New legal requirements for sustainability reporting in Sweden - its influence on the content of the reports

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Abstract

In 2017 changes (SFS 2016:947) for sustainability reporting in Sweden were made in the Annual Accounts Act (SFS 1995:1554). Since the regulation was recently imposed, there is little evidence for how it has impacted the content of sustainability reports. This study explores the use and amount of quantitative versus qualitative information before and after the regulation. This to explore how it has affected the content and thereby the identified quality factors: transparency, comparability, verifiability and assurance. A content analysis was performed where 17 companies from Nordic-Large cap were chosen and their sustainability reports were studied. The result show that the content of the reports differs, this since new information have been added, for example information about risks and policies. However, the content is also similar in many instances between the years, for example in terms of value words and the type of information provided in tables and charts. The factors of quality have been affected by these similarities and differences. Additionally, the study also show that the regulation has not reduced the amount of qualitative information in relation to quantitative information which has had a negative impact on the four quality factors.

Keywords: Assurance, Comparability, Content, Sustainability regulation, Sustainability report, Transparency, Verifiability, Quality
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1. Introduction

Sustainability is an essential factor that impacts the financial accounting of companies and the way firms choose to feature themselves (Marimon et al., 2012). Furthermore, it is necessary for survival and for gaining prosperity that companies take on environmental and social responsibilities (Ibid.). Sustainable business means that the operations of companies should satisfy the needs of the present without endangering the ability for future generations to satisfy their needs (Kention, 2018). The need to report and account for sustainability has grown by the public's increasing demand for companies to act more ethically (Daub, 2007). Sustainability reporting can be defined as a framework for representing the economic, social and environmental aspects of a company (Frostenson, Helin and Sandström, 2015). This is done by measuring and presenting what the company has achieved with regards to their development within these different areas (ibid.). Therefore, by following sustainability reporting and acting in accordance with the expectations of our society, in relation to sustainability, firms may gain legitimacy (Marimon et al., 2012).

Recently, new changes for sustainability reporting (SFS 2016:947) were made to the Swedish Annual Account Act (SFS 1995:1554). The changes were implemented from the start of December 2016 and they went into effect and were applied by Swedish companies from the fiscal year of 2017 (Lennartsson, 2016). The new regulation applies to companies who meet two of the requirements established in chapter 6 § 10 the Annual Accounts Act (SFS 1995:1554), in relation to employees, net sales and balance sheet, must prepare a sustainability report. As a result, 1600 firms in Sweden have been affected by the changes for sustainability reporting (Lennartsson, 2016).

1.1 Background

The Swedish regulation of sustainability originate from a recently established EU directive that covers new accounting rules in relation to sustainability (Lennartsson, 2016). The directive was imposed in order to enhance transparency and comparability of companies in relation to their sustainable operations (Proposition 2015/16:193, p.1). Transparency is important since it is strengthening the company's relationship to stakeholders and can, among other things, be viewed as the quality of communicating CSR (Fernandez-Feijoo, Romero and Ruiz, 2014).
Another thing that affects the usefulness of reporting for stakeholders is the Conceptual Framework. The newest framework is developed by the large standard-setting body: International Accounting Standards Board, IASB (Runesson, Samani and Marton, 2018). The framework states the objectives of accounting where the main objective is to make higher quality of accounting for important stakeholders (ibid.). Presented in the framework are several quality characteristics and two of these are comparability and verifiability. The qualitative characteristics increase the usefulness and quality of reporting for users (Runesson, Samani and Marton, 2018, p. 111). Likewise, one of the objectives with the implementation of regulation regarding sustainability is to increase comparability between companies (Proposition 2015/16:193, p.1). Furthermore, Fagerström and Hartvig (2016b) argue that it is of importance to regulate sustainability reporting since it is a crucial step in order to make information in the report more verifiable.

Additionally, assurance of sustainability information gives credibility and make the report more reliable, which strengthens the trust of users (Kolk and Perego, 2010; Carrington, 2019; Farooq and de Villiers, 2017). A report by KPMG (2017) states that the request for assurance of sustainability reports have more than doubled during the last 12 years and today 67% of all reports are assured by a third-party. This could be seen as an indication that companies find value in having their information verified by another party (KPMG, 2017). The demand for assurance of sustainability reports have primarily been driven by large and listed corporations (ibid.). From an organizational perspective it has been shown that sustainability assurance is perceived as important to managers since they want to ensure that claims are verifiable in order to reduce reputational or legal risks (Farooq and de Villiers, 2017). It has also been argued by many researchers that financial information that have been assured are of a higher quality (Francis, 2004; Sormunen et al., 2013). Therefore, Moroney, Windsorb, and Aw (2012) argue that it reasonable to assume that assurance of sustainability information should have the same effect.
1.2 Problem statement

There is an increasing demand for sustainability reporting and that these reports should reflect how well the company meets the challenges connected to sustainability (Daub, 2007). Before sustainability reporting became regulated in Sweden, it was still something many companies chose to have (Frostenson, Helin and Sandström, 2015). However, this also meant that disclosure of information was voluntary used as a mean to increase legitimacy (Rimmel and Jonäll, 2016). The problem with voluntary disclosures is that it has proven to be more subjective, which also makes it harder to quantify and compare between different companies (Rimmel and Jonäll, 2016, p.85). Though, it has been argued that sustainability reporting has become a tool for companies to show a good picture of themselves, rather than informing users of what they actually do (Fagerström and Hartwig, 2016a).

Therefore, it is reasonable that the new sustainability regulation was implemented with the purpose to increase the quality of the reports. Habek and Wolniak (2016) also argue that if information is regulated and companies become forced to disclose certain types of information this might lead to a higher level of quality in regard to the reports. In this study, quality is identified as being transparent, comparable and verifiable. Furthermore, the quality of the report affect assurance since it is easier to do assurance on a report of high quality. On the other hand, reports that have been assured, arguably, also increases the quality of the reports.

For many years Accountancy Europe, that work towards developing the accounting profession throughout Europe, has been fighting towards a more standardized way of disclosing information about sustainability (Larsson, 2001; Accountancy Europe, n.d.). The reason for why sustainability disclosures have not been regulated is because of the large amount of descriptive and qualitative information that is often used (Larsson, 2001). Additionally, the level of qualitative versus quantitative information affect these quality factors. For example, previous research show that quantitative information is easier to verify and to perform high quality assurance on since it is factually based (Öhman et al, 2006). Therefore, it is interesting to study the content of the sustainability reports, with its mix of qualitative and quantitative information.
1.2.1 Purpose
The purpose of this study is to examine how the new sustainability requirements (SFS 2016:947) for mandatory sustainability reporting, regulated in the Swedish Annual Account Act (SFS 1995:1554), have changed the content of the sustainability reports. In turn, this will help us identify how the content impact the four quality factors; transparency, verifiability, comparability, and assurance.

1.2.2 Research question
How has the implementation of the new legal requirements for sustainability reporting in Sweden, changed the content of the reports?

1.3 Contribution
Since, the legal requirements of sustainability was recently imposed there is limited evidence in previous research for how the regulation has impacted the content of the reports. Therefore, this study extends the knowledge about the impact that the new regulation has had on disclosed information. This is essential for the development of standards in the future since stakeholders’ demand more non-financial information (Visser et al., 2010).

Furthermore, Öhman et al. (2006) is one of many researchers who has studied the use of qualitative and quantitative information. However, this study contributes to a deeper knowledge in the use of quantitative and qualitative statements regarding sustainability reporting. Also, this study further shows how quantitative and qualitative information impact the quality of disclosures. Theoretical concepts of transparency, verifiability, comparability and assurance have in the study been linked together and it has been demonstrated how these affect the quality of reporting.

1.4 Disposition
The thesis will continue as follows; literature review, method and the results of the study, analysis and conclusions. The literature review consists of previous research in relation to regulation of sustainability in Sweden, GRI and TBL, qualitative and quantitative information, the concept of transparency, the Conceptual Framework and lastly assurance. The literature review is summarized in an analytical model. In the method section the research approach of the study is described including sample, coding and, quantitative and qualitative analysis.
Moreover, criticism and limitations of the study are presented and the process for collection of the literature. Thereafter, the results of the study are presented which is divided into three parts consisting of qualitative results, numeric results and, tables and charts. Then, an analysis is performed of the results which follows the analytical model. Lastly, in the final section the main conclusions of the study are presented together with suggestions for further research.
2. Literature review

The literature review starts with a background of the development of sustainability reporting in Sweden together with what is required after the new legal requirements have been enforced. Further, the most commonly used standard setter for sustainability is presented, the Global Reporting Initiative (GRI), and its separation of sustainability reporting into Triple Bottom Line (TBL). Thereafter follows an in-depth explanation about the differences between qualitative and quantitative information. In the end, the four quality factors are presented: transparency, verifiability, comparability and assurance. Finally, the literature review is summarized in an analytical model.

2.1 Sustainability regulation

During the 1990s, sustainability issues began to get included in accounting (Frostenson, Helin and Sandström, 2015, p.11). A large number of separate environmental reports was presented voluntarily during this period (Larsson and Ljungdahl, 2005). Shortly thereafter, non-financial information was included into the different parts of the annual report to make it more integrated (Larsson and Ljungdahl, 2005). This made it clearer how the financial performance affected the environment and social externalities (Eccles and Krzus, 2010). Additionally, there have previously been some mandatory regulation for sustainability reporting in the Annual Accounts Act (SFS 1995:1554). According to that regulation, larger companies had to provide essential sustainability information in a general and brief character (ESV, 2018). Furthermore, companies classified as environmentally hazardous also had to obtain a permit and register in accordance with The Swedish Environmental Code (SFS 1998:808). These companies had to leave relevant information about their effects on the environment (ibid.).

In June 2016, the Swedish government proposed that companies of a certain size should present a sustainability report (proposition 2015/2016:193). The foundation for the proposition was an EU-directive emphasising more transparency and comparability in sustainability issues among companies (ibid.). Because of this, new changes were made to the Swedish Annual Accounts Act 1995 (changes based on SFS 2016:947). These changes were applied by Swedish companies from the fiscal year of 2017 (Lennartsson, 2016). The new regulation in Annual Account Act (SFS 1995:1554, chapter 6 § 10), states that the management report of a company must include a sustainability report if it meets at least two out of three requirements. The three
requirements are; (1) to have an average number of employees that exceeds 250 employees during the last two years, (2) a balance sheet that exceeds 175 million SEK or (3) a net sale that reach more than 350 million SEK for each of the last two fiscal years.

The sustainability report must then, according to chapter 6 § 12 in the Annual Account Act (SFS 1995:1554), include information regarding sustainability in relation to the development of its business, its results and consequences of its operations. Among other things, this refers to leaving information about the environment, social behaviour, employees, human rights and anti-corruption (ibid.). In the environmental section, companies should leave information about how their operations affects the environment, for example air pollution or carbon emission (ESV, 2018). Social behaviour and employees include things such as, equality and security of labour legislation (Ibid.). Human rights refer to information about how the company should operate to not insult human rights and anti-corruption concerns how the company should work against corruption (ESV, 2018).

Furthermore, the regulation also specify that the sustainability report should include:

“1. the company's business model
2. the policy the company applies to the issues, including the audit procedures that have been carried out.
3. the result of the policy
4. the material risks related to the issues which are related to the company's business including, where relevant, the company's business relationships, products or services that are likely to have negative consequences;
5. how the company manage the risks, and
6. key performance indicators that are relevant to the business.”

(Annual Account Act, SFS 1995:1554, chapter 6 § 12, our translation)

According to chapter 6 § 11 in the Annual Account Act (SFS 1995:1554), the sustainability report can be handed in as a separate document from the management report, but information about the separation must be presented in the management report. Furthermore, the new legal requirements in the Annual Account Act are not more specific than presented above and therefore companies can use complementary guidelines as Global Reporting Initiative (GRI) (ibid.).
The Global Reporting Initiative, also called GRI, is an independent, non-governmental organization that was introduced in 1997 (Dingwerth and Eichinger, 2010; Frostensson, Helin and Sandström, 2015, p. 14). The core objective of GRI is to develop and promote a common framework for non-financial reporting such as sustainability reporting (Dingwerth and Eichinger, 2010). As of today, GRI is the most frequently used standard setter for sustainability reporting (Carrington, 2019; Moroney, Windsorb, and Aw, 2012) and it is especially common for European companies to use GRI principles (Habek and Wolniak, 2016).

2.2 Triple Bottom Line

Other types of non-financial reporting, such as corporate social responsibility reporting (CSR) and triple bottom line (TBL), could be seen as synonymous with sustainability reporting (Cohen and Simnett, 2015; Habek and Wolniak, 2016). GRI has become the most accepted guideline for the implementation of the concept of triple bottom line (Skouloudis, Evangelinos and Kourmousis, 2009). It uses the same deviation for different sections of sustainability as triple bottom line which are economic, environmental and social (Wilson, 2015). The term triple bottom line was introduced in 1994 by the author Elkington and he was convinced that triple bottom line performance would come to rule the way we look at sustainability reporting (Elkington, 1997).

A sustainable company must assess how economically sustainable they are (Elkington, 1999). This is done in “the economic bottom line” which can be described as the concept of economic capital. The traditional meaning of economic capital is the total value of assets minus total liabilities (ibid.). Furthermore, capital can be divided into two different categories: physical capital and financial capital (Elkington, 1999, p.74). However, over time it has also come to include things, such as human capital and intellectual capital. The economic part of the triple bottom line is usually the area where many businesses feel the most comfortable (ibid.). This since it includes many well-known tools and items, for example accounting for profit and loss, the balance sheet and, losses and gains (Elkington, 1999).

The environmental bottom line refers to accounting of the use of energy and other ecological footprint that the operations of a company leave behind (Gimenez, Sierra and Rodon, 2012). This include, waste reduction, energy efficiency and decrease in usage of hazardous materials (ibid.). Elkington (1999, p.79) use natural capital to describe what environmental sustainability
Natural capital can be explained as both the trees of a forest together with the systems that help make sure that the forest are healthy, for example the soil or greenhouse gases (Elkington, 1999, p.80). When looking at the environmental bottom line this should reflect the impact that a company has on these different forms of natural capital (ibid.).

The last part of the triple bottom line is “the social bottom line”. Social capital includes both internal and external communities (Gimenez, Sierra and Rodon, 2012). It focuses on the human capital and the wealth of the society, together with the potential to create wealth (Elkington, 1999, p. 85). Further, social sustainability mean that organisations should provide fair opportunities, encourage diversity and make sure that it provides quality of life (Gimenez, Sierra and Rodon, 2012). However, the concept of TBL has also been met with criticism from many different directions, especially in regard to the environmental and social triple bottom line (Rimmel et al. 2018). This since there is an expectation that social and environmental issues should be measured for in the same way as economic issues even though these types of issues, in many cases, are not measurable (ibid.).

2.3 Qualitative versus Quantitative information

The aim of accounting and reporting is to inform users of relevant information that can help them in the process of decision-making (Cohen and Simnett, 2015). Visser et al. (2010, p. 294) argue that stakeholders more often demand non-financial information, that also include statements about future challenges and objectives mixed with historical data of past performance. Information that is future-orientated, of a more creative comprehension and that can easily be pushed in different directions can be seen as soft information (Bertomeu and Marinovic, 2016; Öhman et al., 2006). Liberti and Petersen (2019, p.3) also state that soft information is more often communicated through text rather than numbers.

Soft information is hard to objectively verify (Bertomeu and Marinovic, 2016) and it often include information about ideas, opinions and future plans (Liberti and Petersen, 2019). When it comes to auditing of this type of statements, auditors see this type of soft information as hard to audit (Öhman et al., 2006). This is due to the fact that expectation and forward-looking information is impossible to verify until it actually occurs (IASB, 2010). Another author that uses similar arguments is Larsson (2001) who states that information given as policies or objectives are impossible to verify. Therefore, this type of information would
usually not be allowed in accounting (ibid.). However, stakeholders often find information of a softer character an important part of reporting (IASB, 2010) and they also find auditing of this type of information to be of a higher value (Öhman et al., 2006).

Information that is easy to verify include hard facts such as historical events and numbers (Öhman et al., 2006). In some cases, information in the sustainability report can be monetized or quantified in form of numbers and ratios but in some cases, it can only be described with other, non-quantitative methods (Cohen and Simnett, 2015; Frostenson, Helin and Sandström, 2015, p.49). Therefore, a large portion of the report consists of a mix between qualitative and quantitative statements (Daub, 2007; Fagerstöm and Hartwig, 2016a). Another type of qualitative and quantitative statements is the separation between objective and subjective type of information. In a paper by Fagerstöm and Hartwig (2016a) they use this type of separation in order to explain what type of information that companies provide in their sustainability report. For instance, they conclude that objective facts include statements such as total carbon dioxide emissions, while statements that present the well-being of staff (collected from a questionnaire) should be seen as subjective (ibid.).

The regulation does not demand that a company applies numeric information and thereby companies can choose whether to disclose quantitative or qualitative information (ESV, 2018). However, Diouf and Boiral (2017, p.655) argue that users of sustainability reports often think that qualitative information is unclear and that an increased effort is needed to analyse qualitative rather than quantitative information. Companies might adopt a strategy where they try to hide poor information by using qualitative descriptions that are confusing and unclear (ibid.). Consequently, it is argued that sustainability reporting should be studied with a bit of scepticism (Frostenson, Helin and Sandström, 2015).

2.4 Transparency

Dingwerth and Eichinger (2010, p. 80) argue that sustainability reporting can be used as a tool in order to enhance transparency. Transparency in relation to sustainability reporting refers to how well the company communicate and make information visible for stakeholders (Frostenson, Helin and Sandström, 2015). This could be important for growing companies since they are in a substantial need of external funding (Leuz, 2010). A company's level of transparency can also be determined by the pressure from stakeholders in a specific industry
According to Fox (2007, p.664) transparency can mean all sorts of things for different people. However, a common agreement is that transparency is the key to “good governance” (ibid.). Transparent governance includes clear processes and procedures and providing citizens with an easy access to information (Kim et al, 2005). Transparency is also supposed to be a way of generating accountability (Fox, 2007). This is further argued by Gupta et al (2014, p.3) who state that transparency is important from the perspective of reducing information asymmetries, but also to make powerful companies accountable.

Additionally, transparency can be achieved through openness, an increased availability and flow of information together with a decreased level of secrecy (Gupta et al, 2014). However, it does not mean that a company must present as much information as possible. Often, disclosures are filled with information about, for example general policies and standards, which makes it harder for users to recognize essential information (Runesson, Samani and Marton, 2018). Stakeholders have responded to economic crises and scandals by forcing companies, to not only share more financial information, but also information in connection to sustainability (Marimon et al., 2012). However, Runesson, Samani and Marton (2018, p.157) argue that better information is needed, not more information. This since, more information might lead to information overload which might have a negative impact on the transparency (ibid.).

Furthermore, it is argued that companies sometimes only provide information that is needed to fulfil the requirements of transparency but that instead is decoupled from the core operations (Frostenson, Helin and Sandström, 2015, p.23). This means that companies present information to stakeholders about sustainability that have a minor connection to the actual internal processes (ibid.). Companies might also try to manipulate the content of the sustainability report with the use of impression management to shape a certain impression of the company (Sandberg and Holmlund, 2015). Ways of executing impression management can be to lay forward favourable information about one’s actions or to use a vague style by presenting unspecific information (ibid.).
2.5 Conceptual Framework and Qualitative characteristics

The most recent version of the Conceptual Framework is from 2018 and it is issued by the International Accounting Standards Board, IASB (Runesson, Samani and Marton, 2018, p.109). The framework provides guidelines for interpreting standards and how to act when, either there is no standard that can be applied or there are several accounting policies that can be used (IFRS, 2018). It emphasizes that the aim of accounting is to make accounting useful for decision-making by investor, lenders and other creditors (Runesson, Samani and Marton, 2018). Furthermore, the Conceptual Framework identifies several quality characteristics, see figure 1, which is of importance for creating accounting quality (Runesson, Samani and Marton, 2018). In order for information to be useful the two fundamental characteristics of relevance and faithful representation must be fulfilled (ibid.). However, meeting the two characteristics is in many cases hard and a trade-off must be made. This since, information that could potentially be of relevance could also be difficult to faithfully represent, because of the uncertainty in how it should be measured (Runesson, Samani and Marton, 2018).

![Figure 1: Quality Characteristics in the Conceptual Framework (Runesson, Samani and Marton, 2018, p.115).](image)

Faithful representation is defined as “information must faithfully represent the substance of what it purports to represent” (IFRS, 2018, p.6). However, faithful representation is hard to achieve because of the accountant’s independency in the judgement of underlying economics of financial statements (Runesson, Samani and Marton, 2018, p.118). Therefore, it is easier to study the two enhancing quality characteristic that is related to faithful representation, which are comparability and verifiability (IASB, 2010). Verifiability is achieved if independent and
knowledgeable observers can reach a consensus of whether the depiction is faithfully represented (EY, 2010). Notably, consensus does not always refer to complete agreement (IASB, 2010). Verifiability is also achieved when companies present objective evidence of statements in form of an invoice or a receipt (Runesson, Samani and Marton, 2018).

The other qualitative characteristics comparability should be achieved both between various companies as well as over time in a specific organization (Runesson, Samani and Marton, 2018, p.120). IASB (2010, 2:27) describe comparability as “like things will look alike and different things will look different”. Comparability should not be mistaken for uniformity which means that different thing will look the same (Runesson, Samani and Marton, 2018, p.121). Furthermore, Runesson, Samani and Marton (2018, p.120) argue that in relation to comparability, managers should use their knowledge about underlying economics to determine the value of assets which means that similar assets can be valued differently.

2.6 Audit and Assurance
Since the industrialism, a world in need of auditing has emerged (Öhman and Wallerstedt, 2012). Ever since then the auditing tasks have become more structured and redefined (ibid.). Auditing in its traditional meaning can be referred to as the unbiased inspection and evaluation of evidence from economic events (Trohammar and FAR, 2006, p.19). This in order to determine the level of correspondence between requirements of law and assertion (ibid.). The act of auditing started as a request from investors since they wanted to make sure that their invested capital had been properly managed (Öhman and Wallerstedt, 2012). Since then, the auditing profession has grown and become more regulated over time (ibid.). This in order to ensure that the board and CEO have managed the company and its economic information correctly (Trohammar and FAR, 2006). Because of this, auditing is important for increasing trustworthiness and quality of the economic information used by important stakeholders such as investor, shareholders, debtholders, suppliers, customers etc (ibid.).

The new regulation of sustainability does not require a substantial audit of the sustainability report (FAR, 2017). This means that auditors are only liable for commenting on whether or not the report has been made and that all parts, required by law, are included (ibid.). However, auditors are not liable to make any comments or do any further audit on the content that companies choose to include in their sustainability report (FAR, 2017). Since there are no
requirements for auditing, companies do not have to give credible statements which creates a credibility gap between the stakeholders and the companies (Dando and Swift, 2003). Furthermore, Dando and Swift (2003) argue that third-party assurance is the only way to narrow this gap.

Hence, the concept of assurance has emerged which is defined as a process were a third-party has been hired to evaluate and provide opinions on the reports that the board of directors have prepared (Farooq and de Villiers, 2019). It is also used as a mean to make sure that the reports have been prepared in accordance with corresponding standards (ibid.). Many companies voluntarily hire a third-party assurance provider to evaluate their sustainability report (Farooq and de Villiers, 2019; Carrington, 2019; Canning, O’Dwyer and Georgakopoulos, 2019). While financial auditing has moved into being more regulated, the sustainability reporting is at its beginning state where regulation has not yet come as far (Carrington, 2019).

When conducting assurance of sustainability reports the assurance provider should not assess how sustainable the company is (Carrington, 2019). Furthermore, assurance is not about interpreting or commenting on the work that a company has done in relation to sustainability (ibid.). Instead, the assurance providers will only assess and ensure that claims made in the report are reliable and that there are enough evidence backing up the statement (Carrington, 2019; Dando and Swift, 2003).
2.7 Summary and Analytical model

From the fiscal year of 2017 the new regulation for sustainability came into effect for many of the large companies in Sweden. The regulation forces companies of a certain size to include a sustainability report in their management report and it also stipulate what information the report should include (SFS 1995:1554). As a result, this might have an impact on the content of the reports. In previous research it has been proven that the content of the reports consists of a mix between qualitative and quantitative information (Daub, 2007). Qualitative information has been found to be unclear, subjective and hard to measure (Diouf and Boiral, 2017; Fagerström and Hartwig, 2016a; Liberti and Petersen, 2019). This while quantitative information is communicated through numbers, hard facts and objective measurements (Öhman et al., 2006; Fagerström and Hartwig, 2016a; Liberti and Petersen, 2019). In turn, the content of the sustainability report affects the factors: transparency, verifiability, comparability and assurance. Finally, these factors impact the overall quality of the report. This have been summarized as a general analytical model in figure 2.

