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DETERMINING KEY PERFORMANCE INDICATORS FOR ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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ABSTRSACT

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Sustainable operations and responsible conduct are aspects that are growing robustly in importance. These concepts have been around for decades, but in the recent years the emphasis of these values has become more apparent in the operational landscape of many businesses. The purpose of this study is to determine key performance indicators for a case company to monitor and develop its sustainable and responsibility related operations further and to define the derived benefits. The indicators are determined through reviewing external and internal resources. The external resources consist of previous literature, generalized sustainability standards and a best practice case example. The internal resources consist of a review of the case company's general operations, sustainability targets and affected stakeholders. Responsibility and sustainability concepts are defined, and consequent resources are reviewed through the ESG-concept, where environmental, social and governance aspects are regarded. In the end the study presents a set of indicators adept for the case company's target setting and stakeholder requirements in the three appropriate ESG-categories. The indicators were further divided into sub-categories of employees, community, human rights, emissions, environmentally friendly products, chemicals, business ethics, customers and suppliers. The indicators enable the case company to review and monitor its sustainable performance and generate benefits through improved validity, transparency, company image, risk management and competitive advantage among others.

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Vastuullisuus ja kestävä kehitys ovat liiketoiminnan osa-alueita, joihin kohdistuu entistä enemmän mielenkiintoa. Yhä useampi yritys nostaa yrityksen vastuullisuuden esille merkittävä liiketoiminnallisena näkökantana. Tämän diplomityön tarkoitus on määrittää mittaristo, jolla tutkimuksen case yritys pystyy seuraamaan ja kehittämään sen vastuullista liiketoimintaa. Mittaristo on määritelty ulkoisten ja sisäisten lähteiden avulla. Ulkoiset lähteet koostuvat aikaisemmasta tieteellisestä kirjallisuudesta, yleisistä raportointi järjestelmistä sekä hyväksi todetun ulkoisen yrityksen vastuullisen toiminnan kartoituksesta. Sisäiset lähteet koostuvat puolestaan case yrityksen toiminnan arvioinnista, vastuullisen liiketoiminnan tavoitteista sekä sidosryhmien analysoinnista. Vastuullisuus ja kestävä kehitys määritellään yhdessä ESG-konseptiin liittyvien ympäristöllisien, yhteiskunnallisten ja hallinnollisten tekijöiden kanssa. Näiden tietojen perusteella on työssä määritetty mittaristo, joilla case yritys pystyy seuraamaan kehitystä ja parhaalla mahdollisella tavalla vastaamaan sidosryhmien odotuksiin. Mittaristo rakentuu ESGn kolmen osa-alueen ympärille, jotka ovat edelleen jaettu työntekijöihin, yhteisöön, ihmisoikeuksiin, päästöihin, ympäristöystävällisiin tuotteisiin, kemikaaleihin, liiketoiminta etiikkaan, asiakkaisiin sekä toimittajiin. Määritellyt mittarit mahdollistavat yrityksen seurata vastuullisen liiketoiminnan tulosta sekä luomaan etuja parannetun oikeellisuuden, läpinäkyvyyden, yrityskuvan, riskien hallinnan ja kilpailuedun kautta.

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The process of writing this master's thesis ended up taking much longer than I initially would have expected. It has though been a great intricate learning experience both in process and context. I have constantly kept getting the question of when this project will be completed and now, in the end I am really happy to conclude this body of work. My colleges at work, family and friends alike have all been supportive and encouraged me when needed. For this I am thankful of. I'm also grateful for the opportunity to include this project for a company that has valued my input and insights. Finally, I would like to thank professor Juha Väätänen and his great guidance and supportive attitude throughout the project. I believe that you learn most efficiently when you figure out and do things by yourself, but to reach certain goals you always need to have help from somebody else.

Henri Dufvelin

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1 INTRODUCTION

The social and environmental impact on companies' corporate responsibility is constantly growing and becoming more apparent in businesses overall. Financial and social aspects, environmental awareness and ethical values are also becoming more important in the eyes of different stakeholders as well. Companies need to efficiently communicate and present these actions, initiatives and values to all its different stakeholders. Businesses are always linked to society and the development in these initiatives happens in parallel as new expectations arise. Therefore, businesses need to concurrently adapt their operations to the ever-changing operational environment and account for stakeholder's requirements.

Nowadays, there are already in place some regulations that require companies to conduct in a responsible manner. This advocates businesses to act transparently and to provide information about their operations regarding their responsibility and sustainable targets. These subjects are made transparent and validated through reporting and overall communication that highlight and present the undertakings of the company, that conclude the effects they have on society, people and environment.

To develop responsible conduct initiatives and induct sustainable solutions they need to be evaluated and measured, to determine how they impact company performance and what risks and possibilities they accumulate. The monitoring of these usually non-financial operations of the company enables the business to refine them to generate new business benefits. Consequently, the company can review progress in these matters and contrive other advantages that otherwise wouldn't have been discovered. The incentive for responsible conduct has, among others also been endorsed by the European Union, which instituted a reform in 2016 to prompt companies to report on socially responsible acts as a part of the annual report.

The challenge is to consider all the different multifaceted expectations that the stakeholders have and being simultaneously able to adapt to the development of the concurrently developing expectations. Standardized reporting and the set of guidelines help companies to respond with according relevance and to better cope with these expectations. These guidelines present tools for the company to measure and report their actions to generate the most transparent image possible, where emphasis is not on the amount but the quality and added value for the company stakeholders.

1.1 Background of the study

The importance of social and environmental responsibility is more apparent in companies today than ever. Big companies have applied these questions to their strategies for many years already but the extent to which these questions are regarded as well as the general broadening of requirements have seen these questions become more important. Climate change, rights movements and general development of world politics and statutory directives that previously have only been touched upon have become core building blocks for all future companies regardless of the industry.

Companies tackle these questions in various ways and there are apparent differences between companies' dependent on size, operating environment and structure. Currently, the significance largely rests upon the fact that the questions are regarded and acknowledged in some shape or form. Disregarding these initiatives completely and not taking part is hardly an option for any company. Sustainability and responsibility in general are aspects that can be prerequisites for profitable performance in the future, which makes them even more important now.

The case company in this research has also identified the importance of these actions. Operating in the sport facility market, where as for one the use of artificial turf has become an industry trend and brought especially attention to the questions regarding the manufacturing material of different plastics. The company understands the importance of responsibility related questions and has decided to develop current system even further to derive additional benefits. Concurrently, evaluating these actions and performance in the same accordance. It has been identified that the improved monitoring of responsible actions and sustainability emphasis will advance the current goals of the company. These actions are seen as investments in the future and the company aims to develop its inner capabilities where the growing demands of the different stakeholders are regarded already in advance. Therefore, it is planned that the efforts in sustainability and corporate responsibility ought to be measured and progression tracked to conclude on more precise actions for future endeavors.

1.2 Aim of the research and research questions

The aim of this research is to define and understand how a company can monitor and develop their sustainable performance responsibly, in line with the set goals inserted for these initiatives. This study has set out to define a set of initial key performance indicators (KPI) that the company should set out to monitor and measure this performance with. The research is adapted to reflect the process of setting up the KPIs, where the case company is reviewed to exemplify how the general performance of its sustainable operations can be measured. Therefore, it's important to define the related concepts, understand the targets and to determine the operational elements that can affect these measures. The exerted results will consequently provide the case company with tools to measure performance, manage expectations and monitor the development of current and future aspects. The results will finally include a set of proposed indicators for the case company to use. These indicators will be presented to the company sustainability-workgroup, responsible for developing the sustainability related matters.

This thesis will research the subject by answering the following main research question and consequent two sub questions:

- How should the case company define and set up key performance indicators (KPI) to measure and monitor corporate social responsibility and sustainability operations?
    a. What aspects should the key performance indicators regard?
    b. What kind of benefits can be derived from the key performance indicators?

To answer these questions, we need to first understand what sustainability and corporate responsibility is and how they are defined. After that we need to understand how these elements can be measured and monitored for the study to have a framework over which to build the KPI on.

1.3 Research Structure

This thesis is divided into a theory part and empirical part. The research structure is presented in figure 1. The theory part consists of a literature review of the main theories about corporate social responsibility (CSR), sustainability and environmental, social and governance (ESG). These theories are explained and defined for the study to have a clear cohesive perspective off these overlapping terms central to the study.

The framework of the study is then constructed of three external components that are used to define the proposed KPI. These include findings from the literature and previous research, an insight to commonly used general reporting standards and a best practice case example. Firstly, the study aims to identify indicators from previous research and to review how indicators and metrics have been used in the scientific literature. Secondly, the main concepts of general reporting standards are presented and explained. This gives the study insight to what most organizations review as standard and provides a general understanding of the most common indicators for transparency. Indicators are used as an integral part in communicating progress and concrete legitimate evidence as validation in the reports. Lastly, a best practices case is regarded in form of evaluating an existing company with asserted sustainability program and indicators that have been proven and validated to be ranked among the best. This will give the research better understanding of how these KPI are used prolifically in practicality.

Furthermore, the internal inputs of the study are concluded. Here the case company is presented along with its sustainability program, where main responsibility related issues and objectives are defined. The operations related to responsibility are determined through inputs from meetings with the case company personnel as well as general inputs derived through the critical review of the case company operations and market environment.

Finally, the main issues are defined and reviewed from the case company’s perspective in accordance to the study framework. These issues are then appointed targets and reflected through the different research inputs. These targets are further evaluated to identify indicators that review the progress of the set issue and targets. Here the concentration is on purpose, actions and benefits. The proposed indicators are presented, and consequent results are discussed and evaluated to contemplate validity and proper implementation.

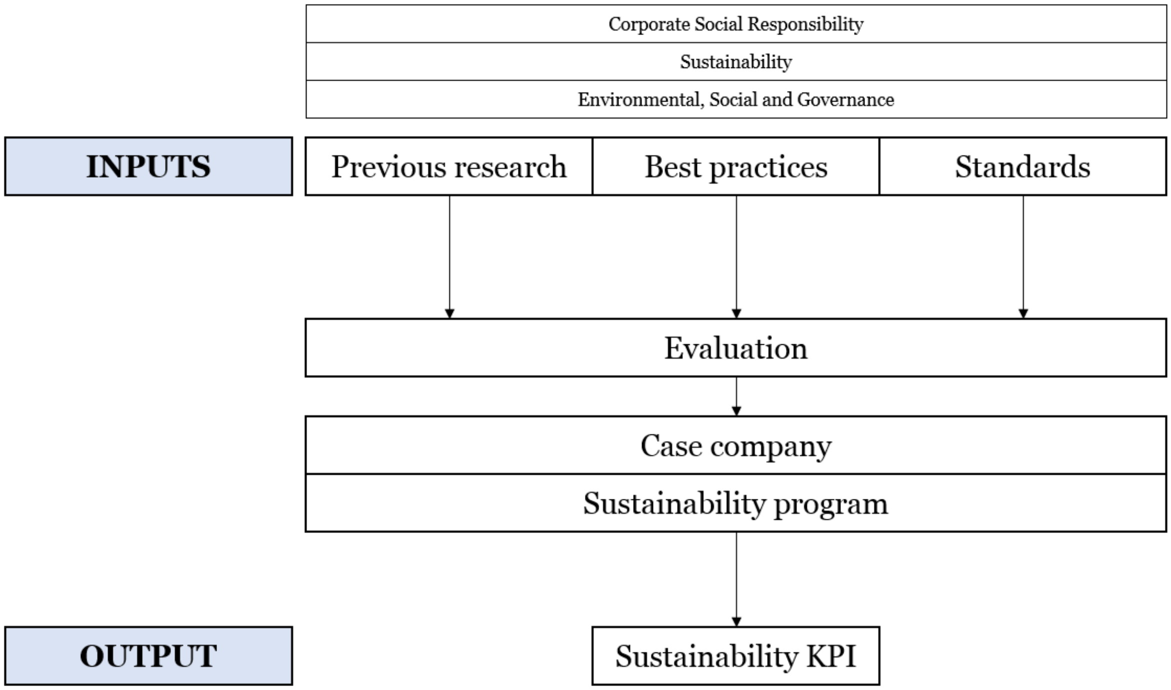

Figure 1. Research structure

1.4 Limitations

In this research the concentration is made on how the case company can benefit from adapting KPI measures. This is done through, individually researching factors that the case company can benefit from. The objective is not to generate scores to mediate comparison to other companies in the industry but to build a set of indicators the case company can transparently use to monitor development of its socially responsible actions. This limitation is advised through Mooij (2017), who identifies that the convoluted nature of the initiative industry for sustainability measures advocates research to be concentrated more on individual factors rather than aggregate scores. Additionally, the objective in this study is to illustrate company specific set of indicators that are based specifically on the sustainable definition that the case company subscribes to. The company has identified its sustainability operations under environmental, social and governance aspects and these will be followed accordingly in the study structure when determining the indicators to be proposed.

1.5 Previous Research

The main concepts regarded in this study are corporate social responsibility (CSR), sustainability and ESG (Environmental, Social and Governance). Corporate social responsibility and sustainability are tightly linked and synonymous for the part that they are the most commonly used terms when regarding responsibility related issues in organizations. Sustainability is a term derived in 1980s from the initial corporate social responsibility theory launched in accordance to the sustainable development movement (Carroll 2015). Sustainability has since gained a widespread use due to its more relatable premise. The sustainability aspect of CSR associates organizations heavily to regard their stakeholders and actions that proactively manage these expectations in the present and with the future in regard. Concurrently, the ESG concept will also be seminal for this body of work as it regards systems intact with the stakeholders and has become a decisive tool that especially is favored among investors.

The concept of responsibility can be ensued to have been coined in the 1950's, in the book "Social Responsibilities of the Businessman" by Bowen (1953). This is considered to be the first-time organizations are suggested to take business ethics into account in order to achieve better long-term performance (Carroll 1979). Hereafter the concept of responsibility has developed through modified iterations of the term, such as corporate social performance (Wood 1991), corporate citizenship (Matten and Crane 2005), business ethics (Crane and Matten 2016), and corporate social responsiveness (Carroll 1999). These concepts are still today vast and conclude different complementary attributes for it and the development and evolution of the concept has been regarded by many scholars including Carroll (1999) and Moura-Leite and Padgett (2011). The development has occurred in line with general development of world politics and technology. In the 1960s the development was brought forward by civil rights and women's rights movements, in the 1970s environmentalism had companies considering CSR matters and at the beginning of the 1990s globalization and industrializations were strong trends in connection to CSR (Carroll 2015).

Regarding the conceptualization of CSR Carroll's (1979) CSR pyramid is a prominently used categorization of the different levels of social responsibility, the pyramid identifies four stages; economic, legal, ethical and philanthropic obligations. Sustainability is another conceptual foundation of CSR as it in accordance identifies the importance of environmental factors and awareness now as well as in the future (Carroll 2015). Sustainability was derived through the Burtland Commission in 1987 alongside sustainable development that was introduced there for the first time. There sustainability was defined as the development that considers all current aspects without compromising the future, which added time to CSR concept as a key element and stressed the long-term perspective. Later, Elkington (1998) contextualized a framework for sustainability with the three P's; people (social aspects), planet (environmental aspects) and profit (economical aspects).

Alongside these developments, another seminal theme in CSR development has been stakeholder theory (Mitchell, Agle and Wood 1997). Stakeholder theory, most prominently developed by Edward Freeman, understands the different entities that interlink with the company and its actions; these are commonly divided into primary stakeholders (owners, employees, customers etc.) and secondary stakeholders (government, social groups, competitors etc.) (Freeman 2010). The inclusion and importance of stakeholders in the means of CSR has brought forth the need to include them more prominently and to communicate to them about these actions to build the operations in accordance to requirements from the different stakeholder groups (Basu and Palazzo 2008). Additionally, the different stakeholders ensue the company to understand the expectations that they require about sustainability as well as to determine the effects these actions might have through the different stakeholders (Sen, Bhattacharya and Korchun 2006; Choi and Wang 2009).

