Journal of Cleaner Production 324 (2021) 129224

Contents lists available at ScienceDirect

Journal of Cleaner Production

journal homepage: www.elsevier.com/locate/jclepro

Sustainability in executive remuneration - A missing link towards more sustainable firms?☆,☆☆

Heta Hartikainen[a], Marko Järvenpää[b,*], Antti Rautiainen[c]

[a] BearingPoint Finland Oy, Bulevardi 6 A12, FI-00120, Helsinki, Finland
[b] University of Vaasa, School of Accounting and Finance, PO Box 700, FI-65101, Vaasa, Finland
[c] University of Jyväskylä, School of Business and Economics, PO Box 35, FI-40014, Finland

ARTICLE INFO

Handling Editor: Mingzhou Jin

Keywords:
Sustainability
Remuneration
Transparency
Reporting

ABSTRACT

This paper contributes by showing simultaneously the interlinked challenges of sustainability-based (based on long-term economic, social and environmental targets) executive remuneration and the problems of transparency in remuneration reporting. Our empirical data, analyzed using qualitative content analysis, consists of the published remuneration statements and sustainability reports of 43 Finnish companies reporting according to the Global Reporting Initiative (GRI) framework. Our results indicate that comprehensive sustainability remuneration is still rare in Finnish large companies: long-term financial targets are implemented at most companies, but social or environmental targets were only reported by 7 companies (16%). We conclude that executive remuneration policies are still mainly concerned with financial targets and aligning the interests of executives and shareholders and ignoring other stakeholders. The dominance of the remuneration reporting by the local Finnish Corporate Governance Code (FCGC) over GRI reporting on remuneration highlights sustainability accounting as local practice and is a reason for the lack of fully transparent reporting about the criteria of sustainability remuneration. We conclude that sustainable executive remuneration and simultaneously lacking transparency of reporting on it do not support implementation of sustainability strategies in Finnish companies and may hinder the development towards genuine sustainability and shows that there is an important (missing) link between incentives and sustainability in business.

1. Introduction

99% percent of Finnish corporate directors see sustainability as an essential business issue (FIBS, 2017). Sustainability is defined by Elkington's (2011) triple bottom line concept as three different areas that should be considered in business: economic, social and environmental. The globally accepted Global Reporting Initiative (GRI) framework is largely based on the triple bottom line idea (Hale and Held, 2011). Most large companies report on their sustainability (Journeault et al., 2021), but sustainability and executive remuneration are still rarely connected (Mahoney, Thorne, Cecil and LaGore, 2011). There may be several reasons for the situation. Sustainability targets are hard to quantify making it difficult to implement a sustainability remuneration system in a transparent way. Social and environmental accounting

☆ It was stated in the FCGC 2015, that its' implementation promotes transparency of reporting, and that companies shall issue a 'Remuneration Statement', which is a consistent description of the remuneration of the directors and executives containing information about decision-making procedures concerning the remuneration, the most important principles regarding the remuneration and remuneration report, and on the remuneration paid during the previous financial period. But there were no requirements for the components, criteria or measurements to be disclosed. Statement shall be published in the corporate governance or investors section of the company website and in the Corporate Governance Statement.☆☆ The new FCGC 2020 includes many revisions on page 59 *"If the remuneration policy includes variable remuneration components"* the variable components in question must be determined and stated. The *"short- and long-term incentive remuneration can have different grounds for determination",* such as company's financial or profit performance criteria, corporate responsibility and non-financial performance measures, compliance with internal and external rules or an assessment of the personal performance of the person being remunerated. *"The remuneration policy must report how the chosen grounds for determination promote the company's business strategy and long-term financial success."* FCGC 2020 continues on page 65 that the company needs to report *"the grounds for financial and non-financial performance as well as grounds concerning the company's corporate responsibility. The report on the fulfilment of remuneration criteria can be drafted in such a way as to not publish commercially sensitive information of the company."*

* Corresponding author.
E-mail addresses: heta.hartikainen@bearingpoint.com (H. Hartikainen), marko.jarvenpaa@uwasa.fi (M. Järvenpää), antti.i.rautiainen@jyu.fi (A. Rautiainen).

https://doi.org/10.1016/j.jclepro.2021.129224
Received 17 September 2020; Received in revised form 9 August 2021; Accepted 30 September 2021
Available online 1 October 2021

techniques are developing fast (Hörisch et al., 2020) but the results of what drives sustainability are mixed (Bolourian et al., 2021). The use of sustainability remuneration is expected to increase (Keatinge and Eaton, 2014) and provide stimulus for enhancing sustainability in companies (Hong et al., 2016) and society (Tamimi and Sebastianelli, 2017). The developments in sustainability-based remuneration and reporting are slow and lack extensive scientific research. In order to fill the gap in the scientific knowledge related to sustainability-related executive remuneration and transparent reporting on it and in order to support their better diffusion to practice, the purpose of this study is to find out how sustainability is connected to the executive remuneration of Finnish publicly listed companies' disclosure. The originality of this study stems from the idea to examine the sustainable executive remuneration and the transparency of the reporting on it simultaneously, since we believe they form an intertwined challenge for sustainable development.

The Finnish Corporate Governance Code (2015, hereafter FCGC) and the expectations related to the new FCGC version (in 2020) as well as the stock exchange practices standardize remuneration reporting in Finland, but separate sustainability reporting is still voluntary for most companies. The leading global framework for sustainability reporting, the Global Reporting Initiative (GRI) aims at standardizing reporting practices but there are still differences in the reporting on sensitive topics, and executive compensation.

Earlier theory on incentive-based remuneration suggests that incentives are applied to achieve strategic goals in companies (Chen and Jermias, 2014). The strategic goals may include sustainability, not least because they may also improve company financial performance (Ameer and Othman, 2012). In order for executives to have incentives to pursue sustainable (social and environmental) targets as strongly as economic ones, one can assume, that they should be rewarded based accordingly on sustainability performance. It can be hypothesized that if the sustainability targets are not linked with remuneration, sustainable strategic goals became not achieved.

The triple bottom line of sustainability (Elkington, 2011), which combines the economic, environmental and social aspects of business, is attached to corporate sustainability reporting, but short-term financial performance and shareholder value creation have mainly dominated the way bonuses and other benefits are determined (Li and Wang, 2016). Traditional financial accounting offers suitable tools for evaluating conventional financial performance but evaluating social and environmental targets is trickier, and may involve instrumental approaches to sustainability, even greenwashing in practice (Mahoney et al., 2013).

Executive compensation is a central aspect of corporate governance and responsibility research (Walls et al., 2012) but the relationships between sustainability, transparency and remuneration are more scarcely studied topics. Explicit research focusing on transparency of the reporting on the sustainable executive compensation is practically non-existent (excluding Tamimi and Sebastianelli, 2017).

It is a central to understand the role of stakeholders (Donaldson and Preston, 1995) in studying sustainability reporting and executive remuneration. Identifying the relevant stakeholders (Hörisch et al., 2020) and suitable ways of stakeholder involvement (Berrone and Gomez-Mejia, 2009a) remain central issues for firms in various business contexts.

The purpose is this study is to increase the knowledge on 1) sustainable executive remuneration and 2) to the transparency of the reporting on it. We do that in a Scandinavian context that is often thought as highly equal and sustainable context (PwC, 2016), and explore the relationship between remuneration incentives and sustainability (long term financial, environmental and social) targets and the transparency of its reporting. The research questions are:

- Do Finnish listed companies transparently report about sustainability incentives in their executive remuneration?
- Which aspects of the sustainability are considered in sustainability remuneration and to what extent?
- What are the likely reasons of the limited usage of sustainability executive remuneration and lack of the transparency in the reporting on it?

The research method of the study is qualitative. The sustainability, corporate governance and when necessary, annual reports published in 2017 (reporting year 2016) by 43 Finnish listed companies were studied. The data was analyzed using the content analysis method discussed in more detail in section 3.2.

2. Theory

In the theoretical section, we present the key concepts of the study, sustainable executive remuneration and transparency of sustainable reporting and relevant earlier research on the topic of the study. We continue the conceptual discussion on sustainability and triple bottom line, as well as the role of stakeholders. This theoretical background offers a link between sustainable executive remuneration practice and transparent reporting on it, which we see as a key challenge for sustainable business and development.

2.1. Executive remuneration

In Finland, the recommendation 24 of the FCGC (2015) stated that the objective of remuneration is to promote the long-term financial success and competitiveness of the company and the favorable development of shareholder value. It added that remuneration must be based on predetermined and measurable performance and result criteria. According to it, remuneration may consist of fixed and variable salary and remuneration. It stated that the variable components of salary and remuneration may be based on long-term and/or short-term performance and results. The financial and non-financial performance and result criteria, which must be measurable in a manner that is as unambiguous as possible, may be used as the basis for the remuneration.

Executive compensation is a motivational tool (Berrone and Gomez-Mejia, 2009a) for getting executives to perform in a way that aligns their interests with the company and the interests of the shareholders (Fabrizi et al., 2014). The structure of remuneration is important since appropriate incentives encourage an executive to perform well but poorly chosen incentives may have negative effects, like manipulation (Nordberg, 2011).

A remuneration scheme may be based on results or company share performance, or on behavior (managerial efforts), and it may be distributed among groups or assigned directly to individuals (Fabrizi et al., 2014). The relation between pay and performance is complex, but evidence suggests that it is essential that the incentives are tied to strategy because misfit between strategy and compensation structure can negatively affect performance (Fabrizi et al., 2014).

Remuneration is usually classified as either short- or long-term. Short-term objectives may help a company's existing shareholders to gain higher returns on stocks sold because managers are encouraged to pursue actions that increase the stock price (Bolton et al., 2006). These actions might decrease the value of the company in the long term. Long-term remuneration schemes aim to affect managerial risk-taking and long-term focus (Core et al., 2003) by using equity-based remuneration (equity incentives) like stocks or stock options (Mahoney and Thorne, 2005). Different forms of controlling and rewarding the executives are needed to align the interests of various stakeholders (Bebchuk and Fried, 2010).

The stakeholder expectations can be mapped and incorporated into the incentive scheme design to fulfill stakeholder needs (Berrone and Gomez-Mejia, 2009a). Careful mapping of interests also decreases the possibility of unexpected conflicts among stakeholders. Creating shared value (Porter and Kramer, 2011), relates closely to stakeholders and sustainability so that corporate responsibility and profit maximization may be not two separate issues and cooperation with communities is necessary for companies to succeed in the long-term. This win-win-oriented concept has received attention and has been commended for its practical and strategic approach (Crane et al., 2014; Strand and Freeman, 2015).

2.2. Sustainable executive remuneration

Sustainability remuneration is defined in this study as remuneration based on long-term economic, social and environmental targets. According to this definition, a remuneration scheme fully based on financial measures might be seen to be sustainable if it had long-term focus but in this study remuneration must have aspects of at least two of these bottom lines to be considered sustainability-based. This means that it has to have either (at least one) social or environmental targets in addition to the financial targets if not both.

The key components of management remuneration are fixed and variable pay. Variable pay is usually made up of bonuses, stock options and long-term equity incentives that are related to different targets (Nordberg, 2011), managerial effort, shareholder preferences and firm characteristics (Li and Wang, 2016). Incentives can be short-term or long-term by nature and the company-specific remuneration schemes are often determined by remuneration committees.

According to earlier studies, sustainability-based incentives are still quite rare. The percentage of companies using sustainability incentives has been studied to vary from 33 to 39 percent (Keatinge and Eaton, 2014; Maas and Rosendaal, 2016). There is some country specific evidence that number of companies linking compensation and sustainability has been growing. (Keatinge and Eaton, 2014). Sustainability targets appear to be more common in the dirty markets, such as the energy sector (Maas and Rosendaal, 2016). Other factors that may increase the use of sustainability incentives are firm size, compensation committee independence, the Corporate Social Responsibility (CSR) committee, CSR sustainability index, and resource efficiency policy elements (Abdelmotaal and Abdel-Kader, 2016). To provide executives with direct incentives for CSR is an effective tool to increase firm social performance (Berrone and Gomez-Mejia, 2008, 2009a, 2009a).

Executives may sometimes get bonuses for lucky incidents they have no control over or for risky actions that may even reduce company value in the long-term (Bebchuk and Fried, 2005). Incentives may also be subject to manipulation (Goergen and Renneboog, 2011). Incentives improve performance and do not necessarily decrease intrinsic motivation (Shaw and Gupta, 2015). Long-term incentive schemes have found to be the best motivators for company performance (Mehran, 1995). Equity-based schemes enhance motivation to act in the company's best interest (Core et al., 2003; Mahoney and Thorne, 2005). While incentive schemes are complex they tend to have a positive effect on motivation, and so sustainable remuneration should increase sustainable performance (Hong et al., 2016).

The effect of executive compensation on sustainability is studied, but with somehow conflicting results (Mahoney and Thorne, 2006). McGuire et al. (2003) find no significant relationship between compensation and sustainable (social) performance. On the contrary, Deckop et al. (2006) and Mahoney and Thorne (2005) found evidence of a positive relationship. Berrone and Mejia-Gomez (2009b) argued that incorporating environmental targets into a remuneration scheme can be symbolic but may help companies build legitimacy, which may lead to many intangible benefits. Environmental incentives encourage the CEO to monitor environmental performance (Hong et al., 2016). As far as we know, only Tamimi and Sebastianelli (2017) have examined the dilemma of sustainable executive compensation reporting transparency, and found that Environmental, Social and Governance (ESG) based compensation increases ESG scores but while governance is well reported in S&P500 companies, environmental issues are not.

Canada and Australia are the frontrunners in adopting sustainability incentives. Additionally, in US a link between sustainability and compensation has been growing slightly in the past years, as well as in Norway, the Netherlands and Brazil. (Keatinge and Eaton, 2014). Scandinavian countries seem to be slow in adopting sustainability incentives (Maas and Rosendaal, 2016). Sustainability incentives may not be a panacea, but have been also criticized for manipulation and even window dressing (Kolk and Perego, 2014).

2.3. Transparency in sustainability reporting, GRI and FCGC frameworks

This study focuses not just on the use of sustainable executive remuneration, but also on the transparency of the reporting on it. We review the meaning and importance of the concept of transparency, and then move to the practical level of sustainability reporting, both using the leading framework, GRI, and the local FCGC from 2015 but including its recent 2020 developments. In the field of sustainability, transparency is an important concept, since it allows for stakeholders to monitor company performance and to obtain relevant information (DubbinkGraafland and van Liedekerke, 2008). Transparent reporting can benefit a company by distinguishing it from badly performing competitors, tempting consumers or enhance legitimacy. Transparency perceptions may be affected by the industry, stakeholder pressure or geographical region (Fernandez-Feijoo, Romero and Ruiz, 2014). Internal factors such as country of origin (Bolourian et al., 2021), size and corporate culture can also have an effect on the extensiveness, quality, quantity and completeness of social and environmental reporting (Adams, 2017). Both internal and external factors can be crucial motivators for transparency in sustainability reporting – or for window dressing in worst cases (Weil et al., 2006).

Fifka and Drabble (2012) revealed that, concerning sustainability reporting, Finland seems to have a stronger focus on environmental issues than the UK. Finnish companies also tend to use international standards as a basis for their reporting (PwC, 2016) revealed. Finnish sustainability landscape is dispersed, even if Finnish taxation records regarding income are largely public and despite the success in sustainability rankings: In the Global 100 most sustainable companies listing of Corporate Knights, four Finnish companies were listed in 2017, and Nokia, Kesko and Neste were in the top 25 companies which shows dedication to sustainability in their strategy (Corporate Knights, 2017).

Some organizations may be committed to sustainability reporting because they wish to integrate sustainability principles more strongly into their corporate strategy and enhance their sustainability performance (Adams and McNicholas, 2007). Some want to eliminate information asymmetries and enjoy the positive effects of being regarded as a "good citizen" (Mahoney et al., 2013), but some companies use sustainability reporting mainly as a way to appear more responsible under considerable pressure from the general public (Marquis et al., 2016) and motives can also be changing, complex and intertwined (Länsiluoto and Järvenpää, 2008). Lack of resources, the profit imperative, lack of legal requirements, lack of knowledge and awareness, poor performance and the fear of bad publicity have all been cited as reasons for a company to not engage in sustainability reporting (Belal, 2011). The GRI framework has been seen as an answer to many of these challenges because of its standardized nature and wide recognizability (Hale and Held, 2011).

From the point of view of this study, the Global Reporting Initiative (GRI) is a central concept, since most of the studied firms applied is as their reporting framework. GRI is a framework that aims to integrate the environmental and social aspects of business into the financial reporting of companies. It acts as a global guideline for voluntary sustainability reporting and has been adopted by many corporations worldwide, although the GRI's target of harmonized, easily accessible reports has not been fully realized (Hale and Held, 2011).

The GRI is the most widely-adopted sustainability reporting guideline in the world (Buck and Reinhardt, 2016), applied in over 10000 organizations worldwide (Global Reporting Initiative, 2016a,b). The adaption of the GRI varies between different business sectors (Alonso-Almeida et al., 2014).

The guidelines applied during empirical study, introduced in

October 2016, were known as the "GRI Standards" that follow the G4 guidelines of 2013. The thematic differences between the two guidelines were minor and the G4 was also in effect until July 2018. The reporting structure in the GRI Standards differs from the G4 guidelines. In Finland, Sustainability disclosure is not mandatory for most companies but over half of the companies in PWC (2016) used the GRI framework to do so. The number of companies applying the GRI has remained relatively stable in Finland. The Remuneration Policies of the GRI require companies to disclose information on how the economic, social, environmental and financial aspects of their business are related to the executives' remuneration schemes. The GRI was criticized by Levy et al. (2010) who argued that data is not fully comparable because many guidelines require information that is difficult to standardize and quantify.

3. Empirical study

3.1. Empirical data

The empirical data was gathered using the corporate governance and sustainability reports, and the 2016 annual reports of 43 well-known Finnish companies publicly listed in the Nasdaq Helsinki exchange, representing many industries, sizes and differing global focus. Total amount of Finnish listed companies was 112. The 43 companies were selected for this research based on the information available on the Sustainability Disclosure Database (SDD, see Global Reporting Initiative, 2016) meaning that they applied the GRI framework G4 (issued in 2013), even though two companies (Kesko and Metsä Board) already used the newer GRI Standards (issued 2016). This selection criteria simplified and standardized our analysis because public companies are mandated by stock exchange to disclose similar information. Further, the GRI reporting indicator G4-51 specifically required disclosing information regarding remuneration policy in relation to environmental, economic and social objectives (Global Reporting Initiative, 2013). Sample companies are presented in Table 1.

As the research data was gathered from a selected number of Finnish companies, the study will not offer a comprehensive look at how sustainability-related remuneration is reported on in all listed companies. The other limitation relates to comparability as the companies who use GRI-based reporting may do so in a way that differs from other companies in other contexts. Qualitative research by definition does not seek to be generalizable but is more interested in developing an understanding of a particular phenomenon (Myers, 2000). In this paper the focus is on how transparently the executive sustainability remuneration is reported in the Finnish context.

3.2. Method

The study employs qualitative approach, content analysis, which is defined as systemic, objective and quantitative analysis of message characteristics, and a tool for describing message characteristics and identifying relationships between them (Neuendorf, 2016, 1, 42). The aim is to find how the reports mention any of the triple bottom line concepts as the basis of remuneration and whether sustainability is mentioned either directly or indirectly.

The validity and reliability of qualitative research are based on alleviating the bias stemming from the researcher's preconceived notions. It is based on trustworthiness and differs from validity in positivistic research tradition (Golafshani, 2015.). The validity and reliability approach of this study is to focus on elements of interpretation that can be read from the data and diminish the interpretation bias based on individual researcher's own ideology by having three authors making the final interpretation.

The data was analyzed in its own context, reflecting on the company characteristics, such as the importance of sustainability in the company strategy, and whether they play a role in how the remuneration incentives are determined. The evidence presented by previous studies on the topic was also used as a comparative framework and the same themes will be analyzed in a Finnish study sample. The data was structured based on the key characteristics of the data relevant to the research questions and input into tables that show the comparison between each company.

The remuneration reports used were analyzed focusing on the remuneration policies and principles the companies chose to disclose instead of the quantitative data on annual remuneration paid for each specific executive. This was to determine the basis rather than the practice of the remuneration schemes and to gain an understanding of the underlying perspective and objectives. The sustainability reports were read throughout to find evidence on managerial responsibility and its link to rewardable sustainability targets. The GRI indices were also analyzed to see if the remuneration reporting indicators were reported on and how this was done at each company.

Table 1
Sample companies.

Finnish listed companies acknowledged by the SDD for using the GRI framework G4 or Standards	
Aktia	G4
Alma Media	G4
Amer Sports	G4
Atria	G4
Cargotec	G4
Citycon	G4
Cramo	G4
DNA	G4
Elisa	G4
Finnair	G4
Fortum	G4
Huhtamäki	G4
Kemira	G4
Kesko	Standards
KONE	G4
Konecranes	G4
Lassila & Tikanoja	G4
Marimekko	G4
Martela	G4
Metso	G4
Metsä Board[a]	Standards
Neste	G4
Nokia	G4
Nokian Tyres	G4
Outokumpu	G4
Outotec	G4
PKC Group	G4
Raisio	G4
Ramirent	G4
Saga Furs	G4
Sanoma	G4
Sponda	G4
Stockmann	G4
Stora Enso	G4
Technopolis	G4
Tieto	G4
Tikkurila	G4
Tokmanni Group	G4
UPM-Kymmene	G4
Vaisala	G4
Valmet	G4
Wärtsilä	G4
YIT	G4

[a] Metsä Board reported as part of Metsä Group.

3.3. Evaluation scale

The companies were evaluated on their sustainability remuneration link based on a scale consisting of three categories, weak, moderate and strong. A weak link was interpreted if a company's remuneration or sustainability reports did not explicitly reveal any indication to sustainability remuneration. A moderate link, on the other hand, required that the remuneration or sustainability reports used an explicit remuneration metric relating to sustainability. The word sustainability or any of its equivalents (such as responsibility) was not necessary to be used as some targets, such as safety, can be seen to be belong to multiple different categories. A strong link would have been used for cases where it was explicitly stated that a company's remuneration policies are based on multiple comprehensive sustainability (or responsibility) metrics or a sustainability index determined and reported on in an equal manner compared to other remuneration targets. In addition, the key principles of executive remuneration would have needed to emphasize the role of sustainability. In practice, companies having any environmental or social targets became interpreted having at least moderate link. None of the companies reached to the level strong link.

4. Results

In chapter 4 we analyze the results in the following ways: First, we analyze the reported remuneration targets in general according to different bottom lines, financial, environmental and social in chapter 4.1. According to that, we interpret whether their remuneration link was weak, moderate or strong. While there were only few cases of sustainable remuneration targets, we analyze some firms with more details. Then we move on analyzing the key considerations and principles of remuneration schemes in chapter 4.2. Similarly, here we warrant few more detailed analyses for some interesting cases, like two firms succeeded in the then recent Corporate Knights Report (2017) and three other cases with interesting details.

4.1. Remuneration targets and sustainability remuneration link

4.1.1. Overall analysis

In this chapter we analyze the remuneration targets and sustainability remuneration link. Only 7 out of the 43 companies studied (16%) had a sustainability remuneration link that was interpreted as moderate (presented in Table 2). They were Fortum, Kemira, Konecranes, Neste, Outokumpu, Sanoma and Stora Enso. All other companies had only a weak link. This is much lower than the averages of over 33 percent found in earlier research (Keatinge and Eaton, 2014; Maas and Rosendaal, 2016). This suggests that holistic sustainability remuneration was rare in Finland. This is consistent with Maas and Rosendaal (2016) who claimed that Scandinavia is a late comer in this area. Most companies studied only showed a weak, almost non-existent link between sustainability targets and remuneration while even in the cases where a moderate link was present, it was established mostly only by safety targets. The moderate link of Stora Enso was based on an explicit mention of sustainability as a determinant of performance.

Out of the sustainability bottom lines, the financial aspect was clearly the most frequently used in Table 2. Companies had short- and long-term variable compensation schemes in place. However, they were often not based on any specific financial indicators, such as earnings per share, EBITDA, organic revenue growth, operative cash flow and total shareholder return compared to an index.

The most important social target was employee safety. It was measured annually and was used as a determinant of annual bonuses. The weighting of safety targets compared to other targets was not mentioned but, in many cases, they were among a set of very few bonus indicators, signaling a high importance. Safety might be valued so high because its implications on the organization and its performance are very direct. It can also be measured easily. Employee satisfaction and the vaguer "people" were also seen as short-term determinants for incentives which may be interpreted as sustainability targets because they involve another stakeholder group and focus on social wellbeing.

4.1.2. Company specific analysis

Stora Enso was the only company in the sample to explicitly mention

Table 2
Sustainability targets.

Company	Financial targets in long-term schemes (weighting if found in reports)	Environ-mental targets	Social targets
Aktia	Net asset value (50%), combined commission and insurance net for group (50%)	–	–
Alma Media	Profitable growth, share value	–	–
Amer Sports	Group's earnings before interest and taxes (EBIT), net sales, group's total shareholder return (TSR)	–	–
Atria	Group's earnings per share (EPS) excluding extraordinary items	–	–
Cargotec	ROCE, total shareholder return	–	–
Citycon	Total shareholder return (TSR) (weight 100%)	–	–
Cramo	Group's earnings per Share (EPS)	–	–
DNA	Total shareholder return (TSR) compared to a peer group, cumulative cash flow	–	–
Elisa	Earnings per share (EPS), revenues of new business operations, other key targets	–	–
Finnair	Return on capital employed (ROCE) (50%), total shareholder return (TSR) (50%)	–	–
Fortum MODERATE	Earnings per share (50%), relative total shareholder return measured relative to the European Utilities Group (50%)	–	Yes (safety is mentioned as a target)
Huhtamäki	Group's earnings per share (EPS)	–	–
Kemira MODERATE	Operative cash flow after investing activities, operative EBITDA, individual targets	–	Yes (Safety related KPI's of Kemira Group as performance targets)
Kesko	Growth percentage of Group's sales, basic earnings per share (EPS) excluding non-recurring items, and total shareholder return exceeding the OMX Helsinki Benchmark index	–	–
KONE	No long-term schemes implemented	–	–
Konecranes MODERATE	Group's performance areas: growth, and profitability		Group performance: safety and people
Lassila & Tikanoja	Group's EVA result	–	–
Marimekko	Total yield on Corporation's shares, including dividends	–	–
Martela	Personal results, financial performance of the entire Group and the unit	–	–

(continued on next page)

Table 2 (*continued*)

Company	Financial targets in long-term schemes (weighting if found in reports)	Environ-mental targets	Social targets
Metso	Net sales growth of the services business, return on capital employed (ROCE) before taxes, and earnings per share, total shareholder return	–	–
Metsä Board	Group's equity ratio, development of return on capital employed (ROCE) and earnings before interest and taxes (EBIT)	–	–
Neste MODERATE	Cumulative comparable free cash flow (75%) total return of shares relative to the STOXX Europe 600 Index (25%)	–	Safety as a short-term bonus determinant
Nokia	Annual net sales (50%), average annual earnings per share (50%)	–	–
Nokian Tyres	Group's operating profit and net sales	–	–
Outokumpu MODERATE	EBITDA, savings		Occupational safety
Outotec	Net profit and free cash flow	–	–
PKC Group	Cumulative revenue and EBITDA	–	–
Raisio	Total Shareholder Return (TSR), Group's cumulative profit target (EBT, earnings before taxes)	–	–
Ramirent	Share ownership, Economic Profit and Total Shareholder Return (TSR)	–	–
Saga Furs	No long-term incentive schemes implemented	–	–
Sanoma MODERATE	Earnings per share (excluding items affecting comparability), and the development of digital and other new media sales, adjusted free cash flow	–	Employee satisfaction as a short-term target
Sponda	Group's average ROCE, cumulative operational cash earnings per share, real estate sales	–	–
Stockmann	Group's financial and other objectives related to the implementation of strategy	–	–
Stora Enso MODERATE	Group's EVA (Economic Value Added)	People and Sustainability	Individual short-term targets People and Sustainability
Technopolis	Total shareholder return growth (50%) and the operating result (50%)	–	–
Tieto	Total Shareholder Return, strategic target related to growth and on Earnings per Share (EPS)	–	–
Tikkurila	Group's Operative Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and net debt	–	–
Tokmanni Group	Achievement of the company's profitability targets and other financial targets	–	–
UPM-Kymmene	Total shareholder return, EBITDA targets	–	–
Vaisala	Development of Group's profitability	–	–
Valmet	EBITA % and orders received growth of the services business	–	–
Wärtsilä	Share price development	–	–
YIT	Return on investment, Group's cash flow, net debt, earnings per share	–	–

that they have performance targets in their short-term incentive program for management related to sustainability. In Stora Enso, a sustainability and ethics committee has also been implemented years a few ago. This is noteworthy since Abdelmotaal and Abdel-Kader (2016) stated that the use of a CSR committee may increase the usage of sustainability incentives.

Environmental targets were not explicitly mentioned in any of the remuneration reports besides the overall sustainability mention of Stora Enso. In many of the companies' sustainability reports, clear targets on emission reduction were established and could have been used as targets for environmental incentives. There is no clear Finnish benchmark for environmental remuneration, which may slow down the implementation of environmental targets in remuneration. Benchmarks, according to Kolk and Perego (2014), are crucial for sustainability remuneration scheme design.

Some companies used personal targets as performance criteria but it is impossible to say whether these are related to sustainable targets. Some companies have employed a dedicated sustainability executive or an executive responsible for sustainability matters. The true nature of remuneration targets was not revealed based on the reporting alone.

Some companies (such as Cargotec and DNA) mentioned sustainability governance in their sustainability report but not indicated executive-level sustainability incentives. Most companies mentioned employee-level remuneration in their sustainability report and explained that considerable efforts had been made to bring sustainability to the employee level. Significantly less information was disclosed on sustainability management and on governance structures.

Six out of seven companies with the interpreted moderate sustainability remuneration link were operating in the unsustainable industries, such as nuclear energy or paper production. The only exception to this was Sanoma whose main operational area is the media. This supports the evidence of previous research (Maas and Rosendaal, 2016) that companies operating in unsustainable industries put more emphasis on their sustainability activities. The sustainability and remuneration link reported in the Corporate Knights Global 100 (2017) for Neste and Nokia, was not clear based on their reports alone. Neste used safety as a short-term compensation determinant but Nokia did not mention any non-financial targets in their remuneration statement.

4.2. Key considerations and principles of remuneration schemes

4.2.1. Overall analysis

In Table 3 the prominent keywords depicting sustainability related considerations are highlighted. With his illustration, we try to validate our analysis by giving a clue for reader about the analyzed empirical material regarding the remuneration principles.

The key principles of remuneration policies of the analyzed companies were the *alignment of shareholder and executive interests, retention of key personnel, long-term success and value increase of the company,* as well as *competitive compensation* in the surrounding market. These key considerations revolved around very specific stakeholder groups, the executives and the shareholders, with very little regard to the other stakeholder groups usually considered in sustainability research, such as the environment or the surrounding community. Words sustainability and fairness both only appear twice in Table 3.

Many companies claimed that their remuneration scheme was related to their strategy or the strategic targets, and that strategy involves elements of sustainability, which would, in theory, link sustainability to remuneration. In the light of this study, it is hard to distinguish whether such a link actually exists in practice and if there are elements of sustainability targets.

4.2.2. Company specific analysis

In the Corporate Knights Global 100 (2017) report it is claimed that Neste and Kesko have a link between their sustainability targets and remuneration. This study also confirmed that somehow by finding how the companies' remuneration reports, show some evidence that the link between sustainability and remuneration has been considered. Neste is the only company to explicitly mention that encouraging value-based behavior, consideration of others, the environment and the surrounding community, is a key component of the remuneration principles. Nokia also stated that they regard sustainability and long-term success as key considerations in their remuneration policies, even though the remuneration report did not explicitly mention environmental or social principles. Neither of the companies reported on any concrete environmental targets or social targets other than safety in their remuneration reports.

Cargotec was the only company out of the sample to mention in their key remuneration principles that they aim to balance the needs of both shareholders and employees. While employee-related factors were mentioned often as key principles, the balancing concept was unique to Cargotec's reporting. Another relatively unique concept in the remuneration was Fortum's sustainable business results proposition, which in theory, could have indicated an even higher commitment to sustainability than moderate, but which was not realized in the remuneration targets in the form of concrete environmental or social targets.

4.3. Short-term versus long-term focus

4.3.1. Overall analysis

There were some short-term social targets companies used, most commonly measures for employee safety. Whether this is a true sustainability target, can be argued but this was the most common non-financial target companies reported on. It is interesting to note that the most common non-financial sustainability target was most commonly measured on an annual level because at least in theory, sustainability is concerned with longer time periods. Breaking up a longer target into shorter durations may be an effective way to achieve sustainability targets gradually.

Many companies have a long-term incentive scheme in place, which is often based on the realization of long-term financial targets or share performance. This shows that companies are at least partially seeking long-term sustainable performance even if social and environmental aspects are lacking in this regard. Not all companies had a long-term incentive scheme in place, even for financial targets. It is also notable

Table 3
Key considerations and principles of remuneration schemes.

Company	Key considerations of executive remuneration (excluding non-monetary)
Aktia	**Long-term** strategy, company value increase, shareholder and management interest **alignment**, key employee retention
Alma Media	Shareholder and management interest alignment, company value increase, performance **culture** driver, key employee retention, competitive compensation
Amer Sports	Business **success** and employee attraction, motivation, rewarding and retention
Atria	**Long-term** financial success and competitiveness, shareholder value
Cargotec	Strategic and business plan alignment, performance culture driver, individual performance motivation, employee and shareholder **need optimization**, key employee retention, motivation and attraction
Citycon	**Long-term** financial success and competitiveness, shareholder value
Cramo	Employee attraction and **engagement**, financial success
DNA	Strategic, financial and **operative** development, personnel motivation and rewarding for financial results
Elisa	Shareholder and management interest alignment, company value increase, key employee retention, competitive compensation
Finnair	Company success, individual performance, key employee retention, shareholder and management interest alignment
Fortum	Performance **culture** driver, company, strategy and performance targets, individual performance, **sustainability** in business
Huhtamäki	Incentivizing and retaining key personnel
Kemira	Company and individual performance, key employee retention, shareholder and management interest alignment
Kesko	Company performance, shareholder and management interest alignment, key employee retention
KONE	Encouragement of **long-term** efforts by key personnel, shareholder value increase, key employee retention
Konecranes	High performance and commitment to business targets, competitiveness, **long-term** financial success, shareholder value
Lassila & Tikanoja	No explanation of key considerations provided
Marimekko	Competitiveness, **long-term** financial success, shareholder value increase, key employee commitment
Martela	No explanation of key considerations provided
Metso	Competitive salary and employee benefits, shareholder and management interest alignment, company value increase, commitment of management
Metsä Board	**Fairness** and competitive management compensation, successful and profitable implementation of strategy, encouragement to develop strategy, long-term benefit for the company
Neste	Performance driver, encouragement of value-based behavior and accountability by individuals and teams, **fairness** and transparency
Nokia	Attracting, retaining and motivating leaders, performance and behavioral drivers, alignment of management and shareholder interests, strategy, **sustainability** and long-term success
Nokian Tyres	**Alignment** of owners' and key personnel's interests, company value increase, key personnel retention
Outokumpu	Shareholder value, business strategy alignment, pay for performance, competitive salaries and total compensation
Outotec	**Alignment** of interests of Outotec, shareholders and employees, company's operating performance in the short- and long-term, individual performance, attracting and retaining professionals, competitive compensation
PKC Group	**Alignment** of shareholder and key personnel interests, long-term company value increase, competitive compensation
Raisio	Competitive compensation, **alignment** of owners' and key personnel's interests, company value increase, key personnel retention
Ramirent	**Alignment** of shareholder and key personnel interests, company value increase, key personnel retention, competitive compensation
Saga Furs	No explanation of key considerations provided
Sanoma	No explanation of key considerations provided
Sponda	**Alignment** of key personnel and shareholder interests, company value increase, key personnel retention, competitive compensation
Stockmann	Incentive and commitment scheme for management
Stora Enso	

(*continued on next page*)

Table 3 (*continued*)

Company	Key considerations of executive remuneration (excluding non-monetary)
	Motivates, encouraging, attracting and retaining employees of the highest caliber
Technopolis	Implementation of company strategy, alignment of shareholder and key personnel interests, company value increase, key personnel retention
Tieto	**Alignment** of shareholder and key employee interests, long-term company value increase
Tikkurila	Commitment and motivation of key personnel
Tokmanni Group	No explanation of key considerations provided
UPM-Kymmene	**Alignment** of director and shareholder interests, long-term financial success, competitiveness, shareholder value increase
Vaisala	Achievement of financial and operational targets, competitiveness
Valmet	Achievement of financial and operational targets, high performance, competitiveness, alignment of key executive and shareholder interests, company value increase
Wärtsilä	**Alignment** of shareholder and key personnel interests, long-term equity-related interest creation, long-term performance, key personnel retention
YIT	Good performance, motivating personnel, commitment of the management and employees to the company objectives

that none of the long-term plans consisted of any explicit non-financial targets.

The use of short-term sustainability incentives is contradictory to the basic idea of sustainability matters being long-term by nature but may be related to the fast changes in operational targets that these executives have to implement on a short-term basis. In other words, the average duration of an executive tenure might be shorter than the timespan of achieving a social or environmental target. Most companies in this study already have some measurable targets for major environmental and social goals, which could perhaps be later used in remuneration as well.

4.3.2. Company specific analysis

Incentives related to personal (and possibly sustainability-related) targets were often only considered in the short-term schemes. As an example, the weighting for personal strategic targets at Nokia was 20% of short-term incentives but the long-term incentives were fully tied to net sales and earnings per share. The same goes for Stora Enso, whose short-term incentives had a 30% weighting on individual targets but on the long-term incentive schemes, only the group EVA was considered.

4.4. FCGC versus GRI executive remuneration reporting guidelines

Only 18 (42%) of the 43 companies studied in this sample chose to report on remuneration in their GRI reporting (presented in Table 4), even though remuneration belongs to the standard disclosures and is not up for materiality assessment. This severely decreased GRI compliance and transparency. Some companies choose to ignore the GRI executive remuneration guidelines altogether but most companies simply used a direct link to the remuneration statement and report on remuneration using the FCGC instead of the requirements of the individual GRI indicators. This can be one of the factors explaining why social and environmental targets are so rarely reported on, as the GRI requirement of disclosing how the three bottom lines are related to the remuneration schemes are simply disregarded in the reporting.

GRI specifically required to disclose how the social, environmental and financial aspects of their business are related to the remuneration schemes. This was explicitly reported on at only three (7%) of the studied companies (DNA, Metso, PKC Group), which makes determining the degree of sustainability in the remuneration schemes very difficult. Stakeholder involvement in the remuneration determination process was another requirement from the GRI, which was not explained in most remuneration reporting. This could be because such involvement did not exist or companies do not report on it. We think that the duality of the requirements (FCGC and GRI) likely added to the confusion.

The FCGC (2015) had an established position in the Finnish market as the leading standard disclosure policy for publicly listed companies. Most companies followed it, which can be seen both as a positive and a negative. Companies are required to disclose information on the amounts of remuneration, as well as on the deciding and supervising bodies. As pointed out in the theoretical section, the code (2015 version)

Table 4
FCGC versus GRI executive remuneration reporting guidelines.

Company	Finnish Corporate Governance Code compliance	GRI executive remuneration G4 or Standards guideline reported	Interlinked (if so, compliance with)
Aktia	YES	NO	NO
Alma Media	YES	YES	YES (Mainly FCGC)
Amer Sports	YES	YES	YES (Mainly FCGC)
Atria	YES	YES	YES (Mainly FCGC)
Cargotec	YES	NO	NO
Citycon	YES	YES	YES (Mainly FCGC)
Cramo	YES	NO	NO
DNA	YES	YES	YES (Both)
Elisa	YES	YES	YES (Mainly FCGC)
Finnair	YES	NO	NO
Fortum	YES	NO	NO
Huhtamäki	YES	NO	NO
Kemira	YES	NO	NO
Kesko	YES	YES	YES (Mainly FCGC)
KONE	YES	YES	YES (Mainly FCGC)
Konecranes	YES	NO	NO
Lassila & Tikanoja	YES	YES	YES (Mainly FCGC)
Marimekko	YES	NO	NO
Martela	YES	YES	YES (Mainly FCGC)
Metso	YES	YES	YES (Both)
Metsä Board	YES	YES	YES (Mainly FCGC)
Neste	YES	NO	NO
Nokia	YES	YES	YES (Mainly FCGC)
Nokian Tyres	YES	NO	NO
Outokumpu	YES	NO	NO
Outotec	YES	NO	NO
PKC Group	YES	YES	YES (Both)
Raisio	YES	NO	NO
Ramirent	YES	NO	NO
Saga Furs	YES	NO	NO
Sanoma	YES	NO	NO
Sponda	YES	YES	NO
Stockmann	YES	NO	NO
Stora Enso	YES	YES	YES (Mainly FCGC)
Technopolis	YES	YES	YES (Mainly FCGC)
Tieto	YES	NO	NO
Tikkurila	YES	NO	NO
Tokmanni Group	YES	NO	NO
UPM-Kymmene	YES	NO	NO
Vaisala	YES	NO	NO
Valmet	YES	NO	NO
Wärtsilä	YES	YES	YES (Mainly FCGC)
YIT	YES	NO	NO

Metsä Board reported as part of Metsä Group.
Compliance with the older FCGC due to differing financial year.

did not explicitly require companies to disclose exact targets or measures in their remuneration schemes, only the central remuneration principles. The focus was more on the technicality of how remuneration is determined and not on what the basis for it truly is. Additionally, as with most non-sustainability reporting guidelines the reporting principles had a strict focus on financial performance.

Companies are usually not willing to disclose sensitive business information, resulting in the analyzed lack of transparency. The users of the reports were given little information about how the remuneration is determined in terms of focus areas, measures or weighting. While some companies studied were open about their weightings and policies, some disclosed only the minimum information using vague terms such as "based on financial performance" and "based on company performance". Few companies (DNA, Metso, PKC Group) were more transparent since they reported not incorporating sustainability into their remuneration schemes. This openness created a realistic picture of their sustainability. This is also a required disclosure in the GRI framework.

5. Discussion

5.1. Theoretical results

Executive incentives and sustainability are popular topics in the business but few companies showed any direct link between the two: there was not hardly any link between them or it was not disclosed. The lack of such relation might suggest how companies had implemented sustainable-driven strategies poorly and did not align sustainability to genuine organizational action. During the contemporary "zeitgeist" of sustainability, it might be expected that executives were also rewarded based on sustainability-related targets. We understand that sustainability remuneration targets, like any other targets, can be subject to measurement problems and managerial opportunism. Honest reporting on sustainability might help create more transparency and, moreover, differentiate companies positively from their competitors (Mahoney et al., 2013).

There is a lack of qualitative studies on sustainable executive remuneration and transparency of remuneration disclosure. The earlier results on executive remuneration and sustainability show that direct incentives for CSR increase company sustainability (Hong et al., 2016) but there is little research on both remuneration and transparency of remuneration reporting, only the indication that environmental items are not reported in a transparent way (Tamimi and Sebastianelli, 2017). We contribute to this research gap by showing the rareness of transparent environmental and social remuneration practices and reporting in Finnish context with few apparent links to corporate sustainability.

This study focused on the executive remuneration and sustainability reporting of 43 Finnish publicly listed companies. The company remuneration and sustainability reports from 2016 were studied from the publicly available material. The results show that most Finnish corporate reporting demonstrated only a weak, almost non-existent link between sustainability and remuneration. Only 16 percent of the companies showed a moderate link between sustainability and remuneration. Even at best, remuneration was mostly linked to short-term safety targets, which might be considered social targets. Environmental targets were not explicitly mentioned in any of the companies' reporting apart from a vague "sustainability" target used by Stora Enso and hardly any concrete sustainability performance measures were disclosed.

42 percent of the companies studied completed the reports according to the GRI remuneration guidelines in addition to the remuneration disclosure required by the FCGC of 2015. The contradiction of what is required by which framework seemed to confuse companies as only 7% complied with the GRI requirement of disclosing what social, environmental and financial targets they included in their remuneration schemes. This confusion suggests that remuneration and sustainability topics still remained detached at most Finnish publicly listed companies. The dominance of the remuneration reporting by the local FCGC 2015 (applied in all 43 companies) over GRI reporting suggests that sustainability reporting and triple bottom line are locally interpreted practices and companies tend to choose the more allowing option, if possible. This finding confirms and contributes to the expectations of Bolourian et al. (2021) that contextual factors affect CSR performance.

Many large Finnish companies are listed on the Dow Jones Sustainability Index, which indicates their strong commitment to sustainability targets. This commitment did not seem to cover sustainability remuneration. E.g. Nokia was chosen to be the 18th most sustainable company in the world (Corporate Knights, 2017) but its remuneration policy was reported almost exclusively on achieving maximum shareholder profit. One could argue this to be a result of Finnish legislation obligating companies to prioritize shareholder value (Limited Liability Companies Act 624/2006). The triple bottom line approach (Elkington, 2011) notes that sustainability and economics are not necessarily detached in the long term and sustainable remuneration targets may support not just sustainable, but also long-term financial performance.

The reviewed executive compensation literature highlighted the importance of aligning the interests of executives and shareholders but other stakeholders were less considered. The interests of different stakeholder groups may conflict. Perhaps sustainability executive compensation has not been widely implemented in Finland because of the complex stakeholder interests involved (Länsiluoto and Järvenpää, 2008), lack of good examples (Kolk and Perego, 2014) and because of the oftentimes abstract nature of the sustainability.

5.2. Practical implications

As a practical implication of the study, companies should set concrete targets for sustainability more frequently and take an external body to assess their actual progress. Sustainability indices could offer a way for companies to track better their sustainable performance, and could be suggested, based on the results of the study. Comparable indices and their underlying sustainability assessments could provide, at least ideally, a benchmark for sustainability performance. This is not possible if companies solely rely on their individual targets and sustainability scorecards.

The core meaning of sustainability for companies seems to vary according to national guidelines, locally and across industry sectors. A common and standardized framework for all firms across contexts and cultures is taking its first steps but the exact measures used for remuneration need local and field-level adjustments and attention from stakeholders. The steps ahead (with GRI) give focus and benefit a wide range of stakeholders in the long term if the company-specific core elements of sustainability and the set targets are presented transparently in company reporting, allowing judging triple bottom line performance. We suggest that wide stakeholder involvement in the remuneration committee is beneficial in order to make the remuneration schemes more inclusive and less vulnerable to manipulation (look also Hörisch et al., 2020). In the long term, sustainability, transparency and profitability can be aligned.

What topics will be considered material and disclosed in reports can differ significantly between companies, suggesting the need for understanding both local and global reporting standards, influences and stakeholders of sustainability issues. A change in local or global guidelines temporarily makes it difficult for companies and investors to apply them in a consistent way, and there can be conflicting guidelines. The FCGC 2015 required a company to publish a separate remuneration statement but at the same time the GRI Standards incorporate much of the information into one report.

According to earlier literature (Mahoney et al., 2013), companies who reward their executives according to sustainability goals, would disclose it to differentiate themselves and make themselves seen in a favorable light. The FCGC and the GRI Standards have a different approach to stakeholder inclusion, and the FCGC was the more widely recognized remuneration reporting guideline in Finland. A harmonized and explicit sustainability incentive scheme could motivate top managers towards clear sustainability goals, worth of reporting. We put much expectations on the new FCGC 2020, which requires transparent disclosure of the criteria for executive compensation, and speaks openly about the sustainability as a firm's strategic target.

6. Conclusions

We contribute to the earlier literature on transparency and sustainability of the executive remuneration by showing simultaneously that sustainable executive remuneration was still rare and reported in a non-transparent way among Finnish listed companies. Long-term financial targets, like equity incentives, were implemented at most companies but social or environmental targets were only reported in few (16%) companies. We conclude, that executive remuneration policies were still mainly focusing on aligning the interests of executives and shareholders, while largely ignoring other stakeholders. We interpret, that the dominance of the remuneration reporting by the local FCGC 2015 over GRI standard was one main reason to both the observed scarce sustainability remuneration and to the lacking remuneration criteria disclosure, which lowers transparency. In reporting, sustainability or fairness were rarely explicitly mentioned as a basis for remuneration (see Table 2) and economic, shareholder value related aspects of the triple bottom line, clearly dominated. This signifies that executive remuneration schemes supported transparency or sustainable strategy implementation only in a limited way. This indicates that Finnish companies' sustainability has still a long way ahead to reach its full potential in the area of executive compensation.

As a managerial implication the sustainability remuneration and its transparent reporting calls for attention as we expect sustainability issues to grow their importance among stakeholders in the future. Further, the local practices need to be monitored closely by managers and stakeholders. In Finland, the new FCGC 2020 brings local reporting closer to GRI and such harmonization suggests a strengthening link between targets, sustainable executive remuneration and transparent disclosure on it.

Future research should look at how different companies perceive, make sense and define sustainability in their sustainability remuneration and reporting on it. In this study, the concept varied significantly by company, which makes the sustainability actions challenging to be compared, benchmarked and rated. Another topic worth studying is the actual company remuneration practices against their reports. Further research is needed regarding if sustainable executive compensation improves different aspects of performance at companies. We also call for studies on stakeholder views on CSR, local interpretations of sustainability and sustainability incentives, and on reporting practices that continuously evolve both globally and locally.

CRediT authorship contribution statement

Heta Hartikainen: Conceptualization, Methodology, Formal analysis, Investigation, Data curation, Writing – original draft, Visualization. **Marko Järvenpää:** Supervision, Conceptualization, Writing – original draft, Writing – review & editing. **Antti Rautiainen:** Writing – original draft, Writing – review & editing.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

References

Abdelmotaal, H., Abdel-Kader, M., 2016. The use of sustainability incentives in executive remuneration contracts: firm characteristics and impact on the shareholders' returns. J. Appl. Account. Res. 17 (3), 311–330.

Adams, C.A., 2017. Internal organisational factors influencing corporate social and ethical reporting: beyond current theorizing. Account Audit. Account. J. 15 (2), 223–250.

Adams, C.A., McNicholas, P., 2007. Making a difference: sustainability reporting, accountability and organisational change. Account Audit. Account. J. 20 (3), 382–402.

Alonso-Almeida, M., Llach, J., Marimon, F., 2014. A closer look at the 'global reporting initiative' sustainability reporting as a tool to implement environmental and social policies: a worldwide sector analysis. Corp. Soc. Responsib. Environ. Manag. 21, 318–335.

Ameer, R., Othman, R., 2012. Sustainability practices and corporate financial performance: a study based on the top global corporations. J. Bus. Ethics 108 (1), 61–79.

Bebchuk, L., Fried, J., 2005. Pay without performance: overview of the issues. J. Applied Corp. Fin. 17 (4), 8–23.

Bebchuk, L., Fried, J., 2010. Paying for long-term performance. Univ. Penn. Law Rev. 158 (7), 1915–1960.

Belal, A., Cooper, S., 2011. The absence of corporate social responsibility reporting in Bangladesh. Crit. Perspect. Account. 22 (7), 654–667.

Berrone, P., Gomez-Mejia, L., 2008. Beyond financial performance: is there something missing in executive compensation schemes? Global Compensation: Foundations and Perspectives. Routledge, New York, pp. 206–218.

Berrone, P., Gomez-Mejia, L., 2009a. The pros and cons of rewarding social responsibility at the top. Hum. Resour. Manag. 48 (6), 959–971.

Berrone, P., Gomez-Mejia, L., 2009b. Environmental performance and executive compensation: an integrated agency-institutional perspective. Acad. Manag. J. 52 (1), 103–126.

Bolourian, S., Angus, A., Alinaghian, L., 2021. The impact of corporate governance on corporate social responsibility at the board-level: a critical assessment. J. Clean. Prod. 291 (1).

Bolton, P., Scheinkman, J., Yesiong, W., 2006. Executive compensation and short-termist behaviour in speculative markets. Rev. Econ. Stud. 73 (3), 577–610.

Buck, B., Reinhardt, C., 2016. The Future of Reporting: Introducing the GRI Standards. https://www.globalreporting.org/standards/resource-download-center/.

Chen, Y., Jermias, J., 2014. Business strategy, executive compensation and firm performance. Account. Finance 54 (1), 113–134.

Core, J.E., Guay, W., Larcker, D., 2003. Executive equity compensation and incentives: a survey. Econ. Pol. Rev. 9 (April), 27–50.

Crane, A., Palazzo, G., Spence, L., Matten, D., 2014. Contesting the value of "creating shared value". Calif. Manag. Rev. 56 (2), 130–153.

Deckop, J., Merriman, K., Gupta, S., 2006. The effects of CEO pay structure on corporate social performance. J. Manag. 32 (3), 329–342.

Donaldson, T., Preston, L., 1995. The stakeholder theory of the corporation: concepts, evidence and implications. Acad. Manag. Rev. 20 (1), 65–91.

Dubbink, W., Graafland, J., van Liedekerke, J., 2008. CSR, transparency and the role of intermediate organisations. J. Bus. Ethics 82 (2), 391–406.

Elkington, J., 2011. Cannibals with Forks: the Triple Bottom Line of 21st Century Business. Capstone.

Fabrizi, M., Mallin, C., Michelon, G., 2014. The role of CEO's personal incentives in driving corporate social responsibility. J. Bus. Ethics (124), 311–326. https://doi.org/10.1007/s10551-013-1864-2.

Fernandez-Feijoo, B., Romero, S., Ruiz, S., 2014. Effect of stakeholders' pressure on transparency of sustainability reports within the GRI framework. J. Bus. Ethics 122 (1), 53–63.

FIBS, 2017. FIBS: Businesses Wake up - Corporate Responsibility Is Not Quick Trade, but a Prerequisite of Success. http://www.fibsry.fi/fi/uutishuone#/pressreleases/fibs-businesses-wake-up-corporate-responsibility-is-not-quick-trade-but-a-prerequisite-of-success-1956687.

Fifka, M.S., Drabble, M., 2012. Focus and standardization of sustainability reporting – a comparative study of the United Kingdom and Finland. Bus. Strat. Environ. 21 (7), 455–474.

Finnish Corporate Governance Code 2015. Securities Market Association, 2015. Retrieved from. https://cgfinland.fi/wp-content/uploads/sites/39/2015/10/hallinnointikoodi-2015eng.pdf.

Finnish Corporate Governance Code, 2020. Securities Market Association. https://cgfinland.fi/wp-content/uploads/sites/39/2019/11/corporate-governance-code-2020.pdf.

Global Reporting Initiative, 2013. Reporting Principles and Standard Disclosures. https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf.

Global Reporting Initiative, 2016a. Sustainability Disclose Database. http://database.globalreporting.org/.

Global Reporting Initiative, 2016b. GRI 102: General Disclosures 2016. https://www.globalreporting.org/standards/gri-standards-download-center/gri-102-general-disclosures/.

Goergen, M., Renneboog, L., 2011. Managerial compensation. J. Corp. Finance 17 (4), 1068–1077.

Golafshani, N., 2015. Understanding reliability and validity in qualitative research. Qual. Rep. 8 (4), 597–606.

Hale, T., Held, D., 2011. The Handbook of Transnational Governance: Institutions and Innovations. Polity Press, Cambridge.

Hong, B., Li, Z., Minor, D., 2016. Corporate governance and executive compensation for corporate social responsibility. J. Bus. Ethics 136 (1), 199–213.
Hörisch, J., Stefan Schaltegger, S., Freeman, E., 2020. Integrating stakeholder theory and sustainability accounting: a conceptual synthesis. J. Clean. Prod., forthcoming.
Journeault, M., Levant, Y., Picard, C.-F., 2021. Sustainability performance reporting: a technocratic shadowing and silencing. Crit. Perspect. Account. 74 https://doi.org/10.1016/j.cpa.2019.102145.
Keatinge, C., Eaton, D., 2014. Greening the Green: Linking Executive Compensation to Sustainability. http://www.glasslewis.com/wp-content/uploads/2015/10/Greening_the_Green_2013_FINAL.pdf.
Corporate Knights, 2017. 2017 Global 100 Results. http://www.corporateknights.com/reports/2017-global-100/2017-global-100-results-14846083/.
Kolk, A., Perego, P., 2014. Sustainable bonuses: sign of corporate responsibility or window dressing? J. Bus. Ethics 119 (1), 1–15.
Länsiluoto, A., Järvenpää, M., 2008. Environmental and performance management forces. Integrating "greenness" into balanced scorecard. Qual. Res. Account. Manag. 5 (3), 184–206.
Levy, D.L., Szejnwald Brown, H., de Jong, M., 2010. The contested politics of corporate governance: the case of the global reporting initiative. Bus. Soc. 49 (1), 88–115.
Li, Z., Wang, L., 2016. Executive compensation incentives contingent on long-term accounting performance. Rev. Financ. Stud. 29 (6), 1586–1633.
Maas, K., Rosendaal, S., 2016. Sustainability targets in executive remuneration: targets, time frame, country and sector specification. Bus. Strat. Environ. 25, 390–401.
Mahoney, L., Thorne, L., 2005. Corporate social responsibility and long-term compensation: evidence from Canada. J. Bus. Ethics 57 (3), 241–253.
Mahoney, L., Thorne, L., 2006. An examination of the structure of executive compensation and corporate social responsibility: a Canadian investigation. J. Bus. Ethics 69 (2), 149–162.
Mahoney, L., Thorne, L., Cecil, L., LaGore, W., 2013. A research note on standalone corporate social responsibility reports: signaling or greenwashing? Crit. Perspect. Account. 24, 350–359.
Marquis, C., Toffel, M., Zhou, Y., 2016. Scrutiny, norms, and selective disclosure: a global study of greenwashing. Organ. Sci. 27 (2), 483–504.
McGuire, J., Dow, S., Argheyd, K., 2003. CEO incentives and corporate social performance. J. Bus. Ethics 45 (4), 341–359.
Mehran, H., 1995. Executive compensation structure, ownership, and firm performance. J. of Fin. Econ. 38, 163–184.
Myers, M., 2000. Qualitative research and the generalizability question: standing firm with Proteus. Qual. Rep. 4 (3). http://nsuworks.nova.edu/cgi/viewcontent.cgi?article=2925&context=tqr.
Neuendorf, K., 2016. The Content Analysis Guidebook. Sage Publications, London.
Nordberg, D., 2011. Corporate Governance: Principles and Issues. Sage Publications, London.
Porter, M., Kramer, M., 2011. Creating shared value. Harv. Bus. Rev. 89 (1), 62–77.
PwC, 2016. PwC's Corporate Responsibility Barometer 2016. http://www.pwc.fi/en/publications/assets/corporate-responsibility-barometer-2016.pdf.
Shaw, J.D., Gupta, N., 2015. Let the evidence speak again! Financial incentives are more effective than we thought. Hum. Resour. Manag. J. 25 (3), 281–293.
Strand, R., Freeman, R., 2015. Scandinavian cooperative advantage: the theory and practice of stakeholder engagement in Scandinavia. J. Bus. Ethics 127 (1), 65–85.
Tamimi, N., Sebastianelli, R., 2017. Transparency among S&P 500 companies: an analysis of ESG disclosure scores, Man. Dec 55 (8), 1660–1680. https://doi.org/10.1108/MD-01-2017-0018.
Walls, J.L., Berrone, P., Phan, P., 2012. Corporate governance and environmental performance: is there really a link? Strat. Manag. J. 33 (8), 885–913.
Weil, D., Fung, A., Graham, M., Fagotto, E., 2006. The effectiveness of regulatory disclosure. J. Policy An. and Man. 26 (1), 155–181.