estimates. As a result, there are different

interpretations and calculation methods, and same topics can be reported in different ways which is linked to weak comparability.

#### **4.2.1 Consistency of disclosures and calculation methodologies**

According to the interviewees, a key barrier to achieving comparability is the lack of consistency in what companies disclose. They noted that this makes it difficult to trust that the same information will be available across different companies' reports. This inconsistency appeared in several ways. The interviewees pointed out that while many disclosure requirements were fully met, others were missing or only partly addressed by a particular company. Additionally, the level of detail provided varied greatly between companies. These were seen to undermine comparability between reports.

*“The reports felt somewhat unfinished or like a patchwork. Some information was there, some was missing, and for now that was pretty disappointing.” (Interviewee D)*

Participants also raised concerns about the lack of clarity regarding why certain information was missing or limited. In some cases, it was unclear whether omissions were due to the fact that a company preferred not to disclose certain facts or simply due to a lack of resources. This ambiguity was felt to create a trust gap between companies and report users and make it more difficult to interpret and rely on the reported data.

*“...then if [information on a specific topic] is very limited, we can't really know whether it's limited because they don't want to reveal what challenges they still face, or because they don't currently have the resources to report on the matter.” (Interviewee F)*

Interviewees particularly highlighted shortcomings in the disclosure of climate-related information. As an example, it was pointed out that companies had not yet published climate transition plans or had only published partial versions that did not fully meet ESRS requirements. Users of the reports felt that this reduced the usefulness of the data and raised concerns that some companies were strategically limiting the disclosure of certain information.

*“... at least in Finnish companies, the climate transition plans have been announced [...] at a very general level. That gives the impression that they don't really have any transition plan at all.” (Interviewee C)*

*“They say [a climate transition plan] may come next year, or that it's partly included now but still incomplete and not fully in line with the standard. Things like that somewhat reduce how well the reports meet*

*our needs. It feels like companies have tried to wriggle out of it.” (Interviewee D)*

Although the ESRS sets comprehensive disclosure requirements, the interviewees highlight that many “first wave” reporting companies have had insufficient time, resources, or internal systems to fully comply with the reporting requirements during the first CSRD reporting period. Therefore, one reason for the incompleteness of many reports may simply be that the required information is not yet available which prevents companies from reporting all the required information. Biodiversity was mentioned as another specific area where users need information, but where it is still quite difficult to obtain meaningful and comparable data. The interviewees highlighted that when the subject matter is ambiguous, difficult to measure, and the company has limited resources for data collection, it is unlikely that companies will be able to provide reliable and comparable information.

*“... one where there’s not yet enough data is biodiversity, and of course the topic itself is so complex and challenging that it will probably take some time before any meaningful and comparable data can be obtained.” (Interviewee H)*

*“For example, in our own case, some of the data may be incomplete to the extent that it can be difficult to produce the outcome required by the standard.” (Interviewee A)*

In addition to incomplete disclosures caused by data gaps, interviewees emphasised that calculation methods and presentation formats varied sometimes greatly between companies. This variability was seen to further weaken comparability. Even when companies reported on the same indicators, interviewees found that sometimes different calculation methods were applied. Such situation made it difficult for users to assess whether differences in reported figures reflected real performance or were simply a result of inconsistent approaches.

*“When considering individual data points, we also noticed that in some places they were calculated or reported in a completely different way. There’s maybe more of these, at least in our experience, surprisingly on the S side.” (Interviewee D)*

On a positive note, several participants expressed that with the introduction of the CSRD companies have been forced to make significant investments in their reporting capacity. This development is seen as gradually improving the overall quality and consistency of disclosures. The preparation of such a comprehensive and detailed report has required companies to allocate resources

to develop their ESG data management processes. In addition, the requirement for external assurance has increased pressure on companies to improve their data collection and reporting processes. However, as it was the first round of reporting under the CSRD, the participants also noted that the outcomes of these efforts are uneven across companies, resulting in inconsistent disclosures.

*“Companies have also been afraid that if they don't comply with the CSRD, they'll face sanctions or something else, so they want to do it right and have invested in it, hired more people to do it, and consulted and so on. This has also improved the quality of the information to some extent, and there has been a certain momentum.” (Interviewee F)*

Furthermore, most interviewees noted that a benefit of the CSRD is the methodological guidance which supports not only comparability between organisations but also year-to-year comparability as the calculation methods should be kept the same over time. The results highlight that although the CSRD provides methodological guidance and requires continuity over time, data collection and calculation processes have differences.

#### **4.2.2 Estimates and uncertainties in data**

In addition to inconsistent disclosures and the diversity of calculation methods, reliance on estimates and assumptions was seen as a major challenge for comparability. This issue was mentioned especially with regards to emissions reporting. The disclosure of scope 3 emissions which includes emissions generated in the value chain was mentioned as particularly problematic. The interviewees found that the coverage of the reported scope 3 emissions in CSRD reports is inconsistent, and its boundaries appear unclear. As a result, the scope within which companies measure or estimate their upstream and downstream emissions varies and it makes total scope 3 emissions difficult to compare between companies in a meaningful way. It was noted that these challenges are not solely related to reporting under the CSRD but also reflect the broader complexity of measuring emissions accurately.

*“Since it's not mandatory to report on all of [the scope 3 emission categories], the question is what process a company uses to determine which categories are material. This hasn't been clearly defined in terms of the extent of coverage required, and that's why there are different interpretations.” (Interviewee C)*

Interviewees also highlighted that when estimating the amounts of certain emissions, some companies explained their assumptions openly, but others left uncertainties unaddressed, which was seen to weaken comparability. The

interviews revealed that some companies responded to this uncertainty by explaining their assumptions in detail about the proportions of directly measured data and external databases. This transparency was considered to be a positive aspect that helped users assess how much confidence they could place in the reported indicators.

*“Many have explained the background of their calculations quite well [...] what percentage comes from [...] actual data and what’s based on averages from databases for scope 3. That’s very good, because it makes it clear whether the figures are fully estimated or not.” (Interviewee D)*

*“... the most challenging part is when it hasn’t been clearly expressed what exactly is included [in the calculation of a metric] and what’s not.” (Interviewee G)*

Furthermore, the interviewees also highlighted the underlying issues behind the emissions reporting. It was pointed out that it is challenging and takes a lot of resources to build a system for collecting reliable value chain data in such a short time that was required by the CSRD. Therefore, for the first reporting year, organisations’ capacity limitations have meant that the data could not be collected as accurately as it perhaps could have been if there was more time to prepare. The interviewees believe that if organisations put the time and resources to continue developing of robust and reliable processes for reporting different figures, especially scope 3 emissions, comparability will improve in the future.

*“When we think about emission figures, especially those outside a company’s own production, it’s very challenging if there hasn’t originally been a system for collecting such data on value chain emissions. Building that within a single year is nearly impossible.” (Interviewee E)*

### **4.2.3 The role of assurance**

Mandatory external assurance has been one new key requirement introduced to sustainability reporting by the CSRD. Its purpose is to ensure that the reported information is reliable and accurately reflects company’s performance. The interviewees found that it is a valuable aspect in enhancing the reliability of reported data. Additionally, participants consistently emphasised that assurance is enhancing the quality of data and is an important factor in moving towards better comparability.

Several participants emphasised that external assurance helps shift sustainability reporting away from narrative style communication toward more

accurate and evidence-based information. This was considered important for strengthening trust in the reported information.

