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Beyond Compliance

Exploring ESG Integration in Nordic Corporations.

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Abstract

This thesis explores the integration of Environmental, Social, and Governance practices within leading Nordic companies, focusing on Ericsson, Vestas, and Ørsted. Through a qualitative analysis supplemented by quantitative metrics, the research examines how regulatory environments, stakeholder engagements, and innovative practices influence the adoption and implementation of ESG strategies. The research reveals that strict regulatory frameworks and proactive stakeholder participation greatly impact these companies' sustainability strategies, moving them beyond compliance and into leadership in global sustainability efforts. This study used Institutional Theory, Stakeholder Theory, and Triple Bottom Line in the interpretation of the ESG practices of the companies which were discussed holistically. More precisely, the results prove that, while these companies are at the forefront of mainstreaming ESG in their business models, challenges in terms of balancing stakeholder demands and managing their supply chains sustainably do remain. Regulatory settings and stakeholder-centric approaches were identified as robust points for improvement of ESG performance. This study adds to the academic subject of corporate sustainability and provides practical insights for businesses to improve their ESG practices, policy-makers willing to enhance sustainability regulation, and stakeholders willing to influence corporate governance standards.

Abbreviations:

ESG – Environment Social Governance
SDG- Sustainable Development Goals
GRI- Global Reporting Initiative
CSRD- Corporate Sustainability Reporting Directive
CSR- Corporate social responsibility
ROI – Return on Investment
KPI- Key Performance Indicator
GHG- Greenhouse Gas
EU- European Union
AI- Artificial intelligence
R&D- Research and development

Introduction

In the rapidly changing landscape of global sustainability, integrating Environment Social Governance issues into corporate strategies is now a key challenge, particularly in the Nordic countries, where they claim to have forefront policies regarding the environment and high standards of corporate governance (Nordic Council of Ministers, 2019). ESG criteria is a field of the guideline against which a company's operation is judged by socially aware investors on measuring the business enterprises' ethical and sustainable practice in the consideration of possible investments. Environmental criteria—looks at a company's role as a nature advocate; Social criteria—appraise how it keeps a connection with the company’s employees, suppliers, consumers, and the communities in which the business operate; Governance includes a company's leadership, executive pay, audits, internal controls, and shareholder rights. Together, these criteria give a holistic assessment of a company's ethical and sustainable practices (Investopedia, 2023).

This thesis cuts across the multidimensional aspects regarding ESG practices, especially focusing on the regulatory environment, stakeholder perceptions, and innovative practices that influence and shape the sustainability strategies of major Nordic corporations. Using a predominately qualitative research design further enhanced by quantitative data, this study attempts to unravel the complexity of ESG integration by analysing sustainability reports and other relevant disclosures of three leading regional companies: Ericsson, Vestas, and Ørsted. Most importantly, the study will attempt to synthesize theoretical frameworks with empirical evidence to present a comprehensive understanding of current ESG practices and achievements and areas for improvement. Beyond that, the current introduction sets a frame for a much more detailed investigation into the practices of ESG and their crucial role in reaching Sustainable Development Goals within a critical regional context. The present thesis tries to fill in the gap between the theoretical ESG models and practical implementations, making different insights visible that can help orientate future corporate strategies and policymaking in sustainable development.

Research Problem

The application of ESG in Nordic companies is well documented, however, there are considerable gaps in understanding its actual use and effect. Since most existing research focuses on legislative frameworks and compliance procedures, gaps remain in addressing actual efficacy, specifically in implementing ESG practices within corporations, and the tangible results that emerge for both corporate performance and environmental sustainability. First, most existing research assumes that robust ESG frameworks produce the required execution effectiveness. However, such presumption is not confirmed, particularly by thorough case studies or quantitative analyses that relate ESG practices directly to company and environmental results (Aguinis & Glavas, 2019). The available research

reveals a significant gap in that it is critical to determine if ESG practice is only symbolic or if it truly helps with business sustainability and environmental responsibility.

One of the lesser-known effects of ESG policies is their impact on business financial performance in a Nordic country. Some research has found a positive relationship between ESG integration and financial success, yet these studies all account for little more than industry differences and complexity, as well as the long-term implications of such integration (Clark, Feiner and Viehs, 2015) More refined analyses may be able to detect such disparities in the possible financial consequences of sector specific ESG applications over time.

Additionally, the potential impact of ESG on improving a company's financial performance is debatable. Although some research studies show a favourable effect, others warn that the expenses of implementing ESG principles may outweigh the financial advantage, particularly in the short term (Rahi, Akter, and Johansson, 2021). However, this paradox needs a more detailed study that considers the complexities of ESG policies and their financial effects.

Aim and Research Questions

The scope of this research is to demonstrate the effectiveness and credibility of the ESG policies that Nordic corporations follow. This study will attempt to resolve the difficulties of incorporating ESG principles into company strategy and examine how these practices fit with current corporate objectives while also focusing on long-term sustainability goals**.** The paper aims to contribute to narrowing down the gap between the ESG theoretical framework and its practical implementation in the corporate setting and to identify regulatory influence and innovative practices that emerge among stakeholders in Nordic countries. It provides a comprehensive understanding of how ESG practices are adopted, operationalized, and perceived within developed economies.

Furthermore, the study will try to reveal the real-world effects of ESG practices on company performance, environmental sustainability, and social welfare. It will assess if ESG practices in the Nordic countries are significant or purely symbolic. Moreover, the research explores the broader implications of Nordic ESG practice for global efforts towards sustainability and attempts to establish how these practices may become an example or shortcomings to other regions that struggle toward sustainability. With this comprehensive approach, the study will provide valuable insights into the success of ESG initiatives and practical data on how to effectively implement, enhance, and assess ESG practices. This contribution is especially important, given the increasing international emphasis on corporate responsibility and sustainability.

Research Questions

This study addresses the following research questions:

1. **How does the regulatory environment in Nordic countries influence corporate strategies for ESG integration, and what role does this play in shaping global sustainability practices?**
2. **How do stakeholders engage and influence the effectiveness of ESG criteria integration in Nordic corporate sustainability strategies?**
3. **What innovative practices have emerged from integrating ESG criteria within Nordic corporations, and how do these innovations contribute to sustainable development goals?**

Background

ESG principles have emerged as key facets of sustained corporate strategy in the global environment. These principles take on an added urgency in the face of the pressing challenges of environmental degradation, growing social inequality, and poor governance in the corporate world (OECD, 2018). It is hard to find stronger and better examples of what can be achieved than in the Nordic countries, where these practices developed pioneering expressions reinforced by well-organized regulatory structures and a strong cultural emphasis on sustainability and social welfare ((United Nations, 2020),

Yet, though these countries lead the way regarding ESG integration, on-the-ground realities also show that such efforts are not without nuance and criticism. For instance, despite having a stringent mandate, countries have ambitious national targets, and sometimes, the companies in those countries have a bit of a problem translating ESG principles into an actionable and measurable outcome (Schaltegger & Burritt, 2018). This raises questions about how effective existing frameworks are and the level of real change within corporate operations (Schaltegger & Burritt, 2018). Unfortunately, there can be a high probability of the so-called "greenwashing" as well, and companies may mislead consumers about efforts made to become sustainable (Tanguy, 2024). This can put the level of trust in ESG initiatives into question and suggest that, from such statistical analysis, the presence of strong ESG frameworks may not be a guarantor for genuine sustainability practices all the time (Banerjee, 2008). Furthermore, ESG reporting in the Nordic countries also results from global competition and economic pressures. While these forces can help to push the enhancement of ESG practices, they can also result in compromises that lower the standards of ESG commitments (Eccles Serafeim, 2013). Thus, it provides a vital context against which to assess the real-world effectiveness of these strategies and their actual contributions to attaining sustainable development.

ESG Integration in Corporate Strategies

The methods and strategies for ESG integration differ but typically include sustainability reporting, stakeholder engagement, and the adoption of sustainability standards that guide operational and strategic decisions (Schaltegger and Burritt, 2018). A focal element in the ESG landscape is the influence of the GRI, which sets a detailed framework for companies to report their environmental, social, and governance impacts. However, the implementation of CSRD by the European Union radically shifts toward more prescriptive and detailed ESG reporting requirements (European Parliament and the Council, 2022). For Example, The CSRD extends the sustainability reporting requirements to all large companies and listed companies concerning all the information on their sustainability risks, impacts, and opportunities. It aims to improve the comparability and consistency of information in the field of sustainability, which is important for stakeholders and investors in making well-versed decisions (European Parliament and the Council, 2022). Integration of ESG principles is further supported by national regulations and the broader European Green Deal, which made ambitious targets for sustainability to make Europe climate-neutral by 2050 (EU, 2021).

Despite these robust frameworks, the implementation of ESG principles is a challenge. The expense of implementing comprehensive ESG standards can be too high for smaller businesses. This would put major firms in a relatively uncompetitive position, where higher levels of ESG effectiveness and compliance can be afforded to a greater extent than smaller local businesses, resulting in competitive imbalances (Schaltegger & Burritt, 2018). Furthermore, evolving ESG requirements provide a significant problem. In most cases, such rules are always under continual review and evolve fast, putting unreasonable pressure on most organizations, especially those that are smaller, have insufficient resources to keep pace with due to that poses a great risk that companies will treat the ESG criteria as a tick-box exercise (Ioannou & Serafeim, 2017). Thus, companies might prioritize compliance with the letter rather than the spirit of these standards, potentially undermining the fundamental goals of ESG initiatives (Crane, Matten, & Spence, 2013). This hasty adoption can significantly weaken the potential impact of ESG practices on achieving genuine corporate sustainability and broader societal benefits. The indifferent traits of these standards may lead organizations to follow the law rather than the standards, thus undermining the fundamental substance of ESG aims (Crane, Matten, & Spence, 2013).

Literature Review

This chapter starts with a literature review of the theoretical underpinnings of ESG practices and strategies adopted by Nordic corporations. It then discusses how the regulatory framework helps shape ESG practices in the Nordics. The chapter summarizes with insights into innovations found within this context.

ESG Theories and Frameworks: Foundational Theories

In corporations, the concept of ESG integration includes pivotal theories that seek to define the understanding and practice of the implementation. The Triple Bottom Line, introduced by Elkington (1998), was one of the most significant changes that came to be seen in the context of corporate responsibility when the focus was broadened from a (financial bottom line), including issues of mere profit, to profit alongside both social and environmental. Elkington posited that sustainability should be as integral to a business's strategy as profit-making. This notion places corporations in a challenge to focus not on "not harming" but also on "doing good" in a broader way that includes doing good in all operations (Elkington, 1998).

Institutional theory, particularly the work of David, Tolbert, and Boghossian (2019) and Lammers and Garcia (2017), paints an even more detailed picture of this perspective when considering how regulatory and cultural frameworks influence corporate behaviours regarding ESG. These authors claim that companies often find themselves in a position where they must adopt ESG practices—compelled not only by their moral duty but also as a part of reacting to external pressure in the form of regulations and society's expectations (David, Tolbert and Boghossian, 2019 & Lammers and Garcia, 2017). This view will be very important because we will examine the often-complex interplay between voluntary ESG actions and those driven by compliance needs.

As outlined by Freeman (1984) and later improved by Mitchell, Agle, and Wood (1997), the stakeholder theory remains one of the most influential frameworks to explain ESG practices. The theory elaborates on the requirement of organizations to serve their stakeholders' demands and needs, not only those of the shareholders. Especially in the current highly globalized economy, the stakeholders are not just the investors but also employees, communities around, government agencies, and the environment. Phillips (2003) further describes this by stating that ethics and stakeholders are part of sustainable corporate success.

On the other hand, the integration of ESG practices is characterized by many challenges. Critics argue that the theoretical frameworks are solid, but the actual implementation is sometimes carried out inconsistently and even on a sporadic and perhaps superficial level. Some modern business is global in nature, in which corporations commit to the ESG principles publicly, the level at which this is done

remarkably differs. For instance, even when an organization may be very aggressive in dealing with issues concerning environmental sustainability, some social aspects like labour rights or community engagement may be totally neglected, thus calling for "cherry-picking" (Elkington, 1997). This selective interest and engagement in ESG issues lead to the fact that there is often a gap between the theoretical ideal and its practical execution, mostly driven by profit motives instead of real commitment to sustainability.

Corporate Motivations and Challenges

The motivations that would drive organizations to integrate the ESG criteria within their operational and strategical frameworks are multiple and rather complicated; still, they remain central in understanding the wider influence of sustainability practices within corporations. While reading these different papers, various reasons are identified to motivate the implementation of ESG.

Economic and Ethical Motivations: CSR is a forerunner and integral part of the broader ESG initiatives, and according to Banerjee (2008), the drivers of CSR can span from purely ethical commitments to strategic economic motivations. This two-sidedness often results in tension between profit-motivated actions and ethical principles. Schaltegger and Burritt (2018) describe how one arises from the other, pointing out the motivational ethical type businesses take to pursue sustainability above mere compliance or market expectation. It argues that, for some companies, ESG is a way of boosting their brand and reputation; for others, it is like a moral obligation that they owe to their stakeholders and the planet.

Strategic and Competitive Advantages: Servaes and Tamayo (2013) underscored that ESG can bring forth effective value impacts for a firm, particularly customer awareness and market differentiation. Companies that integrate ESG criteria from those that successfully integrate ESG criteria often gain a competitive advantage by aligning their operations with the growing consumer demand for responsible business practices. This alignment, further exacerbating the push to ESG compliance is regulatory pressure, according to Ioannou and Serafeim (2017). Their study regarding mandatory corporate sustainability reporting stipulates that regulation might be a driving factor of the improvement in transparency and accountability, but, on the other hand, it may be quite burdensome for companies due to its complexity and sometimes costly reporting.

J.C., in the analysed Sarbanes-Oxley Act. IV (2007) shows how regulatory frameworks can call for transparency but also place an extra burden of obligations onto businesses, thereby influencing operational practice. Another one is Operational Challenges and Resource Allocation: Dyllick and Hockerts (2002) further deal with the practical challenges a company might face in implementing sustainability measures. They note that moving "beyond the business case" for sustainability would

require substantive resource allocation beyond strategic intent. This is further corroborated by Dahlsrud's (2008) analysis, which reveals how firms define CSR differently and, consequently, how they prioritize and implement the practices accordingly. The diversity of the definitions and, in turn, the resulting practices show operational challenges in achieving consistent and effective ESG integration.

This narrative shows that while the motivations for adopting ESG practices are driven by a combination of ethical imperatives and strategic business benefits, the challenges are equally significant. Corporations must balance these motivations with the practical realities of implementing complex, resource-intensive ESG strategies that can sometimes conflict with immediate financial goals.

Regulatory Impact on ESG Practices

One of the key drivers to shape the ESG practice landscape in Nordic corporates includes a solid regulatory framework at both European and regional levels. These broad policies and guideline offer recommendations and barriers to corporations trying to align their operational strategies with sustainability goals.

