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Strategies of Neste, UPM, and Metso Outotec: Aligning Corporate Practices with sustainable investor Preferences

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ABSTRACT:

This study examines the sustainability strategies of Neste, UPM, and Metso Outotec by analyzing their annual reports. It reveals each company's response to investor demands, integration of sustainability into corporate strategy, and alignment with global sustainability goals. Key findings demonstrate a strong commitment to sustainability across all three companies, with systematic strategy development processes. Neste emphasizes environmental responsibility and innovation, UPM focuses on renewable resources, and Metso integrates sustainability into core strategies. The study highlights the importance of sustainability assessments and the integration of Sustainable Development Goals (SDGs) into corporate strategies. It also underscores the significance of tailored innovations and consideration of reputational risks and regulations. Overall, the study offers insights for companies aiming to enhance sustainability and achieve business goals.

KEYWORDS: Sustainability strategies, Investor demands, Sustainable Development Goals, Regulations, Sustainable investments

Contents

1 Introduction

Organizations are forced to pay attention to the environmental and social impact of their actions (Calabrese, Costa, Levialdi & Menichini, 2019). The Paris Agreement commits countries to achieving net-zero greenhouse-gas emissions by the middle of the century. This requires deep transformations in every country and requires actions by governments, civil society, science and business. Due to this, also organizations need to focus on sustainable development. (Sachs, Schmidt-Traub, Mazzucato, Messner, Nakicenovic & Rockström, 2019) According to Fonseca, Domingues and Dima (2020) sustainable development goals include for example ensuring sustainable consumption and production patterns, sustainable economic growth, and productive employment. All these goals create opportunities and challenges for organizations. To successfully operate in their respective business environment, organizations need to obtain legitimacy from society. Organizations need to act sustainably and responsibly to be accepted in society. (Rosati & Faria, 2019)

According to Schramades study (2017) companies and investors face challenges in investing for the Sustainable Development Goals (SDGs), but it's a worthwhile endeavor. The SDGs provide a path to create value for both society and shareholders and offer a framework for discussing impact and the roles of businesses and investors. Given the significant risks and opportunities, both parties are preparing for this shift. Most companies are beginning to explore the SDGs and increasingly mention them in their communications. However, few use specific targets and KPIs for the SDGs, which are necessary as investors demand progress reports. The development of such KPIs is underway, and we can expect improved reporting and standardization, with the SDGs becoming integral to corporate strategy and investment decisions. Investors can contribute to a better world while achieving good financial returns, though not all SDGs are equally investable

and reporting on SDG KPIs is currently limited. Success in these areas will lead to clearer capital allocation, better public accountability, and alignment with the ultimate goal of providing constituents with a good living in a sustainable world.

Paetzold, Busch, Utz and Kellers (2022) have studied that high-net-worth individuals (HNWIs) aim to achieve real-world impact with their investments, rather than just aligning with values or managing financial risks. They mainly invest in securities that contribute to one or more SDGs, aiming to support sustainable development and close funding gaps. However, there is a clear preference for SDGs associated with high financial returns. This indicates that HNWIs expect both attractive financial returns and positive impact from their investments. While this has great potential for attracting private capital to some financially attractive SDGs, it also suggests that less financially attractive SDGs may remain underfunded.

Zhou and Jin (2023) study add that green investors positively impact environmental responsibility and protection, enhancing corporate sustainability. Recent studies suggest that investors are systematically seeking greener investments. This paper, from the perspective of institutional investors, finds that green investors encourage companies to engage in environmental protection, increase profits, and expand the understanding of institutional investor behavior.

1.1 Purpose of the study

The purpose of this study is to analyze and highlight the sustainability strategies and practices of three major companies—Neste, UPM, and Metso Outotec—based on their annual reports. By examining these reports, the study aims to reveal how each company reacts to investors demands and integrates sustainability into its corporate strategy, aligns with global sustainability goals, and addresses environmental, social, and

governance (ESG) challenges. It also seeks to demonstrate the impact of these sustainability efforts on their competitive advantage, innovation, risk management, and overall business performance.

This is important because according to Döttling and Kim (2021) ESG investing (Environmental, Social, and Governance) has emerged as a significant factor in the financial industry over the past decade. Investors are drawn to ESG investments due to both financial and non-financial factors. Financial incentives are one of the primary reasons why investors choose ESG investments. These include hedging against risks such as climate risks and other downside risks. ESG investments also provide protection against economic shocks, as seen during the COVID-19 crisis, when companies with high ESG performance suffered less. Non-financial benefits are another key reason for the popularity of ESG investments. Many investors gain moral satisfaction from being able to promote social and environmental goals through their investments. The combination of these factors explains the growing popularity of ESG investing. Investors' desire to mitigate financial risks aligns with making investments that adhere to social and environmental values, making ESG investments attractive from both a financial and ethical perspective.

From a company's perspective, this is an important study because reporting company performance can signal to investors and enhance the company's value. Consistent profit growth over the years leads to an increase in the company's share price. Higher profitability indicates that the company maintains financial stability and uses its assets efficiently, generating profits. This efficient management of resources attracts investors and increases the company's value. (Louche, 2010)

The research offers several development ideas and insights for companies that can help them improve sustainability and achieve business goals. The research also provides a foundation for future studies. The purpose of the study is to understand the changes that UPM, Neste and Metso have made to their strategies during the examination period when sustainability has become one of the investors' key preferences. Based on the research problem and objectives, research questions are formulated:

How companies adopt specific strategies and practices in response to the demands and preferences of sustainable investors?

How do companies align their business operations, policies, and decision-making with the ESG preferences of sustainable investors?

1.2 Structure of the study

The structure of the study begins with background information to contextualize the topic and its significance. Introduction states the specific research problem or question that the thesis aims to address, thus clarifying the purpose and scope of the research. Following this, the introduction outlines the objectives or goals of the research, indicating what the study aims to achieve or contribute to the field. Lastly, the introduction concludes with a clear and concise thesis statement summarizing the main argument or hypothesis of the thesis.

The study's structure commences with an in-depth exploration of the theoretical background, delving into various facets such as Corporate Social Responsibility (CRS), sustainability strategies, sustainable development, and the motivations and behaviors of sustainable investors. This section aims to provide a comprehensive understanding of the theoretical underpinnings and concepts relevant to the research topic. In the third

section, known as the research methodology, the approaches employed to collect and analyze data for this study is presented. This segment encompasses details regarding the research design, methods for data collection, introduction of the case companies, and techniques utilized for data analysis.

The conclusions section provides a discussion of the results and conclusions of the study including the managerial implications and limitations, and suggestions for further research. In conclusion, there is a discussion about how the integration of responsible strategies, innovation, risks, and reporting has been considered from the perspective of responsible investors in the case companies.

2 Theoretical background

2.1 CSR

The concept of corporate social responsibility (CSR) refers to organizations that acknowledge their purpose and accountability for their effects on society as a whole. The CSR plays a crucial role in ensuring sustainability, competitiveness, and progress for companies and the global economy. Adopting a CSR strategy offers advantages such as risk management, cost savings, improved access to capital, enhanced stakeholder partnerships, and better human resource management. (Lu, Ren, Lin, He, & Streimikis, 2019) Engaging in CSR activities can help build a firm's reputation and improve its image among stakeholders. A positive reputation earned through CSR can lead to favorable evaluations from stakeholders and positively impact firm profitability since customers prefer to support socially responsible firms. Additionally, having satisfied and loyal customers due to CSR engagement can help mitigate risks, especially during economic downturns. Conversely, firms with bad reputations will suffer the most during economic downturns. (Karwowski & Raulinajtys-Grzybek, 2021)

Corporate social responsibility affects the implementation of sustainable development (Lu, Ren, Lin, He, & Streimikis, 2019). Companies can benefit from adopting and implementing CSR strategies. These strategies emanate from the vision and values of top management and are not viewed as expenses but rather as strategic initiatives that organizations can utilize to differentiate themselves from their competition. By embracing CSR, companies can demonstrate that they are committed to making a positive impact on society and the environment, which can help to enhance their reputations and build customer loyalty. Additionally, CSR can help to attract and retain talented employees who are passionate about making a difference in the world. Ultimately, companies that

prioritize CSR are likely to see long-term benefits in terms of improved customer satisfaction, increased brand recognition, and greater profitability. (Fatima & Elbanna, 2023)

The definition of corporate social responsibility covers a diversity of socially responsible actions. These actions can be classified into three distinct areas which are environmental, social, and governance (ESG) factors (Lu, Ren, Lin, He, & Streimikis, 2019). The state of the environment, societal influences, and corporate management, as well as reputation, are crucial risk factors. However, corporations can take steps to avoid ESG and reputation risks by practicing corporate social responsibility (CSR). (Karwowski & Raulinajtys-Grzybek, 2021) ESG factors will be discussed in the further chapters.

According to Lin, Li, Cheng & Lam (2021) companies, that have strong CRS performance find it easier to access external financing. Companies with better CSR scores can secure more affordable equity financing, especially when they focus on responsible employee relations, environmental policies, and product strategies. Cheah, Jamali and Johnson (2011) discovered that socially responsible investors are ready to accept a lower financial return to support CSR initiatives. This willingness can result in a reduced cost of capital for the company, ultimately enhancing its overall value. This aligns with the goal of maximizing shareholders' wealth.

Additionally, firms that implement strategies to enhance their environmental risk management tend to achieve higher returns in the financial market. These companies have a lower equity risk premium and, consequently, a reduced cost of capital. (in, Li, Cheng & Lam, 2021) Indriastuti and Chariri (2021) add, that investing in environmentally friendly initiatives and corporate social responsibility (CSR) activities has a positive and significant impact on a company's financial performance and its ability to sustain these positive results over time. This means that when a company increases or decreases its

green and CSR investments, it directly affects its financial performance and sustainability. Green and CSR investments are voluntary actions taken by companies to achieve social and ethical goals. While these investments may require additional spending, previous research has shown that they are motivated by reasons like risk management and avoiding government penalties.

Flammer (2013) argues that companies that announced environmentally friendly initiatives, the stock market responded favorably, and negatively to environmentally harmful actions. As the practice of adopting environmentally friendly practices becomes widely accepted and ingrained as a standard, any negative news about a company has a more pronounced impact on how people perceive that company. This is because companies face consequences for not adhering to this established norm. Likewise, when companies consistently adhere to the institutional norm of becoming more environmentally responsible, shareholders become less responsive to announcements regarding their eco-friendly initiatives.

According to Havlinova's & Kukacka's (2021) study, Corporate Social Responsibility (CSR) activities have a statistically and economically significant positive impact on a company's stock market performance. Specifically, a one percentile point increase in the strategic CSR score is associated with an approximately 0.6% increase in share price, depending on the model's specifications. This study also suggests that companies should be deliberate in their selection of CSR initiatives. Prioritizing socially responsible activities that align strategically with their core business can yield significantly greater financial benefits.