*“[External assurance] helps create a culture where we move away from a kind of loose, superficial sustainability narrative and towards a more serious and rigorous approach, where what’s being said is also something that has been reviewed by someone else.” (Interviewee B)*

*“If, for example, I had wanted to compare the sustainability reporting of different banks two years ago, it could’ve been very different. For some, [reporting] was more communication-oriented and not necessarily logically structured or easy to read. [...] I’d say that [CSRD reports] are considerably more reliable than those communication-oriented sustainability reports.” (Interviewee A)*

In particular, ESG professionals from the financial sector highlighted that external assurance brings added value by increasing confidence in the quality and accuracy of information. Therefore, it is also perceived to enhance the usefulness of the ESG information for decision-making.

*“...[external assurance] provides benefits for users, for example a bank, because it allows greater trust in the quality and accuracy of the data.” (Interviewee D)*

*“...the CSRD and clearer and more transparent reporting strengthen confidence that what customers say is correct and true” (Interviewee F)*

The role of assurance providers was seen as particularly important for the first year of implementation of the CSRD and preparation of the reports. Interviewees noted that assurance providers have influenced the structure of the reports and the interpretation of the ESRS which in many cases has helped companies to meet the new reporting requirements. This was seen to have led to a certain degree of harmonisation of reports. However, the interviewees also noted that assurance practices are still evolving. It was pointed out that companies were likely to be granted some flexibility in the first year of implementation of the CSRD requirements, as the reporting requirements were new and the assurance procedures were still being developed.

*“I believe that the assurers have played a major role in finding these similarities and patterns and interpreting [the ESRS] in such a way that we’ve even been able to produce reports of this kind. [...] in the first year there have surely been some concessions that have allowed certain things to slip through the net – But I believe the requirements will increase even if the level of assurance doesn’t.” (Interviewee E)*

As a result, assurance processes were still deemed to lack consistency and interviewees noted that improving comparability in the coming years will also require harmonisation of assurance procedures across service providers. The interviewees felt that differences have caused uncertainty and increased the need for clear assurance guidelines in order to improve the overall comparability and reliability of the CSRD reporting

*“...there should be clearer criteria for what assurance actually means, and it should be the same everywhere, rather than there being huge differences.” (Interviewee H)*

### **4.3 Usability of sustainability disclosures**

The interviewees agreed that usability of reported information is a prerequisite for effective comparability. The standardisation introduced through the CSRD was seen as a positive development in this regard. When information is presented in a clear and structured format, it allows users to more easily identify relevant data and make meaningful comparisons across reports. Standardisation is seen to enhance comparability both between companies and within one company over time. The interviewees highlighted that the CSRD is as a major step forward in this respect since the ESRS provides specific disclosure requirements, an order, and terminology that can be followed by the reporting organisations.

*“...the CSRD has been a big step forward as the amount of information increases and it also makes our work easier when it’s in a standardised format and we know how to look for specific things.” (Interviewee F)*

However, despite these improvements, interviewees noted that the usability of reports is still hindered by their overall complexity and lengthiness. There are also challenges in using the reported information when wanting to compare disclosures across other reporting frameworks. Ultimately, all participants agreed that in order to truly achieve comparability in the future, sustainability reports should also become available in a machine-readable format such as XBRL in addition to PDF.

#### **4.3.1 Standardisation of structure and terms**

All interviewees saw that the standardised order of disclosures improves readability and comparability across CSRD reports. One key benefit of standardisation through the ESRS that was mentioned in most interviews is that is that allows users to more easily locate the required information.

*“The fact that [CSRD reports] are, in a way, standardised that you can see ESRS 2, and then the standards in order and so on. That really makes them much more readable. It’s easier to find the things you want to find.” (Interviewee A)*

*“...the fact that regulation structures the reporting makes it much easier to find information in the report and, at least in theory, speeds up the work of an analyst. The figures can be found in the same places, so there’s no need to spend as much time searching for them.” (Interviewee G)*

However, majority of interviewees noted that in order to benefit from the structure of the ESRS, reader has to be familiar with the standards. Without a solid understanding of the ESRS, extracting insights was seen to be difficult. In addition, despite the general structure being already quite standardised, the disclosures and their location inside topical standards was seen to differ. As a result, many interviewees felt that searching for data in different reports is time-consuming.

*“...when it comes to the specific topics, the way they are structured is quite different. You can certainly find the comparability there, but only if you take the time to look for the information.” (Interviewee E)*

*“Those reports have produced more transparent information, but one really needs to be very familiar with the ESRS in order to extract the relevant insights from them.” (Interviewee C)*

The CSRD has brought a change in the nature of sustainability reporting from a more narrative and general level disclosures to a more technical, detailed and comprehensive output, as was highlighted in chapter 4.2.3. This transition has also required users to get used to the new style of reporting and learn to locate relevant information in these reports. Some interviewees described difficulties when trying to find information in the new format where the softer, shorter, and more company-specific narrative style has been replaced with a data-point-driven structure.

*“...this data point here, that piece of information there. The first reaction [to the CSRD reports], was that it was quite difficult to find the information we were looking for, since previously it had usually been presented in a more narrative form, explaining what affects us and how we’ve responded. Now the information is in certain places separately, more like a list.” (Interviewee F)*

Despite these challenges, all interviewees feel that as they become more familiar with the format and structure over time, it will become easier and faster to locate relevant information. It was found that for now, reports that combined structured disclosures with contextual narratives were seen as more accessible than ones containing less narrative or contextual explanation. The interviews revealed that different approaches to reporting had been adopted in this regard. Some companies strictly adhere to the standard and respond technically to each disclosure requirement, while others seek to use a more reader-friendly format in their reports.

*“Companies are quite well following the same order as in the standard but each still reports in its own way. In our case, we tried to write the sustainability report in a more reader-friendly way, whereas some companies have gone through it data point by data point, responding to each [disclosure requirement] individually.” (Interviewee E)*

*“...some follow the standard to the letter, writing exactly as it’s set out and in the given order, but then there are others who want to do it in their own style and end up mixing everything into something quite different.” (Interviewee A)*

The use of the ESRS terminology and codes was a common topic that emerged in the interviews. Most participants found that using the standard's own language, titles, and identifiers or codes for disclosure requirements improves usability and comparability. For example, using the headings from the ESRS was seen useful as it allows users to locate specific information even if the order and structure of the report differs between companies. Similarly, the adoption of terminology used in the standard was considered to reduce ambiguity, as users can be sure that the information provided corresponds to the information required by the standard.

*“...what we also found quite useful was to use the language of the standard itself, not inventing one’s own headings, but using the terminology provided there and even the standard’s own codes, such as E1-1. That way, when going through the report, it’s easier to find the relevant sections.” (Interviewee D)*

*“...it has been referred to using different terms, so that the name "transition plan" hasn’t necessarily been used, but instead the company may have given it its own name. In such situations, [the information] is difficult to interpret.” (Interviewee C)*

Not all interviewees agreed that the use of standard codes and headings is necessary or useful. One interviewee, who has been responsible for preparing

a CSRD-compliant report, questioned in particular whether the use of codes is relevant to most users of the report and whether they should be included in the report. Codes were considered unnecessarily detailed and confusing for users such as investors and the general public who are not familiar with the standard's structure and terms.

*“...when we think from the reader's perspective, investors and others, I don't believe any of them have looked up what the data point number is, so I don't see the value of including the code in the report.” (Interviewee E)*

However, most interviewees and all ESG analysts agreed that the use of standardised headings, order, and terminology improves both readability and comparability. Additionally, the titles and corresponding codes were perceived to bring standardisation, structure and ease comparisons regardless of how familiar the reader is with the ESRS.

#### **4.3.2 Length, complexity and usability**

While the interviewees saw that standardisation that comes with the ESRS can improve comparability, they also highlighted that it also risks producing too long and detailed reports that overwhelm readers and hinder usability. Many reports were described as “rather technical” which was seen as a result of companies simply following the standard and disclosing information on all required data points. This was not seen ideal for usability as PDF is currently the primary format of the CSRD report.