European and Nordic Policies

The leading regulatory initiative is the European Green Deal, initiated in 2021, envisioning a transition to a climate-neutral economy by 2050. This ambitious policy requires broad cuts in greenhouse gases and integrates sustainability into every economic sector to make corporations rethink and reorganize their business practices (EU, 2021). The Green Deal, a part and section of Directive (EU) 2022/2464, brings major changes to corporate sustainability reporting, which is expected to be done with the highest level of transparency and accountability by companies reporting their ESG activities (European Parliament and of the Council, 2022).

Besides the EU regulation, one of the key drivers in the Nordic region is the Nordic Council of Ministers, which further strengthens the policies by accentuating that the Nordic companies are committed to sustainable development. The power of these local initiatives underlines that sustainability is performed rather than being merely a policy goal. Hence, it affects strategies on all levels, from corporate to state government, across the Nordic countries (Nordic Council of Ministers, 2019).

Compliance and Adaptation

However, even as the policy framework provides a clear direction, corporations face various challenges in adaptation and compliance. Such a transition, dictated by policies, implies not only a behavioural change in corporations but also substantial investment in new technologies and processes. De Oliveira et al. (2023) clearly point out that while policy-driven innovations are progressing, corporations will have to cooperate with bureaucratic complexities and high costs of implementation that will control the pace of compliance. Furthermore, these regulations ensure compliance and impact financial performance and market behaviour. According to a study by Rahi, Akter, and Johansson (2021), severe ESG regulations can enhance financial outcomes, suggesting that observance of these standards may also provide a competitive advantage in the Nordic financial industry. However, corporations must overcome initial challenges associated with aligning their operations with these new regulatory standards to receive those benefits. Therefore, there is a need for policy coherence, as underlined by OECD (2018). Harmonization of different regulatory measures across sectors is necessary to support sustainable development goals effectively without introducing conflicting or overlapping requirements for corporations. This coherence ensures that ESG practices are not just about meeting regulatory requirements but are well integrated within the core strategic frameworks of their companies, hence allowing for business approaches in a sustainable way.

As corporations respond to such regulatory pressures, a continuous benchmarking process occurs, and strategies are adjusted accordingly. Singhania and Saini (2021) note that this gives importance to companies ensuring devotion to local laws while tracking international ESG standards to remain competitive and compliant in a changing regulatory scenario.

Theoretical framework

This section outlines some of the core theoretical lenses that underpin the dynamics of ESG practices within corporations. The research is premised on the view that institutional theory, stakeholder theory, and the triple bottom line theory advance a range of views about the practices that strengthen corporate sustainability. Understanding those concepts is essential to realistically negotiate the complex interplay of economic, environmental, and social concerns in business settings. These are important in addressing the main questions of the thesis that intends to examine how ESG reporting can impact investment decisions made at the corporate level. As companies now move to include sustainability within the core of their strategy, understanding the theoretical basis of such decisions becomes mandatory. These pressures occur within institutional theory, which details the pressures of a system driving ESG practices. Stakeholder theory, on the other hand, explains the way corporations handle and respond to the requirements of a wide range of stakeholders. In contrast, the triple-bottom-

line theory discusses how these practices balance economic performance against social and environmental responsibilities.

This paper intends to draw a relationship between these theories with empirical evidence on the face of the leading organizations to show how ESG reporting is affecting investment strategy.

Why These Three Theory

Institutional Theory**:** describes the external forces of organizational effectiveness comprehensively. It is pertinent to establish how legal, normative, and cultural contexts influence companies' adoption of ESG practices. Institutional Theory explains why businesses adopt ESG practices under certain institutional pressures, giving great insight into how these effects are integrated into company strategy and influence investment decisions. Moreover, Stakeholder Theory is essential for understanding the dynamics between companies and their stakeholders, such as investors, regulators, consumers, and communities. It provides a framework for exploring how these interactions impact corporate decisions regarding ESG practices. It also examines how stakeholder expectations motivate corporations to invest in ESG activities, further showing how such investments impact company policy and practice. Finally, Triple Bottom Line: underscores the importance of proportionately balancing the economic, environmental, and social effects, with an eye on sustainability greater than mere financial returns. This theory is especially practical in assessing how companies disclose ESG issues and how much commitment such exposés reflect regarding the raised vital issues. This makes it possible to conduct an in-depth review, not only of the economic ROIs but also of social and environmental ROIs, in terms of how ESG reporting affects business reputation and impacts stakeholder trust and, hence, investment decisions.

Institutional Theory

This theory perceives that differing formal and informal societal rules impact any organization's performance and tactics. The three pillars that determine organizational behaviour basically include the following: Regulative (legal constraining regulations), Normative (social norms, values, obligations), and Cognitive (shared ideas, common logic of action) (Greenwood et al., 2008). According to Lammers and Garcia (2017), Organizations adapt to institutional forces to remain legitimized and stable within the settings. Accordingly, institutional forces play a major role in influencing the incorporation of ESG practices inside organizations. For Instance, regulatory requirements from environmental regulations drive businesses towards following specified standards that demand improved ESG procedures. Thus, organizations are driven by normative demands from the social expectation of corporate responsibility to go further than simple compliance and thoroughly embed ESG into their core business plans. Cognitive pressures, however, drive companies to integrate

such practices within their firm identity, pointing to the depth and breadth of ESG incorporation influenced by such multivalent institutional dynamics (David, Tolbert, and Boghossian, 2019).

Stakeholder Theory

As mentioned above, the organization has to manage relationships with all stakeholders who have the power to affect or be affected by its goals and activities. As Parmar, Freeman, and Harrison (2010) mention, such a wide range could include investors and employees in both national and local governments. The stakeholder theory argues that governance that considers all stakeholders' interests within the organization's decision-making processes will be less prone to the notions inherent in a shareholder-centric approach (Freeman, 1984). This theory is relevant to understanding the strategic incorporation of ESG concepts into business processes. It shows how the stakeholder's incentives drive organizations to implement ESG practices that decrease risks for the organization and improve company reputation, thus, the loyalty of stakeholders. Comprehensive ESG policies that address community environmental concerns may help companies obtain social authorisation to operate (Mitchell, Agle, and Wood, 1997). In addition, meeting the consumer's environmental expectations can foster brand loyalty and help open new market prospects, establishing ESG activities as strategic instruments for managing varied stakeholder demands and guaranteeing long-term corporate sustainability activities (Clark, Feiner, and Viehs, 2015).

Triple Bottom Line

The TBL approach reverts how an organization measures success to three fundamental dimensions: profit, people, and the planet. This encourages companies to be accountable for their economic performance and, at the same time, for social and environmental consequences, encouraging a perspective of business that is more sustainable and ethical (Slaper and Hall, 2011). The Triple Bottom Line is closely related to ESG reporting standards that recommend openness and responsibility in business actions, which affect the environment and society. Companies applying this paradigm are usually examples and leaders in the field of sustainability, making comprehensive reports of their financial results, as well as control of social and environmental issues. (Servaes and Tamayo, 2013) Such comprehensive reporting methods reflect a company's commitment toward sustainability and might affect investment decisions by underlining the standards of the company concerning ethics and long-term objectives of sustainability (Elkington, 1997)

Methodology

This chapter describes the study strategy and methodologies used to look into the integration of ESG practices in Nordic companies. It describes the qualitative technique used to investigate the intricacies and dynamics of ESG strategies, as well as the reasoning behind the methodologies selected. The part also discusses data-gathering methodologies and analysis procedures, which ensure a thorough and methodical approach to understanding regulatory consequences, stakeholder views, and creative practices that influence business sustainability initiatives.