2.2 Sustainability strategies

The meaning of strategic management is to constantly analyze the environment and adapt to changes. Strategic managers constantly develop competitive advantages. Vision guides the organizations' decision-making processes. If an organization's vision is based on sustainability, it leads to the development of sustainability strategies. Strategic management process also includes deciding organizations mission and determining how the success is measured. (Stead & Stead, 2008) Strategy is a way of using resources and capabilities, and it also describes where the organization wants to be and how it is going to operate (Baumgartner & Rauter, 2017).

Sustainable strategic management is important, because organizations cannot assume that unlimited economic growth is possible. Sustainable strategic management strategies address sustainability issues and still take advantage of new market opportunities. (Stead & Stead, 2008) According to Baumgartner and Rauter (2017) one of the main reasons for choosing sustainability approach to strategy is to improve economic performance of the organization, while reducing the negative social and environmental impacts of the business. Organizations can develop different strategies that fit their situation and competencies. Sustainable strategy should take the competence, resources and sustainability challenges of the organization into consideration. Organizations can also use the help of their region. For example, other companies, universities and research facilities can help the organization to build more sustainable strategies. (Danciu, 2013) Corporate sustainability strategies answer the question: How sustainability issues are dealt in practice. (Stead & Stead, 2008)

The aim of process-drive sustainability strategies is to provide cost advantages through environmental efficiency. Process-driven sustainability strategies can for example use recycled materials or develop waste control systems. (Stead & Stead, 2008) Innovations

and technology create new products and business activities that reduce environmental impacts. Defining clear processes and business activities are important, because then sustainability is integrated to business processes. (Baumgartner & Rauter, 2017) The resource-based view suggests that firms should leverage their strategic assets and resources to stay competitive. To remain relevant, companies must evaluate the value, rarity, inimitability, and strategic alignment of their resources. Moreover, they must consider the environmental limitations imposed on them (Baumgartner, 2010)

In market-driven sustainability strategies, organizations develop competitive advantages by differentiating their products. Market-driven sustainability is for example introducing new sustainable products. (Stead & Stead, 2008) Sustainability management can create benefits due to increased innovation. Implementing sustainability to product design process can lead to innovative products. This provides an opportunity to differentiate in the market and meet the needs of specific customer segments. (Baumgartner & Rauter, 2017) The market-based view asserts that sustainability is integrated into a company through benefits and cost leadership. Firms striving for sustainability often aim to access new markets, recognizing that consumers increasingly desire goods and services with sustainable characteristics. (Baumgartner, 2010)

Other economic aspects of sustainable strategies are collaboration, knowledge management, purchasing and sustainability reporting. Collaboration can help to generate innovations and can improve efficiency. Organizations can extend their capabilities, extend sustainability operations and share new knowledge and resources. (Fobbe, 2020) Knowledge management is capturing and creating knowledge. The meaning of knowledge management is to learn and develop. Knowledge management also motivates employees to learn and improve their knowledge. (Wiig, 1997) Strategic sustainable purchasing consists of reduction, recycling and reuse of materials. This can improve

the organization's economic position by, for example, reducing disposal costs and saving resources. (Arora A., Arora A.S., Sivakumar & Burke, 2020) As in traditional strategic management, implementing the strategy needs to include measurement systems to manage and control the organization's performance. Sustainable strategies need different priorities and key success factors. (Crews, 2010)

Sustainability issues need to be integrated to the organization. This means that sustainability is part of the organizational culture, strategic goal setting, learning and feedback and daily activities. (Baumgartner & Rauter, 2017) Organizations have started to recognize sustainable opportunities, but integrating sustainability into corporate strategies is still challenging (Beusch, Frisk, Rosén, & Dilla, 2022). A great challenge in the implementation of sustainable development is changing traditional business attitudes towards new sustainability practices, technologies, and business models (Rosati & Faria, 2019). According to Beusch, Frisk, Rosén and Dilla (2022) corporate managers think that the impacts of sustainability are challenging to measure. Corporate managers often also think that financial, environmental and social objectives are in conflict.

2.3 Sustainable development

According to Kaplan, Norton and Barrows (2008) most successful companies follow a systematic strategy development process. These companies start by developing their mission, vision and values. The second step is to determine the concrete goals and outcomes that represent the achievement of their vision. After this step, a strategy is formulated, and the company will answer the question: “How can we best compete?”. Tighe (2019) adds that successful strategy development includes searching, learning and doing. These phases include looking for different approaches to strategy, identifying issues and opportunities and application of the strategy. Investors are beginning to demand that companies report on their progress in reaching sustainability goals. Eventually, the SDGs

will become part of corporate strategies and investment decisions. Investors can invest in a better world and gain a good financial return. (Schramade, 2017)

The aim of sustainable development is to ensure that businesses meet the needs of the present without compromising the needs of future generations. Sustainable development has three areas: economic, environmental and social. (Ness, Urbel-Piirsalu, Anderberg & Olsson, 2007) According to Calabrese, Costa, Levialdi and Menichini (2019) many academics argue that integrating sustainability into business strategies is crucial in achieving competitive advantage and ensuring welfare of stakeholders, employees and society. According to Schramade (2017) businesses and investors face challenges when engaging with the Sustainable Development Goals (SDGs), yet the path forward promises significant benefits. The SDGs serve as a meaningful framework for generating value, impacting both society and investors. They facilitate conversations regarding the influence of businesses and investors on society, given the substantial risks and opportunities involved. Both companies and investors are actively preparing for this journey.

According to Calabrese, Costa, Levialdi and Menichini (2019) strategic investments in sustainability should lead to innovation and competitive advantage. Developing sustainable strategy should not only improve the organization's public image. It should lead to long term sustainable development. Sustainability should be integrated in the strategic decision-making process. The adoption of more sustainable practices, technologies and business models may be driven by various factors. For example, competitive opportunities and threats, compliance with regulations, and pressure from external and internal stakeholders, regulations and pressure from external or internal stakeholders. (Rosati & Faria, 2019)

Jonsdottir (2021) argues that from a financial standpoint, getting involved with the Sustainable Development Goals (SDGs) might result in a lower financial gain. According to García-Sánchez, Aibar-Guzmán, Núñez-Torrad and Aibar-Guzmán (2022) Increasing stakeholders' awareness of the SDGs prompts companies to get involved in SDG initiatives. Due to the growing presence of institutional investors companies need to take SDG initiatives. Investors have a significant influence on corporate strategies. García-Sánchez etc. (2022) study adds that institutional investors are more likely to support SDG implementation in the companies they invest in, particularly when these companies have complex global operations. This support is beneficial for SDG engagement, especially for globalized companies and those operating in industries highly influenced by stakeholder pressure.

2.3.1 Sustainability assessment

Relevant business opportunities need to be identified, to capture the value sustainability management is bringing (Baumgartner & Rauter, 2017). To gain success in sustainability, organizations must understand what sustainability requires and what are the fundamentals of sustainability (Poveda, 2017). According to Ness, Urbel-Piirsalu, Anderberg and Olsson (2007) the purpose of sustainability assessment is to provide decision-makers the information needed to determine which actions should or should not be taken in order to make society sustainable. Sustainability assessment is a process that aims to develop a better understanding of sustainability's interpretation and meaning. Sustainability assessment has a key role in decision making strategy, because sustainability issues are integrated into decision-making processes. Sustainability impacts are identified and assessed in the decision-making process. Thus, decision-makers get the best knowledge and help to find the best opportunity for sustainable development. The goal is to foster sustainability objectives. In addition, sustainable assessment shows pathways for action

and structures stakeholder participation. Sustainable assessment can also be described as a learning process, because it can give new perspectives for stakeholders. (Waas, Hugé, Block, Wright, Benitez-Capistros & Verbruggen ,2014)

There are hundreds of methodologies and processes for assessing sustainability. To have successful outcomes in improving sustainability, appropriate assessment methods need to be found. The most relevant choice is to choose which sustainability assessment approach meets the needs of a project and how sustainable development goals can be met. These choices may for example affect on the project's budget, risks and schedule. Decision-makers are taking all the alternatives into account and weighing the positive and negative in each alternative. (Poveda, 2017)

Danciu (2013) suggests that developing sustainability strategies should include ensuring that all options for the future are taken into account. These options may include many sustainability-focused opportunities, that lower costs, result in additional revenues and higher product value. The full impact should be fully evaluated, because one process can reduce one environmental problem, but create others. The perspective of stakeholders should be taken into consideration, and also identify possible financial risks and benefits. All organizations have different cultures, competencies, resources, locations and priorities, and these should be taken into consideration.

2.3.2 Sustainability indicators

Companies increasingly complement their financial reporting with disclosures regarding their non-financial performance through sustainability reporting. This shift has garnered the attention of investors, who are recognized as the primary audience for such reporting. Preliminary indications suggest that these investors indeed view non-financial information as having substantial value. (Reimsbach, Hahn & Gürtürk, 2018) These reports

serve as a means to provide transparency to stakeholders, with a particular focus on shareholders who rely on them to make informed decisions. Information is considered relevant when it is both valuable and capable of influencing stock prices. Non-financial information can lead to success in the future. (Permatasari & Narsa, 2022)

Sustainability reporting (SR) is a crucial part of sustainable development (SD). It's a way of using accounting systems to provide valuable information about different aspects of sustainable development, such as environmental, social, and governance (ESG) considerations. This information helps guide responsible investment decisions in financial markets. (Mynhardt, Makarenko & Plastun, 2017) According to Espahbodi, Espahbodi, Juma and Westbrook (2019) reports have a significant impact on investors' decision-making processes. In other words, these reports contain information that is valuable and relevant to investors.

Modern practice has shifted towards distributing integrated reports, which combine information about SR and a company's corporate social responsibility (CSR). This approach aims to demonstrate the link between a company's social and environmental efforts and its financial performance. SR has several benefits, including enhancing a company's image and competitiveness, attracting financing, adapting to environmental challenges, gaining public support, promoting transparency with stakeholders and regulators, fostering employee loyalty, and positively impacting financial market performance metrics like stock prices, earnings per share, and market capitalization. (Mynhardt, Makarenko & Plastun, 2017)

Indicator is a variable, whose value can provide information of the condition or the phenomenon of interest. Indicators are useful when the normal state, goal and desired behavior are defined. A group of different indicators that are used for particular purposes

is defined as an indicator set. When indicators dimensions, targets or limits are associated with sustainability indicators, they are defined as sustainability indicators. The values of sustainability indicators are obtained from environmental and socioeconomic data. The values are created from measurements and observations. Sustainability includes many components, and many indicators only measure a certain variable. To measure sustainability, several indicators are needed. (Wu, J., and Wu, T., 2012) Multiple indicators are needed because there are different user groups in the organization and data from different components of sustainability (Warhurst, 2002). Indicators assist managers in including non-financial factors in decision-making, securing their companies' long-term survival. Investors strongly believe that integrating ESG into their investment approach maximizes their long-term benefit, as seen in the fast-rising trend of socially responsible investing. (Rahdari & Rostamy, 2015)

Indicators assist the assessment, monitoring and management of sustainable development goals (Warhurst, 2002). Sustainable indicators are the measurements that measure the distance between predicted and current values. These measurements are important to get clear answers, if sustainability is achieved. Sustainable indicators communicate information to help decision making. The information of sustainability indicators structures and summaries sustainability complexities to more manageable information. This information also leads to social learning, because it can change the mindset of decision-makers and affect their behavior. Sustainable indicators make the communication of systems sustainability possible and gives knowledge of the organization's sustainability. (Waas, Hugé, Block, Wright, Benitez-Capistros & Verbruggen ,2014). Warhurst (2002) adds that indicators challenge decision-makers to explore how the organization's operations affect the world and how the organization can make a difference.

