



Master Thesis U.S.E

**“The Impact of CSRD and CSDD Directives On The Approach Of
Multinational Organizations Towards Their Societal And Environmental
Impact”**

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Abstract

The study aims to address the implications coming from the recent changes in the legislative sustainability landscape in the European Union. Recently the CSRD and CSDDD directives have subjected large multinational enterprises operating in the European economy to publishing non-financial reports. The research paints a picture of the approach of multinational enterprises towards the societal and environmental that they create. With that comes the analysis of the initial reactions, implementation of change strategies, influence on the long-term perspective, resource allocation, and stakeholder engagement. The findings of this research suggest that the policies demand from many enterprises to gather new data to consider in the reports, expansion, or creation of the ESG departments, and mapping of their stakeholders. Furthermore, enterprises that in previous years have engaged in non-financial reporting practices are now benefiting from competitive advantage. The research also found clear disparities in the approach towards sustainability practices when considering the geographical context. The qualitative nature of this study acquired the grounded theory approach in which interviews with representatives from different industries were conducted.

JEL codes: Q56, M14, M48, K32, M48

Keywords: CSRD, CSDDD, Social Impact, Environmental Impact, Multinational Enterprises, ESG reporting

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1. Introduction

1.1. Background & Context

Multinational enterprises (MNEs) grow and expand at a fast-paced tempo. Their societal and environmental status becomes ever more prominent with the degradation of natural resources and increasing consumerism tendencies. The classical viewpoint of financial gain has the potential of becoming secondary as the consumers demand the focus of the multinational organizations to turn toward their own needs. As stated by Burritt et al. (2020) for many years the MNEs have been accused of creating the highest negative environmental and societal impact, and as the need for change rises it seems there is no better place to start.

To standardize and place control mechanisms on the reports published, The European Union has put into motion two directives. The Corporate Social Responsibility Directive (CSRD) which aims at standardizing the reporting strategies of enterprises and enforce a more detailed focus on the impact created by them (Primec & Belak, 2022). The Corporate Sustainability Due Diligence (CSDD) directive complements the CSRD as it narrows down the scope of focus to the due diligence of the value chain of the enterprise and the societal impact within (Kent, 2023). The CSR directive alone targets approximately 50 000 companies in Europe (European Commission, 2023), when combined with the CSDD directive of whose target is estimated to impact 13 000 enterprises in Europe and 4 000 outside of Europe the two directives oblige more to report on their non-financial impact (European Parliament News, 2023). Thus, enterprises in Europe have been made to comply with changing standards and policies and perform better due diligence regarding their supply chain management.

At the same time, the paradigm of society has shifted towards praising more transparent, ecological, and sustainable-oriented companies. For these reasons, multinational enterprises based in Europe either voluntarily, or due to falling under the specific criteria of the policies, are to report on their non-financial initiatives (Carmo & Ribeiro, 2022). In addition, enterprises will be obligated to perform high-quality due diligence on their supply chain management (Golicic and Smith, 2013).

Non-financial reporting is not a new term but rather something many multinational organizations have been performing, as it carries financial and non-financial effects such as better financial reporting quality (Wang et al., 2018), increase in transparency and performance (Cuomo, 2024), optimized capital allocation and lower cost of capital (Christensen et al., 2021).

But the quality of such reports could have been questioned as there was no standardized way of creating the environmental, social, and governance reports (ESG), as well as no overarching policy enforcing the creation of them. The publication of non-financial reports creates many benefits for the companies issuing them. Examples of such benefits are, amongst others: enhancing the value creation of the company, higher equity returns, consumer trust, and cost reduction (Henisz, 2019; Wang, 2023). The perspective of gaining benefits of non-financial reporting while not being subject to an overarching regulation mechanism posed a certain threat of possible green washing which refers to misleading stakeholders by making false claims not rooted in practice (de Freitas Netto, 2020).

Previous research has found that creating a non-financial report improves sustainability activities within the company (Lozano et al., 2016). Research by Christensen et al. (2021) validated that real sustainability change is supported by the introduction of a policy mandate. Considering the changes occurring in the European landscape, as the introduction of the directives revolutionizes the approach towards sustainability in comparison to the other world economies e.g. USA and China. It is therefore essential to understand how multinational enterprises (MNEs) address their societal and environmental impacts as influenced by the directives. This understanding is crucial for evaluating the readiness of MNEs to address the societal and environmental effects they create. In theory, the directives aim to not only enforce ESG reporting amongst European-based enterprises but also shift the paradigm of financial gain to creating a positive impact on society and the environment. In practice, little research has been done on the actual impact of the two directives as they have been introduced only recently.

This led to the following interdisciplinary research question *“How have the CSR and CSDD directives impacted the approach of multinational organizations towards their social and environmental impact?”* The research question has both managerial and theoretical relevance as possible changes are being made to strategies and impact creation. The research question required a qualitative approach due to the exploratory nature of the research (Hunter et al., 2019). The inductive approach allows for building theories rather than testing them. This was done through conducting multiple interviews with different industry representatives of the impact as well as consultants working with enterprises affected by the directives - which allowed for a more widespread understanding. The study followed a grounded theory approach

promoting a constant comparative analysis to draw new theories during the gathering of the sample (Dunne, 2011).

The study contributes to academic research as it analyzes the effects of implementing and developing non-financial reports of multinational organizations affected by the two directives. The research benefits society which, as external stakeholders, can use the insights of the research to hold companies accountable for their impact. The research presented adds to the scientific discourse as it lays the ground for continued research and analysis of the approach of enterprises to creating positive societal and environmental impact which goes beyond the necessary changes made to comply with directives. The theories on resource management and capabilities, stakeholder impact, cultural dimension, and change theories have been adapted to improve the understanding of changes happening within multinational enterprises based in Europe as well as to the sustainable landscape. Moreover, the research can serve as a supporting material for strategy managers as it provides insight into the experience of enterprises across industries and their differentiating approach towards societal and environmental impact.

The paper is therefore structured as follows. Chapter 2 offers an in-depth review and analysis on the current academic knowledge on the topic and impact of policies on enterprises' approach toward their societal and environmental relevance. Chapter 3 provides the methodology and the empirical setting of the study alongside the method, and data collection. Thirdly, in Chapter 4, the results of the research are provided alongside their interpretation. Lastly, the results are discussed and final conclusions are being drawn based on the findings of the research.

2. Literature Review & Theoretical Framework

2.1. Non - financial reporting

Corporate sustainability (CS) is a concept strongly based in the report published in 1987 called the Brundtland Report in which the enterprises were urged to make progress towards economic development that could be maintained while not depleting natural resources (Bhatia & Tulis, 2015; Swarnapali, 2017). Corporate social responsibility (CSR) being considered an indispensable part of the CS has become a part of enterprises evaluation processes (Van Marrewijk, 2003). With the rise of concerns for the impact enterprises might have on the outside world as well as inner structures the performance and effects of the CSR reporting have been investigated extensively in literature as well as the future implications and benefits experienced by enterprises implementing it (Yoo & Lee, 2018). With the two complementary

directives the CSRD being in motion and the CSDD coming into motion the significance of the non-financial reporting has been growing. Eccles and Krzus (2010) define non-financial reporting as “a broad term that applies to all information reported to shareholders and other stakeholders that are not defined by an accounting standard or a calculation of a measure based on an accounting standard”. The given definition confirms what is being done in practice which is the interchangeable usage of non-financial reporting with terms such as “CSR reporting”, “Environmental, Social, and Governance reporting (ESG)” “sustainability reporting” and “integrated reporting” (Stolowy & Paugam, 2018).