Also, the large amount of detailed narrative descriptions was seen to weaken comparability, as qualitative information is more difficult to compare across reports. It also contributes to lengthy reports, making it more difficult for users to identify the most relevant issues. Therefore, the interviewees noted that the comprehensive disclosure requirements of the ESRS do not currently directly improve accessibility and usability of disclosures in practice.

*“The disclosure requirements are very broad, detailed, and complex, with a particularly large amount of qualitative information. In my view, this meant that the first round of reports was not as easy to understand as it could've been.” (Interviewee C)*

*“It's quite complex, and the report becomes rather long, with a lot of narrative that's generally not comparable or is more difficult to place into a table or use for any analysis. [...] right now, it feels like it's 95% narrative and only 5% numbers.” (Interviewee D)*

Due to the complexity, length, and detailedness of CSRD reports, they were generally described as difficult and time-consuming to read. Interviewees noted that the depth and amount of information requires considerable effort to sift through. The interviewees found the detailed content valuable at times but stressed that the current report format may be too burdensome for many users. Complexity and lengthiness is seen to hinder users' ability to effectively extract relevant information, especially when trying to compare data from a large number of companies.

*"I'd say that the main challenge is that the whole [CSRD report] is so huge and so detailed." (Interviewee H)*

*"I haven't really had the time to do like a very data-point-level comparison [with competitors], rather I've stayed at a higher level. It's quite laborious to go through even one's own report again, so I simply haven't had the time." (Interviewee B)*

Many interviewees highlighted that few professionals have the time and resources to utilise CSRD reports as such in large-scale data collection. In particular, investors and asset management entities that need information on a large scale rarely rely on the reports as the information source. Instead, they utilise third-party data providers that can provide data in more usable formats. However, the interviewees stressed that when users are looking for narrative or contextual qualitative insights, the information must be searched directly from the reports, as third-party data providers cannot usually offer all needed information.

*"Then if we talk about the investment or asset management side, the universe there is so vast. They simply can't read all those reports." (Interviewee D)*

*"...probably some investors and others would prefer to get all the data from one place, without having to read the company's sustainability reports, and instead receive all the figures they are looking for directly from a service provider. We, however, also look for qualitative information, so we simply have to read the reports." (Interviewee F)*

### **4.3.3 CSRD and other reporting frameworks**

Comparability with other reporting frameworks was another recurring topic in the interviews that links to the usability of disclosures under the CSRD. The GRI framework was mentioned most often as a reference point as it has been the most used reporting framework in Finland and Europe prior to the ESRS. Also, it is still used by many companies who fall outside the scope of

the CSRD. Participants agreed that CSRD and GRI reports can usually be compared with each other, but the process is laborious and requires the reader to have familiarity of both frameworks. Differences in content, structure and terminology between the reporting frameworks mean that comparisons are rarely straightforward. As the structures are different, making comparisons is perceived as time-consuming.

*“If GRI was the other example, then I’d say that they can be compared, and you can find the essential information there. But if you think about, for instance, an investor or someone who doesn’t really know the legislation or the guidelines behind it, then I’d say it’s quite difficult, because the format is so different.” (Interviewee A)*

*“Even if it were comparable [with the GRI framework], it’s still laborious to compare in practice, as you have to search for the topic.” (Interviewee E)*

To address these challenges and facilitate the location of the same information in reports prepared under different frameworks and standards, tools such as indexes can be used. One interviewee emphasised that a GRI index, which links GRI reporting requirements to relevant sections of the CSRD report, can help readers find comparable information about companies that report in accordance with different standards. However, creating such indexes is not required by the CSRD and is time consuming, which is why it is seen they have not been widely adopted. Automated solutions were seen potential in making such indexes more widely utilised in the future as creation of indexes would become more efficient.

*“...the GRI index, in a way helps if the reader wants to compare to another company that doesn’t report according to ESRS – they can still see where to find the same information. [...] it would be easier if different reporting framework indexes were used, and I’d hope that a tool would be developed that would create these indexes automatically.” (Interviewee E)*

In addition to GRI, participants also highlighted challenges in achieving global comparability with reporting standards such as ISSB and SASB. It was emphasised that these standards and the CSRD focus on different perspectives. ISSB and SASB are focusing more narrowly on sustainability-related financial risks, opportunities, or industry-specific metrics, while the CSRD seeks to cover a broader range of sustainability issues. This difference was seen as a factor that complicates the harmonisation of reported sustainability information. Furthermore, it was considered to hinder usability and the achievement of global comparability.

*“...many standards have been created from different perspectives, so that the ISSB focuses on economic risks and opportunities, [...] and the SASB is now very light, and certain industry metrics have been selected for it, [...] then I feel that CSRD has attempted to incorporate everything.” (Interviewee C)*

According to the interviewees, investors who invest in companies globally, both within and outside the EU, face challenges due to the different reporting practices. It was pointed out in the interviews that currently the CSRD is facilitating availability of detailed information on the largest listed European companies, but similar information is lacking from outside of Europe. As a result, the progress achieved in the EU through the CSRD cannot be fully leveraged in decision-making in this situation. This is because reporting practices for companies outside Europe are not aligned with the requirements of the CSRD.

This imbalance was perceived to make it difficult to compare markets on a large scale. Therefore, as harmonisation with other frameworks remains partial, international investors in particular face difficulties when comparing CSRD reports with information prepared in accordance with other international standards.

*“From an investor's perspective, when you need information about all companies, I don't know if it's very useful to have a huge amount of information, some of which may even be irrelevant, about some companies and then have no information at all about other companies [...] as we also invest outside Europe, so of course we try to use data that's available from all companies.” (Interviewee H)*

#### **4.3.4 Digital tagging and machine-readability**

Finally, regarding the usability of CSRD reports, all interviewees stressed that digital tagging and machine-readability will be needed to enable effective comparability in the future. These are seen as enhancing the comparison of ESG data and supporting its use in decision-making. Interviewees emphasised that the digital tagging requirement is a key development under the CSRD although it has not yet been implemented and no timeline for the implementation has been confirmed at the time of this study. It was highlighted that digital tagging will be a critical enabler of comparability in the future.

*“That's a challenge that the tagging is still missing. Even though [its implementation] would require an effort from everyone, I see that we still need it in order to achieve true comparability.” (Interviewee B)*

In particular, the ESG analysts and the sustainable finance expert emphasised the need for digitally tagged machine-readable information that can easily be aggregated into databases. Currently, as the CSRD reports are available in PDF format, interviewees noted that the available options for data collection are either to purchase it from third-party providers or to manually search information from reports. Simple search features, such as Ctrl + F shortcut, are used to locate specific information on single reports but are not efficient to be utilised in larger amounts of reports.

Having digitally tagged and machine-readable data was seen to make it possible for more users to create their own databases and also to improve and streamline the data available from the third-party providers. Interviewees pointed out that currently, the third-party data providers have delays in making the latest report data available. Moreover, the data sold by providers typically covers only the largest companies and covers only selected sections of reports.

*“...for us it’s exactly that we’d like to have the relevant ESG data from all clients in one database, where we could then look at it and make comparisons. [...] this would probably require tagging, machine readability, and so on. [...] it saves time, at least for users, because you can then look at it and make comparisons in the database.” (Interviewee D)*

*“...if more structured reporting were to become more widespread and if it were also machine-readable in some way, then that would certainly make it easier to use as a basis for decision-making on a large scale. [...] at the moment, it also seems that such data providers focus on the same companies, mainly the large, listed ones that can be found there, whereas the smaller ones [...] are often not included in the data.” (Interviewee G)*

The interviewees believe that digital tagging can be used to reduce ambiguity about which data point is which by clearly linking data points to relevant reporting requirements. This is perceived to make it easier for users to identify and compare data from different companies. Additionally, tagging would eliminate uncertainty about whether a particular metric is correct, even if for example the name of the metric in the PDF report differs slightly from the ESRS term. Thus, the interviewees believe that it would make it easier to identify the correct information and find the same data from different companies’ reports. As such, all interviewees expect it to promote the comparability of disclosures.

*“...but once the information is tagged, comparability becomes easier, as you can see exactly which topic and which data point are connected.”  
(Interviewee E)*

Although the lack of machine-readability in the first CSRD reports was seen as a major limitation to comparability, participants agreed that the introduction of digital tagging should not be introduced to CSRD at this stage of development and implementation. They highlighted that the implementation of the machine-readable format requires considerable effort from reporting companies and the tagging requirement would again require investments and resources. Moreover, the introduction of a new mandate would be inconsistent with the EU's current priorities to reduce the administrative burden on companies in relation to CSRD reporting. In addition, the interviewees emphasised that the CSRD reporting is not yet sufficiently standardised as the framework and the ESRS are still evolving. Therefore, participants emphasised that the mandate should only be introduced once the CSRD framework is stable and users are expected to gain clear benefits from the machine-readable reports.

*“I hope that the XBRL tagging doesn't come right away, so that we can first get this reporting structured. It makes things a lot easier in terms of comparability, especially from the perspective of investors and the stock market, because the data can be collected in different ways and then compared. But the thing is, as long as there's so much qualitative data, I believe that comparability can be or will be challenging.” (Interviewee E)*

*“...in terms of comparability, it would be a big step forward, but [...] doing the tagging would be a huge amount of work. [...] we estimated when we prepared the last report that it would be about two weeks' work for one person, so if we were to start doing it, then yes, we have the capacity, but then the question is whether we have the resources or the desire to implement it.” (Interviewee A)*

The interviewees pointed out several limitations that would prevent machine-readable data from being truly useful and comparable at this stage. Firstly, the underlying information is often perceived inconsistent. For example, companies apply different calculation methods or varying definitions for some metrics. Secondly, the lengthy narrative descriptions are not seen very usable or comparable even in a machine-readable format. Thirdly, ESG data is highly context-specific which means that many metrics and statements depend on important preconditions that have to be taken into consideration. This means that individual metrics cannot often be directly compared across companies and their interpretation requires supporting

company-specific information. The interviewees highlighted that such factors limit the usability of machine-readable data and therefore, solving consistency and interpretation issues need to be addressed first to make machine-readable formats suitable for effective comparisons.

*“...because we know that not everything is directly comparable [...] and as we discussed with regard to emissions, for example, the question immediately arises as to what is actually included in scope 3. The challenge then is how to deal with the fact that there are always such preconditions that need to be taken into account.” (Interviewee C)*

*“...[machine readability] would definitely be useful, but of course there’s also the issue – well, I don’t know to what level those figures could be taken, if the figures vary or, the coverage varies what’s included in the figures and so on – then how could that information be collected in a sensible way.” (Interviewee H)*

Additionally, a few interviewees mentioned the role of artificial intelligence (AI) in enhancing the use of sustainability reports. However, they did not see it as a replacement for machine-readable data. Instead, interviewees saw it as a complimentary tool that will become increasingly valuable once structured, machine-readable data becomes widely available. Interviewees expected AI to improve efficiency of comparability by analysing large datasets and generating summaries. In this way, it was seen that AI could significantly reduce the manual effort currently required for data analysis and accelerate users' ability to interpret and compare large volumes of sustainability information. However, the interviewees emphasised that without a strong foundation of standardised and digitally tagged data, the potential of AI remains limited too.

*“...[machine-readable reports] will probably also need to be complemented by AI and other tools to enable the production of good analyses. [...] the easier it will ultimately become, when reporting is done systematically and established terms are used, to also rely on AI that produces the analyses.” (Interviewee B)*

#### **4.4 Transitional reporting environment and user needs**

Since only the “first wave” companies’ CSRD reports had been published at the time of the interviews and the reporting mandate is only covering the largest EU listed companies, the reporting environment is still in a transitional phase. Consequently, recurring topics in the interviews was that common practices have not yet been established, regulations are changing, and clear guidelines are missing. Additionally, many participants highlighted that

the expectations of ESG information users are still unclear in terms of what information is needed and how the information will be used. Thus, majority of the interviewees emphasised that sustainability reporting still lacks clear market practices which have been in use for some time in financial reporting. For now, the interpretations of individual companies and assurance providers have a big effect on the outcome of the reports.

All these factors are perceived to lead to comparability challenges. The interviewees emphasised that the ongoing transition phase has a strong impact on how the effectiveness of the CSRD on comparability is perceived. It is recognised that the CSRD creates new structures that, in principle, support comparability. However, the current narrow coverage of companies under mandatory reporting and regulatory inconsistency limit the achievement of improved comparability in reality. At the same time, interviewees expect comparability to improve over time as the regulatory environment stabilises, the scope of reporting expands, and common reporting practices become established.

#### **4.4.1 Uncertainty in the evolving regulatory environment**

It was highlighted in all interviews that the ongoing legislative changes brought about by the Omnibus simplification package are creating uncertainty around sustainability reporting in the EU. This ambiguity has a direct impact on how comparability is currently perceived, and at the same time it influences expectations of future developments. All interviewees pointed out that constant changes and uncertainty surrounding the reporting environment affect how the CSRD reporting is seen to reach its intended goals in terms of enhancing comparability.

*“If it weren't for all this Omnibus fuss, it could be that people would actually try to make more use of the data and that it would be more sensible and perhaps considered more comparable. But now, [...] it feels a bit like the rug was pulled out from under it — one year it was reported in one way, next year in another [...]. That certainly can't increase comparability.” (Interviewee H)*

The EU's Omnibus initiatives will affect sustainability reporting by, for example, revising the ESRS to achieve a more concise reporting. Also, the number of companies covered by the obligation will decrease and the introduction of CSRD reporting for the remaining companies will be postponed. On one hand, interviewees described these changes as frustrating as they limit the amount of comparable ESG data available. The majority of interviewees also expressed concern that constant regulatory changes are preventing the ability to systematically collect comparable information. In addition, it was

stressed across the interviews that without regulatory stability, comparability is weakened because stakeholders cannot rely on the consistency and availability of data over time.

However, on the other hand, most interviewees also saw some advantages in the ongoing simplification efforts in terms of comparability. Mainly, the aim to reduce the reported information only to the most relevant parts was seen potentially useful. Interviewees also noted that postponing the reporting mandate for the “wave two” companies will allow more time for them to improve internal processes and prepare for better quality reporting, even though users would have preferred to access the information sooner.

*“If [the EU Commission] has announced that 50% of the data points will either be cut or made voluntary, the downside is that companies will certainly leave some issues unreported, which of course reduces comparability.” (Interviewee E)*

*“[“Wave two” companies] can now prepare better, but on the other hand [the postponement] is also a bit frustrating.” (Interviewee D)*

The interviewees considered the reduction of companies in the scope of the CSRD to be a critical setback. The CSRD was specifically expected to produce high-quality comparable sustainability reporting from a large group of different type and size of companies. However, as a result of the simplification efforts, the participants perceived that this expectation is now less realistic. Financial market professionals, in particular, highlighted this issue because critical sustainability information has already been available relatively well for the largest entities before the CSRD. The main reporting gaps have been with non-listed and smaller companies, which were meant to be included under the directive’s scope but for whom reporting will either be postponed or not required in the future depending on their size.