Research Design

This master thesis adopted a qualitative research design to explore the complexities surrounding Environmental, Social, and Governance practices within Nordic companies. This approach allows researchers to explore the regulatory impacts, stakeholder perceptions, and innovative practices in detail through detailed case studies and content analysis (Creswell and Poth, 2018). In this context, qualitative research is most suitable to delve into the context and meaning making of ESG practices, as method can help to dive into the varied interpretations and implementations of these techniques in various organisational contexts. This method allows for a thorough grasp of the subjective and complicated elements of stakeholder relations and regulatory impacts, which are crucial in determining the success and authenticity of ESG practices.

Moreover, a case study methodology was employed alongside the analysis of numerical data extracted from the companies' public available ESG records. These quantitative data had KPIs like Green House Gas Emissions, Renewable Energy use, and Employee Diversity Metrics, servicing to augment the qualitative insights derived from interviews and document analysis, thereby comprehensively viewing the ESG practices within these companies.

Data were collected through semi-structured interviews, where purposive sampling was aimed at selecting respondents with field experience (Bryman, 2016). Furthermore, the approach also entailed by desk research and a literature review for secondary data sources.

Data Collection

The data were collected from different sources that could help understand the ESG practices among Nordic companies. This section will present the sources, selection criteria, and methods used in the collection and analysis of data.

Corporate sustainability reports of companies provide in-depth insight into the ESG strategies, performance metrics, and future goals, while independent ratings through agencies, such as Corporate

Knights and Ethos ESG, provide external perspectives on the companies' practices. Annual reports and other financial documents were reviewed to understand the economic dimensions of ESG initiatives. Additional information extracted from scholarly research also had to include corporate publications to get exact details of the projects, partnerships, and achievements.

Sources were carefully selected to fulfil relevance requirements for the period, which had to be the most recent five years (2019-2024), to represent existing and emerging ESG initiatives. Additionally, all sources were chosen because they were directly relevant to ESG practices and could give clear insights into sustainability goals, activities, and outcomes. In this respect, Priority was given to sources that are credible and significant, such as official company publications and reports from well-known ESG evaluators.

To better understand the ESG reporting process, five people were chosen through purposive sampling and interviewed utilizing a semi-structured technique that allowed for flexibility (Creswell and Poth, 2018). Due to confidentiality agreements, specific details about the interviewees' affiliations or positions cannot be disclosed.

Data Analysis

A systematic content analysis of the procured documents was conducted to identify common themes, strategies, and practices among these firms. This involved carefully examining documents and selecting, summarizing, and classifying relevant information related to ESG practices: GHG emissions, use of renewable energy, stakeholder engagement, and new sustainability innovation data.

Moreover, the study was guided by qualitative thematic analysis using the NVivo software to aid in coding and analysing the transcribed interviews (Maguire and Delahunt, 2017). In this way, the approach helped in understanding and interpreting patterns of meaning within qualitative data (Braun and Clarke, 2012). The following data analysis was done following a familiarization activity with the data, summary, and subsequent coding of key themes relevant to the study research questions (Bryman, 2015). Quality checks are carried out as a measure to determine reliability before making conclusions from the findings (Maguire and Delahunt, 2017). Additionally, Microsoft Excel and VBA tools were used to manage and summarize the quantitative data extracted from the financial documents and independent evaluations, ensuring a robust analysis of the data collected.

Limitations

The major limitation of this qualitative research design is that it could limit generalizability. This thesis focuses on corporations headquartered in the Nordic nations, which are noted for their progressive environmental regulations and good corporate governance but may not reflect the

worldwide picture. Concentrating on this region, the research intends to establish best practices and challenges of ESG integration. However, this may be very far from showing how companies in regions with weaker regulatory frameworks or regions that have different cultural attitudes towards sustainability regard similar problems.

The present study will also discuss the risk of bias by relying upon the use of public documents that include sustainability reports and corporate disclosure. There is a risk that companies display overly optimistic views of their sustainability efforts by selectively disclosing successes while omitting failures or challenges. Such selective reporting could result in a weighted analysis of positive ESG practices, possibly missing areas of deficiency or less effective implementation.

Ethical Considerations

Even though data for this thesis was collected from publicly available documents like sustainability reports, financial disclosures, and third-party ratings, the details taken were at an extreme level to ensure the truthfulness and integrity of the data. The research did not include any unverified or sensitive data, as this could potentially harm the companies and misrepresent their practices. All corporate data is clearly referenced, and it can be checked and ensured that no sensitive company strategies are inadvertently revealed.

This study has been conducted only to report valid information. Results, whether from company reports or independent valuations, are presented just as the sources report them. Hence, the meaning and interpretation of the data are maintained from the original findings (Griffith, 2008). The same is true for detailed referencing and citations of all sources, which is precisely what is adhered to in academic papers to obviate any cases of plagiarism and ensure respect for intellectual rights.

More critically, this paper has employed an approach to avoid potential biases, especially those related to corporate disclosures that may frame information in the most favourable light Griffith (2008). Study gives a balanced picture by comparing reported data with independent assessments and academic literature, which recognizes not only achievements but also areas needing improvements in corporate ESG practices. This balanced approach is needed to mitigate the risk of bias that might emanate from solely relying on corporate-reported data.

The study is undertaken with a strong commitment to ethical reporting of results and, therefore, does not fail to point out the strengths and weaknesses uncovered through the analysis of ESG practices. It provides a very candid and transparent evaluation that constructively contributes to the discourse on corporate sustainability.

Analysis of findings and discussion

Chapter provides detailed examination of three Nordic Companies: Ericsson, Vestas, and Ørsted. Each has been chosen for its progressive efforts in implementing ESG criteria, offering enlightening case studies which provide insightful case studies into the integration of sustainable strategies within corporate operations. Each company was chosen because of its innovative approach to applying ESG criteria, reflecting an overall trend towards sustainability in the Nordic area. The similarities between these instances and the research challenge arise from their common geographical and regulatory contexts, which impact their ESG strategies. The thesis evaluates these organisations to investigate how different approaches to ESG practices meet comparable issues and possibilities within the legislative environment of Nordic nations. It seeks to draw findings from each case study, then triangulate them towards broader conclusions regarding the role of ESG practices in driving corporate strategy and sustainability within the Nordic context.

Findings

Ericsson's target to achieve net zero GHG emissions by 2040 is in line with its proactive financial strategy, for example, the issuance of a 500-million-euro green bond, underscoring strategic alignment with both global and regional regulatory frameworks (Ericsson, 2024). These efforts reflect the company's reaction to the EU Green Deal, which focuses on reducing carbon footprints and furthering industry sustainability. The alignment of Ericsson's sustainability goals with science-based criteria reflects the pressure of regulation that encourages corporate strategies. This adherence to rigidly followed environmental objectives should not only be a compliance exercise but involve strategic implementation that integrates sustainability within the core business model with the same view held by DiMaggio and Powell (1983) of organizational response to institutional pressures.

Both Vestas and Ørsted have made strong commitments towards sustainability in line with the tight environmental standards of the EU. Vestas brings important value to decreasing the carbon footprint of the energy industry as it produces innovations in wind energy (Vestas, 2024). The strategic swing of Ørsted from fossil fuels to renewable sources such as wind energy further illustrates how regulatory environments deeply impact corporate energy strategies (Orsted, 2024). These are a direct response to the European Green Deal, requiring increased use of renewable energy and decreased emissions, thus showing how an increased regulatory framework triggers huge transitions in the practice sector. This seems to confirm Brunson's observations (2002) that regulations often make organizations mirror and reform their working methods and way of doing business to conform to new standards.

ESG strategic alignment deals with assessing and analysing the proactive measures of Ericsson, Vestas, and Ørsted in response to regulatory demands, which are clear proof that their strategies are

aligned with strategic sustainability, a broader goal set by the EU Green Deal. Setting ambitious internal targets for carbon neutrality and investing in sustainable technologies, these companies not only comply but actively shape regulatory expectations. This strategic positioning is necessary to continue to be competitive and legitimate within an environment-sensitive market, reflecting the theoretical perspectives forwarded by Meyer and Rowan (1977) on institutionalized environments that influence organizational structure.

The extensive stakeholder engagements in Ericsson reflect an "applying the state of the art" application of Stakeholder Theory, whereby proactive strategies are designed to align both with the relevant global sustainability goals and related specific stakeholder interests. By setting science-based targets for emission reduction and enhancing energy efficiency, Ericsson can actively address stakeholders' environmental concerns while aiming to be within the limits of regulatory standards. However, closer analysis will still show that these priorities may, likely, give way to tensions between groups of stakeholders, mainly for company, in cases when their initiative in environmental issues affects their cost of operation or implies high adjustments of dealing with suppliers. This is an issue that further illustrates the inherent difficulty of the Stakeholder Theory. In other words, since the beginning, the key conceptual problem with the Stakeholder Theory is that it is rife with inherent difficulties associated with balancing between divergent and often competing stakeholder demands, eventually resulting in strategic compromises that offer no party fully satisfy (Jensen, 2001).

The approach to this stake in the environment by Vestas is participative and not just compliance with the frameworks and regulations; it involves active participation of the company in advocacy and partnership initiatives that help to shape them. It results in a deeper integration of their interests in strategic planning and operational practices. Where Vestas paints an extremely integrated picture of stakeholders, a critical eye discloses a potential gap concerning the economic implications of such engagements. Costs associated with exhaustive stakeholder dialogues and adaptation of technologies to accommodate various needs might strain resources, reflecting the economic versus ethical tension noted in stakeholder engagement literature (Phillips, 2003).

Ørsted represents a radical business model shift in its stakeholder engagements by baking sustainability at the heart of its business model and moving from fossil fuels towards renewable energies. Such a shift can resonate well not only with stakeholders but also influence them to show the feasibility and reap the benefits of sustainable energy. Critically, though the strategies of Ørsted align with the proactive dimensions of the Stakeholder Theory, they also bring in some vulnerability of the company against the swift changes taking place, which includes market acceptance and technological viability for new energy solutions. What it thus ideally emphasizes is the need for a dynamically changing strategy in dealing with stakeholders, who may alter with either anticipated or emergent challenges (Freeman et al., 2010).

The commitment to sustainable energy comes out on the side of Ericsson as an overwhelming investment in research and development to improve the energy performance of their network solutions. This aligns the initiative with SDG 7: "Ensure access to affordable, reliable, sustainable, and modern energy for all." This is because it is a positive one, having been helped along the way by Ericsson innovations in energy-efficient technologies that will not only reduce the environmental footprint of the initiative but also make possible energy conservation for their customers in the telecommunications industry (Ericsson, 2024). The company's efforts exemplify the Triple Bottom Line approach by effectively balancing economic growth with environmental stewardship and social responsibility. This, therefore, remains a challenge in terms of scaling these technologies to ensure access on a global platform is realized at affordable costs, an aspect that is very critical in enhancing Ericsson's impact on global energy sustainability (Elkington, 1997).

Vestas' specialization in wind energy solutions positions it at the frontier of leading contributions to SDG 13, which borders on the urgency of action against climate change (Vestas, 2024). The latest technology ensures that turbine efficiency and durability are continuously improved. Therein, Vestas not only improves the sustainability of its operation but also propagates the use of renewable energies. These technologies, in a way, support environmental goals and can further stimulate economic growth within the renewable energy sector by modelling how industrial activities could be reorganized in support of sustainable development. Therefore, integrating such technologies across various geographical and economic contexts becomes a great challenge requiring adaptive strategies that will accommodate very diverse environmental conditions and market dynamics (Sovacool and Dworkin, 2014).

The transformation of Ørsted from fossil fuels to renewable energy sources is a great case of transformative innovation that clearly speaks to SDG 9 (Industry, Innovation, and Infrastructure) and SDG 13 (Climate Action). Ørsted, therefore, develops and scales renewable energy projects that not only push the technological frontiers of innovation within the energy sector but also drive infrastructural changes in support of sustainable development (Orsted, 2024).Their focus on renewable energy is, strategically speaking, the way to mitigate not only the environmental cost of producing energy but also the way to create green jobs and industries that help to develop the economy. However, this same transition highlights challenges in terms of ensuring the reliability of the supply of energy and in the active management of the intermittent feature of renewable sources, both of which are key areas that require continued innovation and policy support (Mathiesen et al., 2015).

ESG reporting and corporate case studies

Sustainability reports by Nordic companies such as Ericsson, Ørsted, and Vestas are meant to represent how they apply the ESG principle in doing their business. These reports clearly indicate how the sector is committed to sustainability and what record the industry has when it comes to helping set measurable priorities towards higher environmental and social sustainability goals.

This priority for Ericsson is evident through the level of environmental management and its emphasis on reducing global carbon emissions. This year's Sustainability and Corporate Responsibility Report focuses on leading-edge sustainable technology that enables digital inclusion while improving operational efficiency (Ericsson, 2024). On the other hand, amidst all these innovations and achievements, some barriers remain for Ericsson to reach all corners of its supply chain to align with high environmental and social standards. Ørsted has turned from a company working with fossil fuels to a leading company fully dedicated to renewable energy, mainly wind power. Its annual report assesses the effect of its renewable projects on the economy and the environment, underscoring key investments that have translated into significant carbon reduction. Ørsted faces a tremendous challenge in consolidating economic growth with environmental preservation, especially in the emerging regions where the company must expand its operations (Ørsted, 2024).

Vestas is very much into technical innovations related to wind power, and within the new research centre, plans to develop turbine efficiency, which will allow the company to reach carbon neutrality. Its latest sustainability report, which came out in 2024, outlined a plan to scale the technologies, reducing the products' lifetime impacts it manufactures to meet such huge global demand. This again highlights the continuing challenge the sector faces: an abyss of difference between technological improvement and its industry-wide adoption (Vestas, 2024).

This creates quite a large gap between the reported ESG indicators and the public's perception of them. Indeed, most of the time, in line with Aksoy et al. (2022), there is always a gap between the technical report on sustainability and the public's perception of social innovation and its impacts. The gap is indicative of the fact that businesses need to be doing a better job of communicating their ESG consequences in forms that are more accessible and clearer to non-specialist audiences. Raghavan (2022) posits that clear and precise ESG reporting may help companies attract new investors; hence, it can improve market image and potentially derive improved financial performance.

Linking Theories to Corporate Practices in ESG Reporting

Multiple theoretical frameworks, including Institutional Theory, Stakeholder Theory, and the Triple Bottom Line, are interlaced to offer a holistic lens through which to assess Nordic corporations' ESG reporting processes. This integrated approach enables each theory to complement the others, resulting

in a more nuanced understanding of how regulatory norms, stakeholder expectations, and sustainability implications interact to affect company strategy.

Ericsson's Strategic Sustainability: A Dual Influence of Institutional and Stakeholder Theories

Ericsson's sustainability approach includes balancing both regulatory frameworks and stakeholder interests. The highly aggressive 50% greenhouse gas reduction target set by the company for 2030, against a 2016 baseline, contrasts more of a business target than just basic regulatory requirements (Ericsson, 2024). These objectives are consistent with global agreements such as the Paris Agreement, as well as rigorous regional regulations and policies. Adopting these ambitious environmental standards represents the company's strategic response to changing regulatory, investor, and market expectations (Holland and Malone, 2024). Ericsson ensures compliance with present rules while planning for future, stricter environmental demands as global climate goals tighten.

The stakeholder engagement approach embodies, at the same time, the most common forms of the "dynamic" and "actionable" activities of Stakeholder Theory (Parmar, Freeman and Harrison, 2010). The "Connect to Learn" program, which focuses on enhancing educational fairness, responds to a fundamental need recognized by stakeholders: to improve educational possibilities in underprivileged regions globally. This project not only fosters social development but also deepens Ericsson's partnerships with local communities, governments, and non-governmental organizations. (Ericsson, 2024). Furthermore, Ericsson utilizes its technology and communication capabilities to provide effective stakeholder relationships. Ericsson provides scalable and sustainable technology-driven learning solutions through collaborations with educational institutions and government organizations. (Ericsson, 2024).

Vestas: Pioneering Sustainability through Institutional Innovations and Stakeholder Collaborations

Vestas utilizes institutional theory in its practical and forward actions to overcome institutional constraints. The company's objective of zero-waste wind turbines by 2040 demonstrates how Vestas not only satisfies current environmental rules but also actively influences future industry standards (Vestas, 2024 & Scott, 2023). This commitment, therefore, resonates with the global shift to the circular economy (EU, 2021). Its strategy confirms that regulatory environments are dynamic, propelled by the need to respond appropriately to global climate issues.

Vestas has a thorough and broad stakeholder engagement approach. It recognizes the critical role of local community buy-in in achieving renewable energy projects, and Vestas spends heavily on

stakeholder discussions before and during project execution (Vestas, 2024). This method guarantees that initiatives are technically feasible, fiscally viable, and socially sustainable (Clark, Feiner and Viehs, 2015). These collaborations often involve extensive environmental impact assessments, discussions about creating job opportunities, and concerns for indigenous animals and ecosystems, as well as establishing trust and long-term partnerships with stakeholders, including local communities, environmental groups, investors, and governmental agencies (Vestas, 2024).

Ørsted's Comprehensive Approach: Institutional Adaptation and Triple Bottom Line Integration

The change from fossil fuels to green energy that Ørsted underwent can be a classic example of institutional theory. That is a major change influenced by the pressures of an institution, in this case, legal restrictions, international climate treaties, and cultural demands that are progressively growing regarding sustainability (David, Tolbert, and Boghossian, 2019). Ørsted's goal to phase out coal represents institutional-level commitment—powerfully displaying how the business considers not only its bottom line but also regulatory and environmental concerns through dedication to renewable energy by showing how institutional drivers can make impacts on business development (Ørsted's, 2024 & Greenwood et al., 2008). Due to this, Ørsted not only complies with environmental rules but also positions itself as a leader in the energy business (Scott, 2023).

Ørsted's policy demonstrates the Triple Bottom Line method, balancing financial sustainability, environmental responsibility, and social justice. Its investments in renewable energy projects, such as offshore wind farms, contribute to lowering carbon emissions while also providing large economic benefits and creating new job possibilities (Orsted, 2024 & Scott, 2023). These approaches demand substantial community involvement and development to ensure that residents not only benefit but are supportive of the changeover to renewable energy. The efforts of Ørsted to be carbon-neutral by 2040 represent a shared dedication to environmental sustainability with fiscal objectives (Orsted, 2024). The company is also concerned with social issues; it ensures active support in improving biodiversity in and around its projects and that its activities should be in the best interest of local populations (Orsted, 2024). This shows Ørsted's commitment to the Triple Bottom Line, which merges sustainability with its company brand and operations (Elkington, 1997).

Regulatory Compliance and Carbon Emissions

Ericsson has ambitious targets for carbon reduction and is on the path to achieving Net Zero GHG emissions from its value chain by 2040. It discloses that more than 94% of its environmental impact arises from the company's emissions in Scope 3. In this category, sold network equipment energy

consumption plays an important part. This underlines a very pertinent area of improvement, which is enhancing product lifecycle sustainability through innovative strategies, such as improved energy efficiency of the products and extended producer responsibility (Fischedick et al., 2014). In this line, Ericsson needs to do more to effectively handle their indirect emissions, which may include raising the standards from the supplier and consumer stages (Gouldson et al., 2015).

Vestas has always been in the leading category in this industry, targeting carbon neutrality for its operations by 2030 without the use of offsets. They extend their commitment by minimizing their Scope 3 emissions by 45% MWh produced through product mix enhancements and performance improvements. The approach is positive and is a show of commitment not only to the global sustainability targets, such as the Paris Agreement, but also to showing a holistic view of sustainability inclusive of state-of-the-art technology with strict environmental governance (Schaltegger & Burritt, 2018). The company's green initiatives, renewable energy solutions, and operational efficiencies are examples of a sustainable business model for other companies.

Ørsted has brought about sizeable development, cutting its Scope 1 and 2 emissions by 37% in just one year, supported mainly by a strategic shift from coal to renewable energy. This transformation is part of Ørsted's effort to influence the energy sector's transition to sustainability, far beyond the normal call of regulations. Further, a 49% reduction in Scope 3 emissions reinforces how Ørsted is leading the drive for efficient supply chain management and commitment to reducing the carbon footprint emanating from the use of capital goods. In fact, this leadership position is competitive and contributes to setting global standards for sustainable practices in the energy sector (Pinkse & Kolk, 2012).

Industry and Sector Trends in Renewable Energy

The renewable energy sector is on the brink of a transformational shift, with leading companies adopting a more holistic and assertive ESG consisting of environmental, social, and governance strategies that are key to sustainability goals and driving global regulatory changes. Companies such as Ørsted and Vestas are leading the way, not with simple compliance with existing regulations, but rather influencing or even setting new standards. Innovative work with turbines, increased efficiency, and digital solutions within the energy management system are critical advancements toward reducing the carbon footprint from energy production. These technological developments are instead redefinitions of power efficiency specifications and help define new regulatory standards settings that may be benchmarks for the business (Schaltegger & Wagner, 2011). Ørsted rebranded from an old energy company to the world's largest developer of offshore wind farms and a world leader in renewable energy. Today, Ørsted is focused on scalable offshore wind projects and has brought green hydrogen and energy storage solutions to some of the biggest challenges within energy transition.

These are indispensable in showing the possibility and potential scalability of renewable solutions, therefore exerting influence in policy formulations and regulatory frameworks around the globe.

Influencing Global Sustainability Regulations

In the meantime, as these companies progress their new technologies and prove their effectiveness, they also influence the emerging regulatory landscape. For example, Ørsted's transition strategies and their strong contribution to the climate alliances inform policy debates in an international forum. Support is important in a coherent international response to climate change, as well as the provision of proof points and models around which regulation can be built (Pinkse & Kolk, 2012). Further, the push by companies like Vestas for stringent emissions requirements and their openness in terms of sustainability reporting seems to set benchmarks for corporate governance across the energy sector. Both are critical trends that reflect a change toward tighter sustainability assessment and accountability mechanisms in global markets.

The pre-emptive strategies being implemented by Vestas and Ørsted are setting benchmarks for the industry and, in a way, dictating the pace at which the world energy sector is switching toward renewable technologies. Their leadership is instrumental in showing that not only can they avoid sacrificing economic viability in exchange for environmental and social gains, but that it is possible for other sectors to join can join such radical, transformative approaches toward sustainability (Fischedick et al., 2014).

Ericsson brings a lot of impetus to energy efficiency by virtue of its technological innovations in the field. The work done by the company, cutting down the energy consumed by network systems, points directly toward the sustainability goals of the telecommunication industry. More energy-efficient network equipment and solutions developed by Ericsson lead to a reduction in the overall energy demand of digital infrastructures (Ericsson, 2024). Broadly speaking, any such effort resonates well with the global endeavour of taming indirect emissions (Scope 3), which counts as the largest for most digital societies.

Ericsson: Making it Real in Sustainability in Product Lifecycle and Management

Independent reviews from Ethos ESG and Corporate Knights have outlined that though Ericsson is forthcoming to set ambitious emission reduction targets, it's managing of downstream impacts remains underdeveloped. Critics say that it would be important for Ericsson to extend its sustainability programs to cover the life cycle of its products. This includes greater durability, reparability, and recyclability for product requirements, which means reduced environmental burdens during product use and disposal. Drawing from the principles of a circular economy, as Gouldson et al. (2015)

advocated, Ericsson can indeed translate its environmental strategies into real outcomes. They include designing products that have a much longer life and are easy to maintain, and recycling would mean Ericsson would drastically reduce waste, emissions, and energy leakages. This paradigm shift would take us beyond direct environmental impacts, resonating with the sustainability objective much broader than the classical carbon metrics. Such a transition challenges conventional business models and aligns with a sustainable approach wherein optimizing resource use and minimizing waste are the prime priorities (Gouldson et al., 2015).

Vestas and Ørsted: Enhancing Transparency and Eco-Innovation

Vestas and Ørsted are constantly mentioned among the leaders of the most important companies in the renewable energy industry. However, independent sources never cease to demand even greater rigour of environmental measures and a higher degree of transparency from companies, including Corporate Knights. Special emphasis has been given to the need for these companies to disclose their environmental impacts, incorporating areas such as biodiversity and ecosystem services, as well as relatively ignored local environmental effects, focusing only on carbon metrics. Pinkse and Kolk (2012) added that full inclusion of the ecological costs in operations was only pertinent for renewable energy companies. This was to involve both direct and, importantly, indirect ones, such as changes in land use and the consumption of natural resources. A broadened perspective is, therefore, necessary for real sustainability practices. The perspective works in hand with the rule of Stakeholder Theory in the sense that the consequences that affect all the stakeholders involved, not just shareholders have to be taken into consideration. Improved transparency around these wider impacts would help companies like Vestas and Ørsted build increased stakeholder trust and continued assurance of their environmental stewardship (Pinkse & Kolk, 2012).

Analysis of Reporting Trends and Effectiveness

The 2023 Deloitte study shows that more advanced approaches to ESG reporting are on the rise, driven by fast-changing regulatory expectations and an increasing investor desire for transparency. This trend coincides with the overall trend of integrating ESG data into corporate governance frameworks while properly emphasizing the importance of transparent and responsive disclosures (Deloitte, 2023). Moreover, important barriers are placed in the way of compliance with these new requirements. This is underlined in Thomson Reuters' 2022 Special Report as an increasing challenge in finding a balance between collecting a larger scope of data and engaging stakeholders effectively in clarifying the information provided and making it useful. This relates to integrating the ESG factors into the financial strategy and, further thoughts, views it as crucial to financial stability (Thomson Reuters Regulatory Intelligence group, 2022). IMF research in 2023 explains that ESG considerations

are vital, not only for reducing possible risk but also efforts to sustain stability in an age of climate and societal change, implying that strong ESG practices could contribute to building a more resilient financial system. While ESG reporting is used in many organizations, the future of ESG reporting will focus on establishing realistic impacts through verification methods (Mac Cormac and Onabanjo, 2024). This is a critical development for the stakeholders who want both openness and evidence of long-term results that can be relied on (Mac Cormac & Onabanjo, 2024). Therefore, the 2024 Global Risks Report by the World Economic Forum emphasizes that efficient ESG reporting enables organizations to effectively manage and mitigate global risks by improving organizational resilience and adaptability (World Economic Forum, 2024).

Lastly, the Harvard Law School Forum on Corporate Governance points out that openness and accountability are modern norms of business performance. Thus, that approach could further foster corporate ESG efforts in 2024 and beyond, shaping how the company responds to current critical global issues. This reflects the new environment in which ESG reporting is being done, where ongoing responsiveness and proactive governance are essential to corporate sustainability and resilience (Holland and Malone, 2024).

Innovations in ESG Integration

The innovation of merging the ESG practices is significant to the business's sustainability. It is to be outlined that in the modern era, ESG approaches have gained prominence through the usage of technology. Companies tap into new analytics, AI, and blockchain innovations to build on their capacity for better ESG data collection and analytics. This technology is well designed to improve the reporting procedures and decision-making capacity. It allows for real-time monitoring of the impacts on the environment and encourages effective stakeholder participation. For example, Akter (2024) describes how using AI allows for coping with international environmental challenges, enhances predictive-based management, and helps improve resource optimization.

One of the primary objectives of strategic initiatives is to deploy new technology for ESG. This includes creating new business models based on sustainability principles. Lim (2024) reports that AI is infiltrating the finance sector to enhance ESG standards, while much of AI's revolutionary potential is in making financial services more sustainable and ethical. Cross-sector partnerships are key in this respect because those collaborations deal with complex sustainability issues that lie beyond the capacity of single organizations (Lim, 2024).

Limitations of Theories and Gaps

Even though Institutional Theory provides a formidable, its major focus on compliance may hide the important proactive and innovative efforts that companies, such as Vestas, are taking to advance beyond the industry norms. For example, Vestas is not responding to standards at hand but is, in fact, trying to redefine technologically and economically possible standards of renewable energies, which implies an active and dynamic interaction with institutional forces that traditionally are downplayed by Institutional Theory (DiMaggio & Powell, 1983).

Further, the theory often paints firms as passive entities shaped by their environment. It may not completely capture companies' strategic objective when they influence or change their institutional landscapes. Businesses in the renewable energy business, for example, often influence policy discussions and advocate for regulation changes that will be favourable for sustainable development, in which case they exercise a degree of agency or foresight over and above simple adaptation or compliance (David, Tolbert and Boghossian, 2019).

Acquiring the external pressures of the institutional theory less often addresses organizational internal dynamics that can equally enforce change. This covers the motivations, strategic intents, and corporate culture that are often pivotal in how a corporation approaches sustainability. For instance, the internal commitment of a company such as Ørsted to retool its business model from one powered by fossil fuels to one fired by renewable energy sources was as much a product of visionary leadership and internal cultural shifts as from external regulatory requirements. Finally, Institutional Theory would be expanded by incorporating the elements of Corporate Governance Theory, which stress the roles of leadership decisions and governance structures in melding organizational behaviour. It is plausible that integrating the aspects of Organizational Culture Theory could provide even deeper insights into how the organization's values, norms, and practices could shape and transform these institutional pressures into innovative practice. This integration would thereby meet the challenge of the void in Institutional Theory about the internal drivers of change and institutional sustainability (Scott, 2008; Greenwood et al., 2008).

The Stakeholder Theory principally argues for the significance of balancing diverse groups of stakeholders' interests, arguing that companies should manage the relationships similarly to the objectives of the ethical and business organization. In practice, however, reaching such a balance is a minefield, especially where powerful stakeholders, for instance, major investors or regulatory bodies, have clashing interests vis-à-vis less powerful groups such as local communities or minor suppliers. This often serves as a priority for financial or regulative interests that directly affect the bottom line, perhaps at the expense of environmental integrity or social fairness. Such prioritization could raise the possibility of inconsistencies between different contexts in terms of the ways the ESG principles have

been embedded, even undermining the effectiveness of corporate sustainability at large (Mitchell, Agle, & Wood, 1997).

Although Stakeholder Theory has an approach allowing one to consider a wide range of interests in a corporation, this model is often not methodologically rigid enough in identifying and prioritizing in complex, multinational corporations. Present models in the context of the Stakeholder Theory offer very little guidance for managing conflicting demands or assessing the relative importance different groups of stakeholders attach to the issues at hand. Such a lapse would require more sophisticated tools and frameworks that can cover the way for a systematic approach to stakeholder analysis so that decisions remain ethically grounded and strategically sound (Freeman et al., 2010).

Furthermore, it would contribute to the further articulation of Stakeholder Theory with insights and descriptions provided by behavioural ethics and corporate governance into the dynamics that underlie stakeholder interaction and organizational decision-making processes. These integrations would help to address practical challenges in the implementation of Stakeholder Theory within day-to-day corporate practices and thereby provide clearer pathways for balancing diverse interests in the corporation and enhancing corporate accountability (Phillips, Freeman, & Wicks, 2003).

The triple bottom line model brings a holistic view toward sustainability, where organizations are equally urged to consider economic, social, and environmental performance. Despite the wide acceptance of the framework, there are some pragmatic challenges with quantifying and comparing the social and environmental aspects with the financial metrics. This subjective nature of intrinsic social impact and environmental benefit measurements leads to inconsistencies in how sustainability is reported and interpreted from the organization-to-organization standpoint. This suggests that it could weaken the effectiveness of the framework (Elkington, 1997). However, companies might, therefore, report sustainability in a way that allows a positive picture of sustainability rather than genuine accountability and improvement. This limitation questions the comparability and reliability of sustainability reports and may, therefore, dilute the potential of the framework to bring about substantive change in corporate behaviour (Elkington, 1997).

So far, the Triple Bottom Line paradigm has had a fundamental gap: there are no standard, rigorous measures that link social and environmental benefits to financial performance. Current sustainability reporting frequently uses various measures that may vary greatly by sector and area, making it difficult to adequately benchmark or aggregate the data. This lack of standardisation makes it difficult for stakeholders to provide a comparable and sound decision-making process using triple bottom line data (Norman & MacDonald, 2004). The Triple Bottom Line's three pillars (profit, people, and planet) are often treated separately rather than as interrelated. Segregating these aspects can oversimplify the complexities and trade-offs that exist. For instance, economic expansion (profit)

works against environmental protection (planet) or creates social disparities in many circumstances. However, a more integrated approach that models these explicit interactions and trade-offs can provide organisations with a clearer picture of the systemic impacts of their decisions, thereby improving the strategic application of the Triple Bottom Line in business practice (Slaper & Hall, 2011).

Conclusion

This thesis has provided an overview of ESG practices related to three leading companies in the Nordic area: Ericsson, Vestas, and Ørsted. The paper at hand undertakes a qualitative review of the data found in the sustainability reports and independent evaluations to compare the quantitative information with the deep insights behind how such companies incorporate the ESG criteria into their operation and strategy contexts. The research was based on three main questions: the influence of the regulatory environment, stakeholder perceptions and engagements, and the emergence of innovative practices on ESG integration.

In other words, the results point to a strong influence of the regulatory context in the Nordic countries for the corporate ESG strategy. While equally robustly aligned with very demanding local and international sustainability regulations, companies such as Ericsson, Vestas, and Ørsted do not only ask for mere compliance but strive for ambitious ESG goals. These companies normally do not settle just to meet but rather very often exceed such standards by setting up the benchmark practices in the world for global sustainability.

Stakeholder engagement is a major part of effectively integrating ESG. Every company actively engages with stakeholders such as investors, customers, communities, and governments. It enables the customization of ESG strategies to prevail within the regulatory requirements and other stakeholder expectations. Such engagements also build corporate reputations and trust for sustainable business practice.

The R&D investments made by Ericsson in making its network solutions more energy-efficient contribute to SDG 7: Affordable and Clean Energy, while the innovation contributed by Vestas for the turbine takes care of SDG 13: Climate Action. Ørsted's innovation in switching from fossil to renewable sources fuels SDGs 9: Industry, Innovation, and Infrastructure and 13. These innovations illustrate how integrating ESG criteria can contribute substantially to global sustainability goals. The analysis confirms that while Nordic companies are at the forefront of ESG practices, they also face challenges such as balancing stakeholder demands and managing extensive supply chains in an environmentally sustainable way. Moreover, while the regulatory framework in Nordic countries

provides a strong foundation for ESG practices, it also raises questions about the applicability and adaptability of these practices in less regulated environments.

One of the contributions of this study is the detailed examination of the regulatory impact on corporate ESG strategies. The findings demonstrate that while regulations set the framework for action, companies like Ericsson, Vestas, and Ørsted go beyond compliance, using regulation as a springboard for innovation and leadership in sustainability. It extends the literature by showing compliance and proactive engagement with the regulations and providing a model for other regions and industries. This thesis further deepens our understanding of stakeholder theory since it maps how Nordic corporations engage with the different stakeholders to shape the ESG agenda. Very specific case studies give concrete examples of how the interests of stakeholders have been integrated into corporate strategy, enabling enhanced trust and collaboration. Such practical application deepens the academic discussion around the interplay of companies with their broader social and economic environments.

The analysis of case studies provides a blueprint for other companies aiming to enhance their ESG practices. Corporations can adopt similar strategic frameworks, such as engaging more deeply with stakeholders or investing in innovative technologies, to improve their sustainability metrics. Policymakers can use the findings to draft more effective regulations encouraging companies to adopt practical rather than reactive ESG strategies. Insights from this research could help craft policies that incentivize innovation and create greater transparency in sustainability efforts. Consultants specializing in corporate sustainability can leverage the insights from this study to advise clients on best practices for ESG integration. The evidence-based approaches discussed can help formulate strategies that comply with regulations and advance corporate reputation and market competitiveness.

This thesis provides several implications for future ESG research. First, there is a definite need for the further development of robust theoretical frameworks that can sustain the difficulties involved in ESG practices. This means that systems should include internal organizational dynamics, such as the quality of leadership, business culture, and innovation capabilities, in addition to external pressures and stakeholder demands.

Future work might delve more into this or even discuss how such issues would relate to new subjects in sustainability research, like technological innovation and its effect on ESG reporting and compliance. This could also help close some of the gaps highlighted within each theory by putting forth some new models or metrics that could make this evaluation of efforts toward corporate sustainability completer and more accurate. The paper underscores the need for a corporation to be equipped with a more sophisticated and comprehensive approach toward ESG. Theoretical insights, together with operational practices, empower an organization to meet the expectations of regulators

and stakeholders. Besides, the gaps identified in the theoretical applications would propose areas of corporate training programs, policy framing, and strategic planning to enhance internal organizational capabilities. This could be in terms of developing new leadership skills, a culture of sustainable innovation, and enhanced stakeholder engagement mechanisms.

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