A study held by Shuili Du & Sen (2009) provided insight into the positive and negative effects of CSR reporting. Enterprises providing non-financial reporting benefit from long term building of corporate image, strengthen relations with stakeholders and shareholders, as well as generate positive stakeholder attitudes. However, the study also found that stakeholders often are skeptical of the companies’ reporting measurements and quality. There is a certain risk enterprises take on while creating non - financial reports (Ho, 2017). The stakeholders could become skeptical of the company’s incentives and efforts to report the actual impact they have on the environment, society, and governance (Elving, 2013). The consequences of such a shift would lead to the disadvantages outweighing the benefits. The study from 2009 is only one of many which seemed to highlight the overarching need for a standardized form of reporting directives. A study conducted by Flammer et al. (2019) on the effectiveness and implications of integrating social and environmental concerns into the structures of enterprises proved that the integration of CSR brings forth many benefits. Not only does CSR mitigate short-termism but also increases the value of the company, reduces the emissions produced by the enterprise, promotes an increase in green innovations, and motivates a long-term perspective.

With the two directives CSR and CSDD of the European Union beginning to influence a significant number of enterprises in Europe the research conducted in this paper will become only more relevant over the years, as non - financial reporting will become a certain part of enterprises operations and not a new addition. The literature on financial reporting is vast, however as the ESG reporting concept is quite new, there is still room in the literature to fill out the gap. The engagement of stakeholders, now a necessary part of the non-financial reporting, could have been impacted by the directives. An obligation to report on ESG matters would have, as any new initiative does, influenced a relocation of resources. The gap in research remains of the directives' initial implications and influence on stakeholders

importance, internal resources, introduction of long-term oriented initiatives, competitive advantage and compliance readiness.

In the next paragraphs a more detailed insight of the academic research on the non-financial reporting, the implications of public policies on multinational enterprises and change strategies will be provided. First, the implications of the CSRD and CSDD directives for multinational organizations operating in Europe. Second, the change strategies that enterprises acquire when introducing non-financial reporting. And finally, a more in-depth explanation of the establishment of the research question will be provided.

2.2. Impact of regulatory frameworks on multinational organizations

An increased stakeholder influence on multinational organizations has undoubtedly impacted the approach of multinational enterprises towards their social and environmental impact. The real effects of mandated reporting have been investigated by Fiechter et al. (2022). The findings uncovered a phenomenon of increased CSR reporting actions taken up by enterprises even before the mandate comes into motion. Furthermore the research alleviated concerns of ‘green - washing’ done by enterprises. Instead the activities taken up by enterprises proved to be meaningful resulting in a reduction of injuries, and investment in CSR infrastructure. The enterprises change in operations before the entry to force of the mandates has multiple reasons. The benchmarking effect has been thoroughly analyzed and results prove that it has an impact on the reduction of emissions (Tomar, 2023). The managers' perspectives have been altered and the information they acquire could come from their own newly reported information or from their peers. Nevertheless it is impossible to ignore the possibility of enterprises engaging in sustainability solely for the reason of it being mandatory (Gatti et al., 2019). The consequences of such engagement would alter the perspectives of managers and strategy analysts as their focus would become oriented on reacting to the mandatory reports rather than actively seeking innovative and effective ways to create positive social and environmental impact (Fazli, 2023).

In a study held by Bansal & Roth (2000) enterprises choose to be green due to personal concern, the cohesion of the field they operate in, and the weight of the problem. Most importantly the research also identifies a certain need of enterprises to benefit from a phenomenon called “greening” meaning they benefit from regulatory compliance, competitive advantage, and top management initiatives (Gray et al., 1995).

2.3. Change Strategies

What has always been a reasonable demand from stakeholders of enterprises has now become an obligation - which is mitigating their negative impact on the environment and society (Aven, 2016). As verified by Lozano et al. (2016) the creation and publishing of a non-financial report by enterprises drives sustainability changes in the organizations. However, many enterprises face challenges when producing the reports and much depends on the chosen strategies and approach the organizations will take. The incentives to bring change are brought forth by stakeholder pressure and policies being implemented (Cruz and Boehe, 2010; Burritt, 2020). The careful balance between economic aspects and the societal and environmental needs poses a challenge for MNE's.

As mentioned above, the motivation of an enterprise to integrate sustainability can be rooted in many reasons. Enterprises gain validity and stakeholder support through transparency as well as gain financial benefits if the sustainability integration is performed rigorously (Flammer et al., 2019). By gaining the insight of theories this research will become more informed on the influence of directives. This research will explore whether the directives have changed the paradigm to a more holistic and sustainability oriented functioning of enterprises. And if so, what are the compliance mechanisms/ strategies through which they have been impacted, and can those mechanisms be explained by the four theories?

First and foremost, stakeholder theory implies that organizations must take into account the interests of all stakeholders that are affected by the enterprise's actions (Freeman, 2010). Such responsibility is further associated with the company's voluntary response to the stakeholder needs to gain insight into the market, and so it is the stakeholders who shape the long and short-term goals of an enterprise (Freeman, 2023). However, with the introduction of the CSDD legislation it is crucial to investigate whether other stakeholders, which previously had less significant influence, have grown in importance to the company e.g. labor workers in supply chains. Enterprises can adopt a stakeholder perspective in compliance with the due diligence legislation, engaging with diverse stakeholders whose interests are various yet joint to address and identify potential social risks in the supply chain (Lumpkin & Bacq, 2010). The stakeholder theory could re-shape the business models of an enterprise making it more tailored to the needs of entities affected, and opening a more ethical and 'human' conversation between stakeholders and MNE's (Freudenreich et al., 2019).

Secondly MNE's must of course consider their internal resources and their own abilities. Complying with the directives might influence: the allocation of resources, division as well as short and long term revenues (Héritier & Prakash, 2015). Therefore resource - based view (RBV) theory is considered. The theory puts focus on the internal resources of an organization and emphasizes its capabilities of creating sustainable strategies to gain competitive advantage (Madhani, 2010). The focus on societal and environmental aspects could require the enterprise to perform new market analysis, involve new stakeholders, acquire new employees specializing in sustainability, and allocate their resources differently. The RBV does not consider the stakeholder perspective. Therefore as proven by Freeman et al. (2021) the resources based view and stakeholder theory complement each other. The combination of both perspectives could give the MNE's a greater standpoint and a competitive advantage.

As described by Reinholz & Andrews (2020) a theory of change (ToC) is a comprehensive description of strategies, actions, conditions, and resources that can be allocated to create a positive impact. ToC allows for a deeper understanding and a more tailored allocation of resources allowing for a sustained practice and compliance with the CSR and CSDD directives. A key component of the ToC is establishing core principles, and defining the change (Beisser, 1970). For managers to understand the impact their enterprises are creating, they must evaluate and analyze, define the activities, outcomes, and context and understand why the initiative works (Weiss, 1995). Defined by (Connell & Kubisch, 1998) a ToC can sharpen the planning and implementation of the initiative. In light of the mandatory reporting directives MNE's will face the challenge of re-evaluating their strategies, societal and environmental impact, and perhaps the long-term vs. short-term perspective has been influenced. .

Lastly, the theory of cultural dimensions proposed by Hofstede et al. (1993) focuses on the factors shaping an individual's perspectives. Hofstede argues that "Societal cultures reside in (often unconscious) values, in the sense of broad tendencies to prefer certain states of affairs over others" (Hofstede, 2001, p. 5; Hofstede, 2009). Such an approach influences the organizational culture within enterprises and creates differences in the approach of companies depending on the context they are put in e.g., geographical context. Furthermore, as proven in the research by Vanhonacker & Pan (1997) the significant difference in culture affects how businesses operate. The CSRD and CSDDD target all European countries without assuming

cultural differences, which could affect the non-financial reporting abilities of MNEs dependent on the country of operations. Therefore, the theory is acquired.

The stakeholder theory, resource-based view, theory of change, and theory of cultural dimension explain specific factors differently. Each theory focuses on a different aspect of a strategy and values different elements. Theories explain different findings and put focus on different elements of change strategies/mechanisms to foster positive social and environmental impact. Therefore, to better understand the specifics of each theory a table representing the literature framework of the research has been made (Figure 1).