*“What everyone in the banking sector had been expecting was that the somewhat smaller companies would also come within the scope, but now, due to the Omnibus changes and so on, that’s perhaps what’s most at stake. The biggest impact will probably be seen in the reporting of medium-sized or smaller large companies, where the greatest problems have been simply because the information is not existing.” (Interviewee G)*

*“The concern is that [mandatory reporting] shouldn’t become restricted to only the very largest companies. It’s seen as something that’s needed much more broadly, so hopefully the outcome [of these efforts] will be sensible and not limited only to the biggest players.” (Interviewee D)*

Comparability of sustainability information under the CSRD is still in an early stage of development which was reflected all interviews. As only a limited number of companies currently fall within the scope of mandatory reporting, the usability of the data for broader analyses is restricted. The interviewees stressed that until the reporting requirements are extended to a larger number of companies, it will be difficult to establish systematic processes for making use of the extensive ESG information provided under the CSRD. This challenge is similar to the difficulty noted in Section 4.3.3, where information cannot be fully utilised if the same disclosures are not available from companies outside Europe. In the same way, the interviewees pointed out that when only a small share of companies are within the directive's reporting mandate, it is difficult to fully take advantage of the reported data. Interviewees emphasised that comparability cannot improve if similar information is not available from a larger number of companies.

*“I feel that the number of clients currently within the scope is still so small that we can't really base any internal processes or expectations on what data we could collect for ESG analyses of clients, because there are still so many clients who are not yet covered at all.” (Interviewee G)*

Furthermore, the interviewees highlighted the need to clarify reporting requirements and provide support for companies in terms of reporting practices and data requirements. They emphasised that in order to create more valuable and comparable information, the current reporting environment needs fewer regulatory changes and more practical guidance. Many interviewees considered this important because it would allow companies to focus on improving their reporting processes and producing more reliable and complete reports in the coming years.

*“I'd hope that legislators would focus primarily on clarifying those ambiguous reporting rules and then reducing the number of regulatory changes. This would allow companies to focus on implementing sustainability measures and developing their reporting in areas where there are challenges, such as in terms of data availability.” (Interviewee C)*

*“...it would make more sense to develop support for defining the data points and for the reporting practices themselves.” (Interviewee E)*

#### **4.4.2 Gap between compliance and practical value**

Finally, the interviewees expressed a fundamental tension between regulatory compliance exercise and the practical relevance of current CSRD reporting. On one hand, the interviewees from the large listed companies involved

in the preparation of a CSRD report perceived that there is a lack of clarity in terms of who uses the information and for what purposes. The report preparers are eager to receive feedback from users, but they mentioned that such engagement has been far more limited than expected. As a result, despite the extensive reporting requirements introduced by the CSRD, most interviewees expressed uncertainty around whether and how the information is utilised in practice. In this regard, the interviewees questioned whether the significant resources invested in CSRD-compliant reporting correspond to the actual demand and information needs of stakeholders.

On the other hand, the financial market professionals generally found that the disclosures under the CSRD are useful and respond to their information needs. However, they emphasised that the reports also contain irrelevant information. Additionally, they saw that reports currently include a large amount of data that is difficult to effectively utilise in decision-making.

*“..it's a huge exercise that companies have had to do, and it has taken a ton of resources. Then if you think about how much use that report is in the end – well right now not that much. [...] it feels somewhat unfair to the companies.” (Interviewee H)*

Trying to comply with reporting requirements without knowing the use case or users of the report is perceived to create uncertainty. This uncertainty was stressed in the interviews and was seen to raise concerns about achieving meaningful comparability in the future. In this regard, it was noted that improving comparability of disclosures requires better understanding of what information is used and in which way to be able to enhance reporting to align with the users' needs. If companies do not know who the audience is or what information is valued, they struggle to prioritise and structure disclosures in a way that allows for effective comparison. Thus, the interviewees felt that the information needs of key stakeholders should be better understood and that these needs should be taken into account when developing CSRD reporting.

*“...at our annual general meeting, we would've liked our investors to have asked a few more questions or made a few more comments [regarding the CSRD report], but there weren't really that many. There were only a few, which is why we sent out a survey [to investors].” (Interviewee E)*

Furthermore, the interviewees also highlighted a broader challenge that the target user group of sustainability reports remain unclear. Unlike for financial reporting which has a more clearly defined audience, the audience for sustainability reports remains wide and imprecise. The interviewees pointed

out that while the prevailing view is that the role of ESG information in decision-making is growing, the concrete impact of reports and processes for utilising them are not yet clear. This lack of clarity was seen to make it difficult for companies to develop their disclosures in a way that would enhance comparability and decision-usefulness.

*“It should be learned who ultimately uses the information and how it’s used, and this could also shape the direction in which all of this [sustainability reporting] should be developed.” (Interviewee B)*

Accordingly, many of the interviewees perceived that with the current CSRD-compliant reports volume is prioritised over relevance. Also, the comprehensive and detailed disclosures do not always seem to align with actual user interest. As a result, CSRD reports appear to be extensive but fragmented. Interviewees noted that this makes meaningful comparisons difficult as it can be difficult to identify essential information among all disclosures. For instance, a few interviewees pointed out that currently the reports have large amount of information and detailed descriptions of internal procedures, policies, and governance structures which were not seen critical from the user’s perspective. Instead, they saw that information on companies concrete actions, progress and targets for the future are more interesting and relevant to be used in decision-making.

*“You’re supposed to provide descriptions of all the policies and operating principles and things like that, but in the end, is that really of much interest to anyone. [...] in a way, the requirement to describe [the policies], in great detail – who has approved them, in which body, and so on – is not really very interesting.” (Interviewee D)*

Ultimately, it was emphasised that sustainability reporting will only become more useful if its requirements are felt to be in line with the actual needs of stakeholders rather than being perceived as a regulatory compliance exercise. This was seen important as it would both provide decision-useful information to users and prevent excessive reporting burdens on companies.

*“Let’s hope that we can find a point where readers of the report and those who use it can obtain all the essential information, but at the same time take into account the company’s perspective and avoid wasting resources on things that aren’t necessarily essential.” (Interviewee H)*

## **5 Discussion**

This section discusses the findings of this study in relation to existing research and theory. The findings are analysed, interpreted, and placed into the broader context of comparability of sustainability disclosures. In the chapter 5.1, the results of the study are discussed in relation to previous research on comparability in sustainability reporting. The aim is to discuss key findings of this study and draw conclusions from the results regarding the perceived effectiveness of the changes brought about by the CSRD on the comparability of sustainability reports.

Chapter 5.2 examines the practical implications of this study. It focuses on how the results are relevant to various stakeholders. The chapter provides practical examples and recommendations for reporting entities, investors, and other stakeholders. In addition, it includes relevant implications for decision-makers and regulators to develop sustainability reporting under the CSRD in a more comparable and decision-useful direction. Finally, limitations of this study are discussed in chapter 5.3. This chapter also provides recommendations for future research in this area.

### **5.1 Theoretical implications**

By assessing comparability in the context of the recently adopted Corporate Sustainability Reporting Directive, this study expands on existing research on sustainability reporting. The results support some findings of previous studies that have identified common barriers to comparability in sustainability disclosures. In addition, this research brings up considerations that add to recent research on the impact of the CSRD on reporting practices.

Overall, the results show that the coercive pressure of the directive can already be seen to have led to more structured and consistent reporting which is supporting comparability. At the same time, several challenges remain in achieving the CSRD's objective of enhanced comparability. Many of these challenges are a result of the fact that the CSRD has not been in force for long and companies and different stakeholders are still adapting to the new reporting. However, in line with institutional theory, the results of this study indicate that comparability is expected to improve over time as reporting requirements become established, common market practises emerge, and reporting becomes institutionalised. At present, the uncertain institutional environment resulting from the CSRD's simplification efforts is influencing progress in comparability.

Previous studies have identified several obstacles to achieving comparability under the GRI framework which has been the most common framework in Europe before the ESRS. Based on the results of this study, many of the challenges are still present in reporting under the CSRD. In particular, this study finds that ambiguity in indicators, inconsistent measurement, contextual differences, and selective disclosure continue to hinder comparability. These challenges were also identified by Boiral & Henri (2017) who evaluated GRI-based reporting. Similarly, the results of this study are also consistent with Zsóka & Vajkai (2018), who emphasise that comparability is weakened by the high degree of flexibility allowed by guidelines which leads to significant differences between reports. Although reporting under the CSRD differs significantly from previous GRI-based reporting as reports are more structured, comprehensive, and show greater consistency across companies, many of the same problems remain. For instance, flexibility that undermines comparability still exists. The findings show that especially the double materiality assessment still involves discretion which ultimately hinders comparability.

In this respect, a key finding of this study concerns the flexibility in the identification of material issues which currently undermines the comparability of CSRD reports. The results show that the flexibility in conducting double materiality assessment gives too much room for subjectivity. In line with Dunfjäll (2025), this study reveals that there are several issues in the current approach to assessing materiality in line with the double materiality principle. Some companies under-report and leave out important issues, while others over-disclose excessive amounts of information while trying to mitigate risks (Dunfjäll, 2025). This study supports these findings and highlights that DMAs depend heavily on corporate judgement which introduces bias to identifying relevant issues. In line with legitimacy theory, this discretion allows companies to strategically shape the information they disclose in order to protect or strengthen their legitimacy. Under-reporting leads to insufficient information, while excessive disclosure makes reports difficult to use because relevant information gets lost in the vast number of disclosures (Dunfjäll, 2025). The results of this study expand on earlier research by showing that bias and subjectivity in identifying material issues also significantly undermine comparability.

As a result, this research highlights a lack of common practices and guidelines for identifying material information across different sectors. In the same way, Barker (2025) emphasises that consensus on how material sustainability issues across industries should be determined is still evolving. This is evident in the results of this study as well. Both preparers and users of disclosures stress the need for clearer general guidance on determining material issues, alongside sector-specific guidance to promote consistency. Such harmonisation would enhance comparability within industries. Also,

research by Eccles et al. (2012) aligns with this view. Their study supports that materiality should be subject to sector-specific guidelines, because what is material for one company in a sector should also be material for others, unless the company has very unusual strategy or is very different in size.

Moreover, the results of this study show that the CSRD has brought anticipated standardisation to sustainability reporting. On one hand, the standardisation through the ESRS is seen to improve the comparability of companies' ESG disclosures. On the other hand, it does not improve usability and comparability to the expected extent, as the reports are long, complex, and often perceived as too overwhelming. Users face difficulties in locating relevant information, which in turn hinders comparability. This perspective is supported by Birkmann et al. (2024) who studied the effects of the CSRD on the sustainability communication of large German companies. Their study showed that standardisation can lead to information overload and make it difficult to distinguish individual sustainability measures. Thus, the current form of CSRD reporting is seen to lack clarity and usability which in turn limit the progress toward the directive's objective of improved comparability.

As this study examined the comparability of CSRD reporting after the first year of implementation, many of the identified barriers are strongly related to the fact that reporting is in its early stages. This study found that many companies do not yet have the necessary systems and processes in place to disclose all required information. This is consistent with the findings of Suta et al. (2025), who examined compliance with ESRS requirements among companies in Central and Eastern Europe. Their study revealed that although companies are generally aiming to comply with the requirements, in the first years of reporting they often lack the necessary processes and systems to produce fully compliant reports. This study extends earlier research by indicating that this gap also has a negative effect on comparability. For the users of the reports, the lack of reporting capabilities shows as incomplete and inconsistent disclosures. It also reduces predictability and makes it difficult for users to trust that comparable information will be consistently available.

Currently, reporting obligations under the CSRD only apply to the largest companies in the EU. The results of this study emphasise that the scope of reporting mandate is a critical factor for the usefulness of CSRD reporting. In this regard, stakeholders find it difficult to integrate ESG data from ESRS-aligned reports into their decision-making processes. This is because comparable data is needed from a wide range of companies, not all of which are subject to the reporting mandate. This finding is consistent with Cardoni et al. (2019), who argue that comparability within a sector cannot be fully achieved if harmonised reporting requirements apply only to the largest companies. This limitation has become even more critical following the Omnibus

simplification measures which significantly reduce the expected number of reporting companies. This study shows that that necessary data scale needed for meaningful comparability will likely not be reached as a result. Baumüller (2025) supports this concern and notes that the reduced scope poses a threat to the CSRD's objective of ensuring the availability of reliable sustainability data at a sufficiently large scale. Thus, postponing the expansion of the reporting scope and excluding SMEs reduces the usability of CSRD-aligned disclosures in industry analyses. It also undermines the overall comparability and effectiveness of sustainability reporting.

Furthermore, this study highlights that in order to achieve efficient comparability of companies' ESG performance in the future, creating and facilitating machine-readable formats and digitalisation of reporting is essential. Digital reporting formats are viewed particularly important as they support the creation of large data sets without the need for third-party data providers, as Hummel & Jobst (2024) also note. In addition, this study emphasises that data collection and content analysis should be made more automated in the future in order to efficiently utilise a large amount of ESG data in decision-making. This aligns with the findings of Suta et al. (2025) who note that adoption of digital reporting frameworks such as XBRL can improve the accessibility and comparability of ESG disclosures in the future. However, the findings of this study suggest that digital tagging and new reporting formats should only be introduced once CSRD reporting has reached a more stable and mature stage.

Additionally, this study found that while digital reporting formats are being developed and implemented, structural organisation of report documents is a valuable way to improve usability and comparability, as it makes the retrieval of information more efficient. Although this study did not focus on the potential of AI-driven technologies for information retrieval and analysis, its findings can be connected to broader discussion around enhancing the usability of largely unstructured ESG reports. Research by Zou et al. (2025) shows that having an organised structure is also crucial when using AI-based technologies, such as large language models to ESG data analysis. Together, these findings indicate that improved document structuring and efficient information retrieval are not only valuable when manually searching reports but also for enhancing the performance of AI-based tools in data extraction and analysis. Therefore, the emphasis of the CSRD on the standardisation will be increasingly important as it will ensure data can be reliably and effectively utilised also by advanced analytical tools.

Finally, the results of this study highlight a fundamental challenge in sustainability reporting that the CSRD has not yet solved. This relates to the lack of a clearly defined target audience or purpose which has been found to weaken

the effectiveness of sustainability reporting (Barker, 2025). According to stakeholder theory, companies are expected to respond to the needs of multiple stakeholder groups, and the CSRD can be seen to reflect this approach. However, this research shows that there is uncertainty about who the primary groups are and what information they need. As reporting is done to meet diverse and heterogeneous stakeholders' expectations (Jørgensen et al., 2022), reports become complex and prone to turning into compliance documents that have limited practical value to users. This study shows that this ambiguity makes it harder to produce reports that respond to users' needs, are useful, and comparable.

## **5.2 Practical implications**

Understanding CSRD's impact on comparability not only fills a gap in academic research but also provides valuable insights for several practitioners and stakeholders. This research provides implications for organisations preparing sustainability reports under the CSRD, users such as analysts and investors, assurance providers, and policymakers. The results also bring out areas that are important to be considered in the ongoing development of the CSRD to ensure that its objectives will be achieved and sustainability reporting will become more comparable in the future.

As DiMaggio & Powell (1983) argue, organisations tend to imitate each other when operating environment is uncertain. The current stage of sustainability reporting in the EU can be seen as an example of such situation since the regulatory environment is still evolving and there is a lack of established market practices. Therefore, the approaches used by the first reporters under the CSRD are likely to shape the broader development of reporting practices. This makes it important to research and develop early reporting practices, as widely adopted and commonly accepted approaches are starting to take shape.

For reporting organisations, this study provides guidance on how CSRD reports can be prepared in a way that better supports the demand for comparable information. These insights are relevant for assurance providers too, as they have been shown to play an important role in shaping reporting practices. Firstly, comparability can be improved by further standardising the structure of reports. The use of consistent headings, terminology, and disclosure order as defined in the ESRS facilitates the comparison of reports across different organisations. Secondly, this study shows that reports should clearly present relevant contextual information that may affect certain disclosures, such as assumptions, uncertainties, and estimates used in the data. Users view this information critical when conducting analysis as it affects the

reliability and comparability of the data. Thirdly, indexing that links disclosed information to the reporting requirements of other reporting frameworks improves comparability across different reporting standards. It reduces uncertainty about the correspondence of disclosures between different frameworks.

For investors and other stakeholders, the results show that although the CSRD has improved comparability to some extent, significant differences remain between companies in the amount, completeness, and detailedness of disclosures. Therefore, while organisations focus on developing transparent and comparable reporting practices, users need to approach the disclosures critically and recognise the potential limitations during the first years of CSRD reporting. Comparisons and analyses will therefore have to consider the relevant company specific conditions to avoid misleading or inaccurate conclusions. Additionally, this study indicates that as long as harmonised reporting is not available for a large number of different size and type of companies, the usefulness of the reports in decision-making is limited. Disclosures in line with the ESRS can therefore be difficult to incorporate into analyses, and it can be challenging to form expectations about what data can be collected consistently from a large group of companies. Additionally, this study finds that in order to obtain relevant information from the CSRD-compliant reports, it is beneficial for users to be familiar with the ESRS.

Furthermore, this study also stresses the need to better understand the information needs of different report user groups. Companies are keen to improve their reporting to better meet stakeholder expectations, but there is uncertainty regarding what information is seen essential and how that information is used. This study shows that it is therefore necessary that standard setters and policymakers identify these needs and prioritise them to ensure that sustainability reports contain the material information users need without unnecessary complexity or information overload. This also impacts how comparability develops. Therefore, information users should also engage in ongoing discussions on what data they need and how reporting under the CSRD can better respond to their information needs.

The efforts under the EU Omnibus Package are aiming to address some of the issues identified in this study that currently create complexity and hinder comparability. For example, the revision of the ESRS aims to streamline the double materiality assessments, reduce overlaps between standards, and clarify the structure and language of the ESRS (EFRAG, 2025). This research finds that these efforts have potential to reduce the complexity and discretion which can promote comparability in the future. However, this study highlights that the current simplification efforts which reduce the number of companies in the scope of mandatory reporting do not move sustainability

reporting in the direction originally intended by the CSRD. The results of this study show that extending reporting obligations to a wider range of companies is needed to achieve effective comparability and ensure that ESG information reported under the CSRD is integrated into the processes and decision-making of financial sector stakeholders. Therefore, this study concludes that the CSRD's ability to achieve its objectives depends on the extent to which harmonised reporting requirements are made mandatory for companies of different sizes, as was the original intention of the CSRD.

Finally, as comparability is considered a positive externality that is difficult to achieve without clear reporting standards (Barker, 2025), policymakers and regulators play an important role in developing reporting practices in a more comparable direction. Effective compliance with standards, like the ESRS, will require strict external oversight, clear rules, strong incentives, and the sharing of best practices, as Wijen (2014) points out. Therefore, future regulatory measures should focus not only on developing and maintaining robust and consistent standards, but also on supporting companies in their implementation. This will ensure that CSRD reports fulfil their purpose of providing reliable, useful, and comparable sustainability information to all relevant stakeholders.

### **5.3 Limitations and suggestions for future research**

The CSRD is still under development and in the early stages of implementation. Thus, many companies and stakeholders are in a transitional phase trying to adapt to the new way of reporting. This study is limited to initial perceptions based on the first reporting year of the CSRD. Thus, the views of the interviewees reflect the transition phase as it has been the first year for both preparers and users to become familiar with the new way of reporting and adapt to the new requirements. As a result, the full impact of the directive on comparability is yet to be seen. Therefore, the findings of this research reflect initial experiences, current perceptions, and concerns which are expected to change over time as CSRD reporting evolves.

This study relies on qualitative data gathered through interviews with relevant professionals. While this approach enables the collection of in-depth insights and the exploration of perceptions and identified challenges, it also introduces potential subjectivity and bias. These can arise as participants' views may be influenced by their specific roles, professional backgrounds, or the interests of their organisations. Also, although efforts were made to include a diverse range of perspectives, the findings are not intended to be generalised to all contexts. In addition, due to the resource and scope limitations of a master's thesis, this study is limited to semi-structured interviews, and a

total of eight experts were interviewed. As a result, the results capture perceptions and experiences of a limited group of ESG professionals and should not be generalised to all stakeholders.

As this study did not utilise any quantitative methods, it does not evaluate comparability directly or provide measurable evidence of the extent to which comparability has been achieved. Additionally, the scope of the study is limited to the Finnish context, which means that the results are influenced by local regulatory and institutional conditions. Differences between countries in the implementation and interpretation of CSRD are not addressed and can offer different perspectives in future studies. It is also important to note that the results of this study do not cover all the possible effects of the CSRD on the comparability of sustainability reports but rather reflect the most significant aspects that were present in the research data.

Since the CSRD and its effect to sustainability reporting are still in early stages, there are many aspects that remain open to be studied in the coming years. Future research could broaden the scope of user groups whose perspectives are examined in relation to the effectiveness of CSRD in enhancing comparability. For example, NGOs' and regulators' perspectives could be studied to gain insights from other important stakeholders. Further studies could also focus on other objectives of the CSRD, such as enhancing transparency or improving the reliability of reported information to gain a more comprehensive understanding of its perceived effectiveness. This study only focused on the perceptions of Finnish ESG professionals, whose views are largely shaped by the reports prepared by Finnish companies. Thus, future research could expand the geographical scope and include perspectives from other EU member states or even beyond Europe. This would enable exploring differences in CSRD implementation across countries and determining whether the challenges and benefits observed in the Finnish context are shared more broadly.

Furthermore, while this study provided some early results on the comparability of CSRD reports with those prepared under other common international standards such as ISSB or GRI, this aspect of comparability could be further researched in the future. Research could examine how the CSRD affects the global harmonisation of sustainability reporting and identify barriers that hinder the achievement of greater international comparability. This would offer valuable insights into how comparability could be enhanced at the international level and inform the future development of the CSRD.

In addition to qualitative research, there is also a need to incorporate quantitative methods in this area. Future studies could evaluate the comparability of sustainability reports prepared in accordance with the ESRS by applying

content analysis to determine how consistently the reports are structured and how much truly comparable information they provide. A more detailed industry-specific analysis could further identify particular aspects of CSRD reporting where comparability remains weak and where improvements are most needed in the future.

Lastly, in the future once CSRD-compliant reports become available in machine-readable formats, it would be useful to investigate how this affects comparability and usability of sustainability data. In the meantime, before the digital reporting requirements are fully implemented, it would be interesting to study the extent to which AI-driven technologies and tools can be utilised to support the comparison and analysis of information disclosed in CSRD reports published in PDF format.

## 6 Conclusions

This chapter summarises the study and its key findings in relation to the research questions. The aim of this research was to assess the effectiveness of the Corporate Sustainability Reporting Directive in enhancing comparability in sustainability reporting. The study was a qualitative study conducted through semi-structured interviews with professionals who have experienced the effect of CSRD on sustainability reporting and available ESG information. The research was based on the following research questions:

**Q1:** What is the perceived impact of the CSRD on the comparability of companies' ESG performance?

**Q2:** What factors hinder the comparability of sustainability reports prepared under the CSRD?

**Q3:** How could the comparability aspect be enhanced in the future?

In relation to the first research question, it was expected that no significant conclusions can be made as the CSRD has not yet been in force long enough for professionals to determine its effectiveness. The results from the first year of implementation show that the evolving content and scope of the directive, the ESRS, and the ongoing regulatory changes are creating uncertainty around sustainability reporting. This currently limits its perceived effectiveness in improving comparability. Nevertheless, several positive factors were identified which have improved comparability based on the first published CSRD-compliant reports or are viewed to do so in the coming years. These include the mandatory reporting requirement, standardisation of reporting practices through the ESRS, and the planned introduction of digital tagging and machine-readability.

Furthermore, the results show that consistent use of headings, terms, and the order of presentation of data in accordance with ESRS improves readability, reduces ambiguity, and makes it easier for users to find information. These are factors that also improve comparability under the CSRD reporting. In addition, this study found that mandatory external assurance is a key development that enhances reliability, trust, and decision-usefulness of reported information. All of these are seen to support making meaningful comparisons between companies. Thus, even though no conclusions can be stated on CSRD's overall impact on the comparability, there are aspects in it that are enhancing comparability. Importantly, CSRD has brought incentives and momentum to the development of sustainability reporting in the EU.

The second research question focused on challenges to comparability. In this regard, the study identified several barriers. Firstly, differences in double materiality assessments are hindering the comparability of information provided in the reports. The results show that users struggle to find comparable information, and reasons for this include the subjectivity of double materiality assessment and the lack of harmonised guidelines for identifying material aspects. This research therefore extends the understanding of the impact of current DMA practices on the perceived comparability of reports.

Secondly, the variability in data availability and data collection and calculation processes currently hinder comparability. It was found that for the first year of reporting in accordance with the ESRS, many companies have been unable to report on all required ESRS disclosures. This has appeared to report users as inconsistent and incomplete reports where some pieces of information have sometimes been difficult to find. Thirdly, this study found that heavy reliance on narrative disclosures combined with the comprehensiveness and complexity of the ESRS are reducing usability and weakening comparability. Lastly, the multi-stakeholder nature of the CSRD reporting is creating uncertainty about the primary target audience and their information needs. This is shown to make it difficult for reports to fully respond to the users' needs and is also placing barriers to enhancing comparability.

Finally, the third research question focused on ways to enhance comparability under the CSRD in the future. As reporting in line with the CSRD will start to find its shape during the coming years, this aspect is critical to be considered to reduce the barriers to comparability moving forward. This research reveals factors that are seen to be critical for achieving enhanced comparability in the future. The findings highlight that there is a need for clearer guidance for companies on identifying material topics, interpreting standards, and implementing reporting requirements consistently. Additionally, assurance practices should be harmonised to further strengthen users' confidence in reported information and support comparability. Another critical aspect to be focused on in the future is the implementation of digital tagging and machine-readability. The findings suggest that they have potential to significantly improve comparability in the future. However, the study concludes that new reporting formats and requirements should only be introduced once the current challenges with data availability, consistency, and interpretation have been addressed.

Furthermore, another critical aspect to be tackled in the future is to clarify the user groups of CSRD reports and properly determine their information needs. This will ensure reporting develops in a way that it includes the necessary information in a sufficient level of detail but does not produce overwhelmingly long and detailed reports that users find hard to effectively utilise

for comparisons and decision-making. Lastly, this study found that in order for users to gain the benefits from the comprehensive disclosure requirements under the CSRD, greater global harmonisation between reporting frameworks is needed. Also, broader introduction of CSRD reporting requirements to companies of different types and sizes will be essential for enabling effective comparability. This is crucial to ensure that a sufficient supply of comparable data is available so that CSRD disclosure requirements can be better incorporated into analysts' data needs and models in the future.

As a conclusion, during the first year of implementation of the CSRD, progress has been made towards more comparable and consistent sustainability reporting in the EU. However, the transition is still in a very early stage and best practices that aim to ensure consistent reporting are only beginning to emerge. There are still challenges regarding, for example, the materiality assessments, data availability and quality, and usability of sustainability disclosures under the CSRD, which all limit the comparability of sustainability reports. Therefore, the full effectiveness of CSRD on improving comparability will only be seen in the future. This study suggests that achieving the CSRD's goal of improving comparability requires clearer guidance, including sector-specific guidelines, harmonised and widely applicable reporting practices, development of digital reporting formats, and stronger international harmonisation. Addressing these challenges is essential to ensure that CSRD-compliant sustainability reporting not only complies with regulations but also provides stakeholders with useful and comparable information.

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# Appendix

## Appendix 1: Semi-structured interview guide

The following interview guide is a translation of the original Finnish guide used in the interviews.

### Interviewee Background

- What is your educational and professional background?
- What is your current job description, and what role does CSRD-aligned sustainability reporting, report comparison, or corporate analysis play in your work?
- How familiar are you with the CSRD and the ESRS?
- How is comparability of sustainability data important in your work?

### Theme 1: Changes in sustainability reporting through the CSRD

1. How have the changes introduced by the CSRD impacted your work as a user (and a producer) of sustainability disclosures?
2. Has the CSRD brought any changes to sustainability reporting that you think enhance comparability, what are these changes?
3. How would you describe the main benefits or limitations of the CSRD and the ESRS on sustainability reporting?
4. Which CSRD or ESRS requirements support comparability between companies or within the same company over time?
5. How does the double materiality principle affect the information reported and its comparability?
6. How well can ESRS-aligned reports be compared with reports based on other frameworks?
7. How do you assess the value of CSRD reporting relative to the resources required to produce these reports?

8. How does CSRD-aligned reporting add value to your work compared to previous ways of reporting? Have you noticed improvements in data availability, clarity, or comparability?

### **Theme 2: Practical use of CSRD reports**

9. How well have the CSRD-compliant reports met your ESG data and analysis needs?
10. Have you faced challenges in comparing reports or data based on the ESRS? What kinds of challenges?
11. Do you feel that companies interpret or apply the ESRS standards differently? If so, what impact does this have?
12. Is there a difference in the comparability of data related to: Environment (E1–E5), Social issues (S1–S4), and Governance (G1)?
13. How do you see that the current cross-cutting and topical ESRS standards cover essential sustainability data? How does the lack of sector-specific standards affect comparability?
14. What kind of challenges are there in the quality, coverage, or availability of sustainability data and how does this affect your work?

### **Theme 3: Future prospects for achieving comparability**

15. The CSRD requires limited assurance for reported data. How does mandatory assurance affect comparability?
16. Should the ESRS standards be further developed? If yes, in what direction?
17. How do you think digitisation and machine readability (e.g., XBRL tagging) will influence the development of comparability?
18. How would you like to see comparability evolve in the next 3–5 years? Should companies be comparable: a) within the same industry, b) across different industries, c) across different reporting frameworks?

19. What actions are needed to improve comparability of sustainability disclosures in the future?
20. How should different stakeholders, like regulators, companies, analysts, and investors, collaborate to promote comparability?