![Analytical model](image)

**Figure 2:** Analytical model consisting of a summary for how the different areas in the literature review connects and impact each other.
3. Method

In this section the methodological approach is presented. The design of the study is described as well as the sample, coding, quantitative and qualitative analysis and the process of gathering information from previous research. Additionally, the method presents the choices made together with criticism and limitations of the study.

3.1 Design of the study

The methodological approach of a content analysis is used in this study. This means that large textual datasets are analysed in an efficient manner (Sonpar and Golden-Biddle, 2008). A content analysis is well-suited for this study since it is a flexible method that can be used for large volumes of unstructured data (Bryman, Bell and Harley, 2019). This study is a qualitative content analysis, but with quantitative elements. The qualitative approach will be used to structure the data and to find trends or differences across the studied material (Sonpar and Golden-Biddle, 2008). Furthermore, the data will be measured with some quantitative elements to provide some supporting results.

The data used in this study are annual reports and, more specifically, management reports including sustainability reports. Some companies have chosen to spread out the sustainability report in the annual report. However, in that case the company has left information in the management report about the separation in accordance with Annual Accounts Act (SFS 1995:1554). The reports will be used to study the content of sustainability reports before and after the regulation. Therefore, the study consists of sustainability reports from 2016 (before regulation) as well as 2017 (after regulation) which were taken from the same company.

3.2 Sample

The sample in this study is determined by three different criteria. Firstly, the new regulation only affects Swedish organizations and therefore only those companies where the parent company is settled in Sweden have been selected in our sample. Secondly, companies must fulfil the requirements stated in chapter 6 § 10 in Annual Accounts Act (SFS 1995:1554). Since there is a higher probability that large sized companies fulfil the requirements for the new regulation of sustainability reporting, only companies on NASDAQ OMX Nordic Large Cap have been selected. However, Large Cap include consolidated companies and the new
regulation for sustainability reporting in Sweden only applies if the parent company fulfils the requirements and therefore only those companies were selected. Thirdly, some companies were also removed because they did not have a complete sustainability report for the year 2016 to compare with.

There are 92 Swedish companies on NASDAQ OMX Nordic Large Cap, and out of these 17 companies fulfil the three criteria mentioned above and therefore these companies have been chosen as sample for the study (see Figure 3 for sample). It is a purposive sample, meaning that the sample consists of companies which provides the best foundation for answering the research question (Saunders et al, 2016). In this study it means that the companies must fulfil the criteria described above. Furthermore, the sample is a non-probability sampling where statistical inferences will not be possible (Saunders et al, 2016).

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**Figure 3:** Companies used as a sample in the study

A full list of the names of the companies are given in figure 3. However, in the result of the study, the chosen companies are kept anonymous and only referred to as Company 1, Company 2, Company 3 etc. The reason behind this is mainly because of ethical considerations, because it is possible that some of the results could be potentially harmful for a company. Therefore, this risk is minimized by giving anonymity to participants (Bryman, Bell and Harley, 2019). Furthermore, the studied companies have not given their consent to be a part of this research which is another ethical aspect that led to the choice to keep the names of the companies undisclosed in the result. Lastly, the result of the study will not be affected by the choice to keep the companies unnamed.
Regarding the selection of years, there are two possibilities. Either, two years wider apart or two consecutive years can be chosen and there are several pros for both options.

The pros of choosing two years wider apart, for example 2015 and 2017:

- Larger differences could have been found between the reports since there have been more time to conduct changes.
- It is reasonable that the reports from 2015 have not been influenced by the forthcoming sustainability legislation.

The pros for choosing two consecutive years, 2016 and 2017:

- Higher probability that companies have a sustainability report for both years.
- It is interesting to study a phenomenon directly before and after it occur since it is more likely that the actual effect of the phenomenon is observed.
- A lower risk that the result has been impacted by external factors. Even though, it is not possible to completely rule out that changes between 2016 and 2017 could have been affected by other factors not correlated to the regulation.

Weighting the pros for both options against each other the years 2016 and 2017 was selected since the pros for this alternative was seen as the best alternative.

3.3 Coding

The first part of the study consists of a qualitative content analysis and coding, also called ethnographic content analysis (Bryman, Bell and Harley, 2019, p.511). The first step of the coding process was to divide and classify each paragraph of the content in the sustainability report into one of the categories of triple bottom line. This was done since most companies use GRI when conducting a sustainability report (Carrington, 2019) and GRI use triple bottom line (economic, environmental and social) as a division of different parts of the sustainability report. As a result, the large amount of data was divided into different groups which made it easier to analyse and find patterns in the data.

The second part of the coding was the categorization of sentences, see figure 4 for the entire coding process. This study uses latent coding of content, where the meaning and intention of a sentence is interpreted (Saunders et al, 2016). Thereby, each sentence of the sustainability report, has been classified into one of three categories of “interpretative, “factual” and “other”. These categories have been identified through concepts from pre-existing literature. This
means that the study has a deductive approach (Sonpar and Golden-Biddle, 2008). A deductive approach is advantageous for making sure the study will be contributing to the knowledge already existing (Saunders et al, 2016, p.570).

Figure 4: Summary of categorisation of coding

There have been several studies that shows that the sustainability report consists of a mix between qualitative and quantitative information (Larsson, 2001; Cohen and Simnett, 2015; Daub, 2007). In this study the concepts of “factual” and “interpretative” are used as denominators for qualitative and quantitative information. Each category is determined by different criteria. In order to meet the criteria of the “interpretative” category, sentences must be future-oriented and/or subjective. Statements that are future-oriented are defined as something that is based on expectations, objectives and policies. Subjective sentences are
defined in the same way as Fagerström and Hartwig (2016a) use in their paper. This means that for example, measurement of happiness of employees should be seen as a subjective measurement and therefore be classified as “interpretative” information. See figure 5 for coding of “interpretative” information.

Figure 5: Schematic illustration of coding of category “interpretative”

The category of “factual” information includes sentences with statements about: Historical events and objective measurements. Historical events include all sentences referring to past performance. In the criteria of being an objective measurement the sentence should include hard facts, numbers, ratios, monetary values and other types of number-crunching data. See figure 6 for coding of “factual” information.

Figure 6: Schematic illustration of coding of category "factual"
Further, a third category exist called “other”. This category include content that cannot be seen as either “interpretative” or “factual” or sentences that only provides general information that is not specific for the studied company. See figure 7 for coding of “other” information.

![Figure 7: Schematic illustration of coding of category “other”](image)

When all sentences in the sustainability report had been divided into one of the three different categories (factual, interpretative and other) the total number of sentences in each category were counted and analysed. The expected outcome is that the category of “other and interpretative” have decreased while “factual” information has increased for each company after the regulation. An overall assessment was made for each sentence to conclude if it should be seen as “factual” or “interpretative” if it fulfils criteria from both categories. Since both coders might judge the sentences differently, a pilot study was executed on some of the sustainability reports. This was done in order to judge whether the predetermined coding and the overall assessment was trustworthy and provided a unitary result. Therefore, the pilot study was important to secure that no modification was needed before coding of the whole data material.

Tables and charts were also coded and analysed since they often consist of numeric information. Therefore, excluding these would have led to an unfair and misrepresentation of the result for this study. However, tables and charts were coded separately from the coding of the text in the sustainability report. Tables and charts are only categorized as numeric or textual depending on if it contains numbers or describing text. See figure 8 for coding of tables and charts. Notably, images have not been a part of the examined material. These have been excluded since it would be hard to classify information an image into any of the categories. It is also likely that categorizing of images would have had an impact on the reliability of the
study since the interpretation could possibly yield different results if study was to be repeated (Sonpar and Golden-Biddle, 2008).

![Tables & Charts](image)

**Figure 8:** Schematic illustration of coding of tables and charts

### 3.4 Qualitative & Quantitative analysis

The analysis consists of three parts; qualitative, quantitative and, tables and charts. The qualitative analysis approach is done in order to find trends, patterns and differences within the studied material. This type of approach is called a Thematic Analysis (Bryman, Bell and Harley, 2019, p.519) and is one of the most commonly used approaches for analysis of qualitative data. More specifically, the material will be analysed to see if various companies select and formulate content in the sustainability reports in a more similar manner after the implementation of regulation. Furthermore, this approach is used in order to get a deeper understanding of what it is that makes the content “interpretative”, “factual” or “other” and to see what differences the regulation has led to in terms of the categorization of content. If one company is found that differ largely from the others, this has also been presented in the result in order to show and analyse, not only similarities but also differences of the sustainability reports between the years.

The quantitative approach makes it possible to reduce the text and translate it into numbers making it easy to compare (Sonpar and Golden-Biddle, 2008). In this study, every sentence in the sustainability report, for each category and company have been counted. This has been done in order to compare the proportion of “factual”, “interpretative” or “other” information given in the report. The numbers are used to identify percentual difference between what type of information a company has selected before and after the new regulation in regard to the sustainability report. This is used to see if differences and similarities can be found between the years and to get a general overview of what type of information that is presented in the sustainability report. Additionally, the number of charts and tables that consists of numeric or
textual information have been counted and is used as a mean for analysis and comparison between the years 2016 and 2017. Tables and charts have also been divided into triple bottom line in order to find out what subject that companies most often use tables and charts for.

3.5 Literature and Analytical model

The purpose of the literature review was to gather information primarily from previous research but also from laws, propositions etc. The majority of all sources are collected through Google Scholar, regulations in Sweden or Business Source Premier. Furthermore, every area in the literature review are based on several different kinds of sources to support that there is more than one study that has reached the same result. Arguably, this increases the credibility of the literature review. Since, several sources in the literature review have conducted research in other countries than Sweden the results presented in the literature might differ from the result in this research, made in Sweden. However, this also indicated that more research within this area is needed in Sweden.

Information was gathered with the aim to understand how sustainability reporting has developed in Sweden before the new legal requirements. Therefore, this naturally became the starting point for the literature review. Thereafter, information was gathered from the proposition by the Swedish government (proposition 2015/2016:193) and the changes (SFS 2016:947) to Annual Accounts Act about the new regulation of sustainability reporting. Meanwhile, GRI, TBL, qualitative and quantitative information, transparency, the quality characteristics of Conceptual Framework and assurance became important concepts during the process. If an interesting and comprehensive article was found about these concepts the references used in this article provided further guidance for other important articles in the field. Likewise, the article by Carrington (2019), A Critical Perspective on Sustainability Assurance, was well-suited and up-to date as an introductory article for the subject assurance in the literature review. Lastly, could the literature review lead to an analytical model, see figure 1, which provides a basis for coding and analysis of data.
3.6 Critic and Limitations

The structured and systematic approach of a content analysis aim to reach a higher level of reliability since it allows other researchers to consistently apply the same techniques (Sonpar and Golden-Biddle, 2008). This study uses latent coding of content where the coding is done on sentences and paragraphs instead of words (Saunders et al, 2016, p. 610). Therefore, if categories have not been explicitly expressed the level of reliability might have been reduced. Additionally, since the study is mainly a qualitative research based on judgement of the coder the reliability of the study might be lower than if, for example, certain words would have been counted and statistically measured. Furthermore, there is also an awareness that it is not possible to exclude that external factors, not related to the new regulation, may have affected the result. Therefore, it cannot with total certainty be stated that the results exclusively show the effect of the regulation.

Furthermore, it is argued that separate coding lead to biases, inadequate coding and tiredness in comparison to if only one researcher code the raw material (Sonpar and Golden-Biddle, 2008, p.803). Therefore, both coders did the coding separately of the content in the sustainability report, but afterwards the coders worked in close collaboration and the results were compared against each other. It enabled to go through some deviations and to agree on what was the correct interpretation of a deviating sentence (Saunders et al, 2016). As a result, it enhanced the reliability and the systematic qualities of this study (ibid.).

Lastly, the researchers of this study preferred a sample with a wide selection of industries. It is possible that if the study had consisted of a sample of companies within only one or two industries it might have contributed to a deeper analysis. However, not until after the study with a wide selection of industries was executed was it possible to distinguish which industries that would be interesting to study deeper.
4. Results

In this section the results of the study are presented which include three different parts. Firstly, the qualitative results are identified that consists of trends, patterns and differences in the reports between the years. Secondly, the quantitative results are presented which provides numerical results between the years in the form of percentual differences and averages. Thirdly, the result from counting and comparing charts and tables in the reports are presented.

4.1 Qualitative results

After the new regulation was implemented in 2017, all companies present the exact pages for which the sustainability report conclude of. Additionally, all companies express that the sustainability is executed in line with Annual Account Act (SFS 1995:1554). Furthermore, information has been added to several sustainability reports in 2017 that was not previously included for year 2016. For example, the CEO's comments and risk analysis.

One of the studied companies have doubled the total number of sentences six times in the sustainability report between 2016 and 2017. The 2017 sustainability report also consists of more describing information about the organization and its product than the year before. This can also be found in the reports from 2017 for many of the other companies. For example, it is common that a company provide information about how long the CEO has worked at the company. Additionally, many of the 2017 reports include more statements than previously from workers of the organization, where many sentences are written from a “we” perspective of what someone thinks of the sustainable operations. In these sections, a large number of “interpretative” statements is also found.

One company distinguishes itself from the rest of the companies, where it provides identical information in both reports for the two years. The numeric information about energy use, for example, refers to numbers from 2010. This is done without complementary information about the change from the previous year. The same numeric information is used in both reports, 2016 and 2017, without changing the precentral difference. This is the only company who does this, the other companies update the information in the 2017 report.
4.1.1 Triple Bottom Line

All companies have divided parts in the sustainability report into the social and environmental sections. However, it is not common to have an explicit part divided to the economic part of the triple bottom line. This information is often imbedded into other parts of the report. On the other hand, it is more common for companies to include economic information in the report from 2017 where the information is often found in the comments from the CEO.

The different parts of the sustainability report include various amounts of “interpretative”, “factual” and “other” information. Nearly all reports have the highest number of “factual” statements in the environmental parts as well as in the economic parts. For example, the environmental part in most reports include information about the specific material that is used in the operations and facts about type of transportation, fuel, level of pollution etc. Often the environmental parts also include non-company specific information that is classified as “other”. In that case it is common for companies to provide information, for example about the UN sustainable development goals. Information classified as “interpretative” is more common to find in the social parts. Example of this is that many of the companies’ state that they have engaged employees, right personnel, strong workforce, good collaboration etc. These trends are found in both of the years 2016 and 2017 and it is not possible to distinguish a noticeable difference between the years.

4.1.2 Value words

The result show that companies use so called value words in their sustainability reports. Firstly, value words are found in the sustainability reports that refer to a certain amount, but which is not determined in numerical terms. These can be expressed as “relatively low”, “small share”, “a marginal part”, “mainly”, or “to a significant extent”. Secondly, value words are found when companies describe their wealth and success. In these situations, words are used as “world leader”, “largest company”, “well-known brand”, “most successful company”, “had a good year”, “a lot going on” etc. Thirdly, value words are found when companies want to inform how they will improve in the future. Then value words are found as “promote responsible operations”, “contribute”, “enhance”, “improve quality” or “encourage everyone to fully realize their full potential”. 
Value words are commonly used in the “Social parts” of the sustainability reports. The result show that one-third of the companies have more value words 2016 than 2017. The second third of companies have more value words 2017 than 2016 and the last third has an equal number of value words in 2016 and 2017. However, for one company there was a substantial difference were it in the 2016 report had few value words in 2016 but had a significant increase of value words in the 2017 report.

One of the studied companies often provide statements including value words, this is later backed up with a “factual” statement that supports the first statement. However, this is not as common in the reports from the other companies. This applies to both 2016 and 2017 sustainability reports. Additionally, another company stands out since it has an honest and open approach where it provides information about corruption, fraud, death etc. However, in 2016 the company used numbers to support statements, while in 2017 the same statement is given but the number has been substituted with a value word. For example, in 2016 the report states the exact number of fraudulent behaviours that has been discovered in the organization while in 2017 it only says that a few cases have been found.

4.2 Numeric results

On average the number of sentences in the sustainability report have increased in 2017 compared to 2016. It has gone from being, on average, 213 sentences to 254 sentences. However, since there is one extreme case (company 13, see figure 9) in 2017 it impacts the overall average. It is also a wider spread of the number of sentences in 2016 than in 2017, see figure 9.
Figure 9: Spread for number of sentences in 2016 and 2017

When comparing the precentral difference of number of sentences between the years, 2016 and 2017, within each category of “interpretative”, “factual” and “other” the result show that for the majority of companies the amount of “interpretative” information has increased. On average, for all companies, the number of “interpretative” statements has gone up with 10%. On the other hand, in the category “factual” no noticeable difference can be found. This since there are almost an equal number of companies where the “factual” information has increased as it is companies where the information has decreased between 2016 and 2017. In the category of “other” most companies have had a decrease in this type of statements. However, there are two extreme cases where there have been a large increase and where this type of information has gone up with 104.82% as well as 271.74%. Therefore, the average for this category shows that there has been an increase with 7.79%. See table 1.
Table 1: Percentual difference of number of sentences between 2016 and 2017

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<tr>
<td><strong>Average</strong></td>
<td><strong>10,05%</strong></td>
<td><strong>2,68%</strong></td>
<td><strong>7,79%</strong></td>
</tr>
</tbody>
</table>

As table 1 show, there are 13 companies that have increased the level of “interpretative” information between the years while 4 have decreased the level. Regarding “factual” statements, 9 companies have increased the level and 8 companies have decreased the level between the years. In the category of “other”, 5 of the studied companies have a higher level of this type of information in 2017 while 12 companies have a lower level.

Differences can also be found when comparing the different companies against each other. Company 10 had the largest number of “factual” statements in 2016 and 2017. This company has been able to keep the amount of “factual” information on a steady level. The other companies do not reach the same level of “factual” statements. On the other hand, the company with the least number of “factual” statements in the 2016 report was Company 13. However, Company 13 had an increase of 46.44% of “factual” information between the years (see table 1) which is the highest increase of all the studied companies.
Furthermore, Company 11 had the least amount of “interpretative” information in its 2017 report. The same company also has the largest decrease of “interpretative” statements between the years (see table 1). Additionally, Company 11 is the company with the most “other” statements in 2017 while at the same time having the largest increase between the years with 271.74% (see table 1). Lastly, Company 16 had the highest amount of “interpretative” information in its 2017 sustainability report while also having the highest increase of “interpretative” information between the years (see table 1). At the same time, Company 16 also had the lowest amount of “factual” information in 2017 with the highest decrease of “factual” information between 2016 and 2017.

4.3 Tables and Charts

More than half of the companies have increased the total number of charts and tables for the year 2017 compared to 2016. Both numeric and textual tables and charts have been added in the sustainability reports for 2017. The total number of numeric tables for all companies have increased from 192 to 210 between the years, while the total number of textual tables have increased from 54 to 118. Nearly all companies have added tables about their strategy and overall sustainability objectives in 2017, something that was not previously included in the 2016 report. All reports in 2017 also include textual tables with information about risks which was not part of the sustainability report in 2016.

The majority of numeric tables and charts for 2017 include information about environment. However, when it comes to textual tables and charts for the same year it is more common that the companies provide general information, or for example providing sustainability goals within all categories of triple bottom line. This in comparison to 2016, where companies not only provide information about the environment in numeric tables and charts, but also equally as much about social issues. The results for the 2016 report also show that it is less common to provide information about economic issues in the form of tables and charts. However, several companies have included more charts and tables including economic facts in their sustainability reports in 2017 compared to 2016. This type of information is also given as a numeric table or chart rather than a textual one.
Some types of tables and charts can be found among most of the companies. Relating to environment most companies include tables and charts with information about use of energy, emission of carbon dioxide and amount of waste and recycling. While tables and charts about social information often consists of number of employees, proportion of women, number of work injuries and accidents, materiality analysis. Economic tables and charts include the result of the year or information about financial risks.
5. Analysis

The analysis follows the analytical model summarized in the literature review, see figure 1. As a result, it starts by analysing the content regarding “interpretative”, “factual” and “other” information as well as GRI and TBL. Thereafter continues an analysis of the content in relation to the four quality factors: transparency, verifiability, comparability and assurance.

5.1 Content of sustainability reports

The expected result was that the implementation of the regulation would have led to an increased level of “factual” information while “interpretive” and “other” information have decreased. However, only one company out of the 17 studied companies has accomplished this (see Company 13 in table 1). Among all companies, nine have increased “factual” information, four of the studied companies have decreased “interpretive”, and twelve have decreased “other”. This means, for example, that even if a company has been able to increase “factual” information, most of them have also increased either “interpretive” or “other” information.

Previous research finds that stakeholders often demand a mix between future and historical data (Visser et al., 2010, p. 294). As seen in the result, Company 16 had a high amount of “interpretative” information in its 2017 report compared to 2016. At the same time, Company 13 has instead focused on increasing its level of “factual” information with 46.44% between the two years. This could indicate that the stakeholders of the different companies value different types of information. Stakeholders of Company 16 might value describing and soft information while stakeholders of Company 13 value hard information. This may further imply that the legal requirements allow companies to make their own assessment of what type of information that their users find valuable.

5.1.1 “Interpretative” information

Diouf and Boiral (2017) argue that poor information can be hidden by using vague and qualitative descriptions. Therefore, it is interesting to look at the number of interpretive statements that the companies present in their reports. In this study it is found that a total of 13 companies have added more “interpretative” information in 2017 and the average number of sentences have gone up by 10% after the implementation of the regulation. This implies that the regulation has not helped to decrease the level of “fluffy” descriptions, even after stricter
guidelines have been implemented for how sustainability should be reported. If information continues to be of a vague character this could lead to difficulties of accessing important information.

The result shows that companies have chosen to present more policies and objectives in the reports for 2017. This can be due to the fact that the new regulation states that the sustainability reports should include information about policies applied to certain issues and the result of the policy. However, as argued by Larsson (2001), policies and objectives are impossible to verify and are not even allowed in financial accounting because of this reason. Reasonably, this means that the 2017 reports include more statutory information with an “interpretative” character.

Furthermore, the Annual Accounts Act (SFS 1995:1554) requires that companies provide information about material risks relating to the issues of their business. This is something that can be found in the 2017 reports, as all of the studied companies have added information about their risks, and which was not included in any of the 2016 reports. In all cases, information about risk is then given in a textual table where the information is described. It can be argued that since risks have a forward-looking perspective of something that has not yet happened, companies choose to describe the assumptions behind the risk. Therefore, a textual table can be an easy way for companies to present this type of information and it also means that the new sustainability regulation has led to an increased amount of non-quantifiable information.

5.1.2 “Factual” information
The average number of “factual” sentences have increased with 2.68% and this shows that it has not been a significant difference before and after regulation. Diouf and Boiral (2017) argue that stakeholders value quantitative information since it is easier to understand. It is also reasonable that regulation of accounting is enforced in order to make information more accessible for the financial market. Consequently, the aim of implementing the new legal requirements for sustainability reporting, should have been to increase the amount of quantitative information in the reports.

In relation to the individual companies, the result show that the same company (Company 10) had the most amount of “factual” information in 2016 and 2017 reports. This company also remained to have the greatest number of “factual” sentences even though it did not have a substantial increase between the years. The reason for this could be that Company 10 has
company-specific attributes that make it particularly skilful at presenting quantified information. Moreover, the new legal requirements (SFS 1995:1554) does not provide information about how things should be measured, and this could have influenced why the other companies did not succeed in reaching the same level of “factual” sentences. Hence, there might still be a gap in the regulation regarding a common way of how to quantify and measure certain aspects.

5.1.3 “Other” information

One the trend among most of the companies show that the level of “other” information has decreased. This could indicate that the regulation might have, to some extent, facilitated for companies to recognize what information should be included and what should not be included. Thereby, making it easier to eliminate unnecessary, non-company specific information. However, it has also been found that many companies include more information about areas that is not necessarily related to the sustainable operations of the specific company, such as statements about the CEO and UN sustainable goals, in their 2017 report.

Furthermore, there are two companies that have chosen to increase the amount of “other” information with a significant amount (104.82 % and 271.74 %) in their 2017 sustainability report. This indicate that some companies might try to stuff their sustainability report with information in order to make sure that they live up to the requirements. In other words, the question is if these companies find it important to present more information in the report because of the regulation even though they might not have more information to include. Because of this, the length of the report could also have been affected since the result show that the average number of sentences have increased in 2017. However, as Runeesson, Samani and Marton (2018) emphasize it is not more information that is needed, but rather better information. This since more information leads to information overload which include information not, necessarily, important for users.

Another reason for why these two extreme cases have increased “other” information (Company 2 and Company 11, see table 1) might be because they are operating in industries where sustainability is not considered important. This can be supported by the authors Fernandez-Feijoo, Romero and Ruiz (2014) who emphasis that companies in industries that are not environmentally sensitive does not face the same pressure from stakeholders to be as transparent about sustainability. Without any specific pressure from stakeholder, Company 2
and 11 might not want to spend as much time, effort and money to create an extensive sustainability report and instead chooses to fill the report with non-specific information.

5.1.4 GRI & TBL
GRI works towards creating a common framework for non-financial reporting (Dingwerth and Eichinger, 2010). As a result, companies all around the world have guidelines and standards for what type of information they should select and present in their reports. All of the studied companies use GRI as reporting standards for their sustainability reports. Therefore, this could influence that the difference in selection and presentation of information between the 2016 and 2017 report are not as large as if GRI would have not been used earlier. This could imply that the new sustainability regulation in Sweden has not had a major effect on the content included in the sustainability report. Rather, that the regulation has been implemented because it forces more companies to report about sustainability.

Since companies are allowed to use other complementary standards such as GRI (ESV, 2018), this could also indicate that the new regulation is not comprehensive enough. Furthermore, another thing that points towards that the legal requirement is not thorough enough, is that one of the studied companies are able to provide exactly the same information in the report for both of the years. However, there might also be other reasons for why the company chooses to use the same identical information in both reports. One reason could also be that the company might not perceive sustainability to be of more importance after regulation than it was before.

Elkington (1997) who created the term of triple bottom line in 1994 argued that this concept would have a large impact on sustainability reporting with the categorisation of economic, environment and social information. In the results of this study it can be seen that the same type of distribution in the sustainability reports is used, where nearly all information can be divided into the three different categories. It is reasonable to assume that this is due to that all companies use GRI standards which builds on triple bottom line (Wilson, 2015). This is also of interest since the legal requirement does not specify that companies should use GRI (ESV, 2018) even though all of the studied companies have chosen to do so.
Furthermore, the legal requirements in the Annual Accounts Act (SFS 1995:1554) use a resembling categorization as TBL and GRI. As for example, the regulation defines that companies should include information about environment, social issues and anti-corruption. Since companies already used GRI before the new legal requirements, it is reasonable that no noticeable difference is found in the type of information given in the reports. Consequently, the same type of information is presented and discussed in the reports from both years. However, when it comes to tables and charts the result show that the majority of companies have increased the number of tables and charts about environment in the 2017 report. This could indicate that companies put more emphasis on environment after the regulation.

In addition, Elkington (1999, p. 76) estimate that firms often find that the economic part of triple bottom line is the most convenient part to account for since they have many well-known tools and methods for how this should be measured. Therefore, it is reasonable that companies often provide “factual” statements about economic issues. Furthermore, among the studied companies most of them have added economic statements and tables in the 2017 report. This is a substantial difference from 2016 which rarely included any economic information. It is reasonable to assume that this is due to that the Annual Accounts Act (SFS 1995:1554) states that companies must provide information about their results. Because of this many companies might also choose to include other types of economic information. Additionally, more economic information can have been presented in the 2017 sustainability report because information has been added that could previously been presented in other parts of the annual report. For example, comments from the CEO have been added into the sustainability reports which often include economic information.

When it comes to the social of the sustainability report, the result of the study shows that the companies present most of the” interpretative” in this section. According to Cohen and Simnett (2015) some issues can only be described and not measured with numbers. The reason why the most amount of “interpretive” information is found in the social part could be that social issues are harder to quantify. This in line with the criticism that has been directed towards triple bottom line where it is argued that social issues are hard to measure in the same way as economic issues (Rimmel et al. 2018). Which also means that issues of this kind need to be described rather than calculated. This is also the reason why Daub (2007) argue that the sustainability report consists of a mix of qualitative and quantitative statements. Furthermore,
the companies who find that social issues are more relevant to report about will also have a higher number of “interpretative” statements.

Additionally, it is more common to find value words, with subjective character, in the social parts of the sustainability reports. This could be due to, that these issues are hard to measure and therefore companies select value words in order to report about a topic but without having to go into specific details. As Sandberg and Holmlund (2015) argue companies can use these types of vague style of presenting information as a tool for impression management. Consequently, organizations might be able to manipulate the results presented in the social part of the sustainability more easily in order to show a good picture of themselves. In this regard the regulation has not made a difference for the level of value words since the results show that companies use value words to the same extent for both years.

On the other hand, there is a trend that most “factual” information is found in the environmental parts where the companies define level of pollution or specific material used etc. This difference with “interpretative” information in the social parts versus “factual” information in the environmental parts can be supported by Fagerstööm and Hartwig (2016) and their view on objective and subjective information. In other words, social issues such as the well-being of staff is hard to objectively quantify while level of carbon dioxide emission often is based on hard objective facts (ibid).

5.2 Transparency

A distinguished pattern in the 2017 reports is that companies provide information about the exact pages in the annual report where the sustainability report can be found. This can be seen as a type of “factual” statement since it contains hard facts. As Grupta (2014) argue this type of increased availability and flow of information leads to less secrecy and more transparency. This in contrast to 2016 where in many cases no page referencing is given. Therefore, the sustainability report is harder to distinguish in the annual report for this year.

As presented in the result of this study another trend is that companies have a larger selection of tables and charts in their 2017 reports than previously. As a result, the flow of information may be more accessible, since a table or chart give more of an overview and summary of the content. In turn, this also leads to more transparency from the perspective that information is
more available for readers (Kim et al, 2005). However, the number of textual tables and charts have increased more than the numeric. This suggests that companies try to fill their reports and make it more extended even if the added information is difficult to interpret. Moreover, it hinders users from picking out the relevant information. As discussed above this can also lead to information overload (Runesson, Samani and Marton, 2018). Likewise, it suggests that the new regulation for sustainability reporting has not facilitated for companies to present relevant information and for users to more easily recognize essential information.

The majority of the studied companies update the numeric information, thereby the “factual” information, from the previous year. However, there is one company who present the same numeric information in both reports that refer all the way back to 2010. In that case, it can be argued that this specific company uses impression management as a way of trying to hide bad performance. This since, if for example, the company had a poor performance between 2015 and 2016 it is possible to hide this poor result by using numbers from an earlier year when the performance was better. Consequently, this strategy could have been used as a way to stipulate a certain impression of the company and make the numbers look better than they actually were (Sandberg and Holmlund, 2015). Ultimately, it can be argued that this affect transparency since information is withheld from users.

Furthermore, all companies use several value words in their sustainability report, for both 2016 and 2017. The value words are of a diffuse character and make sentences to be of an “interpretative” character. They appear to be of importance in the text, but with a closer reflection they do not mean anything. Therefore, these types of words can be used in order to manipulate the content in the reports by presenting information in an unspecified way (Sandberg and Holmlund, 2015). Arguably, if value words are used it impact transparency. This since they hinder accessibility and visibility which is crucial elements for transparency (Fox, 2007; Frostenson, Helin and Sandström, 2015). Furthermore, these results indicate that the implementation of the regulation has not had an impact on the use of value words and the use of diffuse statements. This could be due to that the regulation does not require that companies apply numeric information in their reports (ESV, 2018). Therefore, companies have the freedom to choose what issues should be presented with qualititative or quantitative statements.
Another trend that can be found in the 2017 report which has not been found in the 2016 report is that companies present more statements from a “we” perspective and pure comments from a specific person. The question is why this change has occurred and one idea might be that companies want to increase trustworthiness and the feeling of being more transparent. This can be achieved through creating a notion of accountability by presenting a person that can be held accountable and responsible for the statements. Fox (2007) argue that accountability and transparency is connected. Thus, writing from a “we” perspective can enhance accountability which in the end impact transparency positively. However, these sections written from a “we” perspective also include a large number of “interpretative” statements, which arguably makes the information more unclear. As discussed above, “interpretative” statements impact transparency negatively. Taking this together, the result regarding “we” perspective counteract each other and can be found to both increase as well as decrease the level of transparency.

5.3 Verifiability

It can be argued that an “interpretative” statement is not as definitive or distinct as a “factual” statement since it includes information that is subjective and not as supported with evidence. Therefore, the use of these types of statements decrease the level of verifiability since it is harder for an independent user to reproduce the statements given in the report. This is due to the fact that verifiability is reached when different observers can reach a consensus about the estimate (EY, 2010) which is more likely if a distinct and clear statement is given. This means, that since the amount of “interpretative” information has increased this could have had a negative effect on verifiability. At the same time, since the average level of “factual” statements has not had a noticeably increase after the regulation it cannot be argued that this has helped to positively impact verifiability.

Moreover, specifically value words can lead to a case where users have a harder time to reach a consensus about the meaning of depiction. For example, many of the studied companies express that they are a “world leader” or “most successful company”. However, statements like this are hard to verify because there is no specific measurement for it. As Runesson, Samani and Marton (2018, p.122) stress verifiability builds on the fact that companies can present evidence for the statements, which arguably is hard to provide for such statements given above. The result also show that companies often use words such as “relatively low” and “small share” instead of numbers. Liberti and Petersen (2019) argue that if text is used instead of numbers, it
is more common that the information has a soft character. Additionally, as it is hard to objectively verify soft information the use of value words makes the information less verifiable than if numeric information had been used. Öhman et al. (2006) also argue that information becomes easier to verify if it includes numbers. Consequently, it is reasonable that value words can affect verifiability negatively.

In relation to value words, the trend among the studies companies also show that in situations where these words are stated in the sustainability reports there is no other information used to support the statement. Since, if a value world is used it can be supported with other specific information to help the readers understandability by backing it up with a “factual” statement. The lack of “factual” sentences used for backing up a vague statement is a recurring issue in both 2016 and 2017 reports. Only one company manages to continuously do this which lead to an increased feeling of trustworthiness since more evidence were provided. Backing up statements with evidence is argued by Runesson, Samani and Marton (2018) to facilitate in reaching verifiability.

5.4 Comparability

In order to make the content of the sustainability reports useful it should fulfil the qualitative characteristics, such as comparability (Runesson, Samani and Marton, 2018). It is reasonable to assume that the new regulation might have led to higher comparability between different firms. This since, firms have obtained a more distinct guidance for what should be presented in the sustainability report. Enhanced comparability was also one of the objectives for implementing regulation on sustainability reporting (Proposition 2015/2016:193). That the legal requirements have led to an enhanced level of comparability for the reports in 2017 is supported in the result of this study since the spread of sentences have decreased and information have been added to nearly all reports such as strategy, sustainability objectives and risks. Furthermore, if the level of comparability increases it could mean that users more easily can detect if one company stands out if they try to hide information by using statements that are confusing and unclear (Diouf and Boiral, 2017).
One difference between the years is the large variety of how the 2016 report is presented in form of what type of information that it includes, the layout, the structure etc. This could be due to that it previously did not exist a clear regulation and definition for how sustainability reports should be presented. The only regulation that existed before the 2017 regulation stated that larger companies should provide information in brief about sustainability (ESV, 2018). Consequently, it can be argued that companies previously had more freedom to decide for themselves what the sustainability report should consist of and thereby it can be argued that the regulation has had a positive impact on comparability.

A few extreme cases have been found which means that in certain parts of the result a company differs and stands out from the others. This could indicate that the regulation has not only led to that companies account for things similarly but that it also allows for companies to report about things differently. In relation to the qualitative characteristic of comparability, companies should be able to account for things differently (Runesson, Samani and Marton, 2018). It implies that even if the companies report about things differently the accounting could still reach a high level of comparability. However, it is recognized that these extreme cases might have been impacted by other external factors, not connected to the regulation, and that the difference might have been an exception. Furthermore, it can also be due to the trade-off between relevance and faithful representation (Runesson, Samani and Marton, 2018). Meaning that some things are seen as relevant to report about, but because of the uncertainty in the measurement it is hard to faithfully represent leading to a difference in how things are accounted for.

In relation to “factual”, “interpretative” information and comparability it can be argued that “interpretative” statements are harder to compare. This since, information of a soft character can be pushed in different directions depending on the person who interpret the sentence (Bertomeu and Marinovic, 2016). Meaning that a “interpretative” statement might have a different meaning for different people, while “factual” sentences that for example, include numbers are more difficult to interpret in different ways. Taking this into consideration, since the average amount of “interpretative” information has increased more than “factual”, comparability has from this perspective been negatively impacted.
5.5 Assurance

There is no requirement for a complete auditing of the information provided in the sustainability report (FAR, 2017) this could lead to companies having more space to manipulate the information. Moreover, previous research states that one of the main issues regarding assurance of sustainability information is that it is not as developed as auditing on financial accounting (Carrington, 2019). Because of this, it could be argued that companies have a higher possibility to use impression management by selecting vague descriptions and value words. The result of this study shows that that companies still, after the implementation of regulation, often use these types of defuse descriptions in their sustainability reports. Moreover, Öhman et al. (2006) argue that vague statements which include soft information is hard to verify and for this reason auditors feel less comfortable to assure statements of that kind. Therefore, a suggestion for increasing the quality of assurance could be to regulate so that it is harder for companies to select and present “interpretative” information in their reports.

A “factual” statement provide evidence that supports its claims. When it comes to assurance providers, their function is to make sure that claims made in the report are reliable and backed up with enough evidence (Carrington, 2019). Arguably, this means that “factual” statements, backed up with evidence, enable assurance providers to perform a high-quality assurance. Furthermore, high quality assurance is of importance since it gives credibility to the statements made in the reports (Dando and Swift, 2003). Information that have been assured can also be argued to enhance the quality of sustainability reports since it provides affirmation that a company has given credible statements. However, since the result of this study show that “factual” information has not increased the regulation has not facilitated for enabling assurance of a higher quality.
6. Conclusions

In conclusion, companies have overall changed the content in the sustainability report where new information has emerged, for example, information about policies, risks and financial results. This can also be argued to be one of the reasons for why “interpretative” information has increased by 10%. Most of the added information originate from what is required by the new regulation. However, larger differences might have been found if not all companies would have used GRI before the implementation of the new sustainability regulation in Sweden. Furthermore, some of the results found in the study might not have been directly impacted by the regulation, but rather indirectly since the regulation brings more focus to sustainability. In terms of how companies present information in the different parts of TBL, there are indications that depending on which part of economic, social and environmental bottom line that is perceived as important for the company, it will affect the amount of qualitative and quantitative information.

In terms of how the factors of quality and how they have been impacted by the content of the report, it is found that transparency is affected by value words and the stuffing of content. Value words can be used to manipulate and shape a certain impression of the company and unnecessary information can lead to information overload. This does not seem to have been affected by the regulation since it can be found in both reports, before and after the regulation. On the other hand, it is found that the new regulation has led to more information being presented from a “we” perspective, which is discussed to affect transparency both positively and negatively. Furthermore, value words also have a large impact on verifiability as it leads to nonspecific measurements that is harder to verify than numeric information. Additionally, it means that companies do not provide as much evidence for statements which is an important in order to reach verifiability. Moreover, the study show that the new regulation has made the reports more similar in terms of length, page referencing, types of tables and charts, selection of information etc. All together, these are things that could have an effect on comparability and is something that has changed with the new legal requirements. Assurance is found to be affected by soft information and diffuse statements. However, this type of statements is still used in the reports from 2017.
The amount of qualitative and quantitative information affects all four quality factors, where qualitative information is found to affect all factors negatively. Therefore, it is reasonable that the new regulation should have restricted the use of qualitative information in the sustainability report. This means that if the expectation, “interpretative” and “other” information have decreased while “factual” has increased, is fulfilled it will have a positive impact on all quality factors. However, only 1 out of 17 companies follow this pattern. Likewise, the study show that textual tables and charts have increased more than numeric tables and charts. To summarize, this means that the regulation has not had enough influence on the content to positively impact the quality of the reports. As of now, it seems as the regulation are mainly forcing more companies to report about sustainability and provides a framework for what should be included in the reports rather than appointing how things should be measured and presented.

6.1 Further research

For further research it can be of interest to use the same method as in this study but applying it for industries that are particularly under pressure from stakeholders to report about sustainability, for example companies in industries that are environmentally sensitive. This in order to receive a deeper analysis of the impact of the new sustainability requirements. Alternatively, it can be interesting to get a deeper understanding of value words, which is found in this study to be commonly used in sustainability reports. This can be done by doing a quantitative content analysis to statistically search and count specific value words used between the years. Lastly, another suggestion for future research is to search more into the assurance perspective by interviewing assurance providers. Hence, providing their view on how the regulation has changed the possibility of high-quality assurance.
References