Figure 1: Table Of Theories

Theory name	Stakeholder Theory	Resource Based View	Theory Of Change	Theory of cultural dimension
Perception 1	Divides stakeholders into groups and defines which are deserving or requiring the attention of management and which are not (Mitchell <i>et al.</i> , 1997)	Perception of people as resources (Mueller, 1996)	Guides the development of evidence-based initiatives of an enterprise (Reinholz & Andrews, 2020)	The values and core principles shared within a country influence the operational strategies within them (Gray <i>et. al.</i> , 1988).
Perception 2	Firms that manage for stakeholders give salience to multiple and often competing stakeholder interests when they make decisions (Mitchell <i>et al.</i> , 1997)	Examines a firm's competitive advantage emerging from unique internal resources that the enterprises has (Freeman <i>et. al.</i> , 2021)	A means of developing and managing partnerships and partnership strategies (Beisser, 1970)	The observable behaviors come from deeply rooted values and beliefs and become the external manifestation of them (Hartmann, 2014).
Perception 3	Stakeholders are a group without which an enterprises would cease to exist (Freeman & Reed, 1983)	Resources are the enterprises most significant component (Madhani, 2010)	Helps mitigate and predict possible risks (Weiss, 1995)	Cultural background influences the decision making processes (Hofstede, 1983).

2.4. The research question

The literature frameworks extensively analyze the impact of regulatory policies on the enterprise's organizational effects, and the reasoning behind a company becoming more sustainability-oriented. There is however, a certain gap in literature concerning the impact of specifically tailored directives to the societal and environmental impact the enterprises have. It

would be particularly interesting to understand the immediate impact the CSR and CSDD directives have on the enterprises approach towards their societal and environmental impact. As mentioned above enterprises are adjusting their approach and strategies to comply with introduced directives even before the entry-into-force (Fiechter et al., 2022). As the CSDD directive has only been introduced recently and enters - into - force from 2024 meaning the first impacted reports will be released in 2025 it is important to analyze the uptaken initiatives of MNE's. As researched by Tettamanzi et al. (2022) addressing the societal and environmental impact enterprises create is crucial considering the impending crisis such as pandemics, and climate change. The enterprises should therefore aim to create high-quality disclosure reports which in turn would help protect the environment and society. By becoming transparent and giving control and verification mechanisms to stakeholders, enterprises will become accountable for their impact. Therefore, the object of this research is to investigate what multinational organizations in Europe which are subject to the directives have planned or have put into working to address the created by the environmental and social impact to comply with the CSR and CSDD directives. Hence, the research will follow the given research question:

“How have the CSR and CSDD directives impacted the approach of multinational organizations towards their social and environmental impact?”

What is meant by “approach of multinational organization” are any activities or projects implemented within the enterprises to create positive social and environmental impact. The difference in approach could depend on the industry the enterprise is operating in, the number of European countries the industry operates in, and the experience in a sustainable approach. Many multinational enterprises in Europe have long since created voluntary reports and in comparison, others are only now beginning to introduce them. By understanding the change strategies, compliance mechanisms, and initial responses to the implementation of the CSRD and CSDDD the research will add to the literature discourse by addressing the approach to societal and environmental impact.

3. Methodology & Empirical Setting

The following section will describe and explain the chosen methodology to answer the research question *“How have the CSR and CSDD directives impacted the approach of multinational organizations towards their social and environmental impact?”*. The exact reasoning behind the methods will be explained in detail. Firstly, the empirical setting of the study will be

identified. Secondly the choice of grounded theory for the specific research will be justified. Thirdly, the data collection process will be described in detail.

3.1. Empirical setting

Legal Setting

The European Union is part of the European Green Deal strategy (Fetting, 2020), which caused the introduction of directives to enforce on multinational organizations the focus on environmental and societal impact (Borowicz & Czerepko, 2023). While progress was being made before, the impending climate crisis has influenced the need for greater stakeholder engagement (Tettamanzi et al., 2022). Therefore, a more ‘holistic’ approach has been introduced into the structures of many multinational organizations powered by the (from now on) mandatory non-financial reporting. The ability of European multinational enterprises to follow the directives and perform the required due diligence will determine the influence of the European Union’s sustainable development goals. The Corporate Social Responsibility Directive came into motion on the 5th of January 2023 impacting the reporting processes and strategies of all large companies. The directive was enforced upon the enterprises to introduce non-financial reporting alongside financial reports. The standardization of reporting processes was long coming and sparked the hopes of impacting the approach of organizations towards the footprint on the environment and society. As the first reports will be published in 2025, we are currently seeing the first impacts of the directive (European Commission, 2023). Companies which are subject to the CSRD will need to report following the European Sustainability Reporting Standards (ESRS). The ESRS was developed by the EFRAG which serves as an independent body to bring together different needs of various stakeholders. The standards specify which aspects of the environmental and societal parts the enterprises should focus on in their non-financial reports (EFRAG, 2023). Both investors and stakeholders should have the ability to access information about different enterprises and their approach towards sustainability to better assess investment risks, and impact on the environment and society.

A year later on the 24th of May 2024 the Council of European Union approved the Corporate Sustainability Due Diligence Directive. The directives aim is to motivate enterprises to foster sustainable approach and responsible corporate behavior. The new policy is meant to ensure that the targeted enterprises take stock of their impact and not only report on their actions but rather also implement changes into their structures to ensure a sustainable and safe supply chain.

The CSRD directive focuses on the inclusion in reports of the social (S), environmental (E), and governance (G) aspects. The CSDD directive targets more directly specific parts of the value chain. The difference between the two directives is the usage of the term *value chain* in the CSRD directive whereas in the CSDD directive, the supply chain is defined as the *chain of activities* (Directive, 2022). The phrasing moves the directive away from the classical viewpoint of evaluating the value chain and supply chain from a higher standpoint but rather encourages enterprises to perceive their impact as something of a “domino effect” - one action leading to another. It seems both directives complement each other by enforcing a reporting mandate alongside implementing changes in the value chain and turning the focus of enterprises from financial gain to social and environmental gain.

Social setting

As the directives impact real entities which are enterprises operating in Europe the setting of the research is dual. As mentioned above the legal side of the directives is taken into account. However, the most important part is how the directives affect the stakeholders, management board and employees of the enterprises. Furthermore, to understand if the managers, CEO's, and employees noticed any changes or had partaken in any changes happening within enterprises caused by the implementation of the directives, interviews with specific representatives have been conducted. Some enterprises interviewed have previously partken in sustainable initiatives. Therefore, to validate the data gathered from the interviews it was sometimes compared with the ESG reports published. Also, a critical comparison of what the directives demand now from the ESG reports in contrast to what was previously written in the non-financial reports is given.

Geographical setting

The research acquired information from two European regions which could be divided into Western (The Netherlands, Austria) and Eastern (Poland) Europe. An interesting contrast was discovered in the approach to sustainability which depended on the geographical context dependent on the country of employment. Poland represented a certain unwillingness to become sustainable grounded in misconception, focus solely on financial gain, lack of necessary resources. Such can be caused by many factors. However, the most prominent ones are most of the Polish enterprises are still owned by the founders, which means they don't have an outside body that is financing them such as a private equity fund which in many enterprises results in a lack of an advisory board that specializes in sustainability. Secondly, significant delays in progress have appeared throughout Polish history due to war, occupation, and

socialism. Whereas the Netherlands and Austria are countries which in the past hundred years have not faced a setback in technical revolution and economic growth. The recent changes and implementation of the directives raise questions in real-life settings about the impact on the environmental and societal approach of enterprises that the directives have.

3.2. Method

A qualitative approach is most suitable due to the need to gather data and investigate in depth different perspectives, of a wide variety of cases and individual approaches of different enterprises (Pathak, Jena & Kalra 2013). Proof and data must first be gathered based on interviews, literature reviews, and case studies to later draw theories and conclusions. The research will not be based on quantitative data as environmental and societal influences are practical and not specific problems (Palinkas et al, 2015). To answer the research question *“How have the CSR and CSDD directives impacted the approach of multinational organizations towards their social and environmental impact?”* A grounded theory approach was chosen for which semi - structured interviews were conducted with the employees, managers, and CEO’s working in enterprises across different industries ranging from the real estate, textile, coffee, food, transport, and beer industries, as well as ESG consultancies.