Using too many indicators can also be confusing, because the magnitude of the indicators and directions can differ (Wu, J., and Wu, T., 2012). The challenge in sustainability indicators is how the large amount of data can be fostered into information that is useful for decision-makers. The first step is to make sure that high quality data is collected. (Warhurst, 2002) The quality of the indicators depends on the underlying data. Indicators are presented by transforming reality into data and often scientific knowledge is incapable of understanding the interactions between humans and the environment. Another challenge in sustainability indicators is that different indicators can neglect the links between concepts. This is why decoupling indicators is important. (Moldan & Dahl, 2007)

According to Wu, J., and Wu, T. (2012) it is critical to use the right indicators, because the aspects that are measured are understood and managed better by decision-makers. Indicators should be informative and understandable, transparent and unbiased, easy to compile from the data and also relevant and predictive. Sustainable indicators should be also revised and refined to get accurate information (Waas, Hugé, Block, Wright, Benitez-Capistros & Verbruggen, 2014). Warhurst (2002) mentions three main uses for the indicators. Indicators help decision-makers to prioritize issues, support development and optimize resources, and also to monitor the effects.

2.4 Sustainable investing

Sustainable investing involves taking environmental, social and governance (ESG) factors into account in investment decisions. Investors are seeking investments that align with their values and have potential to address larger societal issues. Thus, value-based or sustainable investment options are gaining popularity. (Talan & Sharma, 2019) Investors often use ESG as a standard and strategy to assess corporate behavior and future financial outcomes. The three fundamental factors of ESG reflect the essential considerations during investment analysis and decision-making, evaluating sustainable development.

Investors who consider ESG factors in their investment decisions are seeking companies that are well-positioned for long-term business growth and are aligned with their values and interests. By investing in sustainable and responsible companies, they aim to create positive social and environmental impacts, achieve better risk management, and enhance financial returns over the long term. (ll, Wang, Sueyoshi & Wang, 2021) Sustainable investing is a broad category that includes impact investing.

The focus of impact investing is not only on financial returns but also on creating a positive social and environmental impact through intentional investment choices (Hebb, 2013). There are many types of investors in the environmental field: shareholder activists, environmentally opportunistic investors, and environmental-risk avoiders. Shareholder activists advocate for incorporating environmental concerns into business management strategies. Environmentally opportunistic investors capitalize on financial opportunities related to environmental issues, such as investing in renewable energy or biodiversity conservation. Environmental-risk avoiders aim to protect their investments from potential environmental risks, but their actual interest in environmental issues is unclear. (Chatzitheodorou, Skouloudis, Evangelinos & Nikolaou, 2019)

Environmental, social and governance dimension includes the factors that can affect negatively or positively the financial performance of an individual, country or company. (Li, Wang, Sueyoshi & Wang, 2021) The Environmental dimension focuses on ensuring that companies consider the environment in all aspects of their operations, including product design, manufacturing, supply chain management, and distribution. This involves integrating environmental considerations and sustainability practices into business practices. (Lu, Ren, Lin, He, & Streimikis, 2019) For example, innovation of products and services, that do not pollute the environment or waste management are included in this dimension. (Li, Wang, Sueyoshi & Wang, 2021)

Social factors focus on social responsibility and governance focuses on how the organization is managed (Li, Wang, Sueyoshi & Wang, 2021). The social dimension involves managing human resources in a positive manner, taking into account human rights requirements, and providing appropriate training, career development opportunities, employee participation, and ensuring high-quality working conditions (Lu, Ren, Lin, He, & Streimikis, 2019). Social dimensions include for example, child labor and customer privacy. (Li, Wang, Sueyoshi & Wang, 2021) Investors who prioritize social responsibility usually avoid investing in stocks associated with socially unfavorable industries. This avoidance can increase the risk for those industries. (Karwowski & Raulinajtys-Grzybek, 2021)

The Governance dimension is concerned with how companies interact with various stakeholders, including customers, suppliers, regulatory bodies, and strategic partners. This aspect of corporate social responsibility involves preventing conflicts of interest, promoting transparency, and providing accurate information to consumers. Companies are expected to behave ethically and with integrity in all governance-related activities. (Lu, Ren, Lin, He, & Streimikis, 2019) Governance includes the for-example, shareholder rights and transparency. (Li, Wang, Sueyoshi & Wang, 2021)

Investors can be categorized as private investors and institutional investors. Private investors want investments that are aligned with their personal and moral values, and institutional investors have constituents that demand to integrate sustainability considerations. Institutional investors also have policy risks. (Uzsoki, 2020) Banks and asset managers are offering more investment products that take ESG into account. (Talan & Sharma, 2019) Institutional investors are transitioning toward a sustainable way of investing with significant amount of assets. Thus, institutional investors have become an important

group in the financial sector and have the power to influence organizations. (Cerin & Dobers, 2008) According to Folqué, Escrig-Olmedo, and Santamaría (2021), financial institutions are taking on a greater role in promoting sustainable development through the implementation of socially responsible investment (SI) strategies. Institutional investors have the ability to play a vital role in advancing sustainability objectives. By integrating sustainability risks into their investment decision-making processes, these investors can help to reduce negative impacts on environmental, social, and governance factors that may impact the value of their portfolios.

Investing institutions and investors have an impact on organizations' management behavior including innovation strategy and investments in human capital. Investors in general pay considerable attention to strategic practices. (Nisar, 2005) Sustainable investing allocates shareholders assets to organizations, which have positive ESG polices in operations, business models and strategies (Gupta ,Sharma & Gupta,2021). According to Beisenbina, Fabregat-Aibar, Barberà-Mariné and Sorrosal-Forradellas (2023) large organizations show higher corporate social responsibility. Large organizations can leverage from institutional investors and improve their CRS performance, because institutional investors have large holdings and are interested in originations CRS performance. Xiong, Dong and Xu (2023) study adds, that institutional investors have a more significant impact on a firm's CSR efforts when the firm has higher information transparency, robust internal control, and when investors conduct more site visits. It is primarily long-term institutional investors who drive CSR initiatives.

Financial markets are important because they decide how resources are used, which affects our society's growth. Investing today affects how things will happen later. Changes in financial behaviors can impact many areas, from small businesses to international trends. There are concerns about how ethical and lasting our current business practices

are because of globalization, outsourcing, and focusing on quick profits. (Cerin & Dobers, 2008) Companies that have a big negative impact on the environment may end up paying more to access funds, seeing their stock prices fall, and having to abandon some of their assets (Uzsoki, 2020)

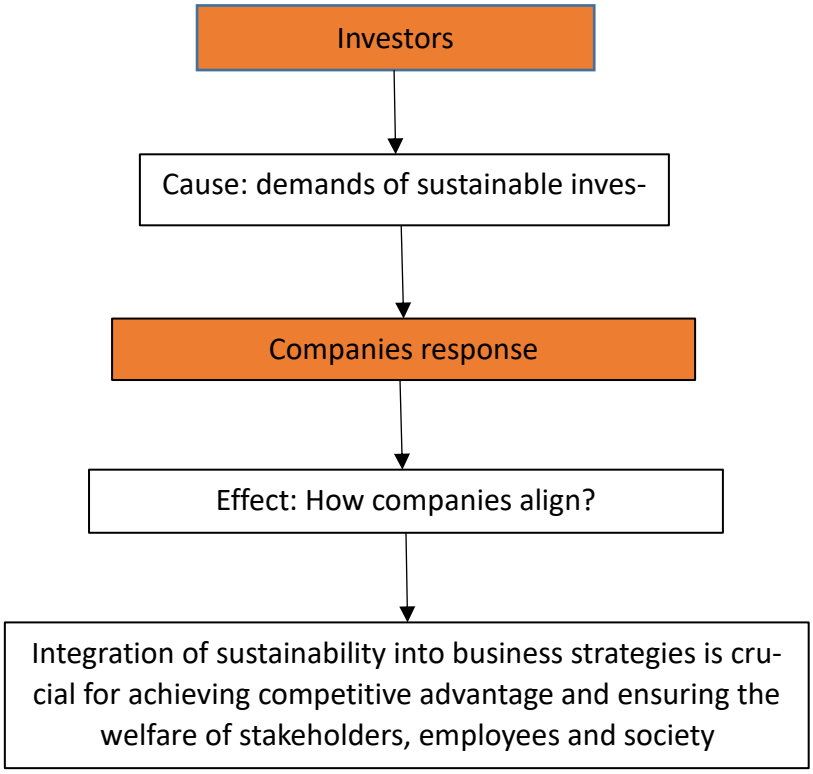
Folqué, Escrig-Olmedo, and Santamaría (2021) study concludes, that despite the introduction of the SDGs in 2015 and the Paris agreement in 2016, there remains a need for more action. Socially responsible investing can connect the financial industry with sustainable development as a solution. According to Uzsoki (2020) the budget of governments is not enough to meet the sustainable development goals, and a large part of financing has to come from private sources. Sustainable investing has an important role. According to a survey, it was found that a significant 89% of investors feel that the SDGs are essential in facilitating environmental and social outcome measurement within the financial industry. ESG indicators for impact measurement often rely on SGD. The SDGs will play a big role in how sustainable investment grows in the future. They will help the finance industry know which global environmental and social issues are most important and where investors should focus when adding ESG factors to their assets.

The value of a company can be influenced by its CSR ranking (Beisenbina etc., 2023). ESG ratings measure how sustainability practices are adopted. Lower ratings mean that the organization is more sustainable. (Gupta ,Sharma & Gupta,2021) Investors who consider environmental, social, and governance factors often don't have a clear idea of how well a company is really performing in these areas. This makes measuring a company's ESG performance difficult because of incomplete and inconsistent data. Different rating agencies can also give vastly different scores, adding to the confusion. This uncertainty can deter investors from sustainable investing (Avramov, Cheng, Lioui & Tarelli, 2022)

ESG risks can affect different areas of risk, such as operational, regulatory, or financial risks. Therefore, it's important for companies to monitor and analyze these risks as part of their strategy to improve their performance. Poor behavior related to ESG can also lead to reputational risks, which is a significant motivation for companies to report on social responsibility issues. Studies have shown that portraying companies positively can improve their reputation, and CSR initiatives can help mitigate reputational risk. To avoid penalties and improve reputation, adopting ESG practices is necessary. However, reducing risk-taking may also affect a company's value, which creates a trade-off. (Karwowski & Raulinajtys-Grzybek, 2021)

2.5 Theoretical framework

The theoretical framework provided is a comprehensive and detailed exploration of the concepts related to corporate social responsibility (CSR), sustainability, sustainable development, sustainable investing, and the use of sustainability indicators. Theoretical framework focuses on the strategies and practices adopted by companies to engage with sustainable investors. It also highlights the critical role of communication in maintaining a positive relationship with these investors and demonstrates the relevance of transparency and reporting in building trust and credibility.



1. **Table, How investors effect companies sustainability strategy**

CRS is one of the key factors in this study. According to Alniacik, Alniacik and Genc (2011) companies acknowledge that a positive reputation earned through CSR can lead to favorable evaluations from stakeholders, improve profitability, and help mitigate risks during economic downturns. CRS has a positive impact on company's stock market performance, CRS builds a positive reputation and improves stakeholder evaluations. (Coelho, Jayantilal, & Ferreira, 2023)

Companies align their business practices with the values and expectations of sustainable investors. They aim to attract financing and enhance their reputations by demonstrating their commitment to responsible business practices. (Pacces, 2021) Companies incorporate ESG factors into their business operations, including product design, manufacturing, supply chain management, and distribution. This involves integrating environmental

considerations and sustainability practices into various aspects of their operations. Companies focus on managing human resources positively, considering human rights requirements, providing training, career development opportunities, employee participation, and ensuring high-quality working conditions. They also avoid investing in socially unfavorable industries. (Branco & Rodrdrigues, 2006)

Companies invest in initiatives that align with the SDGs, driven by growing stakeholder awareness and pressure from institutional investors. Engaging with the SDGs can lead to greater financial support from investors. (Zhan & Santos-Paulino, 2021) Firms promote innovation of products and services that do not harm the environment. This includes developing eco-friendly products, waste management solutions, and practices that reduce environmental impact. Organizations focus on reducing, recycling, and reusing materials as part of their sustainable purchasing strategies. This not only reduces costs but also contributes to resource conservation and waste reduction. (Walz, Pfaff, Marscheider-Weidemann & Glöser-Chahoud, 2017)

Companies strive to improve their ESG ratings by adopting and reporting on ESG practices. These ratings have a significant impact on how investors perceive a company's sustainability performance. Companies prioritize transparency and disclosure by issuing sustainability reports. These reports provide stakeholders with information about their ESG performance and help investors make informed decisions based on non-financial information. Firms engage with stakeholders, including customers, suppliers, regulatory bodies, and strategic partners, to ensure ethical governance, prevent conflicts of interest, and provide accurate information. Companies aim to maintain positive relationships with these stakeholders. (Aanestad & Hamre, 2023)

3 Methodology

3.1 Research approach

Empirical research is making planned observations. Research is the systematic and planned process. (Patten, & Galvan, 2019) Empirical approach is used to avoid mistakes and confusion. In research observations are planned carefully, deciding what to observe, how to observe it, when to observe it and who to observe. Researchers create a plan or design, collect data in systematic way, document their data collection, analyze data and report the results. They include qualitative and quantitative approaches to research design and analysis. (Patten, 2017) Research methodology is the plan, how research is done. Methodology includes ideas and believes and assumptions that guide research and influence the choice of research methods. It is important to have a clear methodology, because it helps to ensure consistency between the techniques, tools and philosophies. (Melnikovas, 2018)

Research onion is a way to create a research methodology. The research onion outlines the key stages of creation of good methodology. These stages include electing a research philosophy, choosing methods and timeframes, and deciding on data collection and analysis techniques. The research onion is composed of six primary layers. First, the Research Philosophy layer serves as the foundation for the research. The second layer, Approach to Theory Development, is influenced by the Research Philosophy layer. This layer typically entails three methods: deduction, induction, and abduction. Deduction involves starting with an existing theory and testing it through data collection and hypothesis formulation. Induction, on the other hand, starts with observation and data collection, followed by analysis and theory formulation. Abduction involves observing empirical data and forming a conclusion based on available evidence. Methodological choice is the third layer and helps researchers determine which quantitative, qualitative, or mixed

methods are best suited for their research. The fourth layer, Strategy, deals with how data is collected and analyzed, including experiment, survey, archival research, case study, ethnography, action research, grounded theory, or narrative inquiry. The fifth layer, Time Horizons, determines the time frame for the research. Finally, the Techniques and Procedures layer entails data collection and analysis methods. This might involve the use of primary or secondary data, selecting sample groups, and developing content for questionnaires and interviews. Overall, the research onion helps researchers to address each layer systematically and build a more robust research design. (Melnikovas, 2018)

Mixing quantitative and qualitative data at research process is called mixed methods. The aim of mixed methods is to collect, analyze and mix data to answer the research problem completely. To answer the research question, the researcher collects numeric data and text. (Ivankova & Creswell, 2009) Mixed methods increase the level of confidence and accuracy of the research. Mixed methods can create new knowledge through the findings of the different methods. (Alexander, Thomas, Cronin, Fielding & Moran-Ellis, 2008) The results from different methods can extend the data that have been gathered with a different method (Creswell, 1999)

The aim of qualitative study is to understand how participants make the meaning of a situation. The researcher is the instrument for gathering information, and the focus is on describing the findings. (Merriam, 2002) In basic qualitative study data is collected via interviews, observations and documents. (Merriam & Tisdell, 2015) Qualitative research results often identify themes in the data and results are presented through words. (Patten, 2017) The research design of this study is qualitative. Qualitative research gives an understanding of an idealistic approach and creates non-numerical data. Qualitative research fits to this study, because it is challenging to evaluate human behavior in numeric. (Pathak, Jena & Kalra, 2013) Qualitative research also fits for this study, because there

are only few theories about this subject and only little is known (Patten, 2017). Quantitative methods are numerical representations, that explain phenomena by collecting numerical data (Sukamolson, 2007).

Case study research is where one or more cases are examined closely, to understand all the complicated details of what we're studying (Hyett, Kenny & Dickson-Swift, 2014). Case studies are great for exploring new processes or behaviors that we don't understand well. They work especially well for answering "how" and "why" questions about recent events. Researchers say that some types of information are hard to get without using case studies or other qualitative methods. Case studies give us a detailed view of a process that lets us look at different aspects and how they relate to each other. We can also see how a process happens in its environment. Finally, we can use our understanding to analyze what we observe. (Meyer, 2001) A case study is a detailed analysis of a specific system. Some experts define case studies as a research method that investigates a phenomenon in its real-life context. The case study research method doesn't have strict rules for gathering data or analysis, unlike other research methods like experiments, surveys, or historical research. Any method, like testing or interviewing, can be used in a case study. (Merriam & Tisdell, 2015) The outcomes of the study are discussed by using references to the literature that provided the framework for this study (Merriam, 2002).

3.2 The case companies

3.2.1 Neste

This case focuses on a company that operates in fuel manufacturing and is committed to sustainability. Neste was established in 1948 and is the world's biggest manufacturer of recurrent diesel and aviation fuel. The company also invents new recurrent solutions for the plastic and chemical industries. The fuel products are manufactures in Finland,

Netherlands and Singapore. Neste communicates that their meaning is to create more vibrant earth for our children and this meaning directs the company to find new ways to reduce greenhouse gas emissions and create new circular economy solutions. The goal of the company is to be the global leader of renewable and circular economy solutions. The company is committed to reducing greenhouse gas emissions by 20 million CO2e tons annually by 2030, making its production carbon-neutral by 2035, and reducing the emissions intensity of its products by 50% by 2040 compared to 2020 levels. In 2022 the turnover of Neste was 25,7 million and they had 5244 employees. The price of Neste's share has grown 955,59% in ten years. In 2022 Nestes gross margin was 3537 million euros and the number of emissions was reduced by 11,1 tons.

To achieve these goals Neste develops new sustainable, renewable and circular economy solutions. Neste also expands its production capacity. To drive future growth, Neste plans to create new markets in the long term, by innovating and commercializing new renewable and circular economy solutions. Neste wants to differentiate itself by pioneering in sustainable solutions and by enhancing its ability to process raw materials. Ensuring the scalability and efficiency of the processes is also important. Neste wants to sustain its high standards of responsibility and continue to implement sustainability principles.

3.2.2 UPM

UPM-Kymmene Oyj is a Finnish forest industry company that employed approximately 17,200 people in 2022. The company's revenue in 2022 was 11.7 billion euros, and it had 132,100 shareholders. The current UPM began its operations in May 1996. UPM's main products include pulp, magazine and newspaper papers, fine and specialty papers, label materials, and wood products. Wood products encompass, among other things, lumber, plywood, and veneers. The company also produces energy and operates in physical electricity trading and electricity derivatives markets. In January 2015, the company's

biorefinery in Lappeenranta began production, producing biodiesel for transportation use. Additionally, UPM has expanded its business into areas such as Biocomposites, biochemicals, and biomedical applications. UPM consists of six business areas: UPM Fibres, UPM Energy, UPM Raflatac, UPM Specialty Papers, UPM Communication Papers, and UPM Plywood.

UPM states on their website that they respond to the growing consumer demand with recyclable products made from responsibly sourced renewable raw materials. They offer renewable and responsible solutions and innovate future alternatives to fossil economy solutions. UPM states on their website that they are a leading player and pioneer in sustainability, having signed the UN's 1.5-degree climate commitment. Their climate change mitigation goals and actions are grounded in scientific research.

3.2.3 Metso

Metso Oyj is a Finnish publicly traded company operating in the mining and technology industry. Previously operating under the name Metso Outotec, the company reverted to its predecessor's name, Metso, in May 2023. Metso has over 17,000 employees and approximately 5.4 billion euros in revenue in 2023. According to Metso's website, they lead the way in promoting sustainable development through cutting-edge technologies and holistic solutions across the globe. Their expertise spans rock crushing, mineral processing, and metal refining, where they focus on enhancing energy and water efficiency, boosting operational productivity, and mitigating environmental risks. Metso aims for net-zero emissions by 2030.

Metso focuses on providing Planet Positive products, which prioritize energy and water efficiency or aid customers in meeting their recycling and sustainability objectives. With

over 100 products currently available, Metso's aim is to incorporate Planet Positive offerings into every aspect of the value chain, ensuring a comprehensive approach to sustainability throughout our operations. Metsos digital solutions help customers keep operations smooth and efficient. With Metso's intelligent software solutions, clients in the mining, aggregates, and metal industries can get more out of their processes with less effort, enabling more profitable, efficient, and sustainable production.

3.3 Data collection

This study involves the analysis of existing datasets (Devine, 2003). Secondary data was collected through document analysis. Document analysis is a systematic way to analyze and evaluate documents. Document analysis helps to gain knowledge and understanding. The data of documents contains text and images. Data has been recorded without a researcher's intervention. (Bowen, 2009) Organizations have a vast number of documents for different decisions. An understanding of the subject can be built from those documents. The researcher has to make a selection of the documents. Documents include facts and help to trace the history of the organization. (Meyer, 2001) Documents also offer a means of tracking change and development, because various drafts of documents are accessible. Thus, researchers can compare the documents and identify changes. (Bowen, 2009)

At annual general meetings shareholders voice their opinions, discuss strategy and vote for key resolutions. At these meetings shareholders can ask questions, engage with the company’s management, discuss important issues and make decisions. Documents of the general meeting give qualitative secondary data. Monitoring of the documents from the annual general meetings of the organization was conducted. These documents were selected, because shareholders resolutions are proposed and voted on at the annual

general meetings. Thus, these documents give an insight into the priorities of the investors. .

A decade-long period allows for examining trends and changes over a long term. This period is long enough to identify significant developments and events but not too long, making the data manageable and practical. From 2012 to 2022, there have been significant global and local economic changes, such as recovery from the financial crisis, accelerated digitalization, geopolitical shifts, and the impact of the pandemic. Analyzing these effects on the company's operations and strategy provides valuable insights into its resilience and adaptability. During this period, there may have been significant changes in laws and regulations affecting companies, such as changes in accounting standards or stricter reporting requirements. Examining the impact of these changes can offer a deep understanding of how companies adapt to new requirements. This period may include significant internal changes within the company, such as leadership changes, acquisitions, mergers, or other strategic moves. Analyzing these changes can reveal how they have affected the company's performance and strategic direction.

Data about Neste		
Document	Year	Pages
Annual report	2012	313
Annual report	2013	317
Annual report	2014	258
Annual report	2015	178
Annual report	2016	201
Annual report	2017	196
Annual report	2018	209
Annual report	2019	213

Annual report	2020	218
Annual report	2021	158
Annual report	2022	169

Data about UPM		
Document	Year	Pages
Annual report	2012	77
Annual report	2013	76
Annual report	2014	76
Annual report	2015	80
Annual report	2016	90
Annual report	2017	96
Annual report	2018	101
Annual report	2019	115
Annual report	2020	117
Annual report	2021	119
Annual report	2022	125

Data about Metso		
Document	Year	Pages
Annual report	2012	24
Annual report	2013	103
Annual report	2014	24
Annual report	2015	36
Annual report	2016	44

Annual report	2017	44
Annual report	2018	48
Annual report	2019	32
Annual report	2020	34
Annual report	2021	37
Annual report	2022	44

Annual reports were studied by listing various themes that emerged in companies' strategies and strategic development over the years. The data was compiled into an Excel spreadsheet, which allowed for the observation of strategic changes in different companies. The process involved several steps. First, the companies' annual reports were collected and systematically analyzed. Then, various strategic themes such as growth, innovation, digitalization, and sustainability initiatives were identified and recorded from the annual reports. The identified themes and strategic changes were entered into an Excel spreadsheet, which contained information on the strategic focuses and their annual changes for different companies. The Excel spreadsheet was used to analyze the strategic changes of different companies over time, enabling the tracking of strategic trends and changes, as well as the comparison between different companies. This method provided a clear understanding of how companies' strategies have evolved and which themes have been emphasized over the years. The Excel spreadsheet offered a structured format for the data, which helped in comprehensively understanding the strategic changes.

3.4 Data analysis

Annual reports are detailed documents that show how a company is doing financially, how it's running its operations, and what plans it has for the future. They're more than just documents companies have to make because of the law; they're full of information

that can help us understand how a company behaves. Company annual reports are typically publicly available official documents that comprehensively detail the company's financial status, strategy, risks, and operational developments. This makes them a reliable and rich source for research.

The content of an annual report for a publicly listed company is regulated by several laws and regulations. The Companies Act (624/2006) defines the responsibilities and duties of the company's board, including the preparation of financial statements and the annual report. The Securities Market Act (746/2012) regulates the disclosure obligations of publicly listed companies and requires the publication of an annual report. The Accounting Act (1336/1997) and the Accounting Decree (1339/1997) set the principles for bookkeeping and the preparation of financial statements. Publicly listed companies in the EU must comply with the international IFRS accounting standards. Additionally, the Corporate Governance Code for listed companies provides recommendations for good governance practices, including disclosure obligations and the content of the annual report.

This analysis looks at why annual reports are so important as a source of information and how they can help us understand how well a company is performing and whether it's being sustainable. It's important to carefully examine annual reports, considering the difficulties and drawbacks that come with relying on them as main sources of information. These challenges might involve problems with transparency, potential biases in how information is presented, and the tendency to show only positive aspects. Despite these issues, annual reports still offer a useful way to grasp corporate behavior and can greatly aid in making well-informed decisions.

3.5 Regulations

Legal regulations play a significant role in influencing a company's sustainability. The regulatory environment in which a company operates can have both direct and indirect impacts on its operations, strategies, and overall sustainability. The Paris agreement was signed in 2015, and since then it has been the leading driver for sustainability in Europe. Paris agreements can be summarized in a few key aspects. The Paris Agreement reiterates the imperative of limiting global temperature rise to well below 2 degrees Celsius, with efforts to restrict it to 1.5 degrees. Parties in the agreement commit to reaching the peak of greenhouse gas emissions globally as soon as possible. The agreement mandates all parties to formulate, communicate, and uphold nationally determined contributions with a focus on domestic measures. The agreement recognizes the potential for voluntary cooperation among parties, and developed countries reaffirm their obligation to support developing nations, with voluntary contributions encouraged. A "global stocktake" every five years assesses collective progress based on the best available science, guiding parties in updating and enhancing their actions. (United Nations Framework Convention on Climate Change, n.d.)

In 2016 changes were made to the Finnish accounting act. Due to these changes companies, that have over 500 employees need to include other than financial information to the annual reports. According to this new accounting act these companies need to report to the annual statement how environmental issues, social issues and personnel matters, respect for human rights and combating corruption and bribery are taken into account in the company's operations. (Finnish Ministry of Justice, 1997)

By integrating non-financial reporting into annual statements, companies are prompted to assess and disclose their policies, initiatives, and performance related to sustainability, ethical conduct, and social responsibility. This information provides stakeholders,

including investors, customers, employees, and regulators, with insights into the company's commitment to responsible business practices and its efforts to mitigate risks associated with environmental, social, and governance (ESG) factors. This integration of non-financial reporting into annual statements reflects a broader global trend towards sustainability and responsible business practices. It provides stakeholders with valuable information about a company's sustainability efforts and its commitment to ethical conduct.

The International Labour Organization (ILO) is a specialized agency of the United Nations that sets international labor standards and promotes decent work and social justice worldwide. One of the key agreements established by the ILO is the Fundamental Principles and Rights at Work, which consists of four core labor standards. These principles are considered fundamental human rights and are enshrined in various international conventions and treaties. The ILO monitors the implementation of these core labor standards through its supervisory mechanisms and provides technical assistance to member states to help them comply with their obligations. (International Labour Organization, n.d.)

4 Findings

In this chapter, the findings from the annual reports are discussed. Annual reports serve as documents that provide insight into the company's finances, strategies and future. In this chapter, analysis of the three companies will give an understanding of their ESG performance and sustainable strategic direction.

4.1 Findings from yearly reports of Neste

Throughout the annual reports from 2012 to 2022, Neste consistently emphasizes and prioritizes sustainability and ESG (Environmental, Social, and Governance) factors, recurrently acknowledging their significance and integration into their operations on an annual basis. The practices and strategies focus on different aspects of ESG and sustainability.

Neste strategies	
Years	Main strategic goals and changes
2012-2014	Vision: Most desired partner in cleaner transportation Staregy is based on the plan of action called "Way forward". This plan of action is to focus on customers, improve collaboration, take and delegate responsibility, value good results, and address shortcomings, while ensuring correctness and safety. Sustainability is one of the main values of Neste during those years. The goal of the strategy is to make Neste Oil more profitable, customer-focused, and safer, with happy and healthy staff.
2014-2016	Vision: We create responsible alternatives every day

	In 2014 Neste mentions two new strategic goals: Neste wants to lead in the Baltic Sea region and grow globally with renewable materials. Neste is also eager to explore renewable solutions for the chemical industry. During these years Neste started to make a materiality assessment, where all the key sustainability themes that are essential for the company's business and important to its stakeholders are analyzed. This analysis has been made every other year.
2017-2018	Vision: We want to leave a more vibrant planet for future generations by creating responsible alternatives every day. The goals stay the same as in 2014-2016. Neste mentions that sustainability is at the core of everything Neste does. Neste constantly improves its entire supply chain to benefit people, the environment, and the climate. Neste sees circular economy principles and smart use of waste as vital for the future. Neste also mentions, that working closely with our partners, trust, and transparency are essential for building responsible businesses
2019-2021	Vision: Vision is to create a more sustainable planet for future generations. Neste's goal is to become a global leader in renewable and circular economy solutions. In these years goals are defined in more detail. Neste aims to reduce our customers' greenhouse gas emissions by at least 20 million CO2e tons annually by 2030. Neste is reducing its own productions carbon footprint faster than the EU's climate and energy targets require and continues to lead with at least a 40% market share in

	renewable product production capacity. Innovations are also mentioned as crucial factor of growing the business with the new strategy.

In 2012, Neste Oil's vision is to be the most desired partner in cleaner transportation fuel solutions. The foundation of Neste Oil's strategy consists of the company's high-quality cleaner transportation solutions, unique refining and technology expertise, and expanding raw material base. These ensure good conditions for a small oil company to implement its chosen strategy on an international scale. Profitable growth in renewable NExBTL diesel is one of Neste Oil's key strategic objectives in the near future. In 2012, Neste Oil defined six key areas within its sustainability program, forming the main guidelines for its sustainability work. The key areas of Neste Oil's sustainability are: customer, safety, personnel, society, climate and resource efficiency and responsible supply chain. In 2013, Neste Oil’s strategy and vision remained unchanged, and there was no major changes in the strategy. The demand for NEXBTL diesel grew by 16 %.

In 2014, Neste defined two new strategic goals. Neste aims to be the leading provider of fuel solutions in the Baltic Sea region and aims to grow in global markets based on renewable raw materials. Neste also sees growth opportunities beyond the fuel markets. In 2014, Neste updated the sustainability materiality matrix during the fall of 2014 and the beginning of 2015. In addition to providing cleaner transportation fuels, Neste started to offer solutions for various needs, including those of the chemical industry and even electricity generation. Neste introduced a low-sulfur marine fuel to the market. In 2015 Neste Oil made a strategic decision to change its name to Neste, to describe the company's operations better. Neste changed its vision to "We create responsible alternatives every day.", which communicates the company's aim to do more sustainable development. The strategic goals remained the same in 2015. In 2016 Neste’s strategic goals and vision were unchanged. In the fall of 2015, the management practice of

responsibility was refined by expanding the scope of the Stakeholder Steering Group to encompass a broader range of sustainability-related matters.

In 2015 the executive team of Neste approved the company-wide commitment to human rights (Neste Human Rights Commitment) in December 2015. According to it, Neste pledged to follow the principles of the Universal Declaration of Human Rights by the UN and the fundamental principles and rights at work by the ILO. In 2016, Neste launched a group-wide action plan for human and labor rights. Within this framework, Neste undertook several measures, including the assessment of human rights risks.

In 2017, Neste created a new strategy called: Way Forward 2023. In this new strategy, the vision is: "We want to leave a more vibrant planet for future generations by creating responsible alternatives every day". Strategic goals to Neste to be the leading provider of fuel solutions in the Baltic Sea region and to grow in global markets based on renewable raw materials stayed the same. In 2018 to strategy is unchanged. Neste is dedicated to fighting climate change and advancing circular economy practices. Neste wants to help customers in transportation, polymer, and chemical industries make their operations greener. Nestees renewable products help cut greenhouse gas emissions and shift away from fossil fuels to renewable materials.

In the annual report on 2019 major change can be seen. Sustainability goals are clearly mentioned in the strategic choices. Neste for example mentions, that the company aims to reduce our customers' greenhouse gas emissions annually by at least 20 million CO2e tons by 2030 and Neste is reducing its own production carbon footprint faster than the EU's climate and energy targets require. In 2019, the meaning of innovation is enhanced, and the annual report says: "Innovations are key as we grow our business faster and bolder according to our new strategy."

In 2020 Neste informs, that the company continues the implementation of climate plan because Neste is committed to achieving carbon neutrality in its own production by 2035. Innovations stay in the key role of the strategy. In 2020, Neste updated its investment criteria, and included mandatory assessment of greenhouse emissions in the process. The meaning of this is to improve energy efficiency by optimizing the use of combustion gases, electricity, hydrogen, and steam in Neste’s production.

In 2021 there is no changes in the strategy. At the core of Neste's strategy in 2021 lies the growth of renewable and circular economy solutions, preparation for the future, and accelerating competitiveness and change. According to annual reports of Neste, the company's key opportunities are in developing and manufacturing products that are less harmful to the environment. Innovations and investments in sustainably are the key competitive advantages of Neste. In 2020 there isn’t any major changes in the strategy. Neste has outlined four strategic goals: expanding in renewable and circular economy solutions, establishing new markets for long-term growth, distinguishing itself through responsible solutions to add value, and fortifying its foundation.

4.2 Findings from yearly reports of UPM

UPM has many different business operations. Since UPM operates in many different market areas and offers a wide range of products, grasping a clear strategy can be challenging. This is because the implementation of the strategy appears differently in individual departments due to the diversity of operations. In the annual reports, the strategy has been addressed broadly, from the perspective of sustainability as well as from the perspectives of different departments.

UPMs strategies	
Years	Vision, main strategic goals and changes
2012-2015	Vision: Pioneer of the new forestry industry UPM's goal is for more than half of the company's revenue to come from highly profitable growth businesses. For UPM, responsibility is a central way of operating and a part of its strategy. UPM's expertise in renewable and recyclable materials, low-emission energy, and resource efficiency is key when the company innovates new sustainable high-value businesses. Proactive responsibility work also enables effective management of business impacts and risks. In 2015, the code of conduct was updated, creating the conditions for responsibility and business improvement. In 2015 the production of renewable diesel started.
2016-2018	Vision: UPM aims for higher financial performance UPM's goal is to continuously improve its economic, social, and environmental performance. UPM aims for top results in its markets. UPM promotes the UN's 2030 Sustainable Development Goals through its operations. "UPM wants to promote responsible practices in the value chain and find sustainable solutions with various stakeholders. UPM wants to generate new business and new products based on customer needs and renewable raw materials. The goal is to create more sustainable solutions and reduce dependence on fossil materials.
2018-2019	Vision: UPM aims for higher financial performance The cornerstones of UPM's strategy are performance, growth, innovation, and sustainability. UPM aims for top results in every business and

	economic growth. Innovations are intended to accelerate growth and improve competitiveness. One of the competitive advantages is sustainability, and UPM's purpose is to create solutions to global challenges and value for the company's stakeholders.
2020-2022	Vision: Pioneer of the bioeconomy UPM wants to enable more responsible choices for customers and offer solutions to create a future independent of fossil raw materials. UPM is committed to a climate-positive product range and wants to verify the climate impacts of all products. UPM emphasizes the importance of credible and transparent reporting. The UN's Sustainable Development Goals guide UPM's research and development activities. UPM's values and practices guide it to create positive impacts on society and value for shareholders. The products meet consumer needs while also addressing global challenges.

In 2012 UPM' s profitability had decreased from the previous year, due to changes in demand for paper. In 2012 yearly report UPM mentions that wood-based renewable fuels are going to be one of the most profitable businesses in the end of the decade. UPM has a Biofore –strategy and responsible operations and sustainable development are the core of the strategy. UPM wants to innovate sustainable and resource-efficient products. In 2013, UPM followed the same Biofore strategy, but UPM had added its values and vision to the yearly report. UPM's vision is to be the leader in the forest industry and build a new sustainable and innovative future for UPM. UPM wants to be trustworthy, make results together and innovate boldly.

In 2014 UPM uses the same Biofore strategy and has the same values and vision. In the annual report Biofore strategy has been explained in more detail and the annual report

informs how this strategy fits in with the changing business environment. The central focus of the Biofore strategy is to achieve greater output with fewer resources. UPM uses renewable natural resources, and most of the products can be recycled. UPM also wants to enhance its energy efficiency. In the annual report of 2015, UPM mentions that with the Biofore strategy UPM gets a competitive advantage due to sustainable thinking, and new market opportunities. In 2015 UPM started to produce renewable diesel in Lappeenranta's factory. In 2015, UPM also established a new code of conduct for sustainable business practices and continuous improvement. This code of conduct will be implemented in 2016. In 2016, UPM established 34 new sustainability goals to be achieved by the year 2030.

In 2017 UPM updated its financial goals, but the strategy remained unchanged. UPM informs that the company wants to create more value by seizing the opportunities that bioeconomy has to offer. UPM calls this strategy “Aiming higher”. This annual report includes a separate sustainability report for the first time. In 2018 annual report, the strategy is the same as in the previous year. In this annual report UPM mentions that with better results UPM can invest in innovations and sustainability and renewable alternatives create value creation opportunities. UPM also notes that by considering sustainability, they reduce the risk associated with changing regulations and consumer habits.

In the 2019 annual report UPM mentions that the company's goals are to develop constantly, growing profits and top-tier results in every business area. UPM mentions that these goals enable more sustainable business operations. UPM will invest in sustainability, because the company sees sustainability as a clear competitive advantage. In 2020, UPM’s strategy remained the same: UPM is expanding in businesses with promising long-term growth prospects and high barriers to entry, and the cornerstones are results,

innovation, and sustainability. UPM aims for sustainable growth and wants to act against climate change. UPM wants to offer sustainable products, so their customers can make more sustainable choices.

In 2021 annual statement, the purpose of UPM's operations is to create a future independent of fossil raw materials. The cornerstones of UPM strategy stayed unchanged. UPM aims to have positive impact on society and create value for shareholders. During 2021, UPM has made significant investments in sustainability. For example, UPM established a biorefinery facility in Germany. UPM wants to be a pioneer in bioeconomy. In 2021 the UPM had the same strategy, but Russian invasion of Ukraine has affects to UPM’s operations. UPM is a stakeholder in the Olkiluoto 3 nuclear power plant. With this involvement, UPM can enhance Finland's energy self-sufficiency and contribute to providing emissions-free energy for societal needs.

4.3 Findings from the yearly reports of Metso

In 2012 annual report Metso mentions that the implementation of strategy is based on five essential pillars (services, growth markets, technology, operating model, and personnel). The main goal for Metso is to be the leading technology and service provider in all of the business operations. Metso's aim is to accomplish this objective by harnessing megatrends, enhancing capabilities, and leveraging its robust position in core business operations. Metso strongly believes in the benefits of sustainable business practices. The annual report mentions that a company that integrates solutions to global social and environmental challenges into its offerings will succeed in the long run and bring value and prosperity to all stakeholders, including society.

Metso	
Years	Vision, main strategic goals and changes
2012	Vision: Metso's vision is to be a leading technology and service provider in all of its business areas. The implementation of Metso's strategy is based on five key elements: services, growth markets, technology, operating model, and personnel. Metso believes in the added value created by sustainable business. According to Metso's view, a company that can incorporate solutions to global social and environmental challenges into its offerings will succeed in the long term and create added value and well-being for all its stakeholders, including society.
2013-2015	Vision: vision is to be the leading actor in flow control solutions for the oil and gas as well as mining industries. Metso's mission is to help customers process natural resources and recycle materials in a sustainable way into valuable products. Metso's values are: we promote customer success, we develop new solutions, we achieve results together, and we respect each other. The strategy is based on five key elements: customer focus, services, technology offerings, operational efficiency, and personnel and leadership.
2016-2017	Vision: Vision is to be the best choice for responsible handling of natural resources and flow control. Metso states that their values are promoting customer success, developing new solutions, achieving results together, and respecting each other. For Metso, sustainability means reducing energy consumption and emissions, conserving raw materials and water, and minimizing waste, even if production volumes remain the same or increase.

	Sustainability also means that Metso adheres to high health, safety, and environmental standards and practices. Metso set sustainability goals for the period 2016–2018, as well as long-term environmental and occupational safety targets extending to 2020.
2018-2019	Visio: Metso aims to be the best choice for the responsible handling of natural resources and flow control for its customers in the mining, rock crushing, recycling, and process industries. Metso updated its sustainability strategy. Metso's sustainability program has two focus areas: responsible and reliable partner and sustainable productivity. Metso collaborates with customers to enhance their productivity. Metso delivers responsible and sustainable solutions that make production, equipment, and services more efficient and safer.
2020-2021	Vision: Metso's vision is to be customers' number one choice in the sustainable use of the world's natural resources. The focus areas of Metso's strategy are financial performance, customer success, sustainability, and a culture of achievement. The purpose of Metso Outotec's business is to enable a sustainable, modern way of life. Metso's goal is to create solutions that promote responsibility in the industry. The sustainability program, along with its action plans and goals, was updated in 2021 and is aligned with the UN's Sustainable Development Goals. Metso Outotec's sustainability program has two focus areas based on materiality analysis: Metso Outotec's sustainable development solutions and innovations, and commitment to being a responsible and reliable partner.

In 2013, Metso's Pulp, Paper and Power businesses were separated into a new company, Valmet Corporation. Metso aims to be the leading process performance provider for its customers. The company develops its offering in intelligent processes and services solutions designed to meet customers' challenges – the growing scarcity of raw materials, reduction of energy use, and improvement of operational efficiency. Metso strives to be the top provider of process performance, helping customers achieve sustainable improvements. Metso aims to provide excellent services, enhance its operations, develop its technology offerings, foster a positive working environment, and expand globally.

In 2014 there were no major changes in the strategy. Metso's vision is to be the leading actor in flow control solutions for the oil and gas as well as mining industries. In 2015 annual report, Metso's mission is to help our customers refine natural resources and recycle materials in a sustainable way into valuable products. Metso’s values are promoting customer success, developing new solutions, achieving results together, and respecting each other. Metso wants to help customers improve their operational efficiency, reduce risks, increase profitability and build sustainable growth.

In 2016 strategy was updated and Metso's new vision is to be the best choice for responsible handling of natural resources and flow control. New values are to promote customer success, develop innovative solutions, achieve results collaboratively, and foster mutual respect. Metso also set new sustainability goals. In Metso, this means reducing energy consumption and emissions, conserving water and raw materials, and minimizing waste generation, even as production levels remain constant or increase. Metso also adheres to high health, safety, and environmental standards and practices. In 2017 there were no changes in the strategy and vision and values of Metso stayed unchanged.

In 2018 annual report Metso informs, that sustainability program was updated. The updated program has two main focus areas: Metso wants to be a responsible and reliable partner and have sustainable productivity. Metso wants to help customers productivity with increasingly responsible, efficient, and safe solutions. In 2019 the company announced a significant arrangement to establish Metso Outotec and Neles. Overall, the strategy stayed unchanged, and the annual report mainly focused on how this agreement will be implemented.

In 2020 Metso Outotec's vision is to be the primary partner for customers in the sustainable use of Earth's natural resources. Metso wants to offer innovations, services and results. Metso Outotec informs in the annual report that the company is committed to sustainable practices and wants to ensure safe outcomes for all stakeholders. One of the strengths of Metso Outotec is leading technology, research, and product development expertise focused on sustainability. Strategy has four key focus areas: Financial performance, customer-centricity, sustainability and culture of achievement. One of the Metso Outotec's sustainability goals is to reduce carbon dioxide emissions by 50% by 2030 compared to 2019 levels, and logistics emissions by 20% by 2025. Also, Metso Outotec aims that over 90% of product development projects have energy, emission, or water targets.

In 2021 the key focus areas and vision of Metso Outotec stay the same. As in 2020 the business operations of Metso Outotec are guided by megatrends as urbanization, electrification, sustainability, and resource scarcity. Mesto Outotec's is to create solutions that promote sustainability in the industry. Also in 2022 strategy is unchanged. In 2022, Planet Positive offering and revenue were expanded to include services in addition to products and consumables. Through digital solutions, for example, waste can be transformed into new valuable products and equipment energy and water efficiency can be

enhanced. Metso Outotec has several digital solutions to support our customers' sustainability goals.

4.4 Summary of the results

Summary of the findings			
Years	Neste	UPM	Metso
2012-2014 (2015)	Most desired partner in cleaner transportation. Focus on customers, collaboration, responsibility, results, and safety. Emphasis on sustainability, profitability, customer focus, and staff well-being.	Pioneer of the new forestry industry. Generate over half of revenue from highly profitable growth businesses, focus on renewable and recyclable materials, low-emission energy, and resource efficiency. Updated code of conduct.	Leading actor in flow control solutions for oil, gas, and mining industries. Promote customer success, develop new solutions, achieve results together, and respect each other. Focus on customer focus, services, technology offerings, operational efficiency, and leadership.
2014-2018	Leave a more vibrant planet for future generations by creating responsible alternatives every day. Continuation of previous goals with a strong	Aim for higher financial performance. Improve economic, social, and environmental performance, promote UN's 2030	Best choice for responsible handling of natural resources and flow control. Promote sustainability by reducing energy consumption, emissions,

	emphasis on sustainability, circular economy, waste management, and transparent partnerships.	SDGs, foster responsible practices in the value chain, and create sustainable solutions based on customer needs.	conserving raw materials, and minimizing waste. Set sustainability goals for the period and long-term targets for environmental and occupational safe
2019-2022	Create a more sustainable planet for future generations. Become a global leader in renewable and circular economy solutions. Detailed goals include reducing customer greenhouse gas emissions and leading in renewable product production capacity. Innovations are critical for growth.	Pioneer of the bioeconomy. Offer responsible choices, climate-positive product range, transparent reporting, and alignment with UN's SDGs. Create products that meet consumer needs while addressing global challenges.	Customers' number one choice in the sustainable use of the world's natural resources. Focus on financial performance, customer success, sustainability, and a culture of achievement. Align sustainability program with UN's SDGs and emphasize sustainable development solutions and reliable partnerships.

For Neste, the period from 2012 to 2014 saw the company focusing on becoming the most desired partner in cleaner transportation. The strategic goals were centered around customer satisfaction, collaboration, responsibility, and safety, with sustainability as a core value. From 2014 to 2016, Neste aimed to lead in the Baltic Sea region and grow globally with renewable materials. The company began conducting materiality assessments to analyze key sustainability themes. By 2017-2018, Neste's vision

emphasized leaving a vibrant planet for future generations, with sustainability deeply embedded in its operations. The focus on circular economy principles and smart use of waste became vital. From 2019 to 2021, Neste's vision shifted towards creating a more sustainable planet, aiming to reduce customers' greenhouse gas emissions by at least 20 million CO2e tons annually by 2030. Innovations and achieving carbon neutrality in production by 2035 were highlighted. Throughout these years, Neste consistently integrated sustainability into its strategies, focusing on renewable materials and solutions for the chemical industry.

In contrast, UPM's strategies between 2012 and 2015 revolved around pioneering the new forestry industry, with the goal of deriving more than half of its revenue from highly profitable growth businesses. Sustainability was integral, emphasizing renewable and recyclable materials, low-emission energy, and resource efficiency. From 2016 to 2018, UPM aimed to continuously improve its economic, social, and environmental performance, aligning its operations with the UN's Sustainable Development Goals. By 2018-2019, the company's focus was on performance, growth, innovation, and sustainability, with the goal of achieving top results in every business area. From 2020 to 2022, UPM's vision evolved towards pioneering the bioeconomy, with a commitment to climate-positive products and credible, transparent reporting. UPM's strategic goals were aligned with the UN's Sustainable Development Goals, aiming to address global challenges through innovative solutions and sustainable practices.

Metso's strategic evolution also underscores a growing emphasis on sustainability. In 2012, Metso's vision was to be a leading technology and service provider, with a strong belief in the benefits of sustainable business practices. From 2013 to 2015, the company aimed to be the leading actor in flow control solutions for the oil, gas, and mining industries. The strategy focused on customer success, services, technology offerings,

operational efficiency, and personnel. Between 2016 and 2017, Metso's vision shifted to being the best choice for responsible handling of natural resources and flow control, with specific sustainability goals focusing on reducing energy consumption, emissions, and waste. From 2018 to 2019, Metso updated its sustainability strategy to enhance productivity through collaboration and delivering efficient and safe solutions. By 2020-2021, Metso Outotec's vision was to be the primary partner in the sustainable use of Earth's natural resources, with a strong commitment to reducing carbon dioxide emissions and aligning with the UN's Sustainable Development Goals. The strategy emphasized financial performance, customer-centricity, sustainability, and a culture of achievement.

It can be observed from the findings that sustainability has always been a key component of the strategies for UPM and Neste. For Metso, the importance of sustainability has been reflected in their strategy since 2016 and has grown year by year. Neste's vision has been based on sustainable development throughout the review period, emphasizing global leadership in renewable and circular economy solutions. UPM's vision, while initially focused on pioneering the forestry industry, emphasized economic growth during the years 2014-2018 and later shifted to align with the bioeconomy and UN's Sustainable Development Goals. Metso's vision has shifted to support sustainable development principles since 2016, highlighting responsible handling of natural resources and aligning with global sustainability standards. Each company's evolving strategy demonstrates a growing commitment to sustainability, innovation, and creating long-term value for stakeholders. Neste consistently focused on innovation in renewable materials and circular economy solutions, UPM emphasized sustainable high-value businesses and bioeconomy, and Metso concentrated on technological advancements and sustainable solutions for natural resource management.

5 Conclusions

The analysis of annual reports from Neste, UPM, and Metso Outotec reveals a strong commitment to sustainability across all three companies. Annual reports reflect a growing recognition of the importance of environmental and social responsibility in today's business landscape. Neste's strategic evolution from focusing on cleaner transportation solutions to incorporating sustainability goals and innovation highlights a commitment to environmental responsibility. Similarly, UPM's Biofore strategy and emphasis on renewable resources showcase its dedication to sustainable development. Metso's integration of sustainability into its core strategies, with a focus on technology and service provision, reflects a proactive approach to addressing global challenges. This chapter includes the key conclusions drawn from the findings.

5.1 Integration of sustainability strategies

Neste, Metso, and UPM all follow systematic strategy development processes, aligning with Kaplan, Norton, and Barrows' (2008) framework. They begin with defining their mission, vision, and values, then set concrete goals to achieve their vision. Subsequently, strategies are formulated to enhance competitiveness. Their engagement with sustainability goals, as outlined by Schramade (2017) and García-Sánchez et al. (2022), reflects an understanding of the importance of integrating sustainability into corporate strategies to achieve competitive advantage. Sustainability assessments, as emphasized by Baumgartner & Rauter (2017) and Waas et al. (2014), are crucial for these companies to identify relevant business opportunities and ensure alignment with sustainability objectives. This approach is reflected in the companies' yearly reports. The Sustainable Development Goals (SDGs) are increasingly integrated into corporate strategies and investment decisions. This engagement offers substantial benefits by creating value and

positively impacting both society and investors. The SDGs will eventually be fully integrated into corporate strategies and investment considerations.

During 2017-2019 Neste continually enhances its supply chain to benefit people, the environment, and the climate in Neste's strategy. Neste's strategy emphasizes the importance of circular economy principles and smart waste use for the future. Neste also highlights that close collaboration with partners, along with trust and transparency, is essential for building responsible businesses. In 2019, Neste led the market with at least a 40% share in renewable product production capacity and held competitive advantages. Its vision to create a more sustainable planet for future generations, strategy and clear sustainability goals supports this competitive edge. Neste's strategies from 2012 to 2021 are strongly focused on sustainable development, the circular economy, and emission reductions. This resonates with Alniacik et al.'s (2011) view that CSR can enhance a company's reputation and financial performance.

UPMs mission is to help customers make more responsible choices and provide solutions for a future without fossil raw materials. UPM's values and practices drive it to create positive societal impacts and value for shareholders. Its products meet consumer needs and address global challenges. UPM will invest in sustainability, seeing it as a clear competitive advantage. UPM's annual reports show a clear shift towards a more responsible strategy. In previous years, the vision and goals were strongly focused on achieving financial targets, but since 2020, the vision has been to be a leader in the bioeconomy and to create a competitive advantage through sustainability. UPM's values and practices focus on creating positive societal impacts and shareholder value. Zhan and Santos-Paulino (2021) argue that when companies align their strategies with the Sustainable Development Goals (SDGs), they can gain financial support from investors. UPM's commitment

to the bioeconomy and responsible choices for customers supports this idea, showing how sustainability efforts can benefit both society and a company's bottom line.

Metso's sustainable strategy focuses on being a responsible partner and achieving sustainable productivity, helping customers improve efficiency, reduce risks, and increase profitability. Branco and Rodrdrigues (2006) argue that companies should integrate environmental, social, and governance (ESG) factors into their operations. Metso incorporates this theory by reducing energy consumption and emissions, demonstrating its commitment to sustainable practices. Metso aims to be the top choice for responsibly handling natural resources and flow control in mining, rock crushing, recycling, and process industries. Metso aims to gain a competitive advantage through a sustainable strategy. Its two focus areas are being a responsible and reliable partner and achieving sustainable productivity. Metso helps customers improve efficiency, reduce risks, increase profitability, and build sustainable growth. A key strength of Metso Outotec is its leading technology and expertise in sustainability-focused research and product development. Metso's strategy focuses on its own sustainability and wants to answer customers' needs by innovating new sustainable services.

5.2 Innovations

All three companies emphasize sustainable development and innovation, but their industry-specific priorities and strategies differ. UPM focuses on the bioeconomy, Metso on process industry solutions, and Neste on renewable fuels and chemicals. This also affects the direction and focus of their innovations.

Zhan and Santos-Paulino (2021) and Walz et al. (2017) emphasize the importance of Sustainable Development Goals (SDGs) and innovation in business operations. Their views highlight that companies should direct their innovations and operations in a way that

promotes sustainable development and addresses societal and environmental challenges. Metso implements process-driven and market-driven sustainability strategies to enhance their competitiveness and address environmental concerns. Process-driven strategies, as outlined by Stead & Stead (2008) and Baumgartner & Rauter (2017), focus on achieving cost advantages through environmental efficiency. Metso develops waste control systems to reduce environmental impact while improving operational efficiency. By leveraging innovations and technology, Metso creates products and services that minimize environmental footprints, aligning with sustainability goals.

Market-driven sustainability strategies involve differentiating products, as highlighted by Stead & Stead (2008). Metso introduces new sustainable products to meet consumer demands and gain a competitive edge. By integrating sustainability into product design processes, as suggested by Baumgartner & Rauter (2017), Metso can develop innovative solutions that cater to specific customer segments. This aligns with the market-based view, where sustainability is integrated through benefits and cost leadership, allowing Metso to access new markets and meet consumer preferences for sustainable goods and services.

Process-driven sustainability strategies, as highlighted by Stead & Stead (2008) and Baumgartner & Rauter (2017), focus on providing cost advantages through environmental efficiency. Neste's development of renewable diesel and jet fuel from waste and residues exemplifies this approach. By leveraging recycled materials and waste control systems, Neste achieves both environmental benefits and cost advantages, contributing to their competitiveness in the market. Moreover, Neste's emphasis on innovation and technology, as noted by Stead & Stead (2008), Baumgartner & Rauter (2017), and Baumgartner (2010), underscores their commitment to creating new products and business activities that reduce environmental impacts. This approach aligns with the resource-

based view, which suggests that companies should leverage their strategic assets and resources to stay competitive. Neste evaluates the value, rarity, inimitability, and strategic alignment of their resources, considering environmental limitations, to maintain relevance and competitiveness.

UPM's strategic approach aligns closely with the resource-based view, emphasizing the evaluation of resources in terms of their value and strategic alignment, as suggested by Baumgartner (2010). This evaluation includes considerations of environmental limitations, ensuring UPM's relevance in the market while maintaining sustainability. Furthermore, UPM's integration of innovations and technology reflects a commitment to developing new products and business activities that reduce environmental impacts, in line with the principles outlined by Stead & Stead (2008). By defining clear processes and business activities, UPM ensures that sustainability becomes deeply embedded within their operations, contributing to their long-term competitiveness and sustainability goals, as highlighted by Baumgartner & Rauter (2017). Additionally, UPM's adoption of market-driven sustainability strategies is in line with the theory put forth by Stead & Stead (2008) and Baumgartner (2010). They differentiate their products by introducing new sustainable alternatives, addressing the growing consumer demand for environmentally friendly goods. By incorporating sustainability into their product design processes, UPM develops innovative solutions tailored to specific customer segments, thereby enhancing their competitiveness in the market.

5.3 Considering reputational risks and adaptation to regulations

Corporate Social Responsibility (CSR) initiatives can enhance a company's reputation, thereby decreasing reputational risks and potentially drawing more investors. Companies with notable negative environmental footprints might encounter financial

repercussions, such as increased funding costs, plummeting stock values, and abandonment of assets. (lähde) Investors favor sustainable investments because positive reputation gained ESG practices results in favorable evaluations from stakeholders, increased profitability, and risk mitigation during economic downturns. Neste, Metso, and UPM are corporations whose success depends on investors' reactions, and they are obligated to consider the risks and regulations related to sustainability. Changes in regulations can have significant impacts on companies' productivity. (ähde)

There are noticeable differences among companies in risk management and in their responses to regulatory changes. Neste has incorporated sustainability into its strategy throughout the entire review period and has actively sought new perspectives in its sustainability efforts, addressing issues comprehensively. Neste's annual reports have included concrete examples since 2012, such as the tracing of palm oil and the requirement for responsibility from palm oil suppliers. Neste has considered sustainability even before regulations and has extensively addressed it in its annual reports, whereas UPM and Metso have reacted to changes and adjusted their strategies accordingly.

As per the new accounting act in 2016, these companies must detail in their annual statements how they tackle environmental issues, social concerns, personnel matters, respect for human rights, and efforts to combat corruption and bribery in their operations. In 2015, UPM additionally introduced a new code of conduct focusing on sustainable business practices and ongoing enhancement. This code of conduct is set to be implemented in 2016. Moreover, in 2016, UPM set 34 new sustainability objectives to reach by 2030. In 2017, UPM’s annual report features a separate sustainability report for the first time. In 2016 Metso also set sustainability goals for the period 2016–2018, as well as long-term environmental and occupational safety targets extending to 2020.

The sustainability initiatives undertaken by companies Metso, UPM, and Neste underscore their commitment to global sustainability goals and human rights principles. By aligning their sustainability programs and strategy with the United Nations' Sustainable Development Goals, these companies demonstrate their proactive approach towards addressing environmental, social, and governance challenges. Furthermore, the integration of these goals into their research and development activities showcases their dedication to innovation and long-term sustainability. UPM's emphasis on its values and practices highlights its efforts to create positive impacts on society while also delivering value to shareholders. Similarly, Neste's pledge to uphold the principles of the Universal Declaration of Human Rights and the International Labour Organization underscores its commitment to ethical business practices and social responsibility. Overall, these companies serve as exemplars of corporate sustainability, showing that profitability and social responsibility can go hand in hand for a more sustainable future.

5.4 ESG ratings and reporting

Neste exemplifies the principles outlined in the sustainability reporting theory through their consistent emphasis on sustainability and ESG factors in their strategic planning, as evidenced in their annual reports spanning from 2012 to 2021. The theory posits that sustainability reporting serves as a crucial tool for transparency and decision-making, with non-financial information increasingly valued by investors (Reimsbach, Hahn & Gürtürk, 2018; Permatasari & Narsa, 2022). Similarly, Neste's strategies reflect a commitment to sustainability, evolving over the years to align with changing environmental and societal challenges (Neste Corporation, Annual Reports 2012-2021). While the theory highlights the importance of integrating sustainability into corporate strategy, Neste's annual reports provide concrete examples of how this integration unfolds, with the company setting specific goals for reducing greenhouse gas emissions, advancing renewable solutions, and enhancing innovation (Neste Corporation, Annual Reports 2012-2021;

Mynhardt, Makarenko & Plastun, 2017). This interaction between theory and practice underscores the significance of sustainability reporting in guiding corporate behavior and fostering long-term value creation (Espahbodi et al., 2019).

This is evident in UPM's strategies, where sustainability is integrated into its vision and goals. For example, UPM's commitment to being a pioneer in the new forestry industry aligns with the theory's emphasis on sustainability reporting (Reimsbach, Hahn & Gürtürk, 2018; Permatasari & Narsa, 2022). Furthermore, UPM's focus on renewable materials, low-emission energy, and resource efficiency reflects the proactive approach to sustainability discussed in the theory (Mynhardt, Makarenko & Plastun, 2017; Wu, J., and Wu, T., 2012). As UPM adapts its strategy over time to address sustainability challenges, it mirrors the theory's notion of sustainability reporting as a dynamic process that evolves with the company's objectives and external factors. This specific alignment between theory and UPM's strategies highlights the practical relevance of sustainability reporting in guiding corporate decision-making and long-term value creation (Espahbodi et al., 2019).

Moreover, Metso's sustained focus on sustainability in subsequent years, including updates to its sustainability program and alignment with the UN's Sustainable Development Goals, further reinforces its commitment to responsible business practices (Metso, 2018-2021). This commitment is consistent with the notion that sustainability reporting can lead to success in the future, as investors increasingly value non-financial information when making investment decisions (Permatasari & Narsa, 2022). Metso's approach to sustainability reporting also reflects the broader evolution towards integrated reporting, which combines financial and non-financial information to demonstrate the link between a company's social and environmental efforts and its financial performance (Mynhardt, Makarenko & Plastun, 2017). By incorporating sustainability goals into its

strategic vision and emphasizing the importance of sustainable practices, Metso not only enhances its image and competitiveness but also attracts financing and gains public support (Mynhardt, Makarenko & Plastun, 2017).

5.5 Managerial implications

Based on the findings, managers should ensure that sustainability is not treated as a separate initiative but integrated into the company's mission, vision, and values. This alignment can drive long-term competitiveness and ensure that sustainability goals are met. Like UPM, Neste, and Metso do, managers should regularly update their sustainability objectives in response to emerging environmental and social challenges to maintain relevance and competitive advantage. Mangement should encourage R&D departments to focus on developing innovative solutions that address sustainability challenges specific to each industry. For example, UPM should continue to innovate within the bioeconomy, Metso should focus on sustainable process industry solutions, and Neste on renewable fuels and chemicals. When companies adopt a balanced approach between market-driven and process-driven sustainability strategies to maximize both cost efficiency and market differentiation. Management should foster a culture of sustainability within the organization, encouraging employees at all levels to contribute to sustainability goals and initiatives.

As a result of this analysis it is important, that companies engage with a broad range of stakeholders, including customers, investors, employees, and the wider community, to ensure that sustainability efforts are aligned with stakeholder expectations and needs. Companies should highlite the societal and environmental benefits of sustainability initiatives to create value for shareholders and positively impact the company's bottom line, as evidenced by UPM's focus on responsible choices for customers. It is also important, that companies develop comprehensive sustainability reports that align with

international standards, such as the Sustainable Development Goals (SDGs). This not only enhances transparency but also builds investor confidence. Sustainability reporting is a tool for continuous improvement, ensuring that the company's sustainability initiatives evolve with changing societal expectations and regulatory requirements.

5.6 Limitations and suggestions for further studies

Limitations of the study include the exclusive focus on Neste, Metso, and UPM companies, potentially limiting the generalizability of findings and overlooking other firms that could provide alternative perspectives. Furthermore, relying solely on annual reports as the primary data source may not offer a comprehensive understanding of the companies' operations and outcomes. Other data avenues, such as interviews, could offer valuable supplementary insights. Additionally, temporal constraints, such as focusing on specific time periodsor annual reports, may restrict the ability to track the evolution of companies' strategies over time. Language and translation issues could also pose limitations, because annual reports are translated from Finnish to English, potentially leading to errors or misinterpretations. Furthermore, the interpