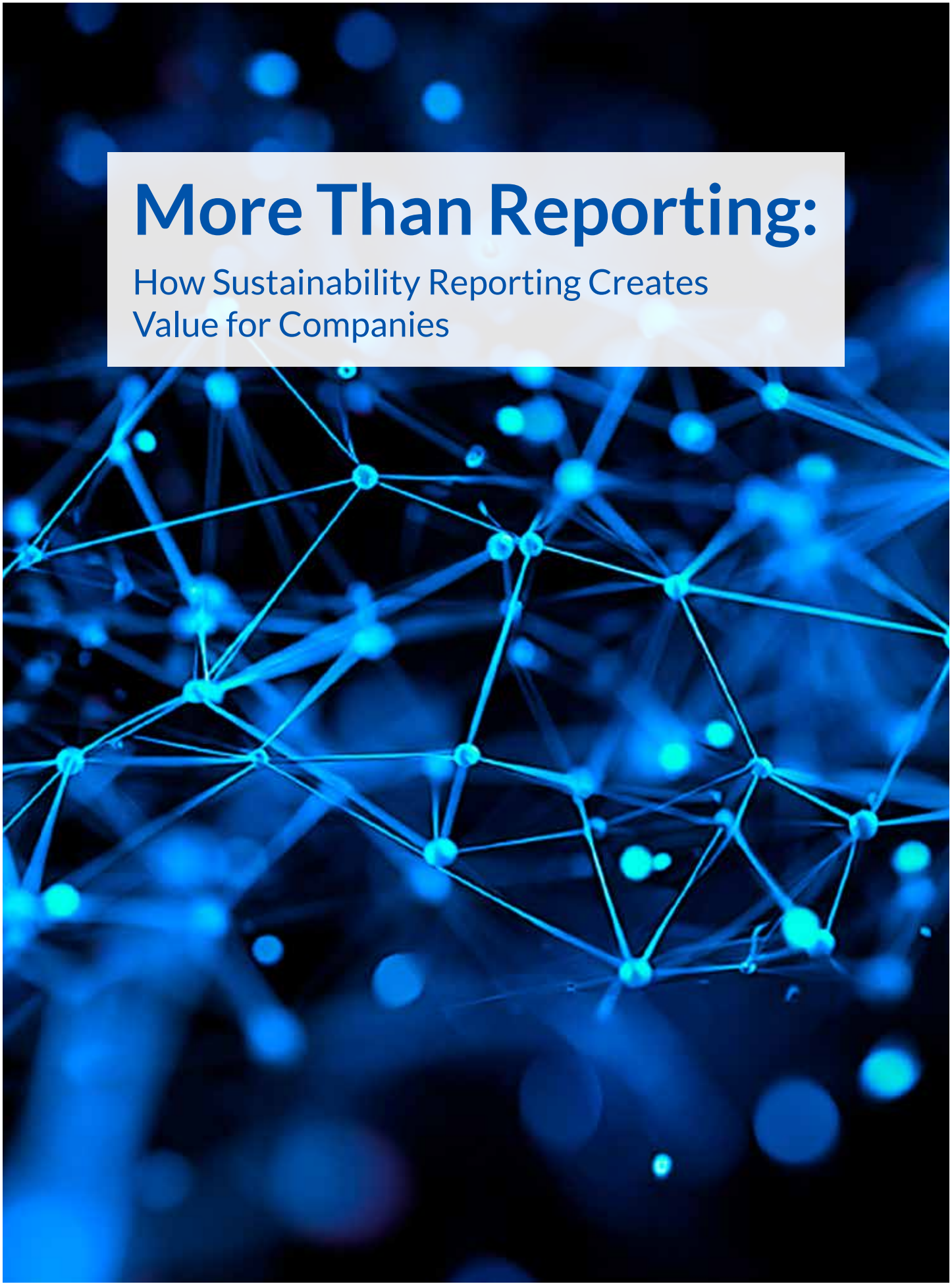

More Than Reporting:

How Sustainability Reporting Creates Value for Companies

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Content

Executive Summary

In light of the recent rollback of corporate sustainability transparency requirements in the EU (the so-called Omnibus process), the focus in many companies is shifting from regulatory compliance to a new question: **Is voluntary sustainability reporting worthwhile—and if so, under what conditions?**

While costs are comparatively easy to quantify and often feature prominently in corporate discussions, the potential benefits of sustainability reporting remain less tangible. This paper therefore provides a systematic overview of how and under which conditions sustainability reporting can generate value for companies. Reporting is thereby understood as a potential transformational process, ranging from planning and data collection to the strategic use of the resulting information.

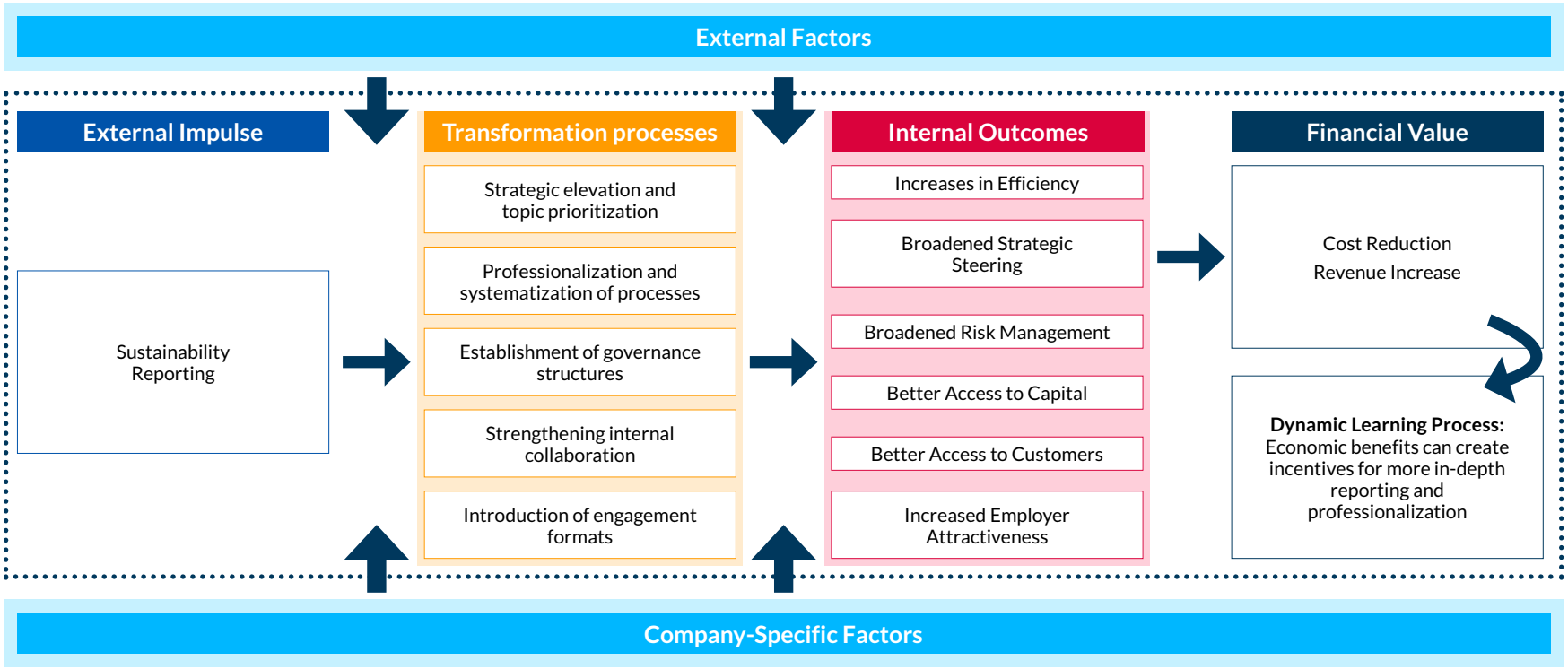
The study combines a review of existing academic and practice-oriented research with twelve qualitative interviews conducted with corporate representatives. These interviews provide concrete insights and examples of how sustainability reporting can trigger organizational transformation processes that lead to internal outcomes, such as safeguarding or increasing revenues and reducing costs.

The findings of this paper demonstrate that the added value of **sustainability reporting does not lie in the report itself, but rather in the organizational changes initiated through the reporting process and in the targeted use of data within and beyond the company.**

The outcomes generated through sustainability reporting can vary substantially across organizations. For some, the primary benefits are efficiency gains in internal processes or enhanced strategic management and risk control. Others primarily view reporting as an instrument for securing access to customers and capital markets or for improving employer attractiveness. Key transformation processes that enable such outcomes include the strategic elevation of sustainability within the organization, the clear prioritization of material topics, the professionalization and systematization of processes, and the development of robust governance structures. Whether and to what extent these transformations occur—and whether they ultimately translate into measurable outcomes and financial value—depends on a range of internal and external factors, such as industry-specific and market factors (see Figure 1).

The insights presented in this study aim to guide companies in leveraging sustainability reporting as a driver of business success. At the same time, the findings contribute to ongoing policy, economic, and societal debates on the future of sustainability reporting by offering a more tangible and differentiated understanding of its benefits within cost-benefit analyses.

Figure 1 | **Relationship between transformation processes, outcomes, and financial value**



Source: Own illustration. This is a condensed version of the full impact model (Figure 3).

1. What Added Value Can Sustainability Reporting Create?

Corporate sustainability currently stands at a crossroads amid multiple global crises and profound shifts in economic, political, and societal conditions. On the one hand, climate-related investments in Germany and Europe have increased in recent years, although growth has recently slowed (KfW, 2024; I4CE, 2024). Surveys among CEOs and CFOs show that a majority of companies still intend to invest in sustainability (BDO, 2025; Capgemini Research Institute, 2025; Deloitte, 2024; Forbes Research, 2025; Kearney, 2025). A Eurobarometer survey further underlines that more than 80% of Europeans support climate neutrality and investments in renewable energy and energy efficiency. Moreover, 75% consider reducing fossil energy imports a clear economic advantage for the EU (European Commission, 2025a).

At the same time, many companies are showing a decline in sustainability-related activities and a lower prioritization of sustainability (Küper et al., 2025). In both the EU and Germany, this "rollback" is amplified by an economic downturn and political debates over reducing previously adopted transparency requirements. The so-called Omnibus procedure of the European Commission proposes, among other things, narrowing the scope of the Corporate Sustainability Reporting Directive (CSRD). This has increased uncertainty among companies regarding future reporting obligations (Bertelsmann Stiftung, 2025; Deutsches Aktieninstitut & EY, 2025).

The implications of these opposing developments for the achievement of multilateral sustainability goals—such as the EU Green Deal, the SDGs, and the Paris Climate Agreement—remain uncertain. Yet one consequence is already evident: wherever transparency obligations are rolled back and political uncertainty grows, the question of the business case for sustainability—and particularly sustainability reporting—moves back into the spotlight. Particularly companies that are now no longer or only partially subject to reporting obligations increasingly ask: **Is sustainability reporting worthwhile doing for us—and if so, under what conditions?**

1.1 Back to "Start"? The Business Case for Sustainability

What role does sustainability reporting play in the relationship between sustainability and profitability? Ideally, it complements effective sustainability management by making progress and future goals transparent to both internal and external audiences. In practice, however, the concrete impact of reporting remains contested.

At a societal and macroeconomic level, sustainability reporting can—through specific causal pathways—help mitigate systemic risks, channel capital flows more efficiently toward social and environmental solutions, and strengthen the "social contract" between business and society through accountability (EFRAG, 2022). This paper, by contrast, zooms in on the concrete value added from an individual company's perspective.

From a corporate standpoint, sustainability reporting can make the status of material Environmental, Social, and Governance (ESG) topics visible, thereby strengthening internal management and employee communi-

cation while providing external stakeholders—such as customers, banks, and investors—with relevant information. At the same time, reporting incurs costs and requires substantial resources.

From a scholarly perspective, this debate brings corporate sustainability somewhat "back to its roots" in the 1970s, when hundreds of academic studies began examining the relationship between ESG management and corporate financial performance. The empirical evidence is mixed: while the majority of studies find a positive or neutral association and relatively few find a negative one (Friede et al., 2015; Whelan et al., 2021), the relationship is complex and subject to multiple methodological limitations. In essence, sustainability is not automatically a business case for every company—it is highly context-dependent (Grewatsch & Kleindienst, 2017). Firms do not operate in a "win–win wonderland" where every additional sustainability investment leads directly to higher competitiveness. Rather, a robust business case requires the consistent and often capital-intensive integration of material sustainability topics into the core business (Eccles et al., 2014; Khan et al., 2016), supported by creativity, innovation capacity, and long-term managerial vision (Grewatsch & Kleindienst, 2017).

This ambivalence is also evident in a 2024 survey among German manufacturing companies: only 31% already perceive the transition toward climate neutrality as a business case, while 62% primarily associate it with rising costs. At the same time, 60% plan to develop new climate-friendly products and services to create additional revenue streams (Bolwin et al., 2024).

1.2 EU Sustainability Reporting in Transition

With the adoption of the CSRD in December 2022, sustainability-related disclosure requirements in the EU were expanded compared to the previous Non-Financial Reporting Directive (NFRD). Key innovations include (EFRAG, 2022):

- An expanded concept of materiality (double materiality),
- Additional disclosure of strategy, implementation plans, internal processes, and financial risks and opportunities related to material topics, and
- A more holistic view of the value chain.

However, the global framework conditions have changed significantly since then. The European Commission has redefined its political priorities, shifting the EU Green Deal—originally conceived as a growth agenda in 2019—partially toward a more competitiveness-oriented agenda with fewer transparency obligations (European Commission, 2025b). Against this backdrop, the debate over the appropriate level of sustainability reporting has reignited. The central question is:

How much reporting is necessary to enable a successful social and environmental transformation—and what level of reporting can gain political, economic, and societal consensus?

The Omnibus package introduced a "stop-the-clock" mechanism that delays the application of certain CSRD obligations for later reporting waves (e.g., large companies outside "Wave 1" and listed SMEs) by two years to allow simplifications. In parallel, the Commission adopted targeted "quick-fix" adjustments to Set 1 of the European Sustainability Reporting Standards (ESRS) in July 2025 to reduce the reporting burden for already obligated companies (European Commission, 2025c). Additionally, EFRAG launched simplified ESRS drafts for consultation.

As of the publication date of this study, sustainability reporting obligations remain in place but are being streamlined, and their scope is reduced through revised size thresholds. According to recent estimates, the final decision could reduce the number of companies subject to reporting requirements by around 90% or more (for details, see Rasche et al., 2025).

These developments raise important strategic questions for companies about how to position sustainability reporting in the future. For companies likely

to remain under the CSRD, it is crucial to determine whether the continued implementation of ESRS should be treated as a strategic transformation project or merely as a compliance exercise. For large and small medium-sized enterprises (SMEs) expected to fall outside the mandatory scope, the question is whether to continue reporting voluntarily. Practical alternatives are available through the Global Reporting Initiative (GRI) Standards and the Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME) developed by EFRAG. In July 2025, the European Commission formally recommended the use of the VSME (European Commission, 2025d).

The answers to both questions—whether sustainability reporting is viewed as a strategic instrument or a regulatory obligation, and whether non-obligated firms will voluntarily engage—depends largely on whether organizations perceive organizational and/or financial value in the process.

1.3 Cost–Benefit Analyses of ESRS and VSME

To assess the costs and benefits of sustainability reporting under specific standards (NFRD, ESRS, VSME), the European Commission and EFRAG conducted Cost–Benefit Analyses (CBAs) prior to the adoption of each framework (for more detailed information, see Appendix). These analyses estimate the financial implications, quantifying or qualitatively assessing them where possible.

a. Cost–Benefit Analysis of the ESRS

The 2022 ESRS CBA distinguishes four categories of costs and benefits (De Groen et al., 2022):

Direct costs: One-time administrative setup costs (e.g., processes, data collection models, internal capacities), recurring annual reporting costs (personnel/FTE, external consulting), assurance costs (limited/reasonable assurance), and digitalization costs (e.g., XBRL tagging).

Indirect costs: When large reporting entities request data from SMEs, a "trickle-down" effect arises across the value chain. Additional costs may include potential litigation expenses and competitive or innovation-related disadvantages if shared data are used by non-EU competitors.

Direct benefits: Harmonized, digitally accessible data reduce ad-hoc requests and data procurement costs for companies, investors, and data providers. The scale and pace of these savings depend heavily on alignment and interoperability with international frameworks (e.g., GRI/ISSB).

Indirect benefits: Greater transparency is assumed to strengthen stakeholder relations, reduce information asymmetries, and trigger organizational change—leading to improved capital access, better integration of sustainability risks into management systems, and enhanced coordination and collaboration within firms and supply chains.

The ESRS CBA concludes that short-term costs outweigh immediate benefits, but substantial—albeit difficult to quantify—advantages are expected in the medium to long term. However, the analysis remains incomplete, as indirect benefits could not be monetized due to methodological limitations. With increasing implementation experience, costs and benefits are expected to be captured and reassessed more accurately. Recent studies offer early insights into the first reporting wave—both regarding implementation (DRSC & Deloitte, 2025) and perceptions of effort and value added (Bertelsmann Stiftung, 2025; Deutsches Aktieninstitut & EY, 2025).

b. Cost–Benefit Analysis of the VSME

In July 2025, the European Commission published a recommendation encouraging SMEs to voluntarily apply the VSME Standard (European Commission, 2025d). Large companies and financial market participants are also encouraged to align their ESG data requirements with this standard. As this remains a recommendation rather than a delegated act, the final standard may still change.

The 2024 CBA for the VSME (Bolognini, Luchetta & Monaco, 2024) follows the same general logic as the ESRS CBA, but with key differences reflecting the SME context: assurance costs and trickle-down effects are irrelevant here. On the benefit side, the analysis focuses on whether the VSME enables SMEs to meet ESG data requests from banks and large clients more efficiently.

This expected efficiency gain represents the net effect of "VSME minus baseline," i.e., the additional costs compared to the effort of responding to ESG requests without the VSME. Unlike the ESRS CBA, the VSME CBA also monetizes other benefit channels—such as potential financing advantages through lower capital costs, improved capital access, and customer acquisition. Other potential benefits, including competitive advantages, reputational gains, and governance improvements, are discussed qualitatively but not monetized.

The VSME CBA concludes that while short-term costs outweigh benefits, a positive net effect may emerge in the medium term—depending on the assumptions applied. A key prerequisite, however, is that future ESG data requests from SMEs can indeed be met through the VSME framework.

2. What Do Studies Say About the Added Value of Sustainability Reporting?

2.1 Added Value of Financial Reporting and Differences Compared to Sustainability Reporting

Research in financial accounting and capital markets has long established that more and higher-quality transparency reduces information asymmetries, can lower the cost of equity and debt capital, increase market liquidity, and influence firm valuation. A richer information environment also improves the precision of analyst forecasts and allows firm-specific information to be more accurately priced by investors (Healy & Palepu, 2001; Leuz & Wysocki, 2016).

Sustainability reporting similarly creates transparency and reduces information asymmetries. It is therefore plausible to assume that it could produce comparable effects. However, sustainability reports differ in several essential respects from financial reporting. They typically address a broader and more diverse group of stakeholders, cover a wider range of topics, vary substantially across industries and countries, include not only the company's financial exposure but also its impacts on the external environment (e.g., supply chain), and often adopt a more long-term time horizon.

These characteristics make sustainability information harder to compare and interpret. Much of the content is qualitative or technical rather than immediately monetizable (Christensen et al., 2021; Huang & Watson, 2015). Accordingly, issues such as data quality, internal controls, and external assurance play a particularly important role. To better understand these specificities, researchers have examined for more than two decades how sustainability reporting affects both the financial and non-financial performance of firms.

2.2 Effects of Sustainability Reporting

Most existing studies on the effects of sustainability reporting focus on capital-market outcomes of increased transparency. Table 3 in the Appendix provides an overview of selected studies examining the relationship between sustainability reporting and financial performance, cost of capital, information environment, and other non-financial dimensions such as innovation or reputation.

The majority of studies find that sustainability reporting can enhance firm value in capital markets, improve stock liquidity, increase the information content of stock prices, and reduce both the cost of equity and the cost of debt (see also the review in Christensen et al., 2021). These effects are particularly pronounced when disclosures are hard, verifiable, and material (Grewal et al., 2021; Matsumura et al., 2024; Plumlee et al., 2015) and when sustainability-related disclosures are mandated and enforced by public authorities (Krüger et al., 2024).

Beyond capital-market effects, research also documents operational impacts. These include improved reputation (Pérez et al., 2017) and reduced internal misconduct such as corruption or discrimination (Christensen, 2016). Regarding innovation, some studies indicate that disclosure can have a negative effect on innovation-related performance indicators such as the number of patents or R&D expenditures, as increased transparency may reduce incentives to innovate.

Taken together, these studies illustrate that sustainability reporting is associated with a multifaceted set of financial and non-financial outcomes—ranging from lower financing costs to cultural and organizational change.

2.3 Challenges of Sustainability Reporting

Despite its potential benefits, establishing reporting structures and producing a sustainability report pose significant practical challenges for companies. Numerous studies have surveyed firms to identify factors that hinder sustainability reporting and the subsequent use of data (recent examples include Bertelsmann Stiftung, 2025; DAI & EY, 2025; DRSC, 2025; KPMG, 2025; Sage, 2023). The most frequently cited obstacles—often linked to the implementation of the CSRD and ESRS—include the following:

- **Uncertainty regarding reporting obligations:** A lack of legal clarity about whether companies are subject to reporting requirements—e.g., due to delays in transposing the CSRD into national law—creates uncertainty.
- **Ambiguity in applying reporting requirements:** The absence of consistent concepts, procedures, and data points in reporting standards increases uncertainty and coordination effort.
- **Complexity of requirements:** The high level of granularity in the amount and detail of data requested adds complexity to report preparation.
- **Data quality and availability:** Collecting, assessing, and aggregating sustainability data—both internally and across the value chain—is new and demanding for many firms.
- **Limited human resources:** Many companies perceive the personnel resources tied up in reporting as excessively burdensome.

2.4 Interim Conclusion: Making the Added Value of Sustainability Reporting More Tangible

Existing research provides valuable insights into the relationship between sustainability reporting and corporate success, as well as into related conditions and challenges. However, this relationship has so far been examined mostly in aggregated form and based on capital-market metrics (see Table 3 in the Appendix).

By contrast, little empirical evidence exists on the actual organizational processes and mechanisms through which reporting creates value within companies. Notable exceptions include Fiechter, Hitz & Lehmann (2022), who find that firms expanded their ESG activities and established new internal structures—such as processes, committees, and incentive systems—following the introduction of the NFRD. Similarly, Stubbs & Higgins (2014) show in a case study on integrated reporting that it triggers incremental process and structural changes—e.g., linking financial and sustainability perspectives and stimulating learning processes—but does not by itself induce comprehensive transformation. Contrafatto & Burns (2013) document comparable patterns in a multinational Italian firm, where the introduction of sustainability reporting occurred gradually and was influenced by external stakeholders, internal power dynamics, and strategic priorities. Traditional management-accounting systems were progressively linked to emerging reporting processes, resulting in the integration of financial and non-financial control and, consequently, the embedding of sustainability in corporate strategy.

The cost–benefit analyses (CBAs) of ESRS and VSME presented in Chapter 1.3 reinforce this picture: empirical evidence on internal change processes and value creation resulting from sustainability reporting remains limited. As a result, easily measurable short-term costs often dominate both public and internal debates, whereas less tangible and delayed benefits receive less attention. Especially indirect effects—such as behavioral change among stakeholders, improvements in risk management, or strengthened governance structures—are frequently underrepresented in cost–benefit considerations.

This paper addresses precisely that gap. Using structured, practice-oriented company examples, it sheds light on internal change processes and demonstrates how sustainability reporting can generate both financial and non-financial value.

3. What Do Companies Say About the Added Value of Sustainability Reporting?

3.1 Conduct of Interviews

Building on the academic and practice-oriented state of research, this section presents findings from twelve interviews with corporate representatives who were asked about the transformative effects of sustainability reporting in their companies (Table 1).

To structure the interviews, six thematic blocks were derived from the cost–benefit analyses (CBAs) presented in Chapter 1.3 and the prior literature review (Chapter 2). Each block represents a potential financial or non-financial source of value from sustainability reporting. Where a financial value is indicated, it should plausibly connect to revenue growth and/or cost reduction. The thematic blocks are listed in Figure 2.

Table 1 | **Information on interviewees and their companies**

Interview code	Industry	Interviewee position
	Fewer than 1,000 employees	
Int01	Medical / healthcare practice operator	Sustainability Manager
Int02	Real estate	Executive Board Member
Int03	Public transport	Sustainability Manager
Int04	Manufacturing	Sustainability Manager
Int05	Manufacturing	Head of Corporate Development
	More than 1,000 employees	
Int06	Personnel services	Head of Corporate Responsibility
Int07	Manufacturing	Sustainability Manager
Int08	Retail	Sustainability Manager
Int09	Logistics & steel	Sustainability Manager
Int10	Food	Sustainability Manager
Int11	Mechanical engineering	Sustainability Manager
Int12	Construction	Team Lead Sustainability Strategy, Data & Reporting

Source: Own illustration.

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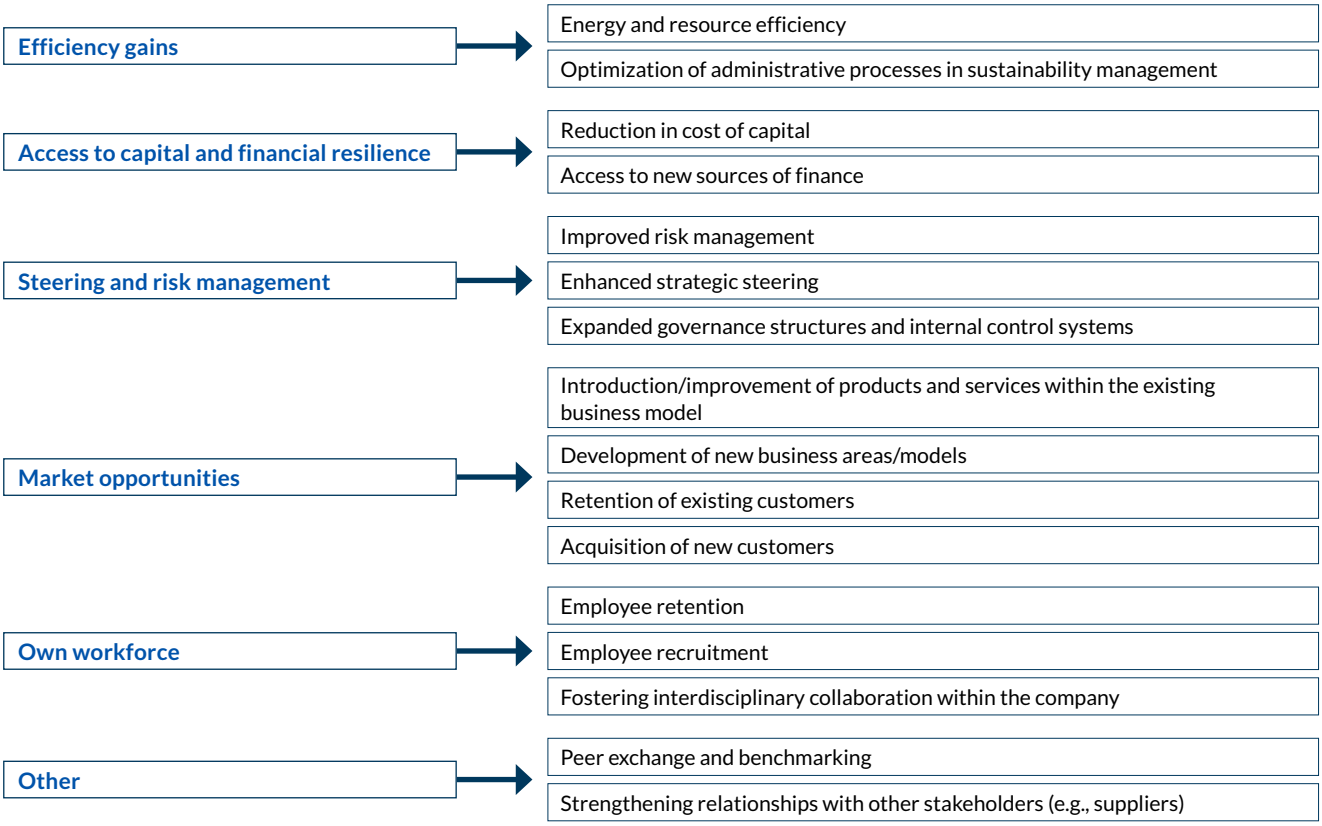
Each interviewee was asked to assess the extent to which these blocks are associated with financial or non-financial value from sustainability reporting. Data collection proceeded in two steps:

1. Structured ratings on a five-point scale ("very low" to "very high"), visualized in a heatmap (Figure 5 in the Appendix).
2. Unstructured feedback in the form of concrete examples, contextualizations, and reflections, which were subsequently qualitatively coded and analyzed.

The combination of quantitative assessments and qualitative elaboration enabled a differentiated picture of the effects of sustainability reporting.

Figure 2 | **Thematic blocks for the financial value of sustainability reporting**



Source: Own illustration. The thematic blocks served as a basis for the conducted interviews, see also Figure 5 in the Appendix.

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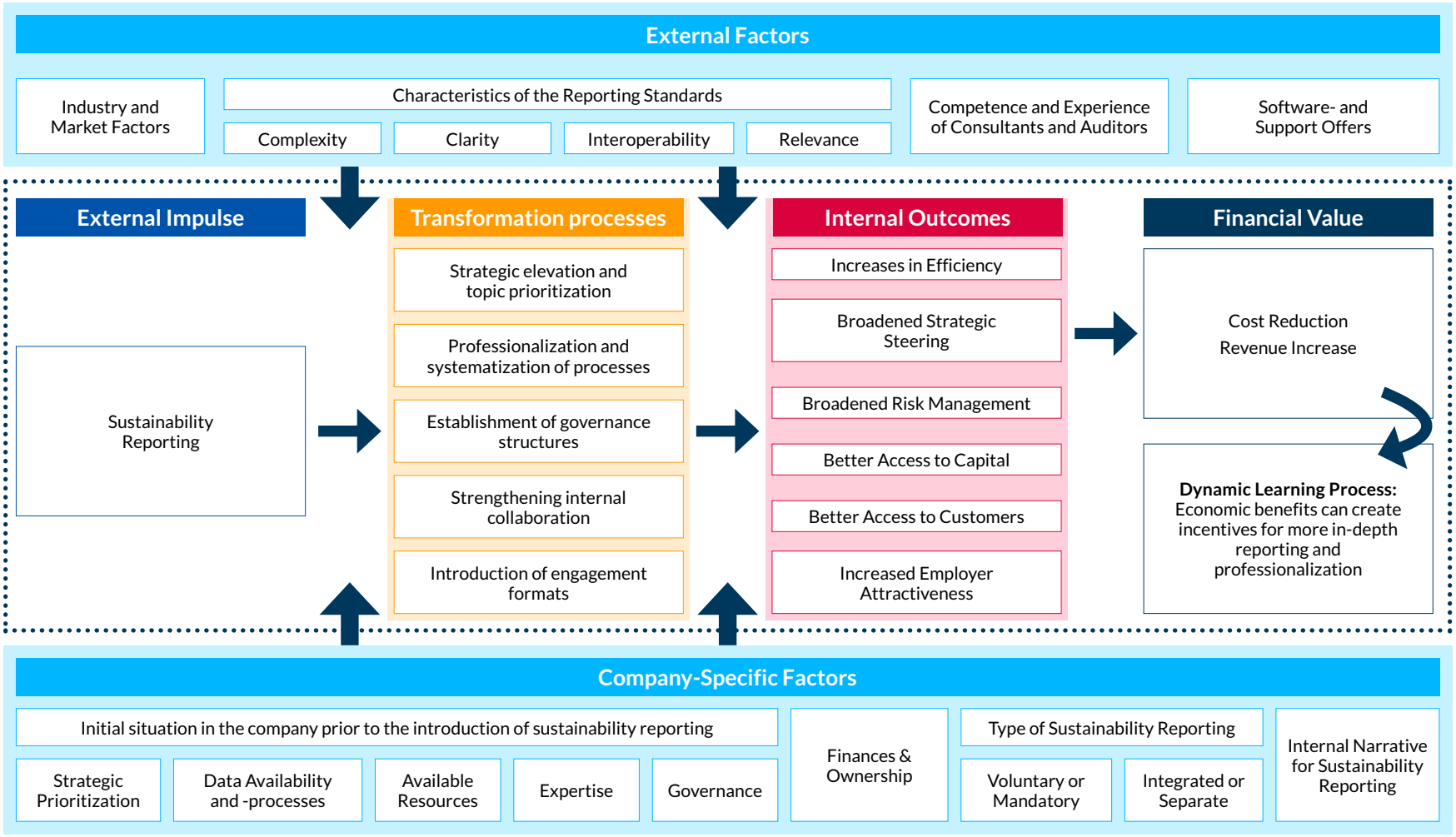
3.2 Findings

The interviews indicate that sustainability reporting can act as a trigger that creates financial value for companies in various ways. Figure 3 presents an impact model developed from this study's results. It describes how this trigger initiates transformation processes within the company that can lead to internal outcomes, which in turn contribute to financial value in the form of safeguarding and increasing revenues or reducing costs. This financial value can then create an incentive to integrate sustainability more deeply into the organization, leading to a continuous process of learning and development.

However, both the interviews and the literature reviewed in Chapter 2 also make clear that the introduction of sustainability reporting does not automatically set transformation processes in motion or generate financial value via the associated outcomes. Rather, a series of company-specific and external factors influence these relationships and determine whether—and to what extent—sustainability reporting has an effect. Such factors include, for example, the maturity level of sustainability at the time reporting is introduced, industry and market characteristics, and the design of reporting standards. The heatmap in Figure 5 in the Appendix illustrates how differently respondents assess the respective outcomes through which sustainability reporting can create financial value for their companies.

The following chapters provide detailed insights into the mechanisms and factors shown in the framework. The concluding discussion of results also addresses the limitations of the study, such as the fact that the organizational changes described by interviewees cannot always be uniquely attributed to reporting.

Figure 3 | **Relationship between transformation processes, outcomes, and financial value**



Source: Own illustration.

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3.2.1 Transformation Processes

Strategic Elevation and Topic Prioritization

Sustainability reporting can serve as a vehicle to (more firmly) anchor sustainability at a strategic level within the company and to gain top management's attention.

> *"This saying 'What we're doing here is IFRS in green' has now reached our CFO as well. You could tell: sustainability genuinely has its legitimacy and significance—it's not just something initiated by a few Fridays for Future activists. I still had to hear that a lot at my former company." (Int07)*

> *"Then the question arose whether the project would continue at all. I didn't know whether I would keep my job. I then had a conversation with our CEO, and he just said: 'That's great—now you have more time to implement the right measures.' (...) I was then allowed to focus intensively on energy management and other projects that would otherwise never have happened (...). Management recognized the added value." (Int01)*

> *"As part of the reporting, we also looked at and assessed the issue of water stress. For our management, that was truly an eye-opener—simply a topic that wasn't necessarily on the radar before. (...) We need water to keep our production running. Consciously engaging with that was very valuable." (Int11)*

In addition, the systematic engagement with different stakeholder perspectives and sustainability-related Impacts, Risks and Opportunities (IROs) lays the foundation for a strategic approach to sustainability. Many companies do this through a (double) materiality analysis (DMA). Insights from the DMA help move sustainability from a project-based activity to a strategic cross-cutting issue that permeates core processes, informs decisions, and clarifies topic prioritization.

> *"We defined 16 material topics and then for each topic (...) determined: What is our ambition in this area? What are our guiding targets, our operational targets? How do we measure them, and where do responsibilities lie? (...). That clearly emerged from the reporting process; without this process, we would not have set it up in this form." (Int10)*

> *"For example, our sustainability strategy previously had a target for reducing water consumption. However, water was identified as non-material in the materiality analysis—so we removed that target (...). Instead, we wanted to focus on topics where we can really make a difference—for example on Scope 3 targets (...). We can now focus much better on the aspects where we actually see IROs. Materiality helped us prioritize the topics more clearly." (Int07)*

> *"Within the reporting process we wanted to identify our central fields of action—so we conducted a materiality analysis (...). It quickly became clear: around 86 percent of our emissions are attributable to metals, followed by chemicals, and then there's nothing for a long time (...). So we said: our most important field of action is metal. What can we do to reduce emissions there? A strategy emerged from this. We set corporate targets and ensured in procurement that we use recycled materials—this saves transport routes and reduces emissions. Then additional fields of action were added, such as packaging. Even Marketing received a mandate to convert trade fair booths to zero waste, i.e., modular and reusable. IT also came on board to promote more sustainable usage behavior." (Int04)*

Respondents from companies that report voluntarily stated that recurring reporting creates commitment to sustainability—a key lever to ensure continuous progress toward sustainability goals.

> *"Setting goals and actively pursuing them is important. Without that, voluntary reporting would probably just trickle along for us. Reporting—and the associated target-setting and documentation—automatically creates a certain pressure to act. That's good, because otherwise many things could be postponed again and again because other*

topics are on the agenda. I also think it's important to aim for annual improvement—and if that doesn't work once, to be able to explain why. Remaining consistent in reporting is very helpful in this respect." (Int04)

At the same time, many of the companies surveyed created new positions, roles, and responsibilities in the course of introducing sustainability reporting—although, in the wake of the Omnibus process, some of these were partially or fully rolled back or are at least under discussion.

> *"Sustainability really received a major boost—including in terms of greater professionalization through external reporting. The mere fact that I did this alone for several years and now have a small team helps enormously." (Int12)*

Interviewees also noted that this expansion went hand in hand with stronger involvement of sustainability leads in other departments' work. As one interviewee (Int01) put it: "I now sit in almost all the important meetings—M&A, HR, Operations." This enables sustainability leads to think and implement sustainability more holistically and strategically across the company.

Professionalization and Systematization of Processes

Reporting acts as a driver for a more systematic approach to sustainability in many companies. Among other things, it helps formalize and structure processes—e.g., for data collection or stakeholder engagement. At the outset, especially smaller companies must first lay the groundwork, which can initially feel like a "marathon task." According to respondents, however, the learning curve is correspondingly steep.

> *"My supervisor asked me to prepare the sustainability report in addition to my regular tasks. In a mid-sized company, the workload is high anyway. The data situation was limited, focus topics were defined, but we do not have the structures of a corporation where information can be retrieved at the press of a button. I therefore involved all departments to clarify which indicators exist, which sources they come from, and how progress can be measured. The process was very time-consuming, but at the same time extremely instructive." (Int04)*

> *"We see that it helps enormously when, in our domain, we cluster a lot of data and have access to high-quality data. That facilitates our work and strengthens our arguments. Reporting is essentially a vehicle—it helps us build structures for data availability and quality, i.e., true data governance. We ask, for example: Who is the responsible point of contact for a given dataset? Who releases the data? Is there a data booklet in which each KPI is defined? Is it clear to all colleagues what exactly is meant when I ask for a specific metric? These questions make us scrutinize many existing processes—and we also learn from other departments, such as the business/controlling side. Conversely, they learn from us. It's a really good, mutual learning process." (Int03)*

Large firms with prior reporting experience can also receive fresh impulses from reporting that contribute to professionalizing sustainability. One such impulse was the CSRD. Interviewees saw it as an opportunity to clarify responsibilities and to introduce software/tools for data consolidation. Systematization thus paves the way for efficiency gains (see "Efficiencies" in Section 3.2.2).

> *"Across the group, more than a hundred employees are working on sustainability but there is a lack of coordination. It's unclear who has which role. That's why we're rather late on regulatory topics—simply because there are no clear responsibilities. The CSRD was a perfect opportunity to restructure this and set it up properly. And data is a similarly big challenge. Especially in a group with so many different data systems, it's extremely difficult to create transparency. A software tool for consolidation was therefore procured for sustainability reporting." (Int08)*

"Providing data for reporting is a Herculean task. In large companies working with many different data systems, it's extremely difficult to create transparency and, for example with ESG tools, to find a one-fits-all solution. Especially in data and process management, I see enormous leverage to replace manual effort with automated processes. Investing in the right structures could, in the medium to long term, reduce audit effort, enable better risk management, and make target achievement more efficient." (Int08)

"I think formalization was crucial—i.e., the question: who is actually responsible for what? The standard explicitly asks that: who does what, and how is it implemented? Previously, it may have been clear to everyone somehow or at least implicitly regulated, but formalization makes it more concrete. It's in black and white who is responsible for what—and as a result, certain topics are automatically given more priority and pursued more consistently." (Int11)

As data collection becomes more professionalized and systematized, transparency about one's own actions increases—including where there is still potential for improvement. Several interviewees therefore emphasized the importance of digitalization and selecting software that supports the professionalization of data management.

"It became clear that we need a better tool—one with which we can not only track CO_2 values and emissions, but also digitally map our entire data inventory. In this context, we introduced a tool in which we also store all our building information (...). Of course, this is not only relevant for sustainability, but also important in general to know where action is needed. I wouldn't say the knowledge wasn't there before, but it was in people's heads—and now it's captured in the system. This was actually triggered by sustainability reporting." (Int02)

"There are some KPIs in different departments, where I was told when I started: everything is under control, it's running smoothly. But when I ask for these metrics specifically, it often turns out they're not defined or not uniformly captured at all. In part, there is still gut-feel management. Systematically documenting this is a new process—I've found a solution for how we can control this via system queries in the future." (Int09)

"We don't have the same systems everywhere—there have been various acquisitions, different developments, and different ERP systems. We're working on that. Many data are still in Excel spreadsheets (...). From my point of view, sustainability reporting is helpful for keeping an overview and creating a uniform, comparable level." (Int09)

Introducing software and tools is not an end in itself and cannot replace the necessary substantive engagement with sustainability. One interviewee reported impulsive and ineffective purchases.

"In the supply chain, Procurement said we need risk identification, and then they looked for software that could do it. In the end, they bought the most expensive solution to more or less hand over responsibility to the software because there were no personnel resources. If one really took the time to analyze where the biggest risks in the supply chain lie and then translated the results into concrete measures and targets, the potential would be much greater." (Int06)

Greater professionalization is also reflected in integrating sustainability reporting into Finance and Controlling, especially when companies prepare an integrated report. While this can initially entail additional effort, in the long term it helps bring non-financial topics together with financial logics—forming a basis for efficiencies and steering (see "Efficiencies" and "Steering" in Section 3.2.2) and for strategic elevation (see above).

"We now work more closely with Accounting. We notice overall greater interest from Finance—still very compliance-driven, of course. This already gives sustainability a different standing. (...) We're now working on marrying the sustainability review

with the general ICS process, similar to risk management. Also by integrating it into the general management report. So the CSRD does have a bigger effect because it brings sustainability more into Accounting's awareness." (Int07)

"Controlling defines the entire software architecture, and docking our sustainability data onto it is difficult. We still work quite classically with Excel spreadsheets, which simply cannot provide the necessary transparency. This creates a clear gap between the existing SAP landscape and the IT structure you would actually need for effective sustainability management. You can imagine it as an attached 'water head': the system somehow works, but it's neither integrated nor efficient. At least reporting has moved something—Controlling created a dedicated position for reporting." (Int06)

"Around 300 organizational units currently report using Excel tools. We have now made this process much more efficient—also against the backdrop that we will relocate the sustainability report to Finance in the future. (...) Accordingly, processes must be aligned with financial reporting. That wasn't entirely without resistance—one or two finance managers were skeptical at first. But the big difference now is: the finance manager will have to confirm that the data are correct. That not only improves data quality but also makes processes more efficient overall. It's a lot of effort at the beginning when you change a process, but in the long run it will be very helpful. This brings sustainability reporting—and especially data collection—up to a level comparable to financial data (...). In the past it was different: people volunteered and contributed data, but not necessarily with the right qualifications or process logic. It was quite a hodgepodge." (Int12)

Beyond internal benefits, better data availability and systematization also help communicate more credible sustainability narratives externally (see "Narrative and Framing" in Section 3.2.3). As sustainability targets—such as net zero—are scrutinized more critically, a robust data infrastructure helps underscore the credibility of one's actions.

"For us, sustainability reporting is only one part of sustainability management, and we simply find that when we cluster a lot of data in our domain and have access to a lot of data, it makes our work easier and simply makes us stronger in our arguments." (Int03)

"The structuring through reporting has clear advantages. It creates order and traceability. As a result, we also set financial targets and see an overall positive development—not only substantively but also in terms of our image. I think we are increasingly perceived as a company acting sustainably, and that's a welcome development. (...) I think this sets a cycle in motion: we show what we do, we announce what we plan—and reporting becomes a small undercarriage that keeps the whole development moving (...). When you document something externally, it carries a different weight." (Int04)

Building Governance Structures

Sustainability reporting often necessitates new governance structures that systematically anchor the leadership, steering, and oversight of sustainability. This reshapes oversight and accountability from a compliance perspective and—particularly through the CSRD—elevates responsibility to the executive and supervisory board levels. It also includes integrating sustainability-specific aspects into existing internal control systems (ICS), risk management systems (RMS), and remuneration systems. Governance is therefore closely interlinked with many other topics (see "Strategic Elevation" and "Professionalization" in Section 3.2.1, and "Efficiencies," "Steering," and "Risk Management" in Section 3.2.2). Changes in governance can increase the binding nature and seriousness of sustainability within the firm.

"We have 16 material topics and then said, per topic—driven by the ESRS—what is our ambition in the field, what are our guiding targets, what are our operational targets, how do we measure this, and where do the responsibilities lie; based on this, on these topic responsibilities, we developed a governance structure consisting of so-called sus-

tainability business partners, and we have three types. That resulted from this, definitely; otherwise we wouldn't have done it this way. So yes, the strategic derivation results from the whole CSRD process; otherwise we definitely wouldn't have done it." (Int10)

> *"We managed to attach responsibilities to all these topics, which is important—plus anchoring in committees. The Executive Board has to be informed once a year, and cascading this into the organization is very helpful." (Int12)*

Many of the interviewed companies had not yet addressed sustainability governance (e.g., Int08, Int05, Int04), even though they report on sustainability. Smaller companies that are not in scope of the CSRD and lack resources can only build limited structures. Others reported that first steps had been initiated (e.g., Int01, Int03, Int07, Int11).

> *"That's due to our company size—it's too early for us. But we involved all department heads. We have four authorized signatories, all of whom are involved in sustainability and also approved the strategy (...)." (Int04)*

> *"We're still at the very beginning. We are only now developing our KPIs and reporting to the supervisory board on these indicators or on the materiality analysis for the first time. We're not yet at the point where we would have gone through a full audit process." (Int03)*

Where governance structures are lacking, inefficiencies can arise. Interviewees reported duplicate work, ambiguity, and delayed responses to regulatory requirements. Disputes can also occur between teams—e.g., Sustainability, Accounting, and Communications—as well as between internal subject-matter experts (Int08). To avoid such issues and build functioning structures, internal or external advisors can be brought in.

> *"By now (...) it has been recognized that our sustainability governance needs to be revised. Therefore, a project with a consultancy was set up." (Int08)*

Integrating sustainability-related information into the (integrated) management report/annual report can likewise provide a strong impetus to expand sustainability governance. This increases visibility and accountability at the executive and supervisory board levels and strengthens institutional anchoring.

> *"We integrated the non-financial report into the annual report. Of course that has certain advantages because it broadens the audience: the administrative and supervisory boards were, in principle, directly involved. The Board now bears direct responsibility for this non-financial section. Interest was therefore high when this change was made and we began adapting to the new ESRS requirements." (Int11)*

> *"We kept our double materiality analysis (...) at a very lean level (...). That was triggered by the first report (...) and further developed through integrated reporting." (Int12)*

Internal Collaboration

Sustainability reporting can create exchange and collaboration among people from different departments who previously had little or no contact. This makes reporting an instrument for expanding internal networks and breaking down silos. Departments such as Sustainability, Procurement, Production, Finance, IT, and HR come together to clarify responsibilities, structure information flows, and develop measures (see also "Professionalization" and "Governance" above). As one interviewee put it: "Reporting forces you to bring together departments that previously worked alongside one another." (Int06) Additional quotes illustrate this in greater depth:

> *Reporting also helps us expand the sustainability network within our company, because we have more reasons to approach many different people and say: hey, let's do something together; we need a bit more here and there, and here." (Int07)*

> *There is enormous potential here because silo thinking is very strong with us (...). A positive example arose in the context of reporting in one of the environmental standards. A colleague from our team and I were involved, plus one or two colleagues from the respective department, someone from Legal, someone from the project team and representatives from the external consultancy. Just bringing these different areas of expertise to the same table enabled real progress." (Int08)*

> *Sustainability reporting forces a company to address the issue holistically—and not just a single department but to involve everyone. It's a topic that concerns the entire company. We conducted very good cross-departmental workshops in this context, and that strengthens the company overall. I would definitely say so." (Int10)*

Cross-team and cross-functional collaboration is thus a core element of reporting. For many sustainability leads, this meant "suddenly having a seat at every table" (Int08, Int01). Coordination remains crucial so that regular exchanges in the context of recurring reporting also translate into steering effects. At the same time, pure exchange formats are not sufficient if insights are not systematically utilized—this, in turn, is also a question of personnel resources (see "Resources" in Section 3.2.3).

> *A report cannot be written by the sustainability function alone—you have to integrate all areas responsible for the various contents. But there is also a desire for integration. I always say we actually want to make our own jobs obsolete in the long run. Reporting helps enormously with this collaboration because you repeatedly have those touchpoints. Information has to be collected annually, and without that, the push and pull would be different." (Int12)*

Stakeholder Engagement

Stakeholder engagement is a central element of sustainability reporting—both in the systematic gathering of stakeholder perspectives within materiality analysis and in collecting data within and beyond the company (see also "Internal Collaboration" above). Where engagement formats existed before reporting, the reporting process can help structure them (see also "Professionalization"). For many companies, systematic engagement of internal and external stakeholders shifts from a "nice-to-have" to a binding task with the potential to strengthen relationships. Interviewees frequently described how dialogue formats with employees, suppliers, and customers on sustainability were initiated because of reporting.

> *Within the materiality analysis, new topics actually emerged—partly through the employee survey. I conducted a survey, and aspects surfaced that hadn't been on the radar before." (Int01)*

> *We have an annual employee survey with about 95% participation. One of the questions is whether we are a socially and environmentally responsible organization. And that value had dropped sharply. That prompted the strategy department (...) to publish the first report—among other things, to show employees what we actually do. Employees still refer to it today." (Int12)*

> *Honestly, we currently don't do stakeholder management at all (...). But that's also the good thing about the CSRD: it asks us to do things and to improve (...). A major advantage is that it makes gaps in our sustainability strategy visible." (Int07)*

> *We see high potential here when, for example, you run dialogue formats with industry experts and external suppliers and also include intermediaries." (Int06)*

> *Sales should proactively address sustainability with customers, and Procurement should discuss it with all suppliers (...). I would say these dialogues have led to greater stability in collaboration*

(...). This is also an indirect benefit because it strengthens trust and partnership. We even had suppliers who asked how exactly we implemented this because they will have to report themselves in the future. That shows there's also a human factor here: a long-term, reliable collaboration is also based on shared values—and that has its own value." (Int04)

Exchange formats can also take place with organizations outside the value chain—for peer exchange and mutual learning. One interviewee described vividly how the sustainability report "opened doors" to new business partners.

> *"Since our first report, I've been regularly invited to panel discussions or asked to give talks (...). I find the exchange in [network name] particularly valuable. Ultimately, many companies face similar challenges, even if they are structured very differently. You can always take something away from this exchange of experience. Our first report opened extremely many doors for us in this respect. Just through this network, for example, a collaboration with a company in our city emerged: we take back their film scraps and return them to closed loops. This has a clear financial advantage for that company because it saves enormous disposal costs. At the same time, it has an ecological benefit—and for us it brings both as well." (Int05)*

> *"Because we wanted to take action, we had to network more intensively. I looked around a lot, and there are some networks that really drive the topic forward. A good example is [network name]—we are well connected there, and through the collaboration I learned a lot (...) and at the same time was able to share our knowledge. I think these activities stabilized my position in the company—maybe this will eventually become a permanent sustainability officer role. Overall, we have built a much stronger and better network (...). A good network in a growing field is extremely valuable and helps enormously." (Int04)*

> *"I deliberately sought dialogue (...). Back then, I had a peer exchange with [company name] and other sustainability leads who are also customers. That was very valuable because it not only helped strengthen relationships with our customers and underline the seriousness of our sustainability approach, but also to develop shared objectives for society and the environment. It's important to further develop, together with customers, how sustainability can be implemented in concrete terms." (Int06)*

3.2.2 Internal Outcomes & Financial Value

The transformation processes initiated through sustainability reporting lead to the outcomes described below. These outcomes can create financial value for companies by increasing revenues and/or reducing costs.

Efficiencies

As outlined above, sustainability reporting can foster the prioritization of topics, the professionalization and systematization of processes, the clarification of responsibilities, and internal collaboration. This "tidies up" internal structures and simultaneously creates the necessary transparency to optimize both reporting procedures and core business processes. According to interviewees, it helps, for example, to consolidate dispersed data sources, uncover expensive legacy contracts, or identify inefficient operating modes of production facilities. Several interview partners reported that they were able to derive concrete efficiency measures from the reporting process that reduced costs – from energy monitoring to fleet and procurement decisions. In theory, such efficiency potentials could also be realized without sustainability reporting; however, reporting can serve as a catalyst for engaging with these issues more deeply and underpinning them with data.

> *"Through the reporting process, several issues became visible that had not been running optimally before. This led to a genuine increase in efficiency (...). Simply by conducting this monitoring, we were able to uncover inefficiencies and also un-*

favorable contracts – contracts that simply had not been optimized. By collecting all the data for reporting, i.e., for calculating CO2 emissions, our team realized where there was still potential for improvement (...). We now want to monitor our large machines and compare where consumption actually occurs in which processes – because, until now, there had been hardly any reliable data on this." (Int01)

"We implemented measures that also have a financial impact. For example, the conversion to LED lighting, partly in warehouses or in production (...). This investment pays off over time and has a positive effect (...). When asked whether reporting was the trigger for this: it was partly there before. Many measures are simply common practice. But what really helped us was that we had never properly recorded the data before. Through the sustainability reporting process, we prepared everything cleanly and established a numerical system behind it. This allowed us to make visible: What is our consumption? How can differences over the years be explained? And what effect do certain measures have? That definitely helps." (Int05)

"Many of the energy and resource efficiency projects that we later implemented had noticeably reduced costs. And indeed, this was also triggered by reporting – simply because we said: okay, we have to report now, and only then did we really see where the low-hanging fruits were. (...) For example (...): at one of our sites, we found that almost 50 percent of total energy consumption was due to air conditioning alone. We then specifically addressed that and launched an initiative to switch the air-conditioning technology – from air- to water-cooling. As a result, we were able to reduce energy consumption by almost an entire month's worth within a very short time." (Int11)

While some interviewees clearly associate efficiency gains with reporting, others emphasize that these measures would have been implemented independently. Most, however, agree that reporting at least creates greater transparency.

"Energy and resource efficiency is a topic that runs independently of the reporting obligation (...). Of course, reporting provides additional transparency and makes it clearer where potentials lie. But it's not that entirely new efficiencies were created or tapped. I think especially energy-intensive production companies deal with these topics anyway (...). These are classic operational-excellence and cost-reduction topics." (Int07)

In addition to efficiencies in areas such as production processes and building operations, several interviewees also reported a reduction in the effort required to respond to stakeholder requests for sustainability data. This aspect also plays a central role in the cost-benefit analyses of reporting standards presented in Chapter 1.3.

"But most people here say that it creates enormous added value because you finally create transparency. You make things measurable and visible. Once you have a report, you can share it with customers – you no longer have to search for every single request." (Int10)

"In my previous job, I had so many inquiries that a report would definitely have been the better solution. Now it's a bit different: we also have many requests, not so much from customers but instead from different organisations and from the financial side. But these tasks are spread across many more people. Ultimately, I can confirm: when you see how many people here are involved in responding to such requests, it becomes clear that a report is helpful – even if perhaps not as obviously as in smaller firms." (Int08)

Strategic Steering and Risk Management

The transformation processes described in Section 3.2.1, which are initiated through sustainability reporting, can also contribute to improved strategic steering and more effective risk management by integrating sustainability-related information into these areas. In this sense, the "strategic elevation and prioritization of topics," the "professionalization and systematization

of processes," the "development of governance structures," and "enhanced internal collaboration" together provide the necessary foundation for extending strategic management and risk control. Several interviewees reported that sustainability reporting served as a trigger for establishing risk management structures in the first place.

> *"We are currently in the process of building quite a bit in the area of management and risk control through all these new [sustainability reporting] processes (...). We are now step by step developing all these elements – better risk management through increased data availability and quality, improved strategic steering, as well as extended governance structures and internal controls." (Int01)*

> *"So far, we do not have a holistic risk management approach. We do have risk management in connection with the Supply Chain Due Diligence Act, but no comprehensive framework that includes other issues as well. In this respect, reporting has had an impact here." (Int10)*

By linking management systems with sustainability, reporting can act as a catalyst, broadening the perspective on topics and risks and revealing existing gaps. This, in turn, facilitates the derivation of more robust and actionable recommendations.

> *"The perspective on management has now become much broader – rather a 360-degree view, whereas before it was more of a 180-degree one (...). Now, it is being expanded by various stakeholder perspectives. And in terms of internal control systems, I also see great potential because we are engaging more actively in interaction and creating more transparency. It's no longer just about reporting, but about developing plans together, identifying goals, and putting all relevant issues on the table." (Int01)*

> *"In the course of the materiality analysis, when we identified the IROs [Impacts, Risks, and Opportunities], we became aware of risks that had not previously appeared in the risk report (...). For instance, when you talk to the sustainability managers at different sites – we have one location in an area with very high water scarcity – you realize that this information is not reflected anywhere (...). They have now introduced closed water cycles for cost reasons, but the mere fact that such risks were previously not identified, I found quite alarming." (Int07)*

> *"We now look at: where do we achieve the greatest CO2 reductions? It has become a factor in our decision-making, which was not the case before. Through reporting, we now have a much more concrete perspective and have added CO2 reduction as a decision criterion." (Int02)*

> *"Most companies handle risk management more or less like rolling dice. That is, you do a brief check and say: 'Okay, I don't know it – seems like no risk.' But with the new requirements, companies are engaging with risks in a completely different way now – much more holistically and not just focusing on the obvious or intuitive aspects." (Int06)*

> *"The materiality analysis generated significant benefits – particularly through the definition and discussion of risks (...). For example, we are currently conducting a climate risk and adaptation analysis. We see this as a clear management lever (...). It's an important tool for identifying risks and deriving actionable measures from them (...). We have already introduced very concrete approaches that are currently being reviewed – for example, how we can integrate our sustainability, climate protection, and climate adaptation risks into financial risk reporting. We are preparing that at the moment." (Int03)*

Several interviewees emphasized how important it is to derive concrete KPIs from reporting and to use them operationally. The key, they stressed, lies in the utilization of the information to ensure that reporting does not become an end in itself.

> *"A report, to exaggerate, is quickly filed away – but we need tools to carry the content into the organization. Ideally, sustainability KPIs are directly linked to economic performance indicators (...). We now want to build a dashboard that initially includes 30 meaningful KPIs – also those that relate to our transport operations and reflect our entire value chain, complemented by sustainability metrics. For that, however, we depend on data quality and availability in the departments." (Int03)*

Interviewees also mentioned that the added value of mandatory reporting lies in the pressure for action it creates, reducing management's leeway to ignore KPIs or targets that are not progressing as planned.

> *"Reporting helps in that key management figures are consolidated, put on the table, and made comparable year after year – and ultimately must also be compared publicly. This naturally creates pressure to take corrective action and drive improvements." (Int09)*

> *"Our last reports were intended as a transition. They allow us to demonstrate our commitment and improvements, but weaknesses and potential remain hidden. The CSRD, however, no longer allows that. And that is exactly what is important – also for strategic management. We need transparency about where we are strong, where we are not. I therefore believe that the CSRD offers the opportunity to paint a complete picture and to see whether we are really on the right track." (Int08)*

Customer Access

The interviews reveal that large companies, driven in particular by regulatory developments, are increasingly extending their sustainability requirements to their supply chains – both in terms of performance (e.g., rating scores) and the scope of data requested. Many interviewees, especially but not exclusively from smaller firms, are themselves less directly affected by sustainability-related regulation but nevertheless feel the "trickle-down effect" from larger corporate clients and are forced to act. Sustainability reporting, through the transformation processes it initiates, plays a central role in enabling companies to meet their customers' requirements.

> *"We are receiving an increasing number of inquiries from our customers regarding sustainability. It is quite clear that many, after having largely mastered their Scope 1 and Scope 2 emissions, are now focusing more on Scope 3 and placing corresponding demands on us. What we also observe – and this is probably driven by reporting as well – is this holistic perspective on the supply chain, which we ourselves now want to adopt more strongly. That wasn't so pronounced before. We notice that our customers are now looking much deeper into the supply chains and requesting more information from us – not only about ourselves but also about our suppliers. So the scope of scrutiny is clearly expanding." (Int07)*

> *"We are not subject to reporting obligations. But like many other SMEs, we feel the increasing pressure in the supply chain. We have large, internationally operating customers who are themselves obliged to report and therefore have to obtain information from their suppliers and assess their compliance. We simply can't get around it – to put it bluntly: it's a 'take it or leave it' situation. This external pressure is ultimately the reason why we embarked on this path in the first place – and it continues to grow (...). We assume that the requirements will continue to increase." (Int05)*

This logic leads to a pragmatic prioritization among some of the interviewees operating within the supply chains of large corporations. They align their reporting and improvement activities specifically with the requirements of their most important customers.

> *"Here everything is clearly guided by what is necessary to keep customers satisfied. That's the decisive factor: Which EcoVadis or other CSRD-related activities do we need to implement so that we are well positioned and can meet customer requirements? That's currently the main driver. Regulation itself doesn't play a central role (...). The*

focus is clearly on the question: How can we keep our customers content?" (Int06)

> *"It's very clear that doing nothing is no longer an option. The pressure from customers is increasing significantly, while regulation itself has been somewhat weakened (...). We currently pursue sustainability primarily for the sake of our customers." (Int10)*

Several interviewees pointed out that meeting customer requirements has, in many cases, become the entry ticket to being considered as a supplier and to participating in tenders at all. These requirements range from full sustainability reports to individual data points or calculations (e.g., Product Carbon Footprints, transition plans) and ESG rating scores (particularly EcoVadis). For many, committing to sustainability criteria in contractual terms and supplier codes of conduct has become standard business practice.

> *"In customer management, we have clearly experienced that sustainability reporting pays off. For instance, we have won tenders worth millions because we were able to present our DNK report. Without it, we wouldn't even have been considered – all companies without a DNK report were excluded right from the start. And it's not even necessarily about the quantity of contracts, but about their quality: these are large, high-value contracts with substantial volumes." (Int06)*

> *"To ensure customer retention, we must respond to these developments, since some major clients are already starting to include certain sustainability issues in contractual agreements. A code of conduct is almost old news by now. Today, it's increasingly about demonstrating a specific EcoVadis score – otherwise, contractual penalties or concrete target requirements may follow. For example, we have one client for whom we had to submit a transition plan to reduce our Scope 1 and 2 emissions. We are also seeing a significant increase in the demand for Product Carbon Footprints. Whether this is driven solely by reporting or by broader market dynamics is hard to say – ultimately, the two are closely linked, since our customers themselves are subject to reporting obligations and therefore require such evidence." (Int07)*

> *"Especially when we want to enter new business areas, we see that sustainability requirements have now become a fixed component of every tender (...). For example, when doing business with a retail client like [company name], the requirements are stricter. This mainly concerns issues such as packaging, sourcing of ingredients, and increasingly also the obligation to provide Product Carbon Footprints (PCFs). Thus, the acquisition of new customers is closely linked to sustainability. Of course, it's also about maintaining existing business relationships and meeting the growing expectations." (Int10)*

> *"We also obtained EcoVadis certification because many customers explicitly require it. They use the system for all their suppliers – which gives them comparability and standardized scoring. That's the funny, or rather sad, part: the content is usually not even read. In the end, only the score matters – that's what decides everything." (Int05)*

This comment highlights that there are different speeds at play when it comes to meeting these customer requirements – a gap between what is demanded on one side and what can be delivered on the other. Moreover, the established reporting standards (CSRD, DNK, VSME, IFRS S1 und S2) do not always cover all customer demands. The anticipated efficiency gains from reporting are therefore sometimes limited.

> *"I observe two opposing developments here: On one hand, the steel producers have realized that they are responsible for around eight percent of global greenhouse gas emissions and must take action accordingly. On the other hand, there are customers looking at the climate plans of the steel producers saying: 'That's not enough – we have our own, more ambitious goals.'" (Int09)*

> *"Large companies like [customer name] set detailed sustainability requirements that hardly anyone can meet. We do report through portals such*

as the EcoProfit Cockpit or under the DNK framework, but many customers are not satisfied with that because they have their own systems in which reports must be submitted. I had originally hoped that sustainability reporting would reduce such multiple demands – but that hasn't happened yet. Nevertheless, the structuring through reporting has clear advantages. It creates order and traceability." (Int04)

> *"The question is whether the VSME really helps us. I think the idea is good because it reduces the effort somewhat. But if we still have to provide all the information that our customers expect, then what's the benefit of the simplified version? I'd rather do it comprehensively once and have everything covered." (Int05)*

The effort required to meet sustainability-related customer requirements creates costs for companies that are often not compensated – for example, through higher willingness to pay, as one interviewee noted. The main goal is simply to remain competitive.

> *"Basically, the topic of 'low-CO_2 products' is clearly a customer requirement, especially from OEMs – the large original equipment manufacturers. I don't yet know how this will be refinanced – but the customers demand it, and we see it as a business necessity to remain competitive and meet market requirements. Ultimately, it's also about securing the existing business model. At the same time, the costs incurred must somehow be absorbed, and since everything is becoming more expensive anyway, this will definitely be a major challenge." (Int09)*

Other interviewees, however, explained that they are indeed able to use sustainability-related customer requirements to generate additional revenues by offering new services or products.

> *"We took the CSRD as an opportunity to launch a new project. We started providing our clients with transparency about their emissions. We were able to show how many emissions were generated by the booked services, (...) and offered it to clients as an additional service – for a fee." (Int08)*

> *"As a supplier in the construction industry, we see the greatest leverage in enabling our customers to operate more sustainably. A particularly compelling example for me was the [project name]: there, you can analyze how much material actually needs to be used in a building – and by using sensors, you can ultimately save material. This has a positive effect on costs and at the same time improves sustainability, as fewer resources are needed." (Int12)*

Capital Access

In order for capital providers such as banks and investors to align their financial flows with sustainability criteria, they require information about companies' sustainability activities. Sustainability reporting can play a key role in creating the necessary conditions for companies to meet these data requirements. Whether sustainability plays a role in corporate financing fundamentally depends on whether the company relies on external financing at all (see also Section 3.2.3 on company-related factors). Interviewees from firms that depend on bank or investor capital reported that they were proactively asked to provide sustainability-related information.

> *"The pressure to prepare a progress report at all came clearly from the banks and investors. And that is currently the area which really drives sustainability in our company." (Int08)*

> *"We rely heavily on our house banks for financing. In the context of the CSRD and EU Taxonomy processes, they approached us very quickly and, for example, carried out an ESG rating. We had to provide the corresponding data. The goal was to show us where we currently stand and how attractive we could be for the capital market – for example, in the context of a Green Bond." (Int03)*

> *"Over the past few years, one can see that something has been moving. Some banks started*

early on to include sustainability aspects in their requests. One example: since we regularly construct new buildings and therefore have a high capital demand, we constantly need new loans (...). Previously, banks were mainly interested in classic indicators – rental income, building multipliers, and physical condition – but not in whether these buildings were energy efficient or low in CO_2 emissions. Then it started that the first banks began asking for energy performance certificates." (Int02)

Others, however, reported very little or no demand from their banks. Here, the interviewees described highly diverse experiences.

> *"At the end of last year, there was indeed a request from a bank because we needed liquidity at short notice. That required pulling the answers to a few sustainability topics more or less out of a hat – which, of course, only works if you've already engaged more intensively with the issue beforehand." (Int09)*

Most interviewees have so far seen no tangible advantages for their companies from providing banks with sustainability data or using sustainability-linked financial instruments (apart from established public development loans), such as sustainability-linked or purpose-related loans, bonds, or promissory notes. Some interviewees have the impression that banks do not make substantive use of sustainability information but rather request it merely to comply with regulatory requirements.

> *"For example, [bank name] told us that we are among the few who already do a great deal voluntarily. But so far, we haven't felt any direct added value from that." (Int04)*

> *"I've heard in theory that good reporting and correspondingly good ratings can have a positive influence on capital costs – meaning, for example, better interest rates or credit terms. In practice, however, I haven't seen that yet (...). I often had the impression that today certain questions on sustainability topics simply have to be asked, but no one is actually interested in the answers." (Int11)*

> *"We don't currently see access to new sources of capital. We had discussed a Green Bond or a Sustainability-Linked Bond in depth, but then dropped the idea because we didn't see the added value. A Green Bond would be difficult for us anyway, as it is strongly project-based, and we don't have enough CapEx to justify it. For our SBTi commitment, we primarily need OpEx – i.e., operating expenses – as it mainly concerns product development. We might invest CapEx in a new building, but to issue a Green Bond for that, one would need to reach much higher investment volumes – and that's currently not a focus for us." (Int12)*

> *"So far, I haven't received any feedback [from Treasury] along the lines of: 'We got a great loan because you reduced CO_2 so much.'" (Int07)*

> *"We have always used public development programs whenever possible (...). But sustainability-linked or green loans haven't played any role so far. That's less about us and more about the fact that banks hardly offer such products proactively. I haven't yet experienced a situation where a bank said: 'If you make this more sustainable, you'll get better terms.'" (Int02)*

> *"We use development loans, for example from KfW, and subsidy programs for financing electric buses or trams. But we're not currently forced to use capital market instruments." (Int03)*

Relative to the perceived effort, the benefits of sustainability in financing appear negligible to the interviewees—if they exist at all.

> *"Basically, we wouldn't achieve any real financial advantage. A Green Bond would only come into question if a very large, clearly sustainable project were planned – such as a new factory or major building measures – but even then, the effort would be high, especially because of the extensive reporting obligations with annual reporting." (Int12)*

Other reasons cited by respondents for not using sustainability-related financial instruments include the protection of sensitive data, the risk of greenwashing accusations, or simply a lack of organizational maturity.

> *"Especially in the SME sector, the question arises: How much financial information do you even want to disclose? Do you really want to reveal average salary levels? Where is this data stored, and how is it protected? That's not so straightforward." (Int04)*

> *"A sustainability-linked bond (...) was also discussed. However, we currently see a declining trend – companies like [name] still did it, but it's now being discouraged. There's increasing criticism about greenwashing, and the market currently values such instruments hardly at all." (Int12)*

> *"We are currently examining whether, in the future, we could set up a Green Loan or Green Bond – especially since we have very high investment needs until 2035. [Sustainable finance] could become a relevant topic for us in the long term. We have looked intensively at various financing concepts and instruments in the area of Green Bonds and Green Loans. However, at the moment, we are (...) not yet organizationally mature enough to implement such an instrument." (Int03)*

Looking ahead, the interviewees did acknowledge that sustainability in corporate financing is likely to become more important. However, many expect rather a "malus" for poor transparency or performance than a "bonus" for good sustainability practices.

> *"Overall, one can see that these requirements are increasing, but so far, this hasn't yet been reflected in worse credit conditions – that will probably come." (Int02)*

> *"Reporting doesn't directly improve capital costs, but I think the issue is more about risk avoidance. If you do nothing – or if it turns out you're doing something wrong – additional costs can arise, like a kind of extra risk premium." (Int11)*

> *"Yes, banks are demanding more and yes, loans become more expensive if we don't meet certain sustainability criteria. As far as I know, however, this is primarily based on their internal rankings and ratings rather than on reporting itself. What I've gathered is that you tend to pay more if you don't meet sustainability criteria, rather than paying less if you do. There's also a strong focus on public ratings – ISS, Sustainalytics, MSCI, and similar – which in turn rely on reporting, so there is a certain connection." (Int07)*

> *"We work with three banks as an SME (...). Interestingly, the banks are often behind us on this topic. Last year, for the first time, I had to fill out a small questionnaire for one of them. For now, they're satisfied that we act sustainably and report under the DNK. But in the next step, they will certainly request more figures. That will be necessary anyway because the questions are becoming increasingly detailed." (Int04)*

Employer Attractiveness

Studies repeatedly report that sustainability can be an important factor in recruiting and retaining employees. Several interviewees share this assessment. In their view, the topic tends to resonate more with younger employees who are new to the company.

> *"Sustainable action has a very big impact for us (...). I don't think our older foundry worker will still read the sustainability report, though. Our annual employee survey consistently shows that the highest approval ratings go to statements like '[company name] is innovative,' '[company name] treats its employees fairly,' and '[company name] is sustainable.' We almost always achieve around 98% there. That means sustainability is relevant to everyone—even to those who simply do their work and don't really have much to do with the topic." (Int04)*

> *"In job interviews, our sustainability engagements on the website were often highlighted positively and cited as a reason for applying to us." (Int06)*

> *"What we hear in many interviews with younger people is precisely this: that it makes us much more attractive as an employer. The criteria by which people choose a job or employer have changed significantly." (Int10)*

> *"That's more the case for younger and new employees (...). We often get the feedback: 'Ah yes, I looked at what you're doing—not only on sustainability, but overall, how you present yourselves and what you offer your employees.' We also communicate that proactively, and it definitely has a positive effect on recruitment." (Int02)*

Other interviewees, based on their experience, do not see a relevant influence of sustainability on their company's employer attractiveness—or are at least unsure because they lack robust evidence.

> *"Of course, sustainability comes up in job interviews now and then. But I haven't yet encountered anyone who said: 'That's exactly why I'm joining you.' We also communicate the topic externally, for example via social media—but at present this is not measurable. I haven't yet received feedback that sustainability was the decisive criterion for someone's application. It's hard to track anyway." (Int05)*

> *"Personally, it does bind me. It's important to me. But I haven't conducted a survey to see how it looks for many other employees. So it's hard for me to make a general statement." (Int07)*

Thus, sustainability's relevance for recruitment and retention varies across companies. What, then, is the role of sustainability reporting? The transformation processes triggered by sustainability reporting can, on the one hand, help companies better understand the needs of their own employees (see "Stakeholder engagement" and "Strategic elevation and topic prioritization") and involve them more strongly in sustainability (see also "Internal collaboration").

> *"The materiality analysis does, to some extent, feed into the strategy, so that makes sense. Actual topics emerged there, partly through the employee survey. I conducted a survey, and issues came up that hadn't really been on the radar before." (Int01)*

On the other hand, sustainability reporting provides the necessary numbers, data, and facts to substantiate and make internal communications more credible. Several interviewees therefore emphasized that sustainability reporting is also a tool for communicating internally.

> *"We have an annual employee survey with around 95% participation. One of the questions is whether we are a socially and environmentally responsible organization. And that score had dropped significantly. That prompted the strategy department (...) to publish the first report—among other things, to show employees what we actually do. Employees still refer to it today. The sustainability report itself is still something that is written to a large extent for employees (...) because it is largely read by people within the company." (Int12)*

> *"We see it most clearly among younger employees. Many applicants—especially those in their mid-thirties or among students—say they looked at our report. And anyone who reads it actually learns a great deal about our company, because we write about ourselves very candidly. In that sense, reporting is important—especially for employee retention." (Int04)*

It is also notable that interviewees assess the potential effect of sustainability reporting on recruitment and retention differently—and in part in opposite ways. For some, it matters more for recruitment; for others, more for retention. This divergence is sometimes attributed to the evolution of reporting—from a marketing tool toward a regulated and more "technical" report.

> *"For existing employees—especially those who have been with us a long time—I would say: no, sustainability doesn't play a major role. For younger and new employees, however, it's more relevant (...). As for retention: we seldom see people leave—but not because we have a great sustain-*

ability report. Maybe it's the icing on the cake, but it's mainly all the other things that make it nice to work here." (Int02)

> *"I would 100% confirm a stronger retention effect [through sustainability reporting]—simply because you make your engagement transparent (...). What matters is what the company stands for and how it positions itself: with respect to sustainability, social engagement, diversity, and development opportunities, especially for women. And I think all of that generally becomes easier—and more credible—when you can really present numbers, data, and facts." (Int10)*

> *"I actually rated retention higher than recruitment. Existing employees are often directly involved in the process—they look for data, see that new initiatives are being launched, and that the topic is discussed regularly. This is repeatedly picked up in our town halls or internal updates—for example, when it's said: 'Look what we've started here.' Employees therefore experience these changes firsthand. For recruitment, I see a much smaller effect. In the past, a sustainability report was almost a pure marketing instrument—with nice pictures and stories. Today, it's much more technical, almost like a financial report. And the likelihood that potential applicants will actually take the annual report and read that part is rather low." (Int11)*

Other interviewees reported that the sustainability report itself is rarely read by current or prospective employees.

> *"When I look at the kinds of questions colleagues bring to us, I think, no, the influence is very, very small. They've never looked into the sustainability report. These are very basic questions—sometimes along the lines of: do we even have sustainability targets?" (Int07)*

> *"Accordingly, I have not yet had an experience showing that someone specifically joined us because of our transparent reporting or the measures we implemented." (Int05)*

Even if the report itself is less relevant for communicating with current and prospective employees, most interviewees stressed that the added value lies in the substantive foundation it creates—content that can then be tailored to audiences and disseminated through other channels, such as town hall meetings, learning platforms, the employee magazine, and more.

> *"We have many new employees joining us. In interviews and during the apprentices' welcome week, it is now communicated very actively that we are a sustainable company. We are also regularly asked to address it. We use sustainability reporting to convey what our material topics actually are. Of course, always translated—you can't just show up with a sustainability report. But you can say: 'One of our material topics is the E1 standard—energy and climate protection—and that's central for us.'" (Int03)*

> *"We find that retention is increasing because we have successfully implemented measures and communicated them relatively transparently. We regularly hold a town hall meeting bringing all employees together. We talk about many topics across the company, including our sustainability activities. We explain what we aim to achieve." (Int05)*

> *"That means some people really applied only because we show externally what entrepreneurial engagement we have, how we position ourselves, and what we implement concretely—because that was visible, for example on our website (...). LinkedIn is another corporate communications channel. Activities from the sustainability area were rated disproportionately positively there and achieved by far the highest reach. We have always followed this triad: develop strategy, implement measures, and then communicate the results." (Int06)*

> *"Of course, we now have many more internal formats than just the report to communicate sustainability: there's a learning platform, we give talks at every onboarding, and there are articles in the employee magazine." (Int12)*

One interviewee emphasized that it is important for employees to see the communicated content reflected in the company's actions. This creates the credibility required for communications to have a positive effect.

> *"At the same time, practical, visible action is crucial: that we demonstrate we act sustainably. That likely has an even greater impact on retention. For example, we now use sustainable catering concepts at events. All of that has an effect—and employees notice it." (Int04)*

> *"Employees love that we're a sustainable company—for example, PV systems at the project level are very popular because they are technically tangible. But the reporting itself is hardly noticed. If anything, you have to communicate the content at the project level." (Int03)*

According to several interviewees, linking sustainability measures to the core business is also crucial for sustainability to resonate with employees.

> *"We are a highly technical, operations- and mobility-oriented company (...). Most people think it's 'nice to have' that we are sustainable, but they really identify with the core business. They keep saying: 'We build trams and buses here' (...). If you come with energy-efficiency projects, which are also technical, they find that far more compelling. The effect of sustainability reporting on employees is therefore more moderate." (Int03)*

> *"We don't do this for fun but because it has a concrete impact: if it brings in money at the end of the day, everyone is obviously happy—and if there is also an ecological benefit, so much the better. Still, I rated the effect only as 'moderate' because it's not the core of everything and not the decisive criterion for why employees stay with us in the long term. But: it does have an impact." (Int05)*

> *"Of course, you can use other channels—for example, the website—to show what we do, what impact we have, and what responsibility we assume as a company. That has an external effect and can potentially attract new employees. But the report itself—or reporting as such—plays a lesser role here. It's more a mix of the indirect effects of reporting and the company's external positioning. If we present ourselves well on the website, that can help in recruiting." (Int11)*

3.2.3 Company-Related Factors

The interviews reveal that respondents differ significantly in their assessment of the extent to which sustainability reporting has triggered transformation processes in their companies and what financial value has been associated with it. These differences are also illustrated by the heatmap in Figure 5 (see Appendix). Why do respondents perceive the financial outcomes so differently? The interviews point to several factors and conditions that play a role here. These appear both at the company level (internal factors) and in the company's environment (external factors). The following sections summarize these factors, beginning with internal and then moving to external ones.

One of the most frequently mentioned reasons why sustainability reporting does not trigger certain transformation processes—or does not generate new financial value—relates to the **company's initial situation and maturity level regarding sustainability prior to the introduction of reporting**. Companies that, for various reasons, had already implemented many sustainability-related measures before the "reporting impulse" tend to be more advanced in terms of data availability and processes, existing resources, expertise, and governance structures than those just starting out. Moreover, several interviewees emphasized that some topics—such as production efficiency or employee development—were already established practices long before reporting began. In these cases, sustainability reporting mainly serves a transparency and structuring function rather than having a transformative effect. As one interviewee put it:

> *"We probably would have taken part of this path even without the reporting – the topic was already present anyway. But reporting has*

made the whole process much more structured." (Int04)

Closely linked to a company's initial situation and maturity level is the **availability of resources** dedicated to sustainability, a theme that recurred throughout the interviews. Especially representatives of smaller firms stated that certain changes or levels of professionalization simply cannot be achieved—or can only be reached with a delay—due to their limited company size.

Furthermore, ownership structure and type of financing influence the role sustainability reporting can play. In owner-managed or family-run firms, sustainability often depends heavily on the values and vision of the owners, which can either amplify or diminish the impact of reporting. In companies that rely more heavily on external financing—through banks, investors, or public funding institutions—additional influencing factors and requirements come into play. At the same time, this can (prospectively) open up new opportunities for corporate financing.

The motivation for reporting (voluntary vs. mandatory) can also shape its effects. Voluntary reporting is often driven by intrinsic motivation or by the belief that sustainability can create a business case—now or in the future. This initiative-based approach, usually linked to a more opportunity-oriented mindset, can result in stronger transformative effects compared to a purely compliance-oriented one. This difference is reflected in the internal **narrative and framing** that accompany the reporting process:

> *"Our narrative moves strongly away from compliance (...). Compliance is not perceived as creating value but rather as a burdensome exercise." (Int12)*

Another interviewee emphasized:

> *"If you approach the whole thing in a check-the-box way, you may get through the requirements, but without any real added value for the company – in the end, it just creates costs." (Int11)*

The form of reporting (integrated reporting vs. a separate sustainability report) is also relevant. When sustainability is integrated into the management report and embedded within existing management systems, the likelihood increases that sustainability information will be incorporated into central decision-making processes at the highest corporate level. One interviewee described this shift as follows:

> *"The sustainability report had existed for quite some time – but to be honest, very few people were interested in it. However, once it was integrated into the annual report and new people took responsibility for it, things changed significantly. Suddenly, there was greater attention, more interest in the content – and entirely new questions started to emerge." (Int11)*

3.2.4 External Factors

The impact of sustainability reporting does not depend solely on internal company conditions but also on the external business environment. Many of the differences in how interviewees assess the effects of sustainability reporting (see, for example, the heatmap in Figure 2 in the Appendix) stem from variations in stakeholder expectations—such as those of customers—toward their company. These differences are often linked to industry affiliation, competitive dynamics, and the company's position within the value chain (e.g., B2B vs. B2C). This broad category of influences is summarized in the framework under **industry and market factors**. The section "Customer Access" (Section 3.2.2) provides insights into this.

For instance, one interviewee (Int08) explained: "When we disclose certain information as part of reporting, it automatically creates comparability—for example, with [company name]."

Competitive activity can thus shape the impact that sustainability reporting has on a given company. The same interviewee continued: "If a competitor takes up a topic, we will definitely at least review it (...). That creates a benchmark."

Another respondent (Int09) noted: "When you can place reports side by side and see, 'They are already much further along than we are,' that creates an incentive to understand why that is and to work on it deliberately."

A further central influence is the **design of the reporting standards** through which companies report on sustainability. Their complexity and methodological clarity, the relevance of required content, and their interoperability with other (international) reporting frameworks determine whether companies perceive them as practical and compatible—or as bureaucratic burdens. Standards that provide consistent guidance and methodological orientation can stimulate transformation processes. Overly complex or poorly aligned regulations, by contrast, tend to generate frustration, unnecessary workload, and a reduction of reporting to a mere compliance exercise. One interviewed person (Int07) comments: "Sometimes it's not clear what is actually required—and that costs us time." Another (Int11) states with respect to the EU omnibus process and the CSRD: "The feeling that all the standards and legal requirements change every quarter (...), causes a certain level of frustration."

The aspect of efficient data provision was also identified in the cost–benefit analysis of the VSME standards (see Section 1.3) as a central mechanism through which companies—especially SMEs—can create financial value by reducing costs. However, this presupposes that the content reported aligns with the actual data requests from banks, customers, rating agencies, and other stakeholders (i.e., the relevance of the standard), as well as that the standard is interoperable with other (international) frameworks. Several interviewees emphasized this connection in the section "Customer Access" (Section 3.2.2). One interviewed person (Int05) states: "The question is whether the VSME actually helps us (…) if other information is still being requested that our customers expect (…)."

With regard to banks, another respondent (Int02) remarked: "Every bank comes up with its own thing. That's inefficient."

The German Sustainability Code (Deutscher Nachhaltigkeitskodex) supports companies with a free digital tool that facilitates the creation of sustainability reports. The service is tailored specifically to the needs of small and medium-sized enterprises with limited resources. At its heart is the web-based DNK platform, which guides both companies required to report under CSRD and those reporting voluntarily under VSME step by step through the entire reporting process. The platform's various functions and details save companies time and effort. For more information, visit: https://www.deutscher-nachhaltigkeitskodex.de/en/.

Closely related to the complexity and clarity of the standards is the factor of **competence and experience among consultants and auditors**. The better trained these professionals are, and the more effectively they convey best practices for consistent and pragmatic implementation of reporting standards in companies, the more efficient reporting processes become—and the more comparable and meaningful the resulting reports are. Several interviewees identified room for improvement here: "We duplicate work because auditors and consultants give us conflicting guidance." (Int06)

One respondent (Int08) even reported having received inconsistent instructions from the same auditing firm: "In one project, [name] was accompanied by [audit firm], but the paragraphs were interpreted differently than in our own reporting project [which was also supervised by the same audit firm]."

Many interviewees expressed hope for greater efficiency and structure in reporting processes through **software and support solutions**—such as the platform for ESRS and VSME reporting offered by the German Sustainability Code (DNK). This factor is also identified in the cost–benefit analysis of the VSME (see Section 1.3) as an important enabler for reducing costs and increasing the benefits of reporting.

Concretely, this may mean that online platforms provide templates that serve as data repositories for multiple uses and enable machine-readable exports (e.g., CSV/XBRL) for banks and major customers. The resulting benefits include lower duplication costs, higher data quality, and greater acceptance among data users.

Software tools—for example, for calculating greenhouse gas balances (with emission factor libraries, imports from accounting/ERP systems, and simple activity data entry)—can automate time-intensive steps, reduce error rates, and harmonize methods. The more extensively such digital infrastructure is used, the stronger the resulting economies of scale: marginal costs per data request decrease, while outcomes (e.g., access to capital and customers) can be realized more effectively.

One interviewee summarized this perspective as follows:

> *"All these services [data requests] are very time-consuming. They often aren't aligned with existing sustainability reports. If things were standardized—say, if I could feed a single portal like EcoVadis or the DNK—it would be efficient. But right now, it's a huge universe without clear structure. That's why we hope that the ongoing development of the DNK and the new VSME module will increase acceptance—and perhaps also bring some synchronization of systems." (Int04)*

4. Limitations

Like any other study, this one has limitations that should be considered when interpreting the findings. These limitations highlight the exploratory character of this focus paper.

First, the study is based on interviews with sustainability managers from companies already actively engaged in sustainability reporting. The goal was to gain a deeper understanding—through their experiences and assessments—of how sustainability reporting affects their organizations. However, this does not allow for representative conclusions about the general impact of sustainability reporting on companies—i.e., how frequently and to what extent the described effects occur. Rather, the framework presented in Figure 1 illustrates a set of possible causal relationships that can provide a conceptual basis for discussing the linkages between sustainability reporting and financial value creation.

Second, the causal relationships depicted in the framework (Sustainability Reporting → Transformation Processes → Internal Outcomes → Financial Value) are based on the authors' interpretation of prior studies and of the statements made by interviewees. However, the direction of causality may also be reversed: financially successful companies may be better positioned to undertake the resource-intensive transformation processes described here. In addition, several interviewees emphasized that some transformation processes and internal outcomes emerged independently of reporting—or that the specific effects of reporting could not be clearly attributed.

Third, many of the insights in the framework draw on the experiences and perceptions of the interviewees, which—like all qualitative data—are inherently subjective. They may include biased perceptions or socially desirable responses. Moreover, some of the financial effects discussed in the interviews—such as higher efficiency, lower risk exposure, or improved financing conditions—lie in the future and are therefore uncertain and difficult to quantify. These estimates are based on experiential knowledge or plausible assumptions, as one interviewee (Int11) illustrated: "The impact on risk management, I think, is very high, but over a longer time frame (…). So it's more of a gut feeling that the impact will be significant, but it's hard to quantify because the effects are so long term."

Where possible, the authors attempted to verify interview statements using publicly available information. Nevertheless, some degree of interpretive bias may remain, as qualitative research always allows for interpretation. To preserve anonymity, some quotations were slightly edited for readability without changing their content.

Fourth, the study captures a particular moment in a rapidly evolving context. Regulatory frameworks—such as those under the CSRD, ESRS, and the related EU Omnibus process—are currently undergoing major changes. As a result, assessments and experiences are likely to evolve over time.

Fifth, the framework does not claim to be exhaustive, particularly with respect to internal and external factors. All readers of this focus paper are warmly invited to build upon and further refine the framework, and to deepen the understanding of the causal relationships between sustainability reporting, transformation

processes, and financial value through additional evidence—especially via quantitative studies that cover longer time horizons.

In this context, it should be emphasised once again that this paper does not claim to make a statement in the sense of a cost-benefit analysis as to whether the costs or benefits of sustainability reporting predominate. Rather, the aim is to show which transformation processes can be initiated and under what conditions financial value can be realized – illustrated by concrete, tangible practical examples and condensed into a holistic framework.

5. Conclusions and Recommendations

In summary, the findings of this study show that sustainability reporting can serve as an important catalyst for companies—triggering internal transformation processes that may lead to financial value creation, for example through the stabilization or growth of revenues and the reduction of costs. The extent to which this value materializes depends largely on company-specific and external factors such as maturity level, available resources, industry and market dynamics, and the design of reporting standards. Furthermore, the clarity, relevance, and interoperability of the standards used—as well as the availability of digital systems and tools—act as key enablers.

The derived framework aims to encourage decision-makers from business, consulting, auditing, digital tool and service providers, as well as policy and civil society, to continue the dialogue on how sustainability reporting can be leveraged as an instrument for a sustainable and at the same time competitive economy.

An increasingly central aspect of this debate is the fundamental distinction between formal (in part mandatory) reporting and the targeted collection and disclosure of selected sustainability data to relevant stakeholders. Future practice should evolve toward modular, digitally compatible data systems: stable and auditable at their core, yet flexible in how the data are used for different audiences—such as customers, banks, or regulators. This would shift the focus of value creation from the reporting document itself toward the use of sustainability data.

Recommendations for Action

For Companies:

- Use this paper to systematically analyze the costs and benefits of reporting within your organization. Which outcomes apply to your specific context? What needs to be done to realize such outcomes?
- View sustainability reporting early on not merely as a regulatory duty but as a potential management and learning instrument to strengthen internal learning, governance structures, and data-driven decision-making.
- Make use of available guidance and technical solutions to handle data efficiently (e.g., tools provided by the German Sustainability Code [“Deutscher Nachhaltigkeitskodex”]).
- Actively use the data generated through reporting for strategy development and stakeholder communication.

For Policymakers and Regulators:

- Ensure planning security and continuity so that companies can make long-term investments in reporting and data systems.
- Maintain proportionality by simplifying sustainability reporting where possible, but without undermining the potential transformative impact of reporting.
- Strengthen dialogue and feedback loops between regulators, businesses, and academia to further develop pathways and metrics for assessing the benefits of sustainability reporting.

Glossary

1. **Assurance:** External or internal audit of sustainability reporting to ensure the reliability and credibility of data; can include "limited" or "reasonable assurance."

2. **Business case (for sustainability):** Term for the economic benefits that sustainability activities can generate for a company, for example through efficiency gains, cost reductions, or revenue growth.

3. **Code of conduct:** A company's code of conduct that sets out ethical principles, compliance rules, and sustainability standards for employees and suppliers.

4. **Corporate Sustainability Reporting Directive (CSRD):** EU directive that requires companies to report on sustainability and defines requirements for the scope, structure, and auditing of sustainability information.

5. **Double materiality:** Concept that takes into account both a company's impact on the environment and society ("impact materiality") and the impact of external sustainability factors on the company ("financial materiality").

6. **EFRAG (European Financial Reporting Advisory Group):** Advisory body of the European Commission that develops and maintains the European Sustainability Reporting Standards (ESRS).

7. **Environmental, Social and Governance (ESG):** Three key dimensions of corporate sustainability: environment, social and good corporate governance.

8. **European Sustainability Reporting Standards (ESRS):** Reporting standards developed by EFRAG that specify the requirements of the CSRD and are intended to ensure uniform, comparable disclosure of sustainability information.

9. **(Corporate) Governance:** The entirety of structures, processes, and responsibilities through which a company is managed and controlled—particularly with regard to sustainability.

10. **GRI (Global Reporting Initiative):** Internationally recognized framework for sustainability reporting that provides guidelines and indicators for voluntary disclosure on economic, environmental, and social issues.

11. **Integrated report:** A report that combines financial and sustainability information in a single document and shows the link between financial and non-financial performance.

12. **Internal control system (ICS):** A system of internal controls to ensure the regularity, reliability, and traceability of processes and data, including in the context of sustainability reporting.

13. **International Sustainability Standards Board (ISSB):** Body of the IFRS Foundation that develops global standards for sustainability reporting to promote international comparability.

14. **Key Performance Indicators (KPIs):** Measures used to quantify performance in specific areas (e.g., energy consumption, CO_2 emissions, diversity) and compare it over time.

15. **Materiality analysis:** Process for identifying and prioritizing the sustainability issues that are most material to the company and its stakeholders.

16. **Non-Financial Reporting Directive (NFRD):** Precursor to the CSRD; EU directive that required large capital market-oriented companies to disclose non-financial information.

17. **Omnibus procedure:** Current EU legislative package that includes adjustments to the CSRD to reduce or postpone reporting requirements for companies.

18. **Risk management/enterprise risk management (ERM):** Systematic recording, assessment, and control of risks – increasingly also with regard to environmental and social factors.

19. **Scope 1, 2, 3:** Categories of greenhouse gas emissions according to the Greenhouse Gas Protocol: direct emissions (Scope 1), indirect emissions from purchased energy (Scope 2), and other indirect emissions along the value chain (Scope 3).

20. **Stakeholder engagement:** Involvement of internal and external stakeholders in decision-making and reporting processes in order to increase the relevance, acceptance, and impact of sustainability activities.

21. **VSME (Voluntary Sustainability Reporting Standard for non-listed SMEs):** Voluntary sustainability standard developed by EFRAG for unlisted small and medium-sized enterprises, which aims to reduce the effort required for ESG reporting.

22. **Materiality analysis (see also: Double materiality)**: Synonym or sub-process of materiality analysis; aims to determine the most important sustainability issues for a company.

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Appendix

Cost-benefit analyses of EU standards for sustainability reporting

In order to answer the question of what benefits sustainability reporting generates in accordance with certain standards (NFRD, ESRS, VSME) and to what extent these benefits at least offset the resulting costs, the European Commission and EFRAG commissioned a cost-benefit analysis (CBA) prior to the introduction of the standards. Where possible, the financial implications were quantified or qualitatively assessed. Using the example of the CBA for the ESRS and VSME, the following section describes which aspects the analyses took into account and what results they arrived at. It is important to emphasize that the CBAs are based on assumptions made prior to the introduction of the respective standards.

The cost-benefit assessment of the ESRS

For the first ESRS tranche, EFRAG commissioned a CBA in November 2022 (De Groen et al., 2022) that analyzes four subject areas or quadrants (see Fig. 4).

Quadrant 1 – Direct costs. Direct costs were estimated ex ante based on the standard cost model for an "average efficient" company and differentiated according to four company categories (NFRD listed/unlisted; non-NFRD listed/unlisted). Direct costs include:

- One-time administrative costs for setup & systems (e.g., processes, data collection/models, internal capacities),
- Ongoing administrative costs for annual reporting (personnel/FTE, external consulting),
- Assurance costs (limited/reasonable), and
- Digitization costs (XBRL tagging).

Figure 4 | **Cost-benefit analysis of the ESRS**

	Costs	Benefits
Direct	• Administrative costs • Assurance costs	• Cost savings • Possible synergies and efficiencies
Indirect	• Trickle-down effect • Litigation costs • Impact on international competitiveness*	• Behavioural changes • Improved sustainability

Note: *Can be considered both a cost and a benefit.
Source: Own illustration based on De Groen et al. (2022).

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Quadrant 2 – Indirect costs. When large reporting entities request data from SMEs, this creates a trickle-down effect in the value chain. The costs generated by this vary depending on the depth of a company's value chain. In addition, there are potential litigation costs and competition/innovation costs, the latter of which can arise if, for example, data from companies has to be shared that other competitors (outside the EU) can use to their advantage.

Quadrant 3 – Direct benefits. Harmonized, digitally accessible data promises fewer ad hoc requests and savings in data procurement for companies, investors, and data services. The extent and pace of savings depend heavily on alignment or interoperability with international frameworks (e.g., GRI/ISSB).

Quadrant 4 – Indirect benefits. Indirect benefits are a catch-all for a variety of conceivable changes related to behavior within the company and in the stakeholder environment. The basic assumption is that the additional transparency, as well as the process of creating transparency, strengthens stakeholder relationships, reduces information asymmetries, and brings about organizational changes within companies. These can include, for example, improved integration of sustainability risks into corporate management, internal and supply chain-related coordination and cooperation, and new or more attractive opportunities for raising capital.

The conclusion of the cost-benefit analysis of the ESRS is that, in the short term, the measurable costs currently outweigh the benefits of implementation. In the medium to long term, however, substantial but difficult-to-quantify benefits are to be expected. It should be noted that, due to the high complexity of the topic, the costs and benefits estimated in the CBA reach methodological limits in many areas and, in particular, quadrant 4 (indirect benefits) was not included in the mathematical part of the study. The report therefore points out that the results should be interpreted with caution.

With increasing experience in applying the ESRS, costs and benefits can be quantified more accurately in the future. Since the publication of the CBA on the ESRS, a number of studies have already been published that provide information on how the CSRD reports are specifically structured in the first wave, for example in terms of scope and reported material topics, as well as industry analyses for chemicals, automotive, and utilities (see various studies by DRSC & Deloitte from 2025). There are also studies that provide more recent estimates of the costs and added value of CSRD reporting (see, for example, Bertelsmann Stiftung 2025; DAI & EY, 2025). Chapter 2 on the state of research on the impact of sustainability reporting on companies discusses these studies in more detail.

The cost-benefit assessment of the VSME

At the end of July 2025, the European Commission published an official recommendation on the use of the VSME standard for voluntary sustainability reporting by SMEs (European Commission, 2025d). The recommendation also calls on large companies and financial market participants to base their requests on the voluntary standard where possible. It should be noted that this is not yet the delegated act on the VSME standard. The content of the future voluntary reporting standard may differ from the current VSME recommendation.

The CBA on the VSME commissioned by EFRAG in November 2024 (Bolognini, Luchetta, & Monaco, 2024) follows a similar logic to the CBA on the ESRS (see Table 2). It also applies the standard cost model (ex-ante estimate for a "normally efficient" company) and is based on field tests, targeted stakeholder consultation, and literature review. However, there are also fundamental differences in the costs and benefits incurred by an SME compared to a large company. The CBA for the VSME focuses more on the extent to which SMEs can use the standard to meet the data requirements of banks and large companies within the supply chain more efficiently, and less on absolute costs. Aspects such as assurance costs or trickle-down expenses also play no role.

Table 2 | **Cost-benefit analysis of VSME**

	Type	Stakeholder	Methodology
Costs			
Administrative costs of reporting	Direct	Preparers	Quantitative
Benefits			
Financial benefits: • Cost of credit • Access to credit	Direct	Preparers	Quantitative
Value chain participation	Direct	Preparers	Quantitative
Competitiveness	Indirect	Preparers	Qualitative
Management, reputation and improved internal organisation	Indirect	Preparers	Qualitative
Increased transparency, comparability accountability	Indirect	Preparers, users	Qualitative

Source: Own illustration based on Bolognini, Luchetta, & Monaco (2024). BertelsmannStiftung

Thus, in the VSME CBA, the net effect is reported as "VSME minus baseline," i.e., the incremental total costs and benefits of the VSME are considered in comparison to the previous effort required to respond to heterogeneous ESG inquiries from banks and large companies. In contrast to the ESRS CBA, the VSME CBA additionally monetizes modeled benefit channels, in particular potential financing advantages in the form of lower capital costs or improved access to capital, as well as value creation effects through secured or expanded access to customer orders. Both benefit channels are based on assumptions and scenarios, as there is currently a lack of reliable empirical evidence. Other potential added values, such as competitive advantages, reputation gains, and governance improvements, are described qualitatively but are not included in the monetary calculation.

The conclusion of the cost-benefit analysis is that the net effect of VSME reporting is initially negative, but can become positive within a few years of introduction. The use of VSMEs can therefore create financial added value for SMEs in the medium term. The drivers for reaching the break-even point are assumptions including declining VSME reporting costs (learning effect) in the years following initial introduction, growing baseline costs due to increasing ESG data demand, and increasing benefits on the financing and customer side.

The results and the achievement of the break-even point are extremely sensitive to assumptions, for example with regard to the number and scope of future ESG data requests, the development of the influence of sustainability data on credit decisions and conditions, and on customer orders. Therefore, various scenarios are estimated in the VSME CBA to reflect the range of possible effects. The specific values and assumptions (including estimated average VSME reporting costs per company) can be found in the respective study, as is the case with the CBA on the ESRS.

Table 3 | **Literature review on the relationship between sustainability reporting and financial added value**

Study	Period	Sample (N)	Measure of success	Result	Explanation of result
			Financial performance		
Mahmood et al. (2025)	2014–2024	1,862 listed companies from 23 EU countries	Company value	+	ESG disclosure increases company value. During the introduction of the CSRD, ESG scores and Tobin's Q fell in the short term. In the long term, however, there is an increase in value, as greater disclosure reduces information asymmetries, strengthens trust and facilitates access to resources.
Krüger et al. (2024)	2002–2020	17,680 companies from 65 countries	Share liquidity	+	Mandatory ESG disclosure requirements improve stock liquidity. The effects are strongest when disclosure requirements are implemented by government institutions, not on a „comply-or-explain" basis, and are coupled with strong enforcement by informal institutions.
de Villiers et al. (2023)	2007–2013	326 large European companies from 18 countries	Dividend distribution & company value	+	CSR disclosure acts as a positive signal for investors. Managers use higher dividends to build credibility and dispel doubts about CSR spending. This strengthens confidence and increases Tobin's Q.
Ioannou & Serafeim (2019)	2005–2012	317 companies from China, Denmark, Malaysia, and South Africa	Company value	+	An increase in ESG disclosure through mandatory sustainability reporting leads to an increase in company valuation.
Plumlee et al. (2015)	2000–2005	118 US companies from five industries	Company value	+	Higher quality voluntary environmental reports (according to the GRI index) increase company value – through higher expected cash flows and lower capital costs. Particularly rigorous and positive disclosures (quantitative, verifiable, with progress) are relevant to value, while soft or neutral disclosures have little influence.
Clarkson et al. (2013)	2003 & 2006	Approximately 245 US companies from five environmentally sensitive industries	Enterprise value	+	Higher-quality, quantitatively substantial environmental disclosures are positively correlated with Tobin's Q and stock returns. Purely symbolic or boilerplate disclosures, on the other hand, have no effect. Investors respond to substantial content, not mere volume.
Schadewitz & Niskala (2010)	2002 - 2005	All OMX Helsinki-listed companies	Company value	+	GRI-based sustainability reports increase company value. Disclosure acts as an additional information-relevant factor beyond profits and book value. It reduces information asymmetries between management and investors.
Cannon et al. (2020)	1996–2015	N/A Number of companies (US)	Profitability	+/0/–	CSR reporting in 10-Ks has mixed effects: it is associated with lower gross margins but more efficient administrative costs, while the overall effect on the operating margin remains neutral. However, it is important to note that companies with stronger CSR disclosure can maintain above-average margins for longer.
Aureli et al. (2020)	2009–2016	55 globally listed companies	Equity returns	n.s./+	The publication of ESG reports has a positive impact on the value of individual companies, but the effect remains weak in the overall sample. From 2013 onwards, the relevance increases significantly, driven by regulation and growing investor attention.
Vishnu Nampoothiri, et al. (2024)	2015–2019	4,186 listed European companies from 30 countries	Company value	0/+	Overall, the EU NFRD had no significant impact on company value. However, industry analyses show mild positive effects for industrial and transport/utility companies – the service sector remained unaffected.

Study	Period	Sample (N)	Measure of success	Result	Explanation of result
Dragomir (2010)	2005–2007	60 large European industrial companies (FTSEuroFirst 300)	Financial performance (book and market value)	0	Although larger polluters report more on their environmental activities, there is no correlation between environmental disclosure and financial performance. Disclosure serves primarily to ensure legitimacy and reputation, rather than to increase corporate value, which is less measurable.
Cho et al. (2015)	1977 und 2010	Fortune 500 companies	Company value	0	CSR disclosure is determined by legitimacy factors (size, industry). Reporting shows no positive impact on company value. Investors do not consider disclosure to add value.
Chen et al. (2018)	2006–2011	681 listed A-share companies in China	Company value & profitability	–	Mandatory CSR reporting reduces profitability (ROA, ROE) and is viewed negatively by the capital market (Tobin's Q), but has positive sustainability effects such as lower environmental pollution and fewer workplace accidents.
Cost of capital					
Raimo et al. (2021)	2010–2019	919 companies worldwide (S&P 1200 Global Index)	Debt capital costs	+	Companies that report more transparently on their ESG activities can raise debt at better terms, thereby reducing their financing costs.
Dhaliwal et al. (2014)	1995–2008	4,111 companies from 31 countries	Cost of equity	+	CSR disclosure reduces the cost of equity. The effect is stronger in stakeholder-oriented countries and when financial transparency is low. CSR and financial reporting are partially substitutive.
Matsumura et al. (2024)	2008–2016	481 US companies from the S&P 500	Cost of equity	+	Companies that disclose climate risks in their 10-K reports have lower equity costs than non-disclosers. In industries where climate risks are considered material according to SASB, the equity cost advantage is greater than in non-material industries.
Market efficiency/information environment					
Grewal et al. (2021)	2007–2015	1,291 listed US companies	Share price information content	+	Companies that disclose more material ESG information in accordance with SASB have higher stock price information quality (i.e. company-specific information is more strongly reflected in prices; measured by stock price synchronicity, bid-ask spread, etc.).
Dhaliwal et al. (2012)	1994–2007	1,297 companies in 31 countries	Analyst forecast errors (forecast accuracy)	+	Publishing independent CSR reports reduces analyst errors (short- and long-term forecasts). Effect is stronger in stakeholder-oriented countries and where there is greater financial opacity CSR disclosure provides additional, complementary information to financial reporting.
Further effects (including from financial reporting)					
Breuer et al. (2025)	2000–2018	Community Innovation Survey (EU)	Innovation	0	Mandatory financial reporting reduces the proportion of innovative companies and their innovation expenditure, especially among small and local businesses. At the same time, larger companies increase their expenditure, so that total expenditure (net effect) on innovation remains stable.
Au & Tan (2025)	1994–2010	Approximately 5,200 US companies	Innovation	–	The SEC mandate for risk reporting introduced in 2005 reduces R&D expenditure, the number of patents, citations and the value of patents. Innovation shifts from exploratory (risky) to exploitative (incremental).
Allen et al. (2022)	2001–2007	N/A Number of companies (US; „young life-cycle firms")	Innovation	–	Following the introduction of the Sarbanes–Oxley Act (SOX, stricter US financial reporting requirements), young companies reduced their R&D spending and filed fewer and lower-quality patents.

Study	Period	Sample (N)	Measure of success	Result	Explanation of result
Pérez et al. (2017)	2011–2013	84 companies in Spain	CSR reputation	n.s./+	More sustainability-related reporting does not automatically improve CSR reputation. Targeted information for influential stakeholders – investors, regulators and the media – is crucial. The quality and relevance of content are more important than sheer volume.
Christensen (2016)	1999–2013	no information on number of companies provided	Misconduct & share price reaction	+	Companies that publish CSR reports are less prone to misconduct (e.g. corruption, discrimination). If misconduct does occur, the negative share price reaction is weaker.

Note (result):

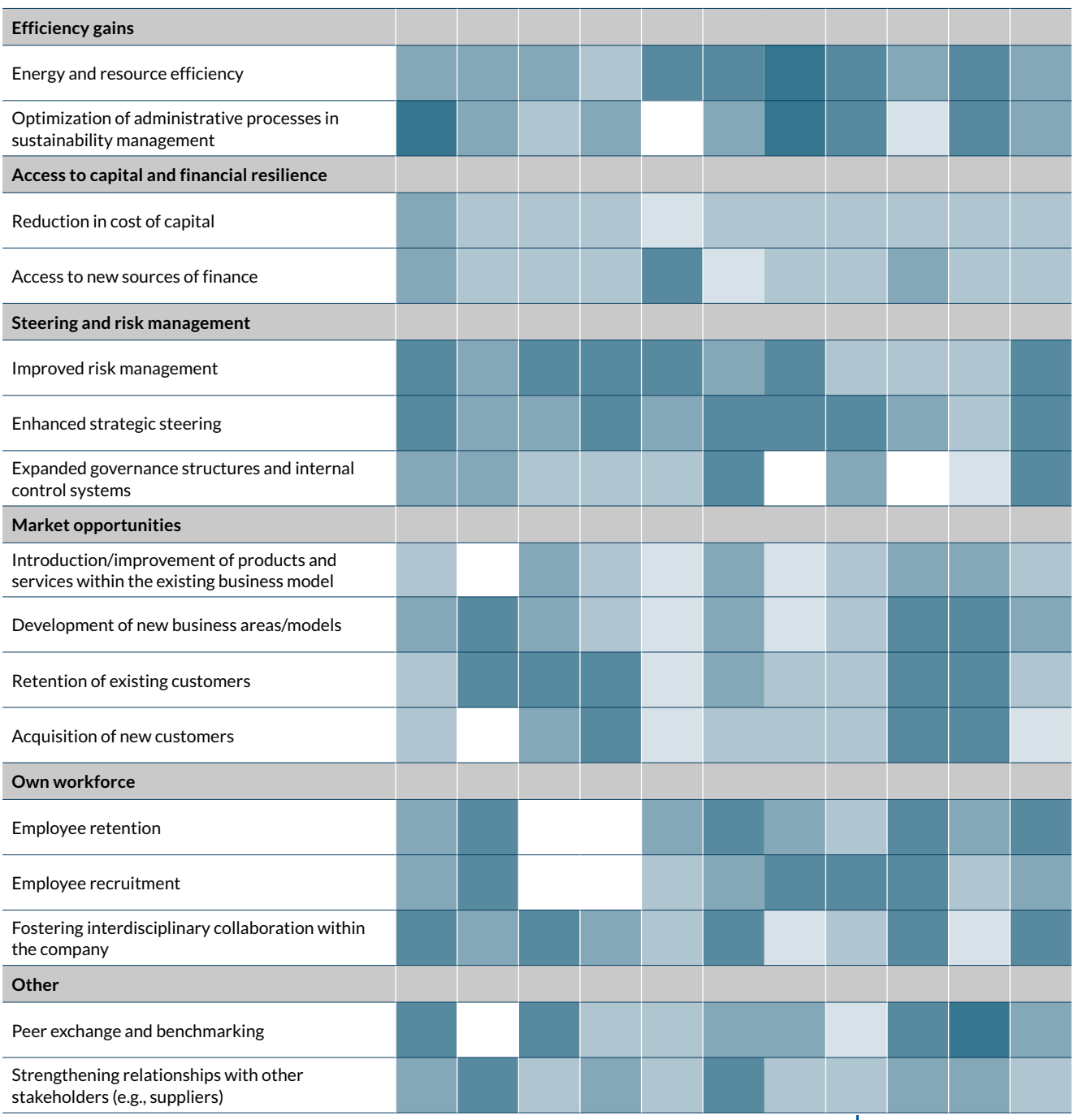
+ → positive, significant effect

– → negative, significant effect

0 → no effect (coefficient ≈ zero, also economically irrelevant)

n.s. → not significant (effect estimated, but statistically uncertain)

Figure 5 | **Interview partners' assessments of the financial added value of sustainability reporting**



Legend: Assessment of potential financial added value from sustainability reporting on a scale of 1 to 5.
Each column represents the answers provided by one interviewee.

Very high | High | Medium | Low | Very low | n/a

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