The grounded theory (GT) approach originated in 1967 and was originally developed by researchers Glaser & Strauss. As described by Glaser & Strauss (2014) “GT helps us to see things as they are, not as we preconceive them to be.” Therefore the GT allows for developing a theory which is ‘grounded’ in the gathered data rather than a predetermined hypothesis. New theories are developed through the gathering of data until a certain data saturation is achieved meaning no more new theories are being developed (Strauss & Corbin, 1997; Cutcliffe, 2000). In other words as described by Gioia et al. (2013) the qualitative research demands from the researcher to “get in there and get your hands dirty” since the researcher must investigate the topic thoroughly and comprehensively, constantly searching for new theories.

3.3. Data Collection

3.3.1 Sampling

With the use of grounded theory purposive sampling was selected. With the chosen method of sampling the researcher decides what must be known and finds interviewees who can provide answers to the research topic based on their expertise and knowledge (Tongco, 2007). As claimed by Glaser & Strauss (1967) purposeful sampling is a suitable method for a grounded

theory approach. The specific approach to sampling allows for discovering categories and finding new connections between samples to later arrive at a theory (Bagnasco, 2014).

The sample collections began by researching employees on different stages of the work ladder working in multinational organizations operating on the European market. The underlying criteria was a connection to sustainability, ESG reporting, or involvement with the CSRD or CSDDD. The potential interviewees were approached through linked in or a personal network. The messages sent included the explanations of the research and the main research question.

Figure 2: Tabel Of Interviews

Interviewer ID	Position	Industry	The region of employment	Size of the company Large>250 employees	Interview duration in minutes	Face-to-face or online
1	ESG recruitment consultant	Consultancy	The Netherlands	Medium	30	Face-to-face
2	Operation & sustainability director	Coffee	Austria	Large	52	Online
3	Associate director & strategic consultancy	Building Energy Auditing	Poland	Large	40	Face-to-face
4	Sustainable Products Intern	Retail	Netherlands	Large	30	Online
5	Associate Director/ ESG consulting	Consultancy	Poland	Large	58	Online
6	CEO	Sustainability & Circular Economy consultancy	Poland	Medium	56	Online
7	CEO	Sustainable transformations	Benelux	Medium	41	Online
8	CPA	Beer	The Netherlands	Large	35	Online
9	CFO	Food	Poland	Large	40	Online
10	Sustainability Intern	ESG reporting	The Netherlands	Medium	33	Online
11	Impact Consultant	ESG reporting consultancy	The Netherlands	Medium	34	Online
12	CMO	Transport	Poland	Large	50	Face-to-face

Figure 2 offers an anonymous overview of the positions of the interviewees as well as the industry they operate in. Furthermore the duration of the interviews as well as the format are given. In total 12 interviews were conducted with a majority being high - key stakeholders.

3.3.2 Semi - structured interviews

A semi - structured interview model was assumed as it allowed for a certain flexibility and additional questions which were not written down in the interview guide. During the interviews often the interviewees discussed a topic previously not considered by the interviewer. A semi - structured interview is fitting to the nature of the research question as the main goal is to understand the individual perspectives and positions of the interviewees (Magnani & Gioia, 2023), whose work is connected to the CSRD and CSDDD. The 12 interviews were conducted either in person or via the MS Teams channel as some of the participants were from abroad. Some of the interviews were conducted in English and others in the Polish depending on the origin of the interviewee. The average duration of the interviews was approximately 35 minutes.

Before the interviews the interviewees were sent the informed consent sheet for them to sign and understand the nature of the research. During the interviews all interviewees were informed that all the shared information will be anonymous. Next before and during the interviews were asked for permission to record the meeting in order to be able to transcribe the interviews.

To ensure that the interviewees did not stray too far away from the researched question and that all participants were asked similar questions - which were adjusted to their unique position - an interview guide was created. The interview guide can be found in Appendix 1. The main topics of the interviews were: changes in the approach towards societal impact of enterprises after the introduction of the CSRD and CSDDD; approach of enterprises towards their environmental impact after the introduction of the CSRD and CSDDD; possible challenges; possible opportunities; change in the approach towards stakeholders; possible collaborations with NGO's influenced by the introduction of the directives. By the guidance of these topics, the creation of specific relations was possible as well as, definition of certain themes. This allowed for a comprehensive understanding of differentiating approaches, possible repercussions, struggles and opportunities of various enterprises.

The semi-structured interviews were conducted with representatives of different industries (see Figure 1). The representatives were employees responsible for creating ESG reports, supervising sustainable change, and providing consultancy support for companies striving to create ESG reports. The coding of the interviews provided the final findings on how the implementation of the CSR and CSDD directives impacted the approach of enterprises on the social and environmental impact they create as non-financial reporting is becoming mandatory.

3.4. Data Analysis

Transcriptions were made using the MS Teams channel or TurboScribe.ai after which they were transferred to the word format and later corrected. Additionally some interviews were translated from Polish to English as some of the interviewees' mother language was Polish and conducting such interviews in English could result in a loss of information and a less familiarized approach towards the topics. The translation was a necessary process as the next step was “open coding”. Open coding refers to a method of generating theory which is participant - generated (Glaser & Strauss, 1967; Strauss & Corbin, 1997). Coding was a necessary step since as described by Blair (2015) “The ‘answers’ that lie within their data are not always explicit and methods need to be employed in order to extricate these ‘answers’”. In light of such a statement using an NVivo software to create the codes was deemed a necessary step to create depth in the research and ensure the themes were found. A detailed guide to the coding process is shown in Figure 3 which follows the Corley & Gioia (2004) framework first - order concepts were created which meant gathering the most important points from each interview regarding the topics of interest. From the initial concepts second-order themes were created in which the emerging concepts were narrowed to the ones most prominent. Such concepts as described by Gioia et al. (2010) “leap out” as the coding progresses and their relevance becomes clearer. Lastly, the gathered full sets of first - order concepts and second - order themes were used to build a data structure and derive the aggregated dimensions. The findings are represented in Figure 3 as in such a way the rigor of the research can be proven in qualitative research (Pratt, 2008). Appendix 2 presents the codebook which offers a more in depth perspective including, code names, word frequency, and hierarchy.

3.5. Data Validation

Figure 3 represents the first order concepts, second order themes and aggregate dimensions based on the framework of Corley & Gioia (2004).

3.5. Data Validation

Figure 3 represents the first-order concepts, second-order themes, and aggregate dimensions based on the framework of Corley & Gioia (2004).

Figure 3: Table of concepts



4. Results and Interpretation

During the process of conducting the interviews, an interesting finding was observed. This was not the aim of the research. Still, the interviews were conducted with interviewees who could be divided into two groups: the representatives of Western Europe (Dutch and Austrian) and representatives of Eastern Europe (Poland). A certain distinction appeared in the approach of enterprise and approach to stakeholders and resource management. The differentiating approach is associated with the geographical location and the social setting. It is therefore most interesting to understand the impact of the directives on influencing change strategies. The directives assume all European countries are equal and thus equally prepared to implement ESG reporting and focus on creating positive social and environmental impact. However, the impact of the societal settings and demographic factors impacting the perspective of individual stakeholders is stark. Such perspectives create a certain rift between countries even within a supranational political and economic union. The above-mentioned results bring contributions and repercussions of the implementation of the directives. The consequences are proven in the changing approach of MNE's towards the societal and environmental impact they have and create.

4.1. The impact of the CSRD and CSDDD on the enterprises

The initial impact of the CSR and CSDD directives will be presented in the following section. The implementation of policies has caused amongst change strategies also emotional reactions such as fear of the compliance process, as well as, excitement about the move-in-motion of the directives.

4.1.1. Approach Towards Sustainability

The scale of impact of the directives can be measured in many ways. Starting from a growing number of employees specializing in non-financial reporting, through changes in the chosen key performance indicators, to pursuing collaborations with NGOs. As the level of advancement and capabilities to creating non-financial reports varies, different enterprises in different industries take on divergent approaches. For many of the enterprises the directives are added to the list of a number of other policies they need to comply with. The most prominent quality of the directives was that viewed from the mobilization and organization standpoint they carry a positive impact. The interviews show a significantly different approach of enterprises depending on the geographical location. As claimed by the CPA of an enterprise operating in the beer industry (Interview 8) enterprises have experienced a certain motivation

to begin reporting and for the ones publishing reports in previous years to gather higher quality data: *“it's really putting a push in organizations to actually think through the data collection and how it's going to be auditable. We were disclosing a lot on sustainability already, so I think compared to some other companies, it's maybe not as big of a step up in terms of what we disclose, but the style and how we disclose it and even some of the information will be a bit different. So it's definitely a big organizational impact.”* The organization operates in The Netherlands and as many other enterprises in that geographical region has been publishing ESG reports previous to the move-to-motion of the directives. The impact of the directives is more visible in the specification of the data disclosed rather than searching for the necessary information. A certain different angle seems to be discernible amongst enterprises based in eastern europe where ESG consultants perceive the directives as the only possible way to enforce a move towards a more sustainable approach of the MNE. An assistant director specializing in ESG consultancy in the real estate market (Interview 5) perceives the directives as a necessary step in the progression towards sustainability. *“If we have to, we start thinking about it. Carrots and sticks - the carrot doesn't work, only the stick works and these directives are such a stick for me in the sense that they force organizations to report their activities. And if they report it, it means they will have to do something.”* Here the enterprises are only now realizing the necessity to begin reporting on non-financial matters. The impact is therefore more significant as it serves as a ‘wake up call’.

4.1.2. Fear about the compliance process

Regulations are some of the main players/ drivers to influence change (Hameri & Hintsala, 2009). The directives impose financial penalties if enterprises are unable to meet the necessary requirements in their ESG reporting. As such a certain push has been created, however many non-financial auditors and consultants struggle to understand the specifics of the directives. As expressed by the CEO of a consulting company (Interview 7) *“We're not prepared in that sense that they suddenly have questions coming on what are the criterias that I need to comply with?”*. Throughout the interviews most of the interviewees expressed a certain lack of understanding of the specific measurements and the necessary data to be disclosed when compliant with the directives *“I try to understand this new standard, I'm shaking my head and it doesn't get any easier and it doesn't make it any easier for the organization to function.”* (Interview 3). The reports published under the CSRD will be only available from 2025 onwards. It is therefore not only the enterprises but also the sustainability consultants who are

trying to grasp the specific requirements and tailor them to the distinction of an industry, as there is no blueprint to follow.

4.1.3. Excitement about the directives

Amongst the interviewees there is a certain excitement, or more specifically hope for change. Many sustainability consultants have been, for many years, hoping for a certain change in the approach of MNE's towards sustainability. Most of them claimed that prior to the introduction of the directives, enterprises had to be thoroughly convinced to begin any non-financial reporting operations. Whereas now it has been the enterprises reaching out to them asking for help. *"The directive will be a bit of a stick and a motivator, not for reporting, but for action."* (Interview 6). What's more, the directives eliminate potential greenwashing practices done by enterprises to gain stakeholder favors and market competitiveness. Rather, the ESG reports will be comparable to financial reports valuing the information side over the marketing side *"forcing companies to step away from the style of sustainability reporting, which is, you know, let's just make it look glossy and have these really amazing pictures of everything that we're doing is so great and perfect when in actuality it should be much more formal, similar to a financial report where there's not all that fluff as it should just be very transparent."* (Interview 8). The directives have enforced transparency, by putting the non-financial reporting on the same level of importance as the financial reports.

4.2. Changes within the enterprises

The directives have influenced changes within the enterprises. MNE's have begun creating or extending the teams responsible for the creation of ESG reports, and the gathering of necessary data. The policies have also influenced the involvement of the managing board into sustainability processes. The stakeholders of an enterprise have grown in importance, and enterprises will now need to begin mapping their stakeholders - which for some is a new practice.

4.2.1. Development of the ESG team

The directives create, possibly new previously not taken into account, costs. As the enterprises prepare to begin releasing annual non-financial reports, new employees specializing in such are needed. *"So we've had to hire a ton of new people to go through these standards because it's not just the company itself deciding what we wanna report out and what we think is material."* (Interview 8). The enterprises have now been forced to create a department within the organization or hire a separate consulting agency to manage the gathering of necessary data

for the reports. Such data includes specific key performance indicators, creation of materiality matrix and information on operations & risks amongst many more. The engagement of the management board has changed and now the information shared is different. *“There’s been a concerted effort to provide more transparency and detail in our product content. We’re now including more information about the sourcing of materials, the production processes, and the overall environmental impact of our products.”* (Interview 4).

4.2.2. Involvement of the Board

The involvement of the employees is undeniable and a necessary step to increasing willingness and ability of enterprises to comply with the directives. As expressed by the ESG reporting consultant (Interview 11) *“the conversation has shifted really a lot and also what has shifted a lot is the players involved. I talk now to CFOs. I never talked to CFOs before. CFOs never cared about sustainability before and now, finally, because they are the end responsibilities of signing the CSRD reports, they have to care, it’s under their umbrella and then you are at the table with the right people. These are the people with the money. These are the people who influence decisions.”* The impact of the directives is not only seen in the number of new employees, but also in the engagement of specific members of the board. The creation of the ESG reports has grown in importance becoming one of the main focuses of the enterprises affected by the directives.

4.2.3. Stakeholder engagement

The needs of stakeholders are now something that must be taken into account when publishing an ESG report. Thus the stakeholder pressure has become one of the greatest influences on the enterprises. Some of the interviewees expressed that it was the stakeholders who influenced the reporting rather than the directives themselves *“Because of the directives now you need to have a dialogue with stakeholders, which is something that most companies didn’t/ don’t do.”* (Interview 11). The mandatory non-financial reporting requires the enterprises to create lists of their own stakeholders. As expressed by some interviewees many of the MNE’s are not aware of their impact and who are their stakeholders. Bringing an outside perspective, which a stakeholder has, can help create a view of their own value chain. Therefore bringing positive value to the enterprises. The directives have given a voice to the people affected by MNE’s, creating a more ‘humane’ relation. Understanding the stakeholder needs is seen as part of opportunities coming from the directives. The enterprises have been motivated to introduce sustainability oriented practices, and in result have been gaining stakeholders support. To

understand the specific needs of their stakeholders some enterprises have begun doing extensive research, and following rigorous procedures to gain insight and clear answers as to “what it is that their stakeholders need?”. In an interview with the CFO responsible for all sustainability initiatives within the enterprises (Interview 12) it was shared that *“So it is not that it is done once and that's it. This is a process that we do on every market every year. We did the first analysis based on personal interviews. So we had meetings with these groups, and they were invited. We do surveys this year. This year we sent a survey to all groups, it is also divided into employees, management, and investors, because there are also investors in our group.”* The engagement of stakeholders, their power, and realization of their importance by MNE's is growing and has been influenced by the move-in-motion of the necessity to create non-financial reporting.

4.3. Challenges coming from the directives

The directives, as a very recent topic, create multiple challenges for enterprises as well as for the outlook on the positive social and environmental impact. The initial results indicate that the MNE's are focused on complying and in majority have not dedicated resources into creating positive social impact. The results also indicate a certain issue with the comparability of the published ESG reports due to different levels of progress of various MNE's in gathering the necessary data and knowledge on how to report. As part of the challenges it was also identified that the directives will in the future influence more than the MNE, but rather also affect small and medium enterprises.