The sustainability and stakeholder perspective have in this way ensued companies to showcase transparently their CSR related operations and conceptualized a way for them to communicate these initiatives to the different stakeholders. Through which these sometimes-called non-financial reports have been created. These reports are usually published together with other company documents such as annual reports, but they include complementary information about the company's undertakings in CSR. This information used by the stakeholders to inspect the company performance, these are especially used by investment community (Sparkes 2004; Weber 2014). These reports are commonly referred to under the name Environmental, Social and Governance (ESG in short).

ESG reporting and ESG is also sometimes referred to as corporate social reporting, sustainability reporting or corporate social disclosure. The goal of ESG is to disclose the CSR related actions and their measures for the stakeholders in order to pursue the sustainable development of the company through its CSR derived actions (Lamberton 2005). These reports offer additional information that isn't obtainable from the traditional financial reports and thus supports the company to stress its efforts in CSR to its stakeholders (Weber 2014).

The key element in these reports beside the transparency of the actions is the means these actions are presented and measured with. There are institutions, such as Global Reporting Initiative (GRI) and regulatory bodies, such as the Nasdaq Stock Exchange as well as countries and organizations, such as European Union, that prompt companies to report on these initiatives. Even though, there are many different initiators with various agenda, no general set of rules or indicators have been set to apply, which in turn has generated disparity among the different assortments of measure (Kocmanova, Nemecek and Docekalova 2012). The broadness of the KPI pool further stresses the importance of what KPI the company should measure. The different standards usually categorize KPI into the three main themes of environment, society and corporate governance. Most called for attributes are the ones affecting financial performance and which the KPI's should be implemented to support.

Positive influences can though be seen in the financial performance (Weber 2014, Nollet 2016; Russo and Fouts 1997; Velte 2016). The business benefits translate mostly from governance related topics such as identifying key areas for long-term value creation, resource management to reduce operating costs, developing risk management and through building trust and loyalty with customers through communication and engagement in subjects both parties value (Velte 2016).

2 CONCEPT OF CORPORATE RESPONSIBILITY

Organizations are built by people to provide products and services to societies around the world. People work in these organizations and they use their collective resources to pursue common goals to create value to their customers and owners. These organizations that interwork in our society can be divided into three different types of organizations: for-profit organizations, non-profit organizations and governmental organizations. For-profit organizations concentrate on generating profit for its owners, government organizations main objective is to control and define rules and structure for all of the organizations to operate in and non-profits work in fields where profit motives are insufficient or where the political standpoints are not clearly stated. (Werther and Chandler 2010, p. 3)

From the business perspective these organizations work in correlation with each other in a large market spectrum of customers. All entities that are affected by the company's actions or have the possibility to affect the company can be regarded as the company stakeholders (Freeman 2010). Stakeholders can consist of internal stakeholders; such as employees, managers and owners, and external stakeholders; such as suppliers, society, government, creditors, shareholders and customers. Consequently, these are also entities that need to be regarded in all responsibility related actions. Companies drive social progress, create benefits and affluence through creating jobs, innovations and wealth. To generate these attributes, the company needs to have a working business model in order to generate profits. The question that remains in regard to responsibility is that in which degree companies should regard their obligations for actions that go beyond benefits derived from making a profit (Werther and Chandler 2010, p. 5).

The concept of responsibility is not something new in the business front; it is a dimension that has been around for decades. In the current years, the importance of responsibility and responsible acts has grown tremendously. As the world has changed throughout the years, technological advancements have sped up many processes in different businesses and industries. The advancements have also affected the way and the extent companies take into account their surrounding entities of society, employees and environment (Niskala 2014). For example, the initial contents and the extent of environmental responsibilities were very much different compared to what they are today, much due to the broader knowledge and awareness of factors such as global warming. (Dalhsrud 2008).

To begin with it’s important to understand the implications of responsibility in general and how it affects the businesses. There has always been the contradiction of the importance and whose responsibility it is to make actions towards more responsible and sustainable operation. More precisely this has been a question of why a company should conduct in a responsible and sustainable manner and how?

This first part of the theory will examine the general concepts, most commonly associated with corporate responsibility. The most proficient concept regarding corporate responsibility is corporate social responsibility (referred to as CSR hereafter). CSR is usually complemented with another concept, sustainability. These two terms understand and define different things but are many times observed as synonymous with each other. The main characteristic difference being that CSR in general regards the company’s current actions on a strategic level whereas on the other hand sustainability is regarded as a broader viewed theory of how the company understands its actions in sight of the future. Additionally, we also have the concept of environmental, social and governance (ESG) which is a term complementing both the responsibility and sustainability concepts. ESG has been developed through the perspective of the investors, who have intended the term to define these aspects from a point of view that more closely regard their incentives. An instinctive inclusion in ESG is the that it also considers more firmly the governance aspect of the organizations responsible actions. In the following theory chapters these concepts will be presented and defined for the study to have a clear implication of the performance that will later be evaluated.

2.1 Corporate social responsibility

Corporate social responsibility (CSR) is a common name that has prominently been the most prevalent concept when it comes to responsibility related matters. The concept arose from the need to define how business affect and impact societies. The initial viewpoint was one dimensional and customary to only assessing possible negative impacts, which concentrated on risk management and efforts to avoid causing knowingly negative impacts to the society. Later, these views have shifted to assess these actions in a more proactive way, through concluding what kind of benefits and positive efforts the business could bring to society and thus generating profit. (Carroll and Shabana 2010)

CSR views the company’s efforts to conduct in a responsible manner. Due to the broadness of the concept there are different CSR concepts that make it hard to have a clear cut, unbiased definition for it. For this reason, there is some confusion apparent in how exactly CSR should be defined even though there are lot of different definitions for the term (Dahlsrud 2008).

Corporate social responsibility is a concept with roots reaching back all the way to the 50’s when Bowen (1953) brought prominently attention to the factors regarding corporation’s social responsibilities in his book Social Responsibilities of the Businessman. This book laid the base for future researchers (Carroll and Shaban 2010). The focus of CSR in the 60’s and 70’s largely focused on the social aspects as to addressing important social movements and what social responsibility meant for business and society, which lacked the involvement of financial performance as companies weren’t looking for any specific returns (Carroll and Shaban 2010).

Throughout the years the definition of CSR has been developed and it has also accumulated own subsidiary terms and theories to more exclusively define the different aspects of it, such as performance and responsiveness (Carroll 1999). Many regard Carroll’s (1999) definition and research in CSR to be conclusive but in general the definition remains in a variety of implications. Dahlsrud (2008) intersects that having different definitions on separate biases can convolute the talk about CSR and prevent productive engagements in this regard.

Dahlsrud (2008) has analyzed the different CSR definitions and found that that there are five main dimensions that are most prominent and which most definitions include and use consistently. The dimensions include social dimension, economic dimension, environmental dimension, stakeholder dimension and voluntariness dimension. These dimensions are the result, found through a conducted content analysis of different definitions used in literature. The different definitions were evaluated also by the frequency of use in scientific articles, which has been a crucial part in the definition process as the more frequently used dimensions are valued higher and seen as more important to include to elaborate a general definition. Carroll and Shaban (2010) ensue that to conclude a sharper definition also Carroll’s (1979) four categories of CSR to be considered as these categories imply the motivations behind each dimension of CSR. These categories include businesses’ fulfillment of economic, legal, ethical and discretionary/philanthropic responsibilities as exemplified in figure 2.

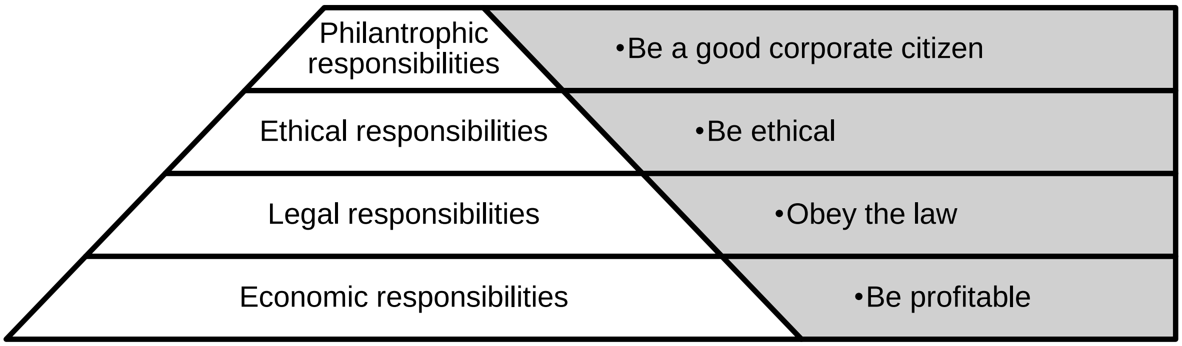

Figure 2. Corporate responsibility pyramid (Carroll 1979)

These categories are aspects that are derived from the expectations of the corporate stakeholders and society around them. Basically, companies are not only obliged by economic and legal aspects but also for certain aspects beyond these expectations. Carroll (1979) also implicates the importance of these categories accordingly. The economic and legal aspects are aspects that are required, the ethical aspects are things expected from the company and the discretionary/philanthropic aspects are ones the company should desire to achieve. In this regard, the essence of CSR can be concluded to be all aspects that extend beyond the economic and legal undertakings of the company (Carroll and Shaban, 2010).

Vogel (2005) underlines, that the new wave of CSR involvement can largely be characterized in the relationship between responsibility and financial performance. Early on the philanthropic view was the driving force behind CSR and there were minimal regards to how profitability was linked. All actions were derived from wanting to take part and generate benefits for the society, but this was never linked to financial performance (Kurucz, Colbert and Wheeler 2008) Since then, the view has shifted to concentrate almost completely on defining the inner-workings of responsibility to generate profits and companies being able to analyze how they are achieved (Du, Bhattacharya and Sen 2010).

2.2 Sustainability

Sustainability and responsibility are usually regarded as similar, synonymous terms. The difference is commonly regarded to the fact that sustainability is responsible conduct over a longer period of time with a scope of the future (Chee Tahir and Darton 2010). Sustainability underlines the common benefit derived from implementing responsibility to the operations of the company. This means development that answers to current needs without harming any existing resources in the process (Brundtland 1987). These benefits are to be derived through doing more than the legislation necessitates. Actions should also consider stakeholder needs, expectations and maximizing the positive outcomes to all stakeholders, rather than just the shareholders. Sustainability aims also to minimize the negative economic, social and environmental impacts over time, through activating companies to communicate transparently of these actions and to develop economically viable solutions to local and global issues. Sustainable development is a process of implementing future goals and thresholds to be surpassed by the means of applicable CSR (Berger, Cunningham and Drumwright 2007).

Epstein and Buhovac (2010) has developed a sustainability implementation model for companies to be able to implement sustainability successfully in their operations. The model is contrived of 4 stages; inputs, processes, outputs and outcomes, showcased in figure 3. The model centers on the leadership functions. The leadership of the company are the decision makers, who are in control and responsible for the implementation of different strategies, that directly affect the structure of sustainability and its performance (Epstein and Buhovac 2010, p.307-308).

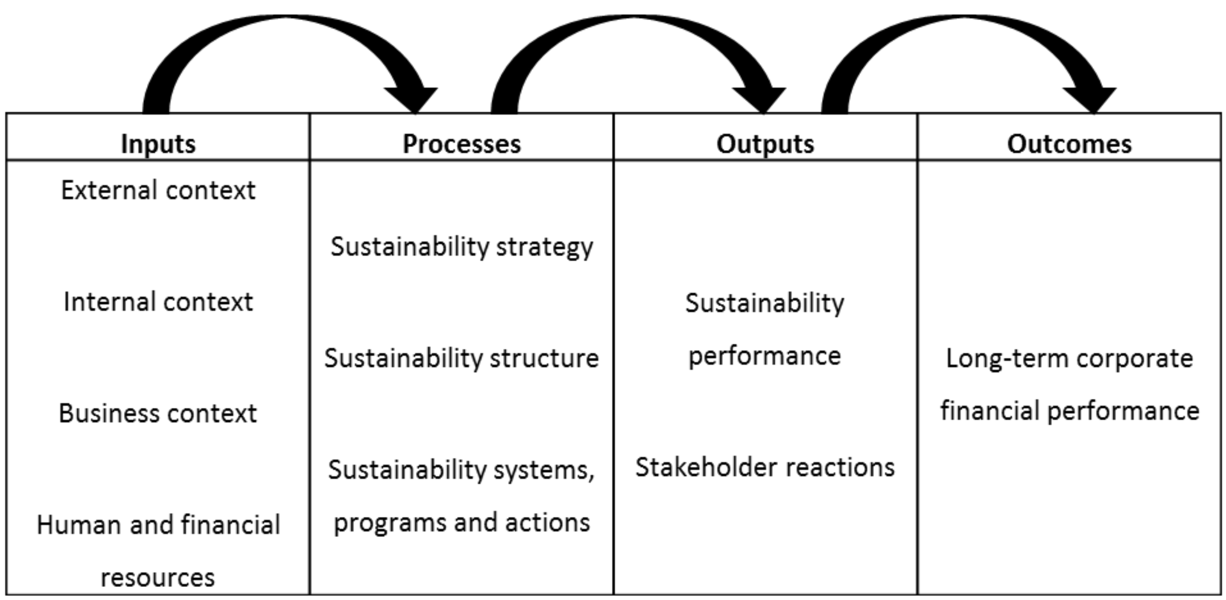

Figure 3. Sustainability process build (Adapted from Epstein and Buhovac, 2010)

The first step is to examine the inputs. Inputs regard all aspects that may affect sustainability that the company needs to account for. These are aspects as regulations, company mission, general strategy, company structure, industry specific concerns, customers and products as well as company resources in employees and financial performance. Through these inputs company management and leadership should be able to evaluate the effects and generate a strategy with achievable goals. This generates a strategy and a structure for the sustainability. (Epstein and Buhovac 2010, p.307-308)

The implemented sustainable strategy then gives outputs to the company to further evaluate, in all according dimensions. The key here is to understand and derive actions through the performance outcomes and reactions from stakeholders. These outcomes are evaluated, and the strategies are also evaluated further, creating a loop of continuous learning and development.

The implementation of sustainability is characterized by the ability to conclude social and environmental aspects and derive financial performance benefits simultaneously. Epstein Buhovac and Yuthas (2015) contend that the perspective of sustainable implementation needs to be considered from a new perspective, where the social and environmental aspects are regarded complementary rather than competing. They underline that the traditional perspective of prioritizing financial incentives conducting in social and environmental incentives only when it is financially valid, is an outdated consideration. Instead their study shows that business with successful sustainability conducts, seemingly considers social and environmental aspects in cohesion with financial perspectives. Additionally, another key element to successfully implement sustainability lies in the company emphasis on value and organizational culture. Having sustainability implemented in the culture of the company it doesn’t need to be separately stressed in the formal systems of the company (Epstein et al. 2015; Bruggenwirth 2006)

Stakeholders are also important to identify and their expectations for the business regarded. In order for the company to be able to respond accordingly to them, these stakeholders must be identified and evaluated by their importance and influence. Stakeholders are automatically driving companies to implement and consider sustainable systems as they put forth expectations for the company that they believe the company should represent. In this way the company can asses’ risks and implement a sustainable conduct that is expected and that generates the best benefits for the company as well as the stakeholder. (Freeman 2010)

Probably the most prominent term regarding connecting CSR to sustainability related performance can be exemplified with the theory behind the term “Triple bottom line”, coined by John Elkington in 1994. The triple bottom line gained a lot of interest at the end of the 90’s and can be seen as one of the most influential theories regarding sustainability, which has attributed largely to corporate social responsibility actions of different businesses. Characterized by the formulation of the three P’s; people, planet and profit. Elkington’s (1998) theory models the corporations focus on not just economic values but also the environmental and social values and brings the earlier discussed gap between responsibility and financial performance closer together. The theory examines seven key drivers for the presented way of thinking and brings forth revolutions for each category to exemplify this transition. Elkington (2004)

	Old paradigm	**New paradigm**
Markets	Compliance	Competition
Values	Hard	Soft
Transparency	Closed	Open
Life-cycle technology	Product	Function
Partnerships	Subversion	Symbiosis
Time	Wider	Longer
Corporate Governance	Exclusive	Inclusive

Table 1. Comparison between old and new paradigms, the seven sustainability revolutions (Elkington, 1998)

The triple bottom line ensues the development of sustainability in the seven key drivers showcased in table 1. Markets will contrive on competition, as customers and other stakeholders challenge businesses about their commitments to the environment and society. Values change also accordingly and become softer as more values are accounted for, when human diversity and societal complexity are gaining more and more attention. It is also stressed that transparency in these matters ought to be free and derive results that let stakeholders and other entities to examine and understand the business's actions. These actions, if product related, also need to showcase initiatives of how these negative effects are counteracted. The life-cycle of any given product should be counteracted and managed through functionalities to effectively propose social and environmental solutions for these. Partnerships become more valuable as theses generate better profitability through assertion of common values between companies. Additionally, the advancements in technology expand the perceiving of time, as more information is at hand almost instantaneously to everybody. The sustainability viewpoint encourages though businesses to consider elongating rather than “widening” time. Perspectives need to shift longer into the future and some of the operations need to have perspective decades ahead. Finally, the implications of corporate governance are extended into consideration about from where the various initiatives are derived from, what are the emphasis points and how to balance shareholders and stakeholders mutually. (Elkington 2004)

Elkington (2004) brings forth challenges in the process of integrating sustainability into business. Currently the governance issues are tackled through transparency and accountability in balance sheets provided by the companies. Companies have also inducted sustainability to their brands through exemplifying them with actions in social and environmental wellbeing. The foreseeable transposition is making the companies to reconsider broader perspectives. Governance issues are implemented to incorporate and harmonize the board of the company more intensively and also the market requires companies to implement sustainability deeper to the company business models instead of focusing on the brand. Doing these emerging activities also help the company to better assert themselves to sustainability and in the process enhancing the already existing operations. (Elkington 2004)

2.3 Environmental, Social and Governance

Environmental, social and governance (ESG) is a term and common name, used especially by investors, to identify the valued factors in CSR related functionalities (Carroll and Shaban 2010). ESG considers the parallel values of social and environmental but also includes the review of governing operations of the company. These show case the company’s measures that define how they manage and process the different responsibility needed operations. The governance aspects are one that appoints further the implication of the operations to the stakeholders. (Lamberton 2005) A further meditation of the ESG-concept is the added validation. Initiatives and actions are targeted and defined accordingly to more precisely review the contribution to sustainability. Compared to the other concepts ESG concentrated more on the impacts to determine sustainable performance through accounting for accumulated risks and benefits. The intention has been to identify sustainable development the same way companies present their financial performance, in uniform manner comparable between companies and more relatable for the investors. (Weber 2014)

Mooij (2017) has investigated the industry of organizations that measure ESG performance and states that the most efficient way for investors to evaluate companies' performance is by rankings and rewards. Nevertheless, the industry is too diverse, and the large amount of different ratings and rankings convolutes the industry by confusing and fatiguing the benefits derived from the reporting. Mooij (2017) also concludes that the best practice setting up ESG goals would be for the company to coincide with its investors about values that matter and evaluate goals the company aims to achieve. These goals need to take into account industry and company specific issues and they need to be clearly defined.

In general, the issues around, corporate sustainability are known but the challenge that persists in business is the means to evaluate these issues with standardized indicators (Soyka and Bateman 2012). Companies track the performance of these issues in different ways with varying precision to detail. For the indicators to be more precise and present the company with information about their sustainable performance, the indicators need to be more uniform in regard to dimension they measure. Especially, moving forward, the development needs to dispute the issues regarding accountability and reassure measures that present these details in a common light for them to be more beneficial for the company and also the industry. (Rahdari and Rostamy 2015)

Soyka and Bateman (2012) identify that beside this issue the approach towards ESG is also usually regarded from a risk mitigation perspective rather than from a value creation perspective. Meaning that motives for most indicators are to seek out risk and minimize the possible negative effects. ESG indicators are commonly set according to corporate interests and priorities that affect the fundamental aspects of sustainability in the, such as costs, benefits and customer relations. The measuring varies though from company to company. Consequently, it is indicated that some indicators are used more others in ESG disclosures (Soyka and Bateman 2012).

3 RESPONSIBILITY INDICATORS AND MEASUREMENT

The main objective for the second part of the theory is to more closely examine the measures of sustainable indicators and the indicator implementation process. In the first part we have defined the concepts and processes that define and build the sustainable and responsible way of conduct in a company. This second part will concentrate on the performance side in terms of examining key points and ways performance of these can be measured.

3.1 Inputs and drivers of responsibility

The main driver for all business is profit, which is an aspect also apparent when evaluating responsibility. It is implied by Milton Friedman (1970) that a company's main socially responsible objective is to generate the maximum amount of profit through its resources in accordance to imposed rules and engagement to open and free competition. Consequently, profits are determinants in the performance of a company, which measure company effectiveness, provides risk-premiums and insures the supply of capital to the company. On the contrary, excessive financial performance can also indicate the exploitation of stakeholders in favor of company shareholders. However, as the bottom line economic responsibility is regarded as the minimum profitability the company can produce. (Drucker 1984)

Governments and trade unions control largely how companies can operate through legal regulations and incentives. Legal responsibilities understand the regulations and set of laws applied to regulate and control the functions of businesses in the society they operate in. Regarding responsibility related regulations, there are two distinctions in how these regulations are perceived by companies. On one side, it is implied that the regulatory implications drive companies more strongly to conduct responsibility related actions. On the contrary, it is implied that doing things on a voluntary basis, going out one's way to conduct responsible actions, gives companies an advantage and hence a reward for their extra work (De Shutter 2008, p. 203). Consequently, this draws a line to which all actions that are mandatory and regulated, be such that are carried out only because of their statutory nature and do not bring forth any extra value or benefit for the company (Bruggenwrith 2006). Only the actions that the company makes beyond obligatory and regulated circumstances are the ones the company can draw benefit from (Bruggenwrith 2006).

There are nowadays many more arguments for socially responsible actions than there are against. The question here has evolved more towards implying in which extent socially responsible actions are carried out rather than why (Davies and Searcy 2010). In general, socially responsible acts help companies to access hidden potentials considering precautionary measures and benefiting from early adaption (Bucholtz and Carroll 2012). Responsible measures help the company to ensure long-term viability by creating the company a healthier environment to function in. This way the company can also itself build self-disciplined standards to fulfill society's expectations (Carroll and Shaban 2010). What this signifies is that it's better to pro-act rather than react. It’s important to plan, anticipate and self-initiate actions and functions instead of having to cope with events as they happen (Carroll and Buchholtz 2009). In addition, conducting in socially responsible operations is also supported by the public. Bernstein (2000) underlines that on the side of pursuing maximized profits; business should also consider their workers, communities and stakeholders. People, communities and other stakeholders value efforts that are directed towards the common good.

From the business perspective this brings forth the question about how actually the socially responsible performance is evaluated. All efforts the company makes need to be justified in the businesses strategy to ensure the business a financial sustainability. Financial performance is a key determinant for most business operations. The financial performance of a company is not only regarded as a topic concerning the management, its importance does also apply to other stakeholders, like shareholders, governmental bodies and consumers (Carroll and Shaban 2010).

Zadek (2000) defines four reasons as to why companies pursue CSR strategies, presented in figure 4. Firstly, the reason is derived from the will to defend the company's position and efforts to accumulate the minimal amount of costs in the process. Secondly, as accustomed in all companies’ efforts need to have a positive cost-benefit ratio, meaning that benefits are to be higher than costs for the operation to be beneficial. Thirdly, the company needs to realize the evolving business environment and adapt to it by implementing CSR actions to company strategies prominently. Lastly, maintaining a proactive CSR strategy enables the company to innovate and develop its operations further, thus opening completely new opportunities and enhancing the organizational learning process.

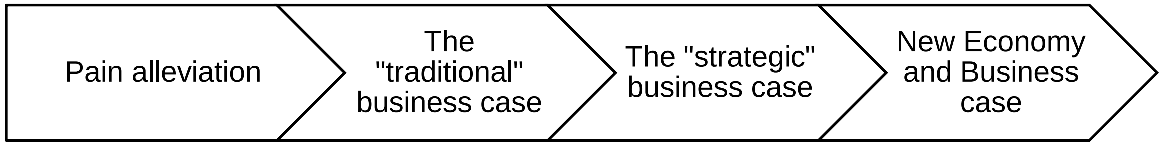

Figure 4. Reasons to pursue CSR strategies (Zadek, 2000)

Another way to categorize these reasoning's is done by Kurucz et al. (2008), these reasoning's exemplify the benefits accustomed through CSR implementation, pictured in figure 5.

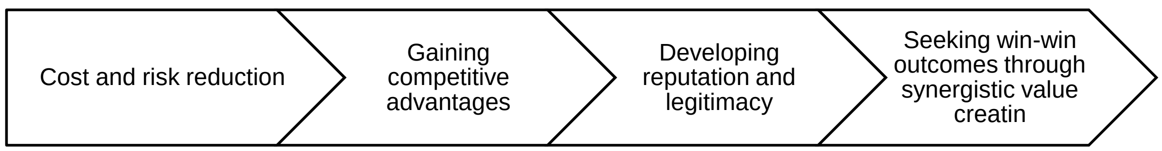

Figure 5. Benefits of implementing CSR initiatives (Kurucz et al., 2008)

Cost and risk reduction define how companies can better their cost effectiveness through cost advantages retrieved from CSR. Such advantages can for example be generated through proactively working with different policies and regulations to better comply with current and future standards thus, reducing the impact of unexpected cost. (Kurucz et al. 2008)

A prominent contributor to responsibility related actions are the derived competitive advantages it can present. The diversity of responsibility actions presents businesses the opportunity to differentiate them from their competitors. The improved competitive advantage can be derived through engaging in activities others aren't engaged in or concentrating more intensively on a distinguishable matter for the business. Not engaging in responsible operations can on the contrary, be regarded as a competitive disadvantage (Smith 2005). Porter and Kramer (2002, p. 59) examine that competitive advantage is to be derived in situations where the economic and social benefits of the sustainable operations meet. In these situations, investments are also more apparent as they add value to the customers and in turn make businesses more attractive for investors (Smith 2005). These advantages are built through the perceived demands of the businesses stakeholders (Kurucz et al. 2008). This underlines the importance of showcasing what kind of benefits set operations have even tough direct financial benefits can’t be regarded.

Additionally, company reputation is a key determinant for competitive advantage (Melo and Garrido-Morgado, 2012) and CSR is from the perspective of the stakeholders and effective way to build company reputation. Fatma, Rahman and Khan (2015) contend that there is a strong linkage between CSR and corporate reputation and that companies invested in CSR can draw positive corporate reputation and brand equity benefits from.

The third dimension of developing reputation and legitimacy includes ways the business can through CSR strengthen its relationships with its stakeholders in order to indicate its socially responsible acts. The business needs to be able to communicate and adhere the value of its actions in align to its stakeholder’s interest (Kurucz et al. 2008). Commonly, this communication of legitimacy and build of reputation is carried out through actions which are documented in corporate social disclosure reports. The most prominent standard adopted internationally is the Global Reporting Initiative established in 1997. Companies report their initiatives and actions in socially responsible matters and examine results depicted from these to add transparency and better access to stakeholders to examine them (Carroll and Shaban 2010).

The last dimension exemplifies seek of win-win situations where the business combines opportunities affecting several stakeholders and creating a synergy between them. This is made possible by examining correlations between CSR actions that complement each other. For example, the company can provide education to its employees about environmentally friendly code of conduct, which manifests to employee’s daily work routines and simultaneously contribute to a more aware society and business. Employees achieve new skills that they can value and from which the society and business around can benefit. (Kurucz et al. 2008)

These two approaches identify the reasoning behind why a company would move towards a responsible way of conduct. These reasoning’s underline the correlation between social responsibility and financial performance. The indicator for these kinds of investments has derived their own set of terms, namely responsible investment or ethical investing. This is also an implication of the fact that focus has shifted from an ethical view to more of a performance related view.

Essentially sustainability can be implemented in a company narrowly or broadly (Berger et al. 2007 p. 141, Carroll and Shaban 2010). The narrow method implicates that the company only pursues actions that directly link sustainability to the derived financial performance outcome. Whereas the broader method considers more dimensions, direct and indirect. Company valuing the complexity of the broader method may entice it to recognize new opportunities, that the narrow method wouldn't (Carroll and Shaban 2010).

One of the biggest challenges for sustainability implementation is the fact that operations aren't rewarded. Valor (2008, p. 323) contends that in order for CSR operations to be contemplated by business they need to be pushed forward by policies to bring these matters forth. These are especially important for the consumers as they have a limited power in the marketplace when it comes to CSR (Valor 2008).

The correlation between financial performance and sustainability is questioned into what extent the financial performance can be benefited from CSR. Mintzberg (1983) contends that the financial performance derived from CSR actions is perpetual and that socially responsible acts are and can be awarded only to a certain extent. He exemplifies that overextending the resources to seek financial performance from CSR actions can be disadvantageous as markets can only award actions to a certain degree (Mintzberg 1983, s. 10).

Smaller companies that implement sustainability usually tend to concentrate only on applying to given set of standards and legal regulations. Carroll and Shaban (2010) argue that these environments have a harder time recognizing the broader business implications of sustainability, which characterize of the narrow implementation view. Therefore, it is important for the company to examine does the market support and reward the business of CSR?

Stakeholder theory is coined and defined by Edward Freeman. The theory derives the different entities that a company interacts with in their operating network. These entities are defined as stakeholders which are linked to the company by its operations. The stakeholders can be entities that affect the company's decision, or they may be entities that that the company needs to regard when making operational decisions. The stakeholder theory defines a set of stakeholders that the management regard based upon their interests. The conservative view has been to only regard the owners or shareholders as entities that the company need to regard but the stakeholder theory enlarges that perspective to include a wider set of entities that are affected. The stakeholder theory concludes the different stakeholders in two different groups, internal and external. The internal stakeholders include entities that can directly affect the company through internal matters, these internal stakeholders include employees, managers and owners. The second group of shareholders are the external entities such as suppliers, customers, governments, society, creditors and shareholders. The simple model of stakeholder theory is presented in figure 6.

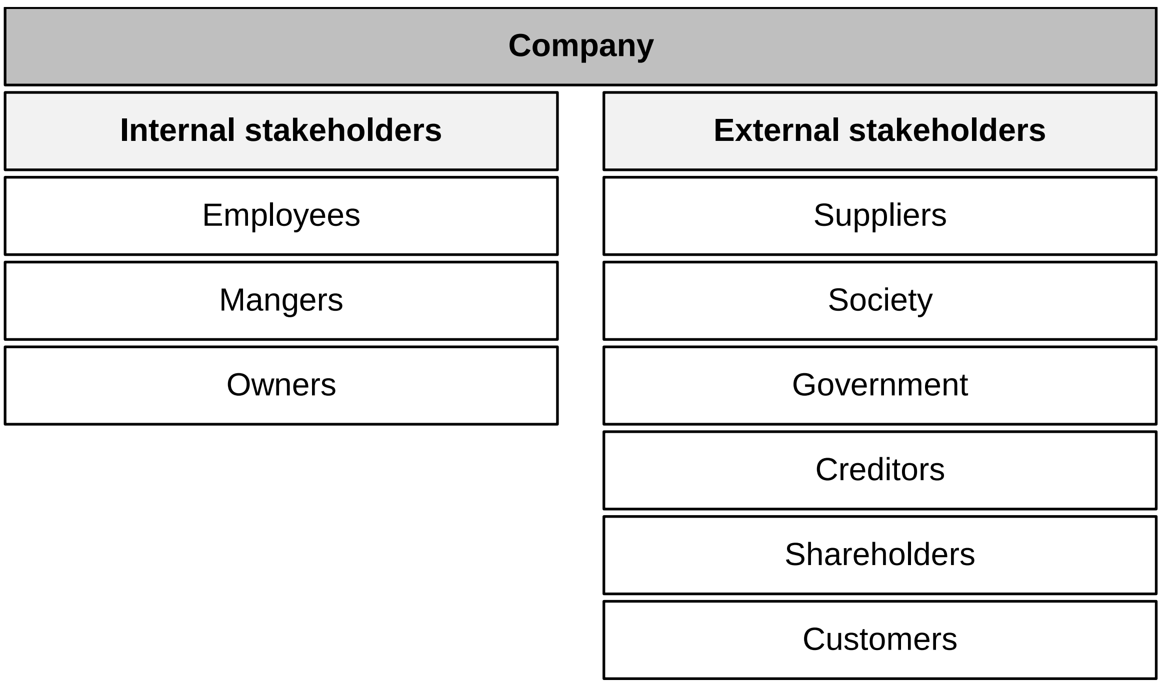

Figure 6. Stakeholder theory model adapted from Freeman (2010)

3.2 Indicators

Using a set of indicators is the most common way to measure performance (Bell and Morse 2002). Indicators reflect key aspects of any business and imply a value usually in number format, about the performance of the given action. These are then used to valuate and review progress, which in turn are used as a base for future decisions and analysis of previously made decisions. Indicators should also always be set up to fit the company specific needs. Using a general set of indicators convey only a general set of preferences that might vary depending on the company size, geographical location, type of business etc. (Chee Tahir and Darton, 2010). This trade-off needs to be balanced with the need for the performance indicators to be comparable. Kocmanova and Simberova (2014) determine that ESG related key performance indicators include attributes that affirm the indicators as significant, measurable, comparable, reliable, useful, easy to track and expressive. Altogether, these elements make the indicators more valuable and beneficial.

The common place for sustainability performance indicators are situated externally in reports the company publishes. These reports showcase efforts that the company considers important sustainability-wise and showcases the company's actions and intendent conduct for the tackling of these incentives. These are often explained through examples and definitions but are more precisely showcased through indicators. Indicators are derived from the company actions targeted to determine the performance and effect of made decisions and goals. As there is no one standard way of modelling the reports for sustainable actions they tend to vary from company to company, in contents and structure (Davis and Searcy 2010). It's realized that reporting and the use of general reporting standards though help organizations to better manage their sustainability issues and communicate these efforts efficiently to appropriate parties. (Daub 2007)

To develop these indicators on a general level they need to be made in uniform across the business front. The challenges in implementing sustainability into the business processes of the company can be divided into three main categories in accordance to the corporate sustainability model. First, the challenge is to set and define clear goals that are also measurable. Goals need to be defined in a way that the company can extract information about these processes. Additionally, in the day-to-day business, they need to be suitable for manager and different stakeholders as they are the ones that bring making use of the showcased information and activate these initiatives forth in the company. There are different implications and ways to report and measure these non-financial metrics, as there are several institutions that have their own set of values and features to measure. The most common, nowadays used, dimensions are in line with the ESG aspects of environmental, social and governance issues. (Roca and Searcy 2012)

Indicators are research from different point of views and are commonly regarded among a certain operating environment of a specific country or industry (Weber 2014; Velte 2016; Skouldis and Evangelinos 2009). Literature reviewed indicators also mostly concentrate on aggregated reviews of different reporting standards and conclude general applications of them which mediates the need for the indicators to be determined company specific. This in turn along with technical and financial limitations can be seen to obscure the proper use of these literature reviewed indicators (Rahdari and Rostamy 2015).

Rahdari and Rostamy (2015) have concluded through researching normative frameworks, management systems, guidelines and rating systems a set of most common indicators, valid for the corporate level. They stress that set of found indicators can help companies to implement and evaluate performance in sustainability related matters. They found that approximately half of all indicators account for environmental aspects and concluded the indicators according to used frequency into categories of ten main-criteria as well as 30 sub-category and 70 other indicators. The ten main-criteria indicators that are most frequently used are presented in figure 7. Here we can see that a large number of different indicators can be challenging to manage, and that appropriate categorization of the indicators generates a comprehensible overview of the main initiatives.

	Environmental	Social	Governance
Indicator category and aspects	General - Risks - Environmental education - Disclosures Nature - Climate change - Biodiversity - Emissions Management - ISO 14000 - Energy efficiency - Products and services	General - Socially Responsible Investment - Social education - Disclosures Management systems - Product safety - Customers - Branding Human - Employees - Health and Safety - Human Rights Society - Communities - Stakeholders	General - Financial Stability - Governance risk management - Disclosures Board and Committees - Board composition - Committees - Compensation Compliance and Legislation - Compliance - Code of conduct - Shareholder activism - Ownership structure

Figure 7. Main-criteria indicators (Adapted from Rahdari and Rostamy (2015)

Delmas and Blass (2010) found when studying the environmental aspects of sustainability that companies tend to have to make decisions with trade-offs when choosing which environmental indicators to measure as the different indicators set up the company to evaluate its performance accordingly. They also found that different indicators are differently valued and due to the asymmetric nature of these different indicators it exerts the company to determine more specifically what aspects to review. Another trade-off exists in the tendency to review values that are known to present positive outcomes and disregard the negative indicators (Delmas and Blass 2010).

Roca and Searcy (2012) researched the use of different sustainability related indicators among 94 Canadian companies that had published a sustainability report and found that a total of 585 different indicators were used in these companies. Some companies had chosen to leave the indicators completely out of the disclosure and the most indicators found was 62 with a median number of 16.5 indicators per report for all the companies. The main indicators in these reports were such that expressed greenhouse gas (GHG) emissions, safety related actions and donations. Regarding the most common indicators results of the same kind could be found in studies of Spanish (Gallego 2006) and Greek (Skouloudis and Evangelinos 2009) companies of the same subject. It is of course notable that countries may have different criteria that stress specific questions more than other, that can lead to differences when comparing reports and how their indicators are set up. Then again, Velte (2016) found that among ESG related indicators the governance indicators have the strongest impact on financial performance in comparison to the environmental and social indicators.

Additionally, as previously presented, there are different interpretations of sustainability and responsible conduct in the means to how they are defined. The viewpoints can differ from company to company as the subject matter is inconclusive to a single definition. This also effects the interpretation of different indicators and asserts companies to valuate these indicators from their perspective with the definition that they subscribe to. It is though prevalent that the main concepts of social, environmental and governance aspects are regarded holistically in these indicators. (Velte 2016)

The use of different indicators can be determined by reviewing the affected stakeholders through accompanying stakeholder theory and the legitimacy theory in the process. Stakeholders and the importance of different stakeholder groups causes the company to regard and value the indicators differently. Companies might have different obligations and differentiated assumption of value among its stakeholders that it needs to address. These values shape and form also what the stakeholders value that the company needs to answer to. In the same line, legitimacy theory, then again advocates companies to priorities its involvement in these different operations. The company exerts itself to be legitimate through its operations, which is put into effect by such indicators that will build and maintain the legitimacy of the company in its endeavors. (Werther and Chandler 2010)

Chee Tahir and Darton (2010) have set up the Process Analysis Method (PAM in short), that defines how an organization should set up their indicators. The method comprises of 5 steps and is showcased in its entirety in figure 8. In the first two steps a general overview of the company and definition of sustainability are concluded. The third part sets up the boundaries for the system before the sustainability framework is defined. The boundaries define the extent and time period of scheduled indicators. The sustainability framework step is the part where the actual indicators and metrics are selected. The framework consists of (1) the sustainability domains and capital stores of value, (2) internal impact generators, (3) external impact receivers, (4) issues associated with impact on external impact receivers, (5) indicators and (6) metrics. Sustainability domains understand the innerworkings of the organizational resources and how they are affected in accordance to the selected definition of sustainability. This is followed with the need to consider the different impacts these generate internally in the company on activities the company can control. The external impacts on the other hand regard the external stakeholders apart from the internal, company-controlled entities. PAM defines separately the terms metric and indicator and it is stated that “metrics give value to each indicator in terms of the specific local condition of the business.” (Chee Tahir and Darton, 2010). The last step ensues the need to validate and verify information regarded in the indicators. This legitimates the measures and gives them added value.

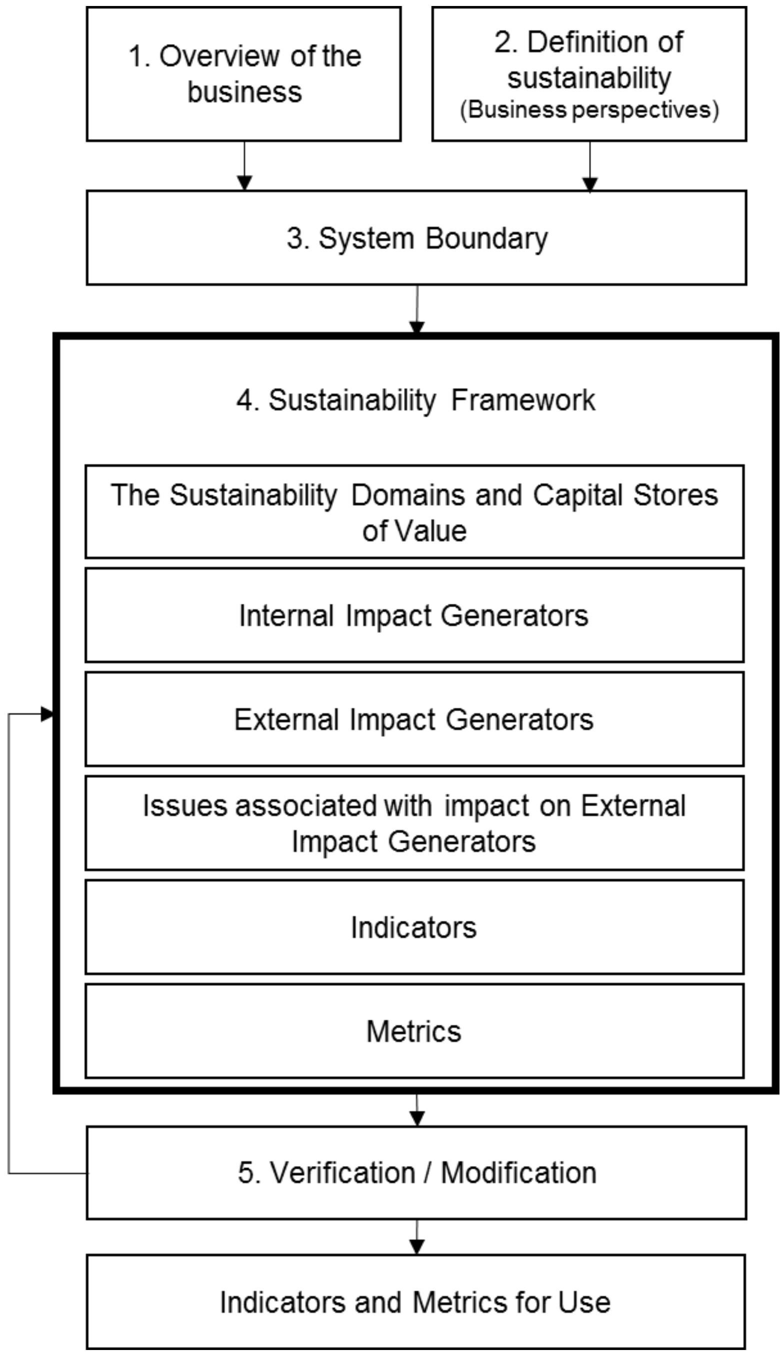

Figure 8. Implementing Sustainability indicators through the Process Analysis Method, PAM (Chee Tahir and Darton 2010)

4 REPORTING STANDARDS

In line with the growing importance and awareness of responsibility related matters there has also been augmented for the need to validate and compare responsibility and sustainability related matters among companies in the same business area, between competitors and companies worldwide. By being able to benchmark results and indicative trends companies are more easily able to assert their values for the common good and hence gain profit through gained trust from its stakeholders. As earlier presented the lack of asserted specific regulations and definite rules has and persists still to be a challenge for many to fully indulge a comprehensive strategy for responsibility. Nevertheless, reporting of sustainability driven actions and regarding the effects the company business might and will have are a crucial part of sustainability which is underlined by the transparency needed for these operations. The main benefits companies seek from sustainability is among others the opportunity to position the company as desired, give competitive advantage, increasing company reputation and image. These benefits are only achievable via intricate communication of these actions, which is provided through reporting of such endeavors in the same way companies publish financial reports to communicate of its financial performance. (Kocmanova and Simberova 2014)

To conclude about company conducted efforts and operations of responsibility related actions, indexes, standards and metrics have been created by many organizations to help companies to disclose about these conducted actions. The problem is not that there wouldn't be any regulations and standards but rather the inconclusiveness that which standards to follow and how to report them, for them to be comparable and of the best value to stakeholders. Without a set of defined rules and standards the landscape of reporting will remain somewhat indecisive. Nevertheless, most standards and reporting tools stand united and conclude many of the same elements. (Davis and Searcy 2010)

A sustainability report is published for the company to disclose of the economic, environmental and social impacts the everyday actions of the company has or may have. This also helps the company to signify its commitment in sustainability and legitimacies these efforts more prominently in reality and actual doings. This will help the company measure and compare as well as more clearly communicate these efforts to its stakeholders. Throughout, this calls for a continuous review for the company to be able to develop these aspects now and in the future. It is stressed that the reporting should have set goals to better manage these expectations.

With a set of goals and means to measure them the company can review their operations in time and simultaneously build and maintain trust among its stakeholders. The bottom line in reporting of these operations is the build of trust and transparency. The report should give all who read it a view of the company's decision-making process and how the company regards its responsibilities. The report works as an insurance to the stakeholders that the named topics are important to the company and are considered in all aspects. It should also represent a transparent view of the risks and opportunities the company face. These issues are of course tremendously important for the stakeholders. (Daub 2007)

The deprived benefits of reporting are many and diverse. The main benefits are linked to heightened value and better brand image due to increased transparency and consideration of these publicly common goals. The benefits can be divided into internal and external ones as presented in figure 9. The internal benefits that sustainable reporting may offer are better understand of opportunities and risk, the build linkage between financial and non-financial performance, influencing positively the long-term strategy of the company, benchmarking performance and assessing gotten results. In general, it also helps companies to better understand these off-topic values and regard them sooner rather than later in avoiding unnecessary risks at the same time. The main external benefits derived from sustainability reporting largely consist of mitigating possible negative environmental, social or governance issues, improving the company reputation and brand image and helps external stakeholders to better understand the company through transparently indicating the organizations value and assets. (Global Reporting Initiative 2018)

Figure 9. Internal and external benefits derived from sustainable reporting (GRI 2018)

It should also be noted that due to the lack of universal validation of sustainability reports and benchmarking incentivizes the need to view them critically. The companies need to do the things that they insist in the reports. This issue is labeled as the legitimacy theory, which understand that the companies need to follow-through their proposed actions to legitimate their sustainability operations. Some scholars have found that there are cases when the intended actions aren't carried out in the degree as set up to. Delmas and Blass (2010) found a counterintuitive result when researching the environmental aspects of sustainability, that showed that companies with superior reporting were more often linked with lower environmental compliance and higher toxic releases. This has of course been also the case with Volkswagen. Volkswagen was many years was ranked as one of the top companies for sustainability reporting (CSRHub 2018) but was later found tampering their carbon dioxide-emissions for their cars in total disregard to their sustainability program and ethical code of conduct. This case exemplifies the legitimacy theory and asserts as much weight to the fact that the company is misconducting the environmental initiatives as it does is a breach on the governance part.

The reporting of sustainability has grown greatly in the past years. It has become a decisive part of many businesses. Generally, it can be regarded that it is a result of the current worldwide state and its reflection on the business. The significance has though been built from within the companies that have firstly found the possible benefits derivable from sustainability. It is these companies that have pioneered the field in the pursuit of sustainable methods that contrive economic, environmental and social benefits for all that the company takes in as profit. Consequently, there are also companies that have noticed the growth in the amount of published sustainability reports or noticed the rising demand from the public and other stakeholders, which has created an urgency for these companies to disclose sustainability efforts as well. (KPMG 2017)

Standards also help companies to more easily define the extensiveness of their reporting and actions as such. In earlier studies, it has been found that reports could vary a significant amount from each other (Kocmanova and Simberova 2014). Companies have different scopes when it comes to reporting which is dictated in line with the setting the company is established in, for example oil companies need to create more environmentally aware reports due to the nature of the business and hazardous implications its operations might in the worst-case scenario have. This of course directly intersects with the extent the companies use indicators.

Standards make it also possible for different companies, organizations and countries alike to be benchmarked and reviewed in comparative manner. This is of course especially fruitful among companies operating in the same sector or country. (Weber 2014)

Currently as the question of sustainability has gained growingly more attention it has started to become part of many countries policy to emphasize the importance by obligating companies of certain size to publish a sustainability report. The European Union has assigned that starting from the fiscal year of 2017 companies that match two of the three criteria of more than 250 employees, balance statement of over 20M€ and revenue of over 100M€ are obligated to release a non-financial report that showcases the company’s operations from a sustainability perspective. European countries have then ensued a same kind of policy in line with the one set by the European Union. This is obligated from member states of the European Union. Sweden for example has tightened the obligation set of the EU and insisted that even smaller companies in need to disclose about their sustainability operations. (European Union 2016)

In the next chapter the general reporting standard are review through the Global Reporting Initiative and the ISO standardizations.

Besides these standards there are other governing bodies that have also ensued norms and guidelines for sustainability and responsible conduct. The main ones of these additional standardizations to note are the United Nations Global Compact and Sustainable Development Goals as well as the Organizations for Economic Co-Operation and Development (OECD in short) guidelines for sustainable development. In 2015 the United Nations implemented a set of 17 sustainable development goals (SDG in short) to counteract poverty, protect global assets and ensure prosperity. The program will be progressed over the next 15 years during which the progress will be monitored. According to KPMG survey these initiatives have been well implemented by business also even though the launch of the program tracks back only a couple of years. The survey states that 39 % of the largest 49 nation’s top 100 companies connect their reporting to the SDGs. Sweden, Finland and the UK are among the top countries in this. Therefore, these initiatives can be regarded significant and that they will most likely grow in their importance in the future (KPMG 2017). Barkemeyer, Holt, Preuss and Tsang (2014) appoint the findings of that the intergovernmental attention to the sustainable aspects is decreasing in favor of the business-driven approach and that there has been a shift away from the sustainability definition framed in the Brundtland commission in 1987. (Barkemeyer et al. 2014)

4.1 Global Reporting Initiative

The Global Reporting Initiative is an international organization concentrating on helping businesses and governments alike all around the world in sustainability related actions. This is carried out by giving them a deeper understanding and broader insight into communication of these aspects as well as implications of related impacts. The main issues conclude climate change, human rights, social wellbeing and governance, all related topics in the sustainability field. The Global Reporting initiative (or GRI in short) is one of the most prominent efforts created in the process of making sustainability more relatable for companies, through the effort of inflicting concrete evidence and performance indications in sustainable businesses cases. The goal of the initiative is to empower decision making in line with generating environmental, social and economic benefits not just for the business but for everyone (GRI 2018, a).

GRI’s common goal is to help companies, through a defined set of standards, to describe and exemplify the set actions of the company from a public and multi-stakeholder perspective. They strive to make these standards to represent guidelines and to further sustainable development and harmonize the sustainability landscape. It is reported that 93% of the world’s biggest companies report on their sustainability performance and 74% of these use the GRI standards in their means for reporting. This implicates that the GRI standards are widely used and highly regarded compared to other standards. In total of 23 000 companies use the GRI standards for this kind of reporting and the figure is growing yearly. (KPMG 2017)

The GRI is concluded in a set of different standards, that are built upon different interrelated stages. The different standards are divided into Universal standards and Topic-specific Standards. The Universal Standards consists of the Foundation, General Disclosures and Management Approach. Whereas the Topic-specific standards are divided into Economic topics, Environmental topics and Social topics. A company starts from the foundation which is the starting point of these set of standards and includes the fundamentals of the reporting. This standard sets the principles for the reporting and defines the content and quality and works as a base for the general information. The second part, the general disclosures, defines the context of the company and its reporting. Information in this includes organizational profile, strategy, ethics and integrity, governance, stakeholder engagement and the reporting process in general. Management approach is used to report on information about the management of the different material topics. This is where impacts are calculated and reasoning behind decisions are delved into in more detail. GRI standards also include the specific material topics of the three main areas of sustainability, namely economic, environmental and social. These elements all have their own topic-specific standards respectively. The indicators include aspects that cover economic performance, market presence, materials, energy, biodiversity, emissions, employees, communities, corruption, human rights, customers and compliance. (GRI 2018, b)

Here we see that the GRI standards are set up and determined in similar way as described in the PAM-framework by Tahir and Darton (2010). Both examples cover the different impacts as well as the operational definition. The similarities assert these pre-determined attributes on a pedestal for this study. The individual indicators also cover mostly the same subjects as described in the literature.

In general, the reporting can strengthen the position of sustainability, as it helps companies to better understand how to implement sustainability rather than deriving an answer to why. The reporting has made the general concept more comprehensible and graspable for the companies to take more clear actions towards. The GRI standards for reporting includes guidelines of what a report of sustainable actions should include and consist of, as well as, how these items should be structured. The reporting guidelines suggests that the report in simple should include a description of the organization, its vision of sustainability, goals in sustainable processes and a set of indicators to determine its performance (GRI 2018, b).

4.2 ISO standards

The ISO standards are standards widely used in different fields of business created by the International Organization for Standardization (ISO in short). ISO creates voluntary requirements and guidelines for organizations to utilize in ensuring materials, products and services are up to the level of expectations for which they are purposed for. The standards are derived through experts who have compiled through workshops in cooperation with members from different stakeholder groups and finally attributed to what the given standard should consist off. The standards are revised and certified accordingly by a third-party actor, ISO does not grant certifications for organizations. Organizations that set out to follow these standards can be accredited with a certification when processed properly in line with set requirements. Organizations can though follow these standards even without going through the certification process but accrediting these operations legitimates and proves the operations authenticity. (ISO 2018, a)

The three prominent standards regarding sustainability are the ISO standards for Environment (ISO 14000), Social Responsibility (ISO 26000) and Quality Management (ISO 9000). These standards set expectations for values linked to sustainable actions of an organization. The different standards comprise of several different interrelated standards which offer the opportunity for the organizations to more precisely define its initiatives and the degree in which they have set out to accomplish their set goals.

ISO 26000 regards the social responsibility of a company and standards connected to operations that contribute to sustainable environmental, social and economic development. This standard delves into the terminology and principles regarding the social responsibility of companies. The standard concludes seven core subjects; organizational governance, human rights, labor practices, environment, fair operating practices, consumer issues and community involvement and development. The standard understands all these contributions to sustainable development while at the same time it considers stakeholders, current applicable law and international norms. These subjects then consider a total of 37 subject specific issues that the organization needs to evaluate regarding the relevance and correlation to the organizations operations. The interrelated values repute economic aspects, health and safety, the value chain, gender balance and communication among others. Subjects of ISO 26000 are represented in table 2. (ISO 2018, c)

Subject	**Issue/Activity**
1. Organizational governance	Implement processes for meaningful communication with stakeholders.
2. Human rights	Identify vulnerable groups within the organizations reach and create transparency for due diligence.
3. Labor practices	Comply with laws and regulations and understand and control health and safety risks.
4. Environment	Prevent pollution, reduce emissions and waste. Recycle products, components and materials.
5. Fair operating practices	Comply with the law and treat customers as well as suppliers fairly.
6. Consumer issues	Protect consumers health and safety with tested products.
7. Community involvement and development	Be beneficial for the communities and consider social investments in projects that improve quality of life.

Table 2. Subject for ISO 26000 and examples of set issues and activities

Due to the nature of these topics the ISO 26000 is though not eligible for certification in the same way the other standards are. Consequently, the goal of the standard is to increase interrelated actions through engaged sustainable development in these subjects and having the simultaneously the means to evaluate and structure these initiatives in accordance to improved stakeholder relationships and community impacts. In the ISO 26000 stakeholders are especially regarded as important. Stakeholders need to be identified and engaged through communication to endow the exchange of knowledge and ideas for solutions as well as build long-term trust and credibility. (ISO 2018, c)

The ISO 26000 is progressed through the organizations leaders deciding upon social responsibility issues to build and adapt them to the organizations governance and other processes. The organizations need to also determine the significance of the various subjects, establish priorities, assess the organization and finally implement them appropriately in the according operational field of the organization. These operations need then to be affiliated and measured of its diligence to the stakeholders. Finally, these actions are reported and communicated for the different stakeholder groups. (ISO 2018, c)

ISO 14000 is the environmental standards that reflects on environmental performance of the organization or even country. These given set of standards help organizations to develop and maintain environmental management initiatives that can range from any applications or processes that for example help cut back the carbon footprint or streamline waste management options. All in all, the standard helps organizations to improve the efficiency in the use of its resources and reducing unnecessary waste. The ISO 14000 standard consists of 21 different standards for the set purpose of environmental management. The basic standard is the ISO 14001, which is adapted in 171 countries with a total of 300,000 certifications. These initiatives are regarded in the respect of the organizations activities and operating landscape. Companies with the ISO 14000 certification have found for example showcased benefits in competitiveness, reduced energy and water consumption and in improved employee motivation. (ISO 2018, a)

ISO 9000 is a standard comprising of the quality management systems of the organization, which work as a holistic review for the organizations operations and operating environment.

The standard is used as a support tool for the management to analyze its strategy and optimize resources. The ISO 9000 offer a frame of reference that helps organizations to maintain and develop the quality management systems for improved product and service compliance and customer fulfillment. (ISO 2018, b)

5 BEST PRACTICES: STORA ENSO

To better understand what a successful sustainability program consists of we examine the conducts of an example company. The chosen example company for this purpose is the Finnish company Stora Enso. Stora Enso is a global forestry company that has been duly awarded for their sustainability program. Stora Enso has been for example rewarded as the overall best Finnish sustainability reporting company by FIBS, the Finnish central organization for evaluating corporate responsibility performance in companies, now two years (2015 & 2016) in a row (FIBS 2016; FIBS 2015). Stora Enso was selected for this purpose due to the outstanding performance in sustainability operations as well as its global and Nordic presence to underline the case company's efforts to build equally capable operations. Through the examination of a best practice case we can study factors that subside in the positive effects and conclude counterintuitive aspects. Even tough, Stora Enso and the case company for the study aren't in the exact same business environment per say, the two companies share priorities that focus on the general ESG strategy premise. FIBS is Finland's leading corporate responsibility network that subsidies companies in their responsibility related actions. They arrange an open competition for all voluntary companies that publish a sustainability report and evaluate them according to the contents of the reports. This intersects the general level of the reporting standard in Finland and signifies aspects companies should prioritize in the future. In the competition all aspects of responsible conduct are evaluated where it's important that the company discloses characteristics in all respective areas even if performance would be obvious or less good for the company. Stora Enso gets recognition especially for their ability to regard different themes important for the company as well as their regard to stakeholders. (FIBS 2016)

In addition, the sustainability reporting of Stora Enso is also included in different indexes for good sustainability reporting as for example FTSE Good Index and Oekom Research's Environmental, Social and Governance rating, to name a few. These are facts that represent the value and quality of the maintained reporting and help the company to underline its integrity for responsible conduct. Overall involvement also helps to advocate the transparency of the reported aspects and ensues a strengthened validity for future actions among others. (Stora Enso 2018)

Additionally, this exemplifies the indicators that the Stora Enso has chosen to use and to convey their goals and progress in these efforts. These are indicators that Stora Enso have found to be most prominent for their business and which communicate efficiently to their stakeholders the set information. This helps us to understand which topics to include and in what extent. Stora Enso states that their indicators reflect ambitious targets and are in the addition of annual review in connection with the sustainability reporting reviewed quarterly as well in the company's interim reports.

The information of Stora Enso's sustainability program and KPI are derived from published material on their website, mainly their annual reports. In this study the two most current reports for the fiscal years of 2016 and 2017 are regarded. Consequently, Stora Enso has a data saturated webpage that contains valid and detailed information about their sustainability processes and initiatives in hand for this study to take examples and analyze these efforts.

5.1 Stora Enso's sustainability program

Stora Enso's sustainability program is built on the base of the Triple Bottom Line model. The three dimensions of social agenda, environmental agenda and economic agenda set the starting points for this program. These key factors are reinforced with including human rights throughout the chain of actions in all respective areas. The main scheme of the program in exemplified in figure 10. (Stora Enso 2018, a)

<table>
<tr><td colspan="7">Stakeholder input and materiality
↓</td></tr>
<tr><td rowspan="3">Triple bottom line</td><td>Social agenda</td><td>Employees and wider workforce</td><td>Community</td><td>Business ethics</td><td rowspan="3">Human rights</td></tr>
<tr><td>Environmental agenda</td><td>Materials, Water & Energy</td><td>Carbon dioxide</td><td>Forests, Plantations & Land Use</td></tr>
<tr><td>Economic agenda</td><td>Customers</td><td>Suppliers</td><td>Investors</td></tr>
<tr><td colspan="7">↓
Total contribution to society</td></tr>
</table>

Figure 10. Sustainability agenda of Stora Enso (Stora Enso 2017)

The main key areas are also divided into more specific categories that indicate the value base in the respective areas. Stora Enso indicates carbon dioxide, human rights and community investments as its priority areas, that are also apparent in the category listing. These areas are of course company specific and specified according to the business environment of the company.

5.2 Stora Enso sustainability program KPIs

Stora Enso has defined different KPI values that it follows in accordance to the general progression and development of its sustainability program. These KPIs reflect the core of the program and are defined accordingly. Stora Enso states that they have set ambitious targets for their sustainability which are monitored through the selected KPI. The set of selected KPI measure aspects that are important for the company and are individually generated by the company itself. All the KPI in the program are measured either with a numeric value or percentage. These are reviewed annually and reported in the sustainability report. All KPI also have a selected target and defined purpose and the progress is evaluated by presenting if the desired target was reached or not. (Stora Enso 2018, b)

The key stakeholders for Stora Enso are divided into three categories according to the main attributes of their sustainability program of social, environmental and economic agendas. These are further divided into three categories according to their main stakeholders. The social agenda consists of (1) employees and wider workforce, (2) community and (3) business ethics. The environmental agenda consists of (1) materials, water and energy, (2) carbon dioxide and (3) forests, plantations and land use. The economic agenda consists of (1) customers, (2) suppliers and (3) investors. Additionally, human rights issues are regarded in all the aspects of these sustainability related agendas. (Stora Enso 2018, b)

Here we see that Stora Enso recognizes, especially in the environmental agenda, stakeholders that specifically appoint to concrete environmental issues such as carbon dioxide. These entities are elements that affect the company business that can be only affected by positive conduct. The list of KPI are showcased in table 3.

Category	Dimension	Description	Presentation method
Human rights	Implementation of Human Rights Action Plan	Stora Enso Human Rights Assessment	% of actions completed
Employees and wider workforce	Lost-time accident rate	Number of lost-time accidents among company employees per one million hours worked	#
Employees and wider workforce	Leadership Index	Stora Enso measure in annual employee survey	#
Business ethics	Code of Conduct Index	Stora Enso measure in annual employee survey	#
Materials, water and energy	Water	Reduction due to changes in baseline following divestments or accuracy improvements	%
Materials, water and energy	Energy	Reduction in electricity and heat consumption per saleable ton of pulp, paper and board.	%
Carbon dioxide	Reduction in CO2 emissions per saleable ton of pulp, paper, and board (kg/ton)	Reduction in electricity and heat consumption per saleable ton of pulp, paper and board.	%
Carbon dioxide	Fossil CO2 emissions per total energy consumed (Kg of CO2/MWh	Reduction in electricity and heat consumption per saleable ton of pulp, paper and board.	%
Forests, plantations and land use		% of the lands owned and managed by the company covered by forest certification schemes	%
Suppliers		% of supplier spend covered by our Supplier Code of Conduct	%

Table 3. Stora Enso sustainability program 2016 KPI (Stora Enso 2017)

The KPI that Stora Enso uses are largely linked to the business environment that it's operating in. Stora Enso being a global pulp and paper manufacturer with factories all around the world gravities the company to concentrate more on environment linked aspects due to the large consumption of energy and water, as well as the bigger carbon dioxide emissions.

These set of KPI metrics represents values that are important for the company and tracks the progress of the set goals for these sustainability related actions. The KPI used by Stora Enso exemplify it being important to define priorities for the whole sustainability program and to define according KPI to track the progress towards these goals. In here the general sustainability model defines the areas in which to situate these KPI in and the business environment dictates how to prioritize them. It’s also apparent that Stora Enso continuously develops these KPI, as they have for example generated two new indicators for the fiscal year of 2017 for sustainability program groups yet without an KPI. (Stora Enso 2017)

Stora Enso has firstly identified key topics for which each topic has been determined indicators. The key topics include action in community involvement, responsibility in supply chain, sustainability implementation to the general business approach, sustainability performance of products and innovations. The environmental topics include material efficiency which is reviewed under a material efficiency index, climate actions reviewed by CO2 emissions and water issues review through the amount of processed water and charges from it. The social aspects of health and safety is reviewed through the number of recorded safety related incidents, business ethics reviewed through the implementation of the company’s human rights approach, employee satisfaction is reviewed through employee’s perception of the company code of conduct and leadership index and finally responsible restructuring by the review of supplier contracts that of responsibility criteria. Additionally, Stora Enso has defined key topics in forests and land use, that exemplify the efficiency to which the company uses land and preserves biodiversity. (Stora Enso 2017)

The indicators highlight the concrete undertakings of Stora Enso and exemplifies the issues that the company find important. The presented topics include general issues that can be generalized for all companies as well as issues that are more specific to Stora Enso’s core business. The indicators for example forests and land use are topics that are tightly linked to the specific operation of Stora Enso. These topics are concurred more with companies in the same line of operation as Stora Enso, that require and affect a significant amount of land. The use of water is also highlighted which can be generalized to all companies, but which is rather an issue for factories that required a tremendous amount of water for processing and cooling purposes. The more common topics include the ones regarding employees, human rights, code of conduct and efficiency used in materials and processes.

The fact that Stora Enso’s responsibility program has gotten a lot of praise and won these awards reaffirms that they have done these actions well. The reporting has been evaluated in accordance to the different parts of it at the conclusion has resulted in the positive outcome. Then again, it must be reviewed that even though the KPI give the program legitimacy, a quite small part of the praise is appointed specifically the KPI values. Additionally, almost all the instated KPI have positive values with none, slightly deriving to the negative aspects. Of course, the reporting needs to be transparent and second-guessing these validated results can seem speculative. The reporting doesn’t necessarily consider all aspects rather than the most critical, instated to comply with the stakeholders and their agendas. It is completely plausible that the company may have additional KPI for these actions that are reviewed only internally and that the presented KPI only reflect the most crucial ones.

The starting point of Stora Enso’s sustainability agenda is clear, the stakeholders. Their whole agenda is built around the nine areas that specifically underline the actions that Stora Enso find most important. These areas are defined through the company’s way of interpreting what the sustainability agenda means in respect to the company and determining the company stakeholders and materiality to form a cohesive agenda for the whole program. Stora Enso defines sustainability in accordance to the triple bottom line of environmental, social and economic aspects. Stora Enso defines as its key stakeholders’ consumers, customers, employees, forest-owners, governments, investors, local communities, media, NGOs, trade unions, partners and suppliers.

6 DEFINING SUSTAINABILITY KPI

In this chapter we will examine the possibilities and decide upon the key performance indicators for the case company according to background data presented in this study. The KPI are built on the examples derived from literature, general standards and best practice example. These KPI are then defined for the purposes of the case company and reasoning behind the choices are described. Firstly, we will present and examine the case company to understand its business and position. This is an important step for the study to have a firm base, upon which to build the KPI. The framework describing the determination of the set indicators is presented and defined. This describes the method and value of the deprived indicators that fit the case company and its operations. Finlay, the indicators are defined considering the key areas of the case company's operations.

6.1 Case company overview

The case company is a sports supplier. The company consists of 14 subsidiaries that have 10 separate offices in 6 different countries. The group was established in 2015 when the two main artificial turf providers in Finland and Sweden were merged together. Later other sports suppliers were acquired to strengthen the groups position, that previously mainly focused on artificial turf to now include indoor sport facilities as well. The case company employs some 350 employees and had a turnover of about 130M€ in the fiscal year of 2017. The company is the market leader in sport facilities within the Nordic countries. The core business concentrates largely on supplying all necessary components and installation services for different sport facilities. This includes the use of artificial turf in different purposes, sports flooring as well as fixed and loose equipment for the different needs of sport facilities. The company also has own production, with an artificial turf production facility in Finland, sport hall equipment production facility in Sweden as well as smaller manufacturing facilities in both countries.

From a sustainability perspective the company operates in a landscape that is propitious for sustainability related benefits. Consequently, these are of course operations that are as well expected from a company of these proportions. Sustainability is also prominently visible in the company's mission and vision, as the company's goal is to make people move and exercise by providing the means to do it. Hence, in the process these aspects contribute to a healthier society. There is an emphasis on engaging people in physical activity by providing great quality sporting facilities for the needs of top athletes as well people in all ages.

There are some challenges as well. The company works with a lot of different vendors and products which especially highlight the importance of managing these intricate external entities through monitoring product quality and surveilling the code of conduct of the different vendors. Cooperating with different companies and providing a wide set of products also underline the great responsibility that needs be considered and monitored continuously. These implications are to be examined in more detail in the following chapters as they will have a purpose on determining the key performance indicators.

6.2 Indicator construction and framework

The proposed indicators for the case company for the ESG initiative are derived from two places, the external sources of previously presented literature, general standards and a best practices example as well as internal sources including the case company's general operating landscape, inputs from the case company's sustainability work group and key stakeholders. Concluding the inputs from these sources enables this study to have a set of indicators proposed for implementation to improve long term profitability in sustainable operations. The different sources are presented in figure 11, where first the external inputs are regarded before inducting them in the accord of the internal specifications of the case company and finally being able to conclude the proposed indicators for the use by the case company.

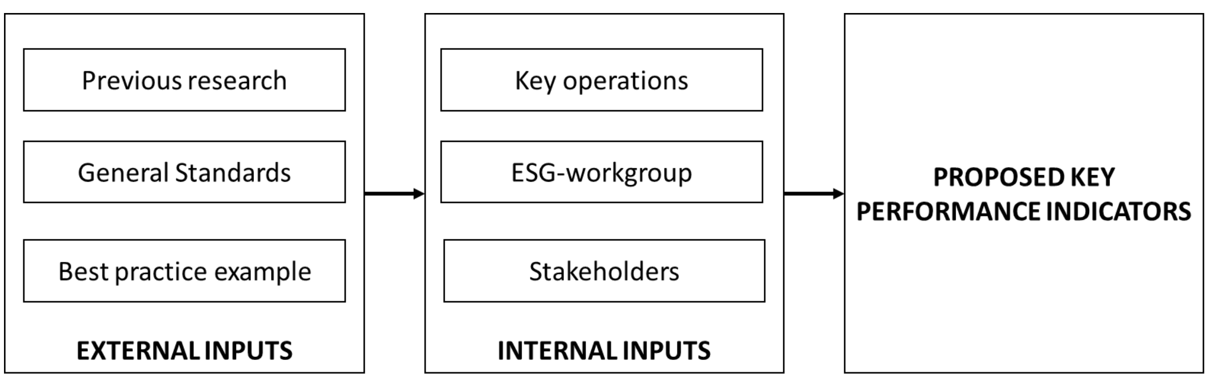

Figure 11. Indicator determination framework

In the theory part we concluded upon the different concepts and ways to define responsibility as well as presented implementation models together with means to outline indicators for the them to be beneficial. The general standards included legitimizing examples and stressed the importance of indicators that are comparable among other companies. Lastly, the external inputs included the review of a best-case practice example, where Stora Enso’s sustainability program and its indicators were analyzed to be able to conclude how an awarded sustainability program measures its performance.

From the literature input we could derive the process analysis method for the study to be able to induct proper indicators for the company to derive performance data out of. This framework has been adapted for the indicators to have a base upon which the other elements can be added and reviewed upon. The general standards defined the implementation and setup similarly to the indicator setup derived through the literature review. These standardized indicators are though reviewed on a more general level and introduced to understand the implications that these have on the company’s efforts. These indicators present the vastness of the indicator pool. Whereas, the indicators, expected as the result of this study, are only to propose the initial set of indicators and are not straight part of any specific reporting method. These are therefore only included for adhered purposes. It is possible that the common reporting methods are to be regarded in the future and for that reasons also, are these questions important to account for. On the contrary to this, the ISO standards are used in the case company to validate processes for environmental and quality management purpose. The best practice case example used in this study offers additionally the study further validation and information how to set up these indicators for improved performance monitoring. This of course is constricted to the information available publicly of Stora Enso and does not offer insight to possible other indicators that the company can be using only internally.

The internal inputs in this study consider the company specific values that are integer for the case company to derive improved data from the set indicators. These inputs consider the case company with emphasis on understanding the key operations of it. These key operations help us define the main areas that are stressed in responsible conduct and for the company to be able to implement their sustainable business strategy with long-term benefits. These operational areas are concluded through examination of the company’s business solution, market and products. Another internal input that has been used for this study is the knowledge and guidance of the ESG-workgroup. Inputs have been gotten through meetings were different solutions and development ideas have been discussed together with specialist of the different business areas. The ESG-workgroup consists of product specialists, legal representatives, sustainability administrators as well as other case by case needed knowledge from personnel inside the company. Lastly, the different stakeholders of the case company are regarded and accounted for the indicators to have a maximal reach. These have been previously defined as important aspects to regard when designing indicators for such implications. The stakeholders are mainly used to meet the different demands and for the indicators to have validity among the different groups that either are affected by or have the possibility to make an effect themselves on the progression of the company’s set sustainable goals. These internal inputs for the indicators are further review in the following chapters before the actual indicators are proposed.

Further along, the indicators are derived based through the ESG-principles of environmental, social and governance. These three aspects are used for the indicators to be categorized and divided into action areas separately. Different benefits are derived through the different aspects and the indicators are showcase through benefits across the different categories. These three elements are the main building blocks upon which the different inputs are reflected on and which adhere to the importance of stakeholders and give the indicators a point of reference.

6.3 Case company sustainability program

The main objectives of the sustainability program in the case company are three-fold. The objectives are to integrate ESG compliance to the group's business and operations, strengthen the company brand and to enable future growth. The sustainability program is part of the company's overall business strategy concluded in a plan for the continuous development of the group's operations. In this program ESG compliance will play a pivotal role.

The company has decided to intersect its sustainability program with a general ESG policy where the company goals are insinuated in the three elements of social, environmental and governance aspects. This is also done in accordance to the requirements of the owners, who stipulate an enhanced contribution and monitoring of these set of values. The ESG strategy is built to support the company vision which is stated in the strategy as follows:

"As part of our vision - A healthier society – the ESG strategy is to ensure environmental, social and governance compliance by using processes and products that are both responsible and economically sound. We create attractive sport facilities that also positively contribute to society, environment and the health and safety of people." (Sustainability Program)

The strategy also identifies 3 key elements to follow, which include (1) sustainable processes, products and services, (2) people and (3) ethics and legal compliance. Sustainable processes, products and service adhere the control and monitoring of compliance with legislative matters and standard requirements in all company operations. Environmental, chemical, safety and other key quality related elements need to be accounted for. Besides, governing the legislative the company also presents intentions to continuously develop these processes through innovation and developing new ways to enhance sustainability in the company's different processes. The second category of people underlines the company's continuous effort to improve the conditions for employees and surrounding society by supporting human and labor rights, health and safety and fair and equal opportunities for everyone. The third-dimension states that the company will obey legislation but also always apply the ethical code of conduct set by the company. This code of conduct emphasizes particularly the importance of supply chain operations for testing and monitoring vendors. It's also stated that the purchase and sell of waste and recycled materials is to be verified with a record kept of all transactions in proper.

The core business of the case company is to build and repair sport facilities, which asserts the company's operations valuable to the surrounding society. The company mission is to make people move by providing sport facilities that serve all ages and give everybody the opportunity to exercise and socialize. The inadequate exercise habits of people are a growing problem that creates cost for the society through heightened healthcare costs. The case company by its operation lowers this cost by attracting more people to move. Consequently, a society that moves and exercises is a society that is healthier. Therefore, the common good potential of the company for society is high and beneficious in all aspects.

The amount and quality of sport facilities also provide individuals even better opportunities to practice their sport, which is essential for the common wellbeing. In the Nordic countries weather is always an element that affects the exercising possibilities of the public and having facilities that can be used around the year in different weather is important.

The company values and understands the importance of sustainability and ESG related matters. In the current phase of evaluating actions the company found the following motivational implications to be the most prominent in moving towards greater sustainability. These are key benefits that the case company is seeking and are presented in table 4. These values represent the core benefits that are to be derived through the sustainable actions and are thus required of the indicators to showcase.

Category	**Desired benefit**
Products	Improved use of resources Quality products
Processes	More efficient processes Improved risk management Improved resource management
Customers	Happier customers
Competitors	Great competitive advantages
Compliance	Improved legal compliance Improved documentation and reporting
Environmental	Less pollution, less waste Greener environment
Employees	Happier employees and stronger employee commitment Less sick-leaves

Table 4. Desired benefits for sustainable actions in the case company

6.4 Proposed indicators

The definition of the key performance indicators for the sustainability program and the company’s responsible conduct are set in this following chapter. The KPIs are defined according the three aspects of ESG, namely environment, society and governance. For each aspect we first define a set of issues that define key areas for the company. Where after, the inputs and stakeholders are considered to propose the relevant indicators to be accounted for. These are issues that the company has defined as crucial, or issues that can be concluded to bear significance in relations to the case company's operations and stakeholders. These can also be general questions that the case company underline as important for the responsible operation of the company. The targets for the indicators are set to reflect according to what is aimed to be accomplish and how the operations are tackled to coup and improve these operations. Finally, when each goal is determined, the key performance indicators can be appointed to reflect the progress of each issues and agenda undertaken. These proposed indicators define and communicate the progress that can be reviewed overtime to understand that the proper actions are taken and to ensure the case company is on track to accomplish the goals set.

6.4.1 Identifying stakeholders and key areas

To be able to build key performance indicators we need first define the stakeholder groups for the case company. Stakeholder involvement is crucial for the KPI to have an appropriate linkage to entities that value and require this information. These stakeholders have been identified by the ESG-work group and are chosen according to their respective implications to the sustainable operations of the case company. The stakeholders are regarded in line with the stakeholder theory and the indicators are set according to these stakeholders for them to have clear view of the conducted actions. For the case company the main external stakeholders are all the different customers, end-users, associations, sporting federations, local communities, governments, shareholders and suppliers. Whereas the internal stakeholders consist of the owners, employees and the ESG-workgroup.

Customers are an important stakeholder group. The case company's customers consist of municipalities, sport clubs, associations, architects and construction companies. The number and size of the different customers vary a lot, there are smaller customers in individual private persons and bigger customers in corporate construction companies. These are also of different type, which asserts the need to review more carefully the expectations that these stakeholders have. Linked to customers are also the local communities that the sporting facilities serve. These communities consist largely of the actual end-user of the company's products. The societal aspect is significant as quality and use of the facilities are key for people having the proper means to use them. Cooperating with sporting associations and local communities to constantly improve these opportunities asserts the case company in a responsible and important position to develop the quality and added use of all facilities. Healthy competition engages all the parties to provide best possible products and lead the business to new innovations in new products. Continuous, product development is important, and the case company has made significant efforts to develop new environmentally friendly products to coup with the rising demands from customers. Simultaneously, this exerts further importance on managing the used raw materials both internally as well as reviewing suppliers.

The case company consists of different subsidiaries in 6 different countries which concludes many different suppliers and customers. Most suppliers are in the close proximity of the Nordics and their neighboring countries, but there are as well suppliers in the larger Europe and in Asia. It is important for the case company to continuously regulate all raw materials that are used. Regulations vary between areas which necessitates also a more precise review of suppliers and materials that are derived from these outer areas.

The case company's owners are regarded as all the shareholders of the company. Owners are of course interested in the performance of the company's sustainable performance and the retrieved added value of these operations. For one, these proposed indicators are developed to convey the actual performance of such initiatives which will showcase accumulated benefits for the added value creation. These indicators will represent values that the owners together with company management and board of directors can apply and make use of to determine appropriate decisions.

The company employees contrive a significant value to the company. Employees are the ones making the called actions to move the company in the direction that has been decided in the strategy. The employees are a resource that also implements these sustainable ideas into practicality. For the employees to be able to implement these sustainable values they need to have an understanding and share the sustainable mindset. The employees form a network of individuals and working groups that move together, where employees therefore must be motivated and drive forward the company represented values exemplary. The whole organizations need to follow commonly made rules that apply to everybody and that support general morals and ethical standards.

The ESG KPI are set out to be determined by the different stakeholders and are arranged according to the seminal categories of social, environmental and governance. These areas and categories are presented in figure 12. These are set up to comply and target all the different stakeholders of the case company in accordance to the different impact generators. These impact generators are aspects that have chosen to represent the pivotal values to the case company.

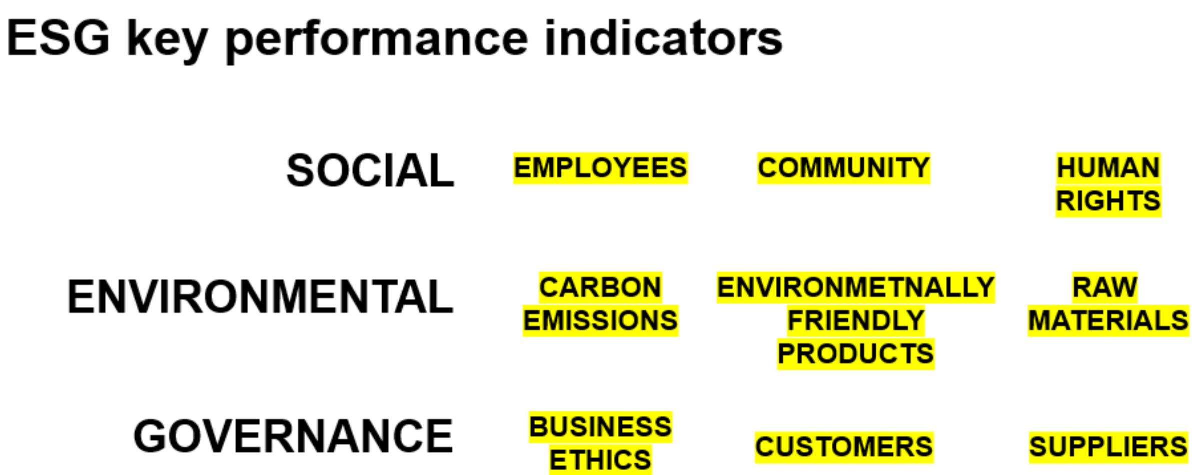

Figure 12. Sustainability KPI framework

6.4.2 Environmental indicators

The organization has planned and implemented different environmental conscious initiatives to meet the growing environmental requirements. This includes initiatives for extending product life cycle of the company's self-manufactured products and improving their recyclability. It has also been decided that the company should emphasizes environmental issues in customer acquisition as well as act in in all situations in an environmentally friendly manner. Initiatives also stress research and development of better complementary raw materials.

A key question the company has faced is the one regarding the infill used for artificial turfs. The infill is usually made of different sorts of rubber and gives the artificial turf its grass like buoyancy feature when played on, simultaneously as it weighs down the turf. In some cases, the fields are constructed with a shock pad underneath the turf layer to compensate the buoyancy and give the turf a more realistic feel. This in turn reduces the amount of required infill for the field. The infill has been a significant issue for the company as well as the whole artificial turf industry. This issue has been discussed widely in media and has in general been a highly recognized topic when it comes to artificial turfs. The concern has been about the speculated health hazards that the rubber granulate would provoke. The issue has gained a lot of traction, but no scientific evidence has successfully been able to prove that any actual health hazards would prevail.

FIFA (2017) concludes there to be three main factors that influence the environmental impact of an artificial turf. These factors include the infill material, the use of shock pad and the type of treatment used for the turf at the end its lifecycle. The different infill materials have different impacts on the environment, for example the virgin polymers have higher environmental impact than recycled rubber and organic infills have lower environmental impact. The use of shock pad on the other hand can significantly also reduce the environmental impact of the field as it may reduce the use of infill by 50-60 %. At the end of turfs lifecycle, the processes used to recycle or dispose the field make up for the environmental impact. Recycling the field is the best solution that carries the lowest environmental impact; where as other options would be to transport the turf to a landfill in the case of polymers and to incineration in the case of organic materials. The importance is that there is a set process for the disposal and that it’s done correctly. (FIFA 2017)

Additionally, artificial turf has recently been linked to as a possible cause of microplastics (plastic particles smaller than 10mm2) that tamper sea life and pollute the aquatic ecosystem when exposed in large quantities. These microplastics may get transferred to the ocean for example through clothes, rain water and the clearing of snow of the fields. These can be counteracted by improving process for snow clearing, proper storing of the infill and maintaining and servicing the fields in according manner. The environmental impact is largely controlled by two things, the manufacturer of the infill and the disposal of it. The case company buys all its infill from suppliers which therefore asserts the case company to track specifically these manufacturers. It is also in the capabilities of the company to oversee and help customers with the disposal and proper handling of the infill to reduce the unwanted environmental impact. Suppliers and the monitoring of these raw materials are reviewed in line among the governance indicators.

The case company has been involved in several initiatives that prolifically try to develop these issues. For one the company has developed and made use of cork as an infill material. Cork has been since regarded as one of the most ideal environmentally friendly solutions for the rubber infill as cork is for example harvested from landscapes that exhibit a vast biodiversity. Though the challenge here is price, as the cork infill is much more expensive than its rubber counterpart. Sand is also many times used as an infill material and is also environmentally sustainable solution but is compromised in the aspect how it imitates properties of natural grass. Recently the case company has also developed a new bio infill that has been tested and confirmed as a valid alternative for the ordinary infill. The new bio infill is made and processed of polystyrene and is applicable as an environmentally sound solution of its biodegradable capabilities. This is a development that can be groundbreaking as to making the artificial turf fields more environmentally friendly by providing a solution that lower the total environmental impact. Therefore, a suggested indicator is to follow and monitor the amount of bio infill pitches that the case company can deliver.

Category	**Subcategory**	**KPI**	**Benefit**
Environmentally friendly products	Bio infill	Number of bio infill pitches delivered	- Improved use of resources - Great competitive advantage - Quality products - Less pollution, less waste - Greener environment

Table 5. Proposed indicator for environmentally friendly products (1)

The recycling of artificial turfs can also be challenging as the turf consisting of different materials wears and loses some of its capabilities. The recycled fields tend to be re-used as smaller fields or recycled as second tier field elsewhere. The materials can also be sold for them to be made into separate products.

Another challenge for artificial turf fields that come to the end of their life-cycle is the current high cost of disposing the field in proper manner. Transportation of the fields as well as the location where to carry out the disposal of the fields lift this price up whereas the improper or even illegal dumping of the fields conclude a significant challenge. Even though the case company isn't necessarily the party responsible for the disposal it is in its interest to contribute the customer with the proper knowledge and assist in accordance.

Artificial turf business took its first steps in the beginning of the 2000s and took off properly in the early 2010s. Currently, when many fields start to come to the end of their lifecycle the question of recycling has simultaneously grown in proportion. This has ensued the need to make the recycling process more efficient and apply better options for disposal. According to FIFAs estimate infill is replaced 1-4% yearly. FIFA has implemented a Quality Program that institutes a set of standards for artificial turfs, which consists of two standards FIFA Quality Pro for top tier level and FIFA Quality for community level. These standards are nowadays used as an industry standard. Costs on environment are calculated according to the amount of waste and by the technique used to dispose of it. United States Environmental Protection Agency (USEPA) has calculated through the Social Cost of Carbon (SCC) method an estimate for the environmental impacts caused by GHG emissions that conclude the cost to the society to be 42 USD (34 EUR) per ton of CO_2. (FIFA 2017)

FIFA underline on key challenge to be getting the manufacturers to take steps to ensure that proper steps are taken for the products to be recycled. The case company with markets located primarily in the Nordic countries has the means of choosing between all the different disposal methods. In these markets recycling is the most viable option because waste disposal tends to be much more expensive due to instated high taxes. Illegal dumping of the fields is also a big challenge for the fields. (FIFA 2017)

Currently there exist a validated process to recycle used turfs through a system developed by Re Match, a Danish company and FIFA preferred partner. This is a solution that the case company also advises to be used and has ensued possibilities to process its fields in cooperation with the customer to these Re Match recycling facilities for the turf pitches to cause the minimal hazardous implications to the environment. This is a good example of the case company's responsibility and cooperation regarding the customer as the owner of the turf in the last hand is the one making the decision about the end placement. Therefore, a KPI is suggested to follow how many pitches are transported to the Re-match recycling factory of ones that the case company has been a part of constructing.

Category	Subcategory	KPI	Benefit
Environmentally friendly products	RE-MATCH turf recycling	Number of pitches sent to RE-Match recycling	- More efficient process - Happier customers - Less pollution, less waste - Greener environment

Table 6. Proposed indicator for environmentally friendly products (2)

FIFA has also instated guidelines for artificial turfs and the proper conduct during and after its life-cycle. They ensue that it is instrumental that suppliers would provide environmental certificates to reinsure that the material quality and environmental control is up to given standards. Compliance with the ISO 140001 is preferable for the supplier to be able to convey these efforts. Of course, additional verification is also preferable for the supplier to be able to provide information about their processes and initiatives in preserving the environment and operating in a sustainable manner. The lack of set standardization creates challenges in this as well but there are initiatives such as the Environmental Technology Verification (ETV in short) that presents confirmation about the applied methods are substantiated. Suppliers are also increasingly inquired about the infills origin, manufacturer and processing method.

Additionally, it is important that the turf is maintained properly. Proper maintenance enables an increased lifespan of the turf, which again enables it to keep the quality longer and lowers the environmental impact. Suppliers can affect these issues by providing the maintenance themselves to ensure the correct and best compatible infill is used. When the same infill is used, materials come from the same source and are purer, which helps the recycling process due to the added efficiency of the known materials. The infill of the turf represents the key issue here.

The case company should also monitor the amount of the raw materials used in the construction process of an artificial turf. Reducing waste and the efficient use of raw materials is regarded under the ISO 14000 standard due to their environmental concern. Through monitoring this the raw material usage the case company can prevent unnecessary costs and develop efficient factory processes. Therefore, a suggested indicator for the raw material monitoring is to follow the use of raw materials in general and to conclude upon how much excess waste is created in the different processes.

Category	Subcategory	KPI	Benefit
Raw materials	Excess waste	Monitor the amount of excess waste created by the production	- Improved use of resources - Improved resource management - Greener environment

Table 7. Proposed indicator for use of raw materials (3)

The case company has also considered further advancing environmental processes by improving the testing of products and auditing suppliers concerning key environmental questions. The main responsibilities regard the questions concerning artificial turf. Artificial turf uses oil-based polymers that especially signify the importance of environmental awareness. Secondary environmental issues are questions regarding energy efficiency of offices, waste disposal and traveling as well as transporting materials in an environmentally friendly way. These all processes contribute in different extents to CO_2 emissions.

One of the most commonly review environmental indicators is the actions that contribute to climate change. Climate change is currently regarded as the main environmental issue on the planet. Even tough, misconception about how this affects companies is prevalent. Only a small amount of companies' report of the plausible financial risk that climate change may cause. Only 28 % of the largest 49 nation's top 100 companies acknowledge the financial risk of climate change in their annual reporting (KPMG 2017). The incentive to acknowledge these risks include physical risks such as storms and drought as well as taxation and lower global use of carbon emissions. Counteracting climate change is not only represented in reporting on carbon emissions but rather a cohesive understanding of the changes that the climate can cause and how that will affect the company. Governments and other regulators have as well a responsibility in asserting the applicable incentives for companies to acknowledge these risks. To further the incentives the Financial Stability Board, the international body monitoring the global financial systems, implemented in 2015 a task force concentrated specifically on climate-related financial disclosures. The main idea with the task force is to determine common practices and recommendations to companies in how to take climate change into account through risk-analysis and climate scenario-analysis. (KPMG 2017)

The challenge is that this concerns the business holistically throughout in different implications., which of some can be hard to conclude upon. In general, these are issues that have already been previously determined as key issues among different companies. For the case company's part these conclude specifically of carbon emissions and proper testing of all its products. Carbon emission is widely used as an indicator to showcase the counteractions against climate change This is something that should be measured and monitored to not over exceed limitations or cause more harm to the environment. CO2 emissions important to be kept in balance. Therefore, it is quite usual that companies compensate these emissions by for example planting trees to balance out the company caused CO2 imbalance.

The monitoring of carbon emissions enables the case company to state the initiative against climate change even if the impact for the case company's part is not necessarily that big. The situation is similar for the products testing. The case company is responsible for the products that they manufacture and buy from vendors. The case company has a wide assortment of different products. It is crucial for the case company to continuously test all these products to ensure that they are safe and as needed. Therefore, it is suggested that an indicator is to be set up to monitor if any product test come up as negative as to not complying with set standards and an indicator to account for CO2 emissions produced.

Category	**Subcategory**	**KPI**	**Benefit**
Environmentally friendly products	Product testing	Number of non-compliant product test	- Improved risk management - Quality products - Improved legal compliance

Table 8. Proposed indicator for environmentally friendly products (4)

Category	Subcategory	KPI	Benefit
Carbon dioxide	CO2 emissions	Change in the total amount of CO2 emission produced	- Less pollution, less waste - Greener environment

Table 9. Proposed indicator for carbon dioxide (5)

6.4.3 Social indicators

The quintessential social goal of the case company is the mission to make people move more. This mission is undertaken by the core business of constructing sport facilities for people in all ages and purposes. Getting people to move more improves the general well-being and advocates a healthier society. Having suitable facilities for exercise in the near proximity of people gives them the possibility to more easily indulge in exercise. This is as well seen as a catalyst of lowering health care costs and gives the incentive for people to also eat healthier. The general incentive to make people move is recorded in the governmental programs of all the Nordic countries and many of which are supported by the law.

The statutory directive inserts the municipalities with operative obligation to create the conditions for people to exercise and the clear goal is to additionally expand sporting activities to new and currently exercise-passive part of the population. It is approximated by the case company that the price of immobility in the Nordic countries is about 15 billion euros. According to a recent study the by the UKK-institute (Urho Kekkosen Kuntoinstituuttisäätiö) the immobility in Finland let alone is approximated to be 3 billion euros (Vasankari and Kolu, 2018)

The case company is involved in a lot of different communities around the Nordic countries. Where there are people there are sport facilities. Communities are therefore one of the most important stakeholders for the company. The communities provide the company means to operate as the communities economic, social and environmental agendas need to mix. The case company is especially in the Nordic countries a significant entity as an employer, taxpayer and supporter of the common well-being. The case company works also in close relationship with the communities to figure out best practices and new innovations together.

Hence, this support can be view by the number of different projects the company is a part of throughout the Nordic countries. New projects mean new and better sport facilities that the local communities can use. This also subsidies the progress of the company's main mission of getting people to move. New sport facilities can be built in new locations where no preexisting facilities have been present, they can be built to replace old facilities, or they can be a combination of both. It would be advisable to also conclude on the what kind of sporting facilities are built to be able to also review how the company is progressing in activating the group of people that currently are passive about exercise. This progress is related only to the case company and its explicitly set goal; thus, it can't be directly compared to another company or competitor. This would rather review the progress of the individual company's performance and its running goal of providing top quality exercise possibilities.

Therefore, the proposed indicator would be to monitor the number of sporting facilities creating in correlation to how many people are able to take advantage and used these facilities. This would represent the improved societal structure with new or improved locations for people to exercise and workout. Benefits from such endeavors are vast and virtuous for the case company as the build of these facilities generate profits for the company and simultaneously helps communities as well as presents the case company the ability to enlarge its sustainability network through these new facilities.

Category	**Subcategory**	**KPI**	**Benefit**
Community	"Make people move" -initiative	Number of created sport and exercise possibilities in aggregate to municipalities	- Happier customers - More efficient process - Great competitive advantage

Table 10. Proposed indicator for communities (6)

The societal aspect of responsibility from a company perspective include the employees in the sense of what kind of work environment the company can provide, how the employees are met, is the work environment safe and why do people choose to work for the specific company? To be an attractive employer the company needs to provide a safe and rewarding workplace. Safety is important in all aspects and it is obvious that companies need to provide occupational health and safety for all its employees. One key determinant is to strive for an accident-free work environment and to provide information, conduct and revise to ensure that proper actions are taken and followed.

A common practice is to follow safety in the work environment through lost-time accident rates (LTA). The LTA refers to the number of lost working time due to accidents per 1 million hours of the total time worked. This time is calculated for job related accidents that cause an employee to be unable to work for more than 24 hours. Therefore, it is suggested that the occupational health and safety be monitored through the LTA indicator. This will bring benefits through improved work environment that can be regarded safe and plausible accidents can be counteracted before they happen.

Category	Subcategory	KPI	Benefit
Employees	Occupational health and safety	Lost-time accident rate (Number of lost-time accidents among company employees per one million hours worked)	- Happier employees and stronger employee commitment - Less sick-leaves

Table 11. Proposed indicator for employee health and safety (7)

The company can also train its employees and offer career paths for them to learn new skills and develop their existing skills. Asserting trainings for employees tends to motivate people because of the gained value of the training and thus making the company more employee attractive. Being vocal about these kinds of opportunities also contrive new motivated talent to be interested in the company. Training employees in general enables the company to improve its performance. It engages employees as well more firmly to the company and supports the investments to be profitable in the long-term. In the case company employee training is set out throughout the group. The training is purposed to provide the current employees with general trainings of subjects affecting their day-to-day jobs. These trainings are insights to different business fields such as financial, legal, project management etc. The goal is to give the employees a more comprehensive knowledge of aspects that effect employees in such aspects they necessarily weren’t aware of. This is an indicator that will be review through the employee survey that determines the overall employee satisfaction of the company workforce.

The company is responsible for their employees and their conduct in the company's name. To validate the company agenda and develop the wider workforce in the company makes the employees, entities that can lead by example and communicate further the sustainable agenda of the company. This is interlinked with how the employees feel about the company, it is also a possible incentive for better more professional individuals to seek employment from the company. Creating this added value, amongst acting responsibly and seeking a sustainable development can be emphasized through the employees. Therefore, a suggested indicator to consider is monitoring the employee satisfaction of the case company to determine the value perceived of the company. The satisfaction is not only made up about the company's sustainability conduct but a cohesive adaptation of responsible initiatives and emphasis on sustainability will be apparent in the satisfactory level of the employees. This can be further developed to include employee opinion of the sustainability related operations.

Category	**Subcategory**	**KPI**	**Benefit**
Employees	Employee satisfaction	Score of annual employee survey	- Happier employees and stronger employee commitment

Table 12. Proposed indicator for employee satisfaction (8)

Human rights are a sector of responsibility on a global field. The respect of human rights and governing them properly is a prerequisite for all companies. Human rights are accounted for by most of the companies in form of public policies that defines actions taken to properly coup with human rights. Human rights are essentially an accurate responsibility issue as it obliges the company to communicate efficiently and transparently of its policies regarded to human rights and also to demand the same efforts of its suppliers for example. The human rights acts are accounted for in the case company code of conduct, that will be revised more closely in accordance to the governance indicators. For the most part the human rights question is apparent in Asia where child labor is more common. Human rights are considered a forgone conclusion in the Nordic countries but to counteract any association with such conduct the case company needs to audit its suppliers for any associations with breaking these general human rights. Therefore, a suggested indicator is to conduct social audits on suppliers to further validate them through reviewing that no changes in how the human rights are met in the foreign suppliers. The case company will have a third-party auditor to continuously conclude of the company suppliers and to ensure that all required conditions are met now and in the future. This will enable the case company to revise possible risks and prevent any unwanted surprises of such activities.

Category	**Subcategory**	**KPI**	**Benefit**
Human rights	Supplier social audits	Number of non-compliant supplier audits	- More efficient processes - Improved risk management - Improved legal compliance - Improved documentation and reporting

Table 13. Proposed indicator for human rights (9)

6.4.4 Governance indicators

The Governance perspective is crucial in the implementation of sustainability related matters. Corporate governance is quintessential in operating a company with a clear set of rules that legitimacy the responsibility undertaken by the core business operations of the company. Through governing correctly, the company can strengthen their accountability and build confidence in their stakeholders. This is a task taken by the company management, board of directors and shareholders.

The governance part of the company’s operations underlines the importance of communicating and managing expectations that keep intact the company’s administrative duties and that steers actions in accordance to appointed strategy. This is also applied in the inducted ISO 9000 standard. A proper governance asserts values to operations and guides employees to conduct in the most beneficial manner. Therefore, it is important to have a clear set of rules that determine these actions. The governance aspects validate further the sustainability related actions as it defines processes and actions of these values to be implemented in the operations of the company. Bad corporate governance can in the worst-case lead to scandalous diminishing of the corporate image and conduct in general. Examples of such are for example the corruption and accounting fraud case of Enron or the test result tampering of Volkswagen. The stronger the governance aspects of the company the more transparent and risk aware the company. The governance aspects are additionally very important for the stakeholders as this exemplifies the undertakings of the company in practices with concrete actions, promises and guidelines to follow.

The governance indicators reflect on the company’s initiatives for such endeavors that exemplify the control of the company and showcase the actual requirements that the company has decided to act upon. In the case company these initiatives mainly, distillate to following set guidelines of the company conduct, which includes the governance for employees as well as monitoring the customers and suppliers. The case company has an insinuated code of conduct policy that positions the applicable values to follow. The code of conduct document describes the set rules for employees and suppliers alike, designates company position to essential laws and regulations and prescribes how the company coups with society and other stakeholders. This document quintessentially describes the general business ethics of the company operations. The case company’s code of conduct includes sections for employee relations, compliance with laws and regulations, environment and sustainability as well as disciplinary measures taken in case of infringement of the policy.

For this purpose, the business ethics aspect is monitored through the appliance of the code of conduct. The case company requires its suppliers and employees to follow the according requirements stated in the document. In this respect a proposed indicator should be to monitor the possibility of any non-compliance of this report. As the non-compliances is kept at zero, this will legitimacy the actions and ethical values of the company further. This would additionally underline the governance aspect of the company and would attribute the massive strength to the company’s value as well as corporate image.

Category	Subcategory	KPI	Benefit
Business ethics	Code of conduct	Number of non-compliances of the code of conduct	- More efficient processes - Happier customers - Improved risk management - Improved legal compliance - Improved documentation and reporting

Table 14. Proposed indicator for business ethics (10)

Another aspect to monitor to withhold the governing of sustainability related matters is understanding the customers. Customers have a significant effect on the case company as they are different in nature. The case company works with architects, municipality governors, construction companies and sports associations alike. These entities have different viewpoints and agendas when it comes to maintaining, restoring and building sport facilities. Municipalities work with a limited capital and strive to facilitate most people in the municipality, whereas private investors and construction companies lay more emphasizes on quality and effectivity. Nevertheless, the case company needs to consider these different customer entities to be able to provide sustainable solutions for their needs.

With the sustainability perspective becoming more apparent in everyday life and in business operations in general, following the trend to in which extent these questions are regarded on the market by end-users and customers has significantly become more important. Analyzing what the customers value when deciding to buy facility services is crucial in many ways but most crucially it is besides price already a determining factor, especially in relation to turf fields.

By regarding its customers and gathering the opinions of the case company's sustainability efforts the company can consider more efficiently trends on how the sustainability actions are taking form in the business front. This helps the case company to get a more in-depth picture of the major cornerstones as well as the more precisely defined matters that may grow bigger in future. The customers will increasingly be asking sustainability related questions and on the contrary being a few steps ahead gives great competitive advantage.

Category	Subcategory	KPI	Benefit
Customers	Customer satisfaction	Customer questioner score in relation to sustainability and responsible conduct	- Happier customers

Table 15. Proposed indicator customer management (11)

For the case company to be able to provide customers with environmentally friendly products and operate in according standard of instituted values suppliers of materials and other products that the company require need to come from suppliers that share the same set of values as the case company. Suppliers need to be monitored and held accounted for the products that the case company buys from them. This cohesiveness is crucial for a the great of sustainable development. As more companies start to require proof and validation of its suppliers the network of sustainability and responsible conduct grows in accordance. This network is crucial for sustainable development in general as it legitimates and communicates the larger point of view to subsequent entities.

The case company has in line with instituted code of conduct also applied a supplier letter with the goal to assert validation and confirmation from the suppliers that they obey and confirm the same kind of conducting values as the case company. The sustainability program of the company considers that all suppliers are prompted to sign the supplier letter insinuating their operations to be applied in the requirements in the letter. Alternatively, the suppliers can provide their own letter of statement about their own operations to confirm with the applied general values regarding sustainable and responsible conduct.

The supplier letter governs the case company suppliers and validates further the end-products the case company uses and provides. This also benefits the company to work in a responsible manner where it requires documentation and proof of items and products that they sell and use throughout their lifecycle. It also enables the company to prosper a cohesive ensemble of products that concur with asserted values of the company and according sustainable criteria.

Category	Subcategory	KPI	Benefit
Suppliers	Supplier letter	% of supplier spend that have signed the supplier letter or provided their own policy concurring with company policy	- Improved risk management - Improved legal compliance - Improved documentation and reporting

Table 16. Proposed indicator for supplier management (12)

7 CONCLUSIONS

This study has determined sustainability and corporate social responsibility indicators to measure and monitor these timely operations of the case company for the it to have perceptible insight of the efficiency and quality of such operations. This study presents 12 indicators for the company to utilize in these efforts. The indicators have been selected by analyzing the case company through methods described in the literature. Here the process analyzing method for setting up sustainability indicators by Chee Tahir and Darton (2010) has been adapted to conclude appropriate indicators. In accordance, to be able to use apt terminology and for the study to have a stern base the three main concepts of corporate social responsibility (CSR), sustainability and environmental, social and governance (ESG) have been defined. The study has also regarded reporting standards and a best practice case example to understand the benefits and needed transparency of the general sustainability indicators. These have been reviewed in uniform to accomplish a general picture of the indicator setup.

The study set out to answer one main research question and two supportive sub questions of the main topic. The main research question was to determine how the case company should define and set up key performance indicators to measure and monitor corporate social responsibility and sustainability operations?

The indicators should be set up so that the indicators enable the company to properly monitor and track its performance in its sustainable initiatives, where the indicators are derived through a common conception of defined sustainable actions that concurrently consider the affected stakeholders and conclude actual values for measures in the operating landscape of the company. These should be set up to also support the responsible framework strategy of the company. For this study the proposed indicators were derived through the ESG framework to consider the subjects of environmental, societal and governance related aspects. The main categories were then considered among the different impact accessors among both internal and external stakeholders.

What aspects should the key performance indicators regard? The key performance indicators should consider aspects that consider the stakeholders in line with the operations of the company. These are aspects that firstly regard all mandatory aspects, such as following statutory regulations. Secondly, these aspects should regard indicators that transparently showcase common place sustainable operations of environmental effects, impacts on society and defined proper responsible conduct. Finally, the indicators should consider aspects that are extraordinary for the company. These initiatives are ones that are emphasized in the company's operations, ones that are extraordinary for the company that need to be accounted for or actions that have a showcase the efforts input in the sustainable value of the company and are beneficial to be emphasized.

What kind of benefits can be derived from the key performance indicators? The benefits derived through the indicators are improved transparency, progression in company defined key operations, validation of company operations and overall improved company image. The benefits of implementing the indicators for these actions are many. The indicators also help the company to determine their progress of the initiatives that in the first place motivated the company to implement this responsible sustainability appointed actions.

To set up the key performance indicators for sustainability and responsibility related actions the company needs to consider the position of their own business, understand the implications of their operations and have a clear agenda of initiatives that they want to aspire. The company needs to also have a clear definition of sustainability and what corporate responsibility means for them. This defines the company's business perspective moving forward and the applied indicators offer information to conclude the direction of this performance. The indicators need to consider business cases of the company as seen in the best practices case of Stora Enso, the company has set up indicators that correlate on general questions such as employees, human rights and environment but more importantly also concentrates strongly on key issues that are specifically inherent for the company.

For the case company the sustainability program is built by adopting the ESG concept and the three main aspects of environment, social and governance. Therefore, these three aspects have been regarded as the focus points for the indicators as well. Through reviewing the sustainability process of the best practices case example, reporting emphasis and scientific literature more precise subcategories have been concluded for the proposed indicators. The indicators consist of employees, community, human rights, carbon emissions, environmentally friendly products, raw materials, business ethics, customers and suppliers. These given indicators have been sought to represent the sustainable value of the case company that determine benefits for its stakeholders and includes the key sustainability related areas of the case company’s business.

The main benefits that the company can derive from these indicators are enhanced control and review of the company’s responsibility operations parallel with improved corporate image, transparency, communication and validity among the company stakeholders. The set indicators are all targeted to one or more stakeholder group of the company. Mainly the benefits are derived from these actions that regard the stakeholders as the company is a part of a network in the bigger picture that is sustainability. For the company to derive any benefits it needs to understand the implications the set operations of its business have. Different stakeholders review these actions continuously and require more and more information about the different aspects of environmentally friendly conducts, what the company is doing counter act negative impacts, how they treat their employees and how does the company govern all these initiatives. Further along these benefits will grow as sustainability can be only seen to grow in posture and responsible conduct is adapted as a core business value automatically rather than forced. It can be concluded that economic measures would validate these actions even further and such benefits can already be derived even out of the set indicators in this study, but they are marginal because of their lack of generalization on a wider scale.

The presented indicators in this study showcase a set of initial indicators that the case company may utilize in its operations. These indicators reflect the endeavors of the case company in accordance to aspirations by the different stakeholders. As these indicators are the only the first iteration they will be constantly reviewed and developed further. The given indicators give the company insight to the performance of the current sustainability strategy and enable the company to review its conducts in line with the ESG agenda. These indicators are set to be reviewed annually together with the annual reports. Consequently, these indicators are review for the target setting but also for their relevance as new trends and other possible agendas emerge. This can mean that the current indicators need to be adjusted or that some new complementary indicators are implemented. The indicator categories presented in this study can though be adapted for new indicators as the categories represent the cornerstones for any business, the concentration of each subsequent category can though be easily modified to suit the new situation. The indicators can also require modification in the future if the company would become publicly listed, regulatory or legislative changes would necessitate new aspects to monitor, the company would decide to implement specific standard reporting template such as GRI or new business operations would create the need to implement new indicators to follow.

The most prominent aspects regarding sustainability that can be expected to change are the environmental aspects. Climate change up front can already be regarded as a major issue that governments, corporations alike, around the world need consider ever more. This can cause regulatory changes that companies need to adapt to or these can be more precise reporting standards to conclude on specific environmental aspects regarding climate change. These are of course processed through time and the consensus currently is that these changes take time. In case of bigger natural disasters these initiatives can be possibly implemented quicker. For companies it is important to stay ahead by analyzing trends and through risk analysis determine precautionary measures for such changes. Consequently, the proper and moral conduct of responsibility ensue companies to have such measures that any new regulatory changes will not come as any surprise.

The indicators will also require some time to be able to analyze the progress in a cohesive manner. The indicators presented in this study are set up to give the company a way to interpret and communicate its efforts in sustainability and to showcase how it conducts in a responsible way. On a longer period, these will communicate stakeholders about the dedication and efforts in these actions in form of a big picture. The data conceived from these indicators are not necessarily ones that can be delved into in detail as trends and the ever-changing environment of the ESG front changes to take its more definite form. As mentioned in the literature review the responsibility operations are still developing and can be considered still undefined as little actual regulatory implications exist. Additionally, the case company needs to determine a communication plan for these indicators to showcase them in a transparent way so that the company stakeholders may interpret the set actions. For the indicators it is important that they are easy to understand and review. The presented indicators are designated to indicate profitable values for the targeted stakeholders.

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