4.3.1 Lack of impact

The aim of the directives is to enforce a certain focus and care for the societal and environmental impact that enterprises create. However, throughout the interviews it was clear that despite a few examples against that statement most of the enterprises have not yet taken into account the impact but rather focused solely on reporting. The implementation of non-financial reporting is taking up most of the resources enterprises provide for the sustainability departments. The time and resource consuming attempts at understanding the specification of the standards leave no room for actual change. As expressed by the CPA (Interview 8) *“CSRD puts a huge burden on companies because we're so focused on reporting on KPIs that might actually not be super relevant or be very difficult to interpret. I think that does sometimes take away energy from the actual problem of trying to solve, you know, how we want to become more sustainable.”* The lack of social and environmental approach is most visible in an eastern

European country - Poland- where enterprises are only now beginning to gather the necessary data for the reports. The Associate Director ESG consultant said (Interview 5) *“companies come to us and say, tell us what is the least we can do, prepare us an offer for the absolute minimum, which we must meet.”*. Amongst the interviewees there was a certain confidence that at some point enterprises will begin to take into account the focus on positive social and environmental impact - even if only for competitive advantage. However this bright perspective is followed with the concern whether the world has enough time to wait for the enterprises to begin serious changes. Amongst the interviews the common perspective was of the struggle of enterprises to find space to focus on the actual reason behind the implementation of the directives. As expressed by the CPA working in the beer industry (Interview 8) *“So all these different governments are doing different things, and almost like they're trying to walk around the problem rather than actually creating a course of action and all working together.”* It seems the panic of creating ESG reports has taken up most of the resource enterprises wield. Nevertheless some MNE's see a possibility of creating a bigger positive impact with the chance of receiving extra funding. As expressed by the CFO operating on the food market (Interview 9) *“The company's chances include the possible release of EU/government funds for large enterprises to implement investments that reduce the company's impact on the natural environment (CO2 emissions, sewage, waste, water, closed circulation)”*.

4.3.2 Incomparability

According to the majority of the interviewees the real impact of the directives will be hard to assess. As mentioned above the directives assume all European Union countries as equal. However, individual countries often have their own directives and policies already implemented. Furthermore global standards such as an International Standardized Profile (ISP) which standardizes the information transfer put extra pressure on the enterprises attempting to comply with all regulation to avoid taxonomy. As noted by the CPA working in a multinational beer industry (Interview 8) *“what burdens could maybe come from there being a lack of alignment with other standards, or that we're all moving at different pieces? I think that creates a lot of challenges for companies.”* Interviewees working in enterprises operating on multiple markets expressed how the growing issue of complying to multiple standards slows down the process of evolution and takes away the resources from creating positive impact to simply complying.

4.3.4. Impact on more than the MNE's

The directives only target, at least on paper, the multinational enterprises operating on the European Union market. However, as expressed by the interviewees many of the smaller and medium sized enterprises will be affected as well. Specifically after the move to motion of the CSDDD as it emphasizes the due diligence of the value chain of an enterprise. Multinational enterprises will now be obliged to choose more sustainable distributors and producers, as to follow the necessary requirements of the directives. Therefore the small and medium sized enterprises will also need to begin reporting on their sustainable proceedings to gain competitive advantage and remain on the market. Once more the difference between the eastern and western European industries is clear. In an interview with the CEO specializing in transformation consultancy in the Benelux market (interview 7) a small beer distributor was used as an example of a company that decided to change their business model to avoid falling into the crisis and chaos for late sustainability reporting and thus gaining a big competitive advantage *“They had actually asked us how can we become more resilient as a company to not get hit by crises? But by helping them become resilient, we actually helped them also become more sustainable and hence fill in most of the criterias. And suddenly we started talking with them and the director said, [But hold on, I'm delivering to big companies, most of my products, our exports. So does that mean that I have to deal with it?] So you have some people that have that logic that's like hold on a second. If they have to comply, that means I have to comply. So that means that company already started last year. What does it mean? It means that now that company has basically a fantastic PR ticket and you say, hey, look at me, I am compliant.”* This example is one of many provided by the interviewees operating in the western Europe. Whereas during the interview with the CEO specializing in Sustainability & Circulatory consultancy in Poland (Interview 6) the worry for Polish owned small and medium enterprises was palpable. *“Well , that's quite a concern if we have 2 manufacturers, I don't even know, of windows, let's say we have 2 window manufacturers and, for example, they have a very limited pool of companies for which they sell to such large, construction developers, etc., and we have 2 and now we have an almost unified market. In The European market, this price advantage is no longer as great in Poland as it used to be. And now if we have a producer?. For example, in Portugal, which is, I don't know, a bit more expensive than the Polish one, and we have a window manufacturer from Poland, but the one from Portugal meets all the requirements of construction certificates. For example, a large company, such as a construction company will have to choose the one from Portugal.”* The worry comes from the lack of sustainability oriented perspective in the Polish enterprise making the possibility of falling out and losing the

position to ESG reporting manufacturers from abroad ever more so possible. The cascading effect of the directives is prominent and will become more so throughout the years. Such a way of things can give the “early birds” a competitive advantage whereas those late to report will face a certain loss on the market while struggling to maintain their position on it.

4.4. Opportunities coming from the directives

The directives create multiple opportunities. For the MNE’s the identified opportunities were a competitive advantage which can also be gained through transparency as it increases the stakeholder trust. The directives enforced more rigorous reporting standards and therefore the reliability and trustworthiness of the future ESG reports. It was also found that the directives influence the engagement of non governmental organizations, with multiple MNE’s collaborating with NGOs in order to save resources and bring positive social impact.

4.4.1. Transparency

The directives have put a spotlight on the enterprise's approach to sustainability. Previously a producing company would create a product which after being sold would stop being their concern. Now the enterprises are being asked specific questions as to “what happens to the product?”. The directives therefore have a transparency effect. What became visible throughout the interviews was the clear difference in approach of enterprises based in western Europe vs. eastern Europe. The western European based employees associated the implications coming from the directives as a natural next step in a more sustainable existence of the enterprise. As described in an interview with the Sustainability Intern (Interview 4) *“There’s been a concerted effort to provide more transparency and detail in our product content. We’re now including more information about the sourcing of materials, the production processes, and the overall environmental impact of our products.”* The enterprises in the western Europe are building on the already created systems. Sustainability is not a new term but rather a term which previously could have been used voluntarily and now is simply mandatory. Whereas in eastern Europe there is a jarring lack of knowledge on what is sustainable and what process should be happening to comply with the directives. There is still a deeply rooted perception of focus on financial gain. An unclear financial gain or one that is hard to understand for the management board is received with a stern push back. A CEO operating in the circular economy consultation in Poland (Interview 6) described the approach of eastern Europe as *“If every penny is not aimed at achieving, a profit or another new customer it is a waste of money. Any money spent on some internal administrative stuff or even employee surveys is a waste. It amazes me, some*

companies don't even conduct employee surveys, they don't care what their employees think.” The constant need for validation in financial gain causes eastern Europe to fall behind competitors from the western Europe in the perspective of directives and sustainability.

4.4.2. Competitive advantage

The directives gave an opportunity for the sustainability oriented enterprises to gain competitive advantage. As now the MNE's are obligated to create non-financial reports the ones who have been doing it for a few years prior and have been collecting the necessary data gain an advantage. The advantage will be fueled by the fact that their reports will be compared with those of enterprises who have only begun to report. As said during the interview with the sustainable products intern working in the retail industry (Interview 4) the directives have created an opportunity for the brand to position themselves as the pioneer of sustainability *“They help us differentiate our brand as a leader in sustainable fashion, which appeals to our customers. They've driven us to innovate with eco-friendly materials and processes, creating unique products.”* The competitive advantage can also be seen in the usage of more ecological materials. During the interview it was revealed that the company is working on a special line which would be fully sustainable from the production line to the store shelves. In another interview with the Sustainability Intern working in the ESG consultancy sector (Interview 10) it was claimed that the directives impacted a better relationship with the stakeholders *“opportunities to report on ESG matters and craft a sustainability policy that increased stakeholder's trust.”* It is important to note that the spoken off enterprises are not obligated to create ESG reports by directives, but it is done so willingly due to stakeholder pressure.

4.4.3. Changes in the ESG reports

Before the introduction of the directives the enterprises had the freedom to decide which KPI's they want to include, which stakeholders they want to focus on, and what impact they choose to describe. However now the directives enforce a more thorough description of all listed above matters, which for some enterprises is a struggle. As expressed by the CPA working in a beer industry (Interview 8) *“Now there are quite a few other metrics KPI information on target data that we have to disclose that maybe we wouldn't have done before. We were extremely focused on climate and water already within[...], but it made us think about other topics and also how it links together with climate and water.”* Similar statements were made by other interviewees which leads to the conclusion that the ESG reports will grow in reliability and transparency.

They will become a clear source for stakeholders to gather information and make their own opinion on the enterprises as well as, hold the companies accountable.

4.4.4. Involvement of NGOs

Some enterprises have acquired the help of non - governmental organizations (NGO's) to unburden and save resources. NGOs often specialize in a specific matter/ sector and are capable of providing a more in depth analysis and support than an employee specializing in a similar matter. During one of the interviews an example of such cooperation caused by the directives was provided in which the enterprise attempted to help female employees who have recently given birth reacquaint into the working environment. However, instead of creating a specific department for such help the enterprises decided to collaborate with an NGO to provide the most comfortable and smooth acclimatization, as well as, retain resources. The collaboration saved both resources and time for the enterprises while also giving an opportunity to report on in the non - financial report. What was prominent during the interviews was that despite the example from above being of a Polish enterprise, still the majority of Polish interviewees expressed a certain struggle of convincing Polish enterprises to collaborate with NGOs. Most of the enterprises approached the topic of NGOs with restraint choosing to rely on their own resources. Whereas in comparison the western Europe based interviewees all presented examples of NGO collaborations and approached the topic with openness.

5. Discussion and conclusion

5.1. Discussion

The qualitative findings of this research closely align with the presented theoretical frameworks from table in Figure 1. Both the results and theory emphasize the importance of stakeholders, reliance on internal resources, ability to allocate and dedicate specific resources, and the impact that comes from the geographical context. The mandatory non-financial reporting initiatives have influenced the approach towards stakeholders, stakeholder engagement, and stakeholder power. The mandatory ESG reports must introduce an in detail analysis of their stakeholders, which as the results indicate, is a new practice for many enterprises affected by the directives. As established by stakeholder theory the process of stakeholder analysis focuses on the division of stakeholders into groups and focusing on the ones requiring most attention (Mitchell et al., 1997). With mandatory reporting the power of stakeholders has grown, with enterprises beginning to consider the needs of multiple stakeholders, which gave, even those with previously little power, a much more significant influence. The stakeholder theory identifies

stakeholders as a group without which an enterprise could not exist. This also holds true in results, as the growing influence stakeholders have will be able to influence the company's competitive advantage. Standardized non-financial reports will become a tool for stakeholders to compare enterprises' ability to comply and create positive impact. This comes with a certain benefit for the enterprises since, as has been previously indicated, by creating transparency, and sustainability oriented practices the enterprises gain stakeholder trust (Golicic and Smith, 2013).

However, with the competitive advantage being related to the stakeholders perception and trust, it is undeniable that an enterprises' existence will in the future in a major part depend on their stakeholders. The competitive advantage is now closely linked to the support and ability to follow and sustain the needs of their stakeholders. This finding contributes to the Stakeholder Theory perspective of enterprises being dependent on stakeholders as they are their employees, customers, distributors etc., by adding the competitive advantage fueled by stakeholder needs to the perception.

MNE's represent different levels of preparedness towards publishing non-financial reports. Often the extensiveness of the information required from the directives poses a challenge for the enterprises affected by them. Expansion or creation of the ESG team, hiring of a consultancy group and involvement of other departments all require a different allocation of resources. The resource based view theory explains the mechanism as the competitive advantage is gained by the internal resources of an enterprise. Furthermore, as the resource based view perceives people as resources, so do the results of the research, which indicates that the abilities and professionalization of employees, as well as the involvement of the management board, influences the company's ability to comply.

Furthermore, the resource based view focuses on the internal resources and through that measures the ability of an enterprise to gain competitive advantage. However, the findings of this research suggest that in order to gain competitive advantage and follow compliance processes, enterprises have begun collaborations with NGO's. Finding external resources which would not burden the internal resources of an enterprise brings benefits and creates a unique competitive advantage along with positive social impact. The external resources can also inform the internal resources by bringing in specialized knowledge (Maurer et al., 2011). Therefore also benefiting the development of internal resources.

One of the main findings of this research was the impact of geographical context on the approach towards sustainability and ability to comply. The directives assume the European context and treat all countries as equal. Whereas as shown in the results, historical events in certain regions of the EU have caused economic setbacks, and thus affecting not only the ability to comply but also the willingness to create positive social and environmental impact. Not only are the resources of enterprises affected by the geographical location but also the short and long term perspective. Enterprises located in Eastern Europe are mostly oriented on financial gain and, therefore, do not consider sustainability initiatives as their primary focus.

The cultural background influences decision making processes (Hofstede, 1983), and thus will also influence the resource allocation and the approach towards stakeholders as well as the needs of stakeholders, becoming ever more so prominent with the changing focus towards sustainability. The main findings could not have been explained by a singular theory.

In the research of Freeman et al., (2021) the combination of resource based view and stakeholder theory provides a more comprehensive understanding. Similarly, in this research the competitive advantage that an enterprise has can be most accurately explained by the two theories (Stakeholder Theory and RBV). This research finds that the combination of the two theories would gain a more extensive insight if the theory of cultural dimension was added to the joined model. Cultural perspectives influence the needs of the customers, the motivation drivers of employees, perspectives of board members, resources and capabilities and sustainable technologies (Soini & Birkeland, 2014). Thus the connection of the three theories (Stakeholder Theory, RBV and Cultural Dimension Theory) best explains the finding of this research of geographical context influencing the willingness to comply, involvement of stakeholders, resource allocation and availability of resources.

Lastly, the findings suggest that the theory of change does not affect the results as most enterprises are still focused on compliance mechanisms/strategies rather than creation of positive social and environmental impact. The long-term perspective is only now being defined and so far only a few enterprises have begun implementing strategies of which benefits will only be seen in the future.

Based on the theoretical findings of this research the table from Figure 1: Table of theories has been extended.

Figure 4: Extended Table Of Theories Based On Research Findings

Theory name	Stakeholder Theory	Resource Based View	Theory Of Change	Theory of cultural dimension
Perception 1	Divides stakeholders into groups and defines which are deserving or requiring the attention of management and which are not (Mitchell <i>et al.</i> , 1997)	Perception of people as resources (Mueller, 1996)	Guides the development of evidence-based initiatives of an enterprise (Reinholz & Andrews, 2020)	The values and core principles shared within a country influence the operational strategies within them (Gray <i>et al.</i> , 1988).
Perception 2	Firms that manage for stakeholders give salience to multiple and often competing stakeholder interests when they make decisions (Mitchell <i>et al.</i> , 1997)	Examines a firm's competitive advantage emerging from unique internal resources that the enterprises has (Freeman <i>et al.</i> , 2021)	A means of developing and managing partnerships and partnership strategies (Beisser, 1970)	The observable behaviors come from deeply rooted values and beliefs and become the external manifestation of them (Hartmann, 2014).
Perception 3	Stakeholders are a group without which an enterprises would cease to exist (Freeman & Reed, 1983)	Resources are the enterprises most significant component (Madhani, 2010)	Helps mitigate and predict possible risks (Weiss, 1995)	Cultural background influences the decision making processes (Hofstede, 1983).
Additions	Stakeholders are a group which can pose demands on an enterprises and on whose needs the competitive advantage will depend	External resources can benefit the internal resources and bring competitive advantage	New policies influence compliance strategies which do not motivate in the initial stages a long-term perspective	The theory of cultural dimensions benefits the stakeholder and resource based view theories

5.2. Implications

The research carries managerial relevance as it paints a picture on the impactfulness of directives, initial reactions and preparedness of enterprises towards the publication of non-financial reports as well as the creation of positive social and environmental impact. It can serve as an informant for managers as to what are the initial responses of other enterprises. Furthermore the findings of this research uncover implications such as impact on more than the large enterprises, the growing importance of stakeholders, and competitive advantage being influenced by many factors. The research can also inform managers on the importance of transparency and its relation to gaining stakeholder trust and competitive advantage. Whatsmore the research puts emphasis on the cultural and geographical influence in policy adaptation. The research also carries societal importance as it can inform the stakeholders on

the reliability of ESG reporting currently being undertaken. Moving from societal relevance the research conveys theoretical implications as it adds to the academic discourse by highlighting how the alignment of stakeholder needs, cultural context and resources and capabilities influence positive social and environmental impact. The research puts emphasis on the interconnectedness of these elements and underlines the continued need for feedback and adaptation necessary for successful implementation of sustainability initiatives. Moreover, the research represents how policy initiatives in initial stages of compliance do not in the majority of cases motivate a long-term perspective but rather put focus on conformance.

5.3. Limitations

As the CSRD and CSDDD are newly introduced policies, many enterprises are still at the stage of implementing the directives, and understanding what the new standards demand from them. The research would gain more insight into the impact of those directives on the enterprises approach towards the social and environmental impact that they create if it was conducted in a later period of time. The non-financial reports subject to the directives will be published in 2025. This would allow for a more comprehensive understanding of the impact and changes in reporting measurements. During the process of gathering data for the interviews a certain obstacle was met as some of the large enterprises moved their headquarters to the United Kingdom (UK). As the UK is not part of the EU the country follows their own established standards. As was discovered during the contacting of managers responsible for sustainability activities within the enterprise with headquarters located in the UK, the corporate affairs policy forbids them from disclosing any information on sustainability initiatives. A person of the same position from the same enterprises however, working in the Austrian headquarters was allowed to engage in interviews on the topic. The interviews conducted in Poland were transcribed in Polish and later translated to English. This creates a possibility of losing or influencing the translation which can lead to a “loss in translation” of information. My own perspective and understanding of the interviews could have impacted the delivery of the translation. A certain bias could be assumed in the results. As part of the results it was found that the geographical context influences the approach of enterprises to the creation of non-financial reports. However, only three countries were considered (The Netherlands, Poland, Austria) as that was where the interviews were conducted. If more countries were considered, a better understanding could be acquired as a bigger perspective would unfold. As the research in majority was conducted with interviewees approached through my personal network this could have influenced the information gathered. A certain overrepresentation could have been

assumed as perspectives and characteristics could have been similar to my own, as well as, reinforcing some of my previously installed beliefs on the topic.

5.4. Recommendations for future research

This research sheds light on the impact of newly introduced CSR and CSDD directives as little research has been done on the magnitude of this topic so far, due to how recent the directives are. For that reason, the research can serve as a foundation for a more extensive analysis. Future research would benefit from considering multiple countries in the European Union to grasp the exact differences in the approach and ability to create positive social and environmental impact. This could uncover more differences amongst the European countries or similarities, which were not uncovered by this exploration. Narrowing the research to change strategies in a singular European Union country, would provide a more in-depth perspective of an individual country's compliance abilities. Future research would benefit by interviewing multiple representatives from similar industries. Such a strategy could extend the current groundwork and provide an analysis of whether the approaches towards compliance and positive social and environmental impact are also dependent on the industry.

5.5. Conclusion

As the legal sustainability landscape expands in the European Union, societal and environmental changes follow. The Corporate Social Responsibility and Corporate Sustainability Due Diligence directives move the financial oriented focus of multinational enterprises and instead encourage a change into a more holistic and sustainability oriented functioning. Overall, the research in this paper focused on the real effects of sustainability directives on the approach of multinational enterprises towards the creation of positive social and environmental impact. The modernity of the directives allowed for an analysis of the initial responses, and initial implications. It was found that as of now the primary focus of multinational enterprises is on compliance strategies, the gathering of necessary data for the non-financial reports, as well as resource expansion and relocation. The enterprises which have previously engaged in voluntary non-financial reporting are more likely to implement new initiatives and are more oriented on creating positive impact. The directives have also influenced certain collaboration processes between enterprises and NGOs in order to foster more positive social impact. Despite the fact that directives in theory only target the large enterprises, small and medium enterprises have also begun engaging in voluntary non-financial reporting initiatives, influencing their position on the market and competitive advantage.

Lastly, the research has found that the cultural and geographical context greatly influences the stakeholder engagement, stakeholder needs, resource allocation, and resource capabilities.

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7. Appendixes

Interview Guide

Section	Questions
Introduction	- Thank you for finding the time to participate in this interview. - The information provided will be fully anonymous and only me and my supervisor will have access to the transcripts - With your permission this conversation will be recorded for later creation of transcripts
Role and Involvement in Sustainability	- "Could you please describe your current role in the organization?" "How does your role connect to sustainability?"
Perception of the impact of the CSRD and CSDD directives	- "Did you notice any change in the approach of enterprises towards their societal impact?" "Did you notice any change in the approach of enterprises towards their environmental impact?" "Do the directives carry similar impacts?" "Has the resource allocation been affected in any way?"
Societal and Environmental Impact	- "Did you identify any <u>opportunities</u> arising from these regulations in terms of improving societal and environmental impact?" "Did you identify any <u>challenges</u> arising from these regulations in terms of improving societal and environmental impact?"
Other Stakeholders	"Did you notice any collaborations happening with other stakeholders (e.g., NGOs, governments, suppliers) to address societal and environmental impact?" "Has the approach of enterprises towards the needs of its stakeholders changed after the introduction of the directives?"

Wrap-Up and Additional Insights - "Do you have any additional insights or thoughts on changes influenced by the directives?"

Closing "Thank you for your time and insightful information. In your email box you should find attached a consent form. If you agree for the information shared today to be used to inform my research, please send it back to me with your signature."

Codebook

Component	Sub-category	Frequent words	Cited by
Impact of CSRD and CSDDD on the enterprises	Approach towards sustainability	Opportunity, hope, standardization, challenges, extensiveness of directives,	1,2,3,4,5,6,7,8,9,10,11,12
	Fear about the compliance process	Lack of preparation, extensiveness, depth, competitive advantage, position in the market, resources	6,7,3,11
	Excitement about the directives	Hope, elimination of greenwashing, sustainability – oriented perspective	8,5,7,6,1,3,12
Changes within the enterprises	Development of ESG team	Necessary help, extensiveness, workload, experts, consultancy companies	1,8,12,11,5,6
	Involvement of the board members	Growing importance, focus on sustainability, resources, verification	11,12,6
	Stakeholder Engagement	Influence, outside perspective, conversational relation, mapping, needs, interests	1,2,3,4,5,6,7,8,9,10,11,12
Challenges coming from the directives	Lack of impact	Focus on compliance, lack of resources, no social impact, no environmental impact	6,3,5,8
	Incomparability	Standards, country specific policies, resources, stages of proficiency	8,11
	Impact on more than the MNE's	Legal obligation, competitive advantage, market position, small sized enterprises, medium sized enterprises	6,7,3,12,11
Opportunities coming from the directives.	Competitive Advantage	Understanding stakeholder needs, higher proficiency, bigger resources,	12,6,10,5
	Changes in the ESG reports	Standardization, financial reports resemblance, trustworthiness, reliability, transparency	12,11,8,6,7,1
	Involvement of NGO's	Internal resources, external resources, social impact, specialization, collaborations	2,4,5,7,8,10
	Transparency	Effect, different approaches, clear goals, greenwashing, stakeholder trust,	8,12,3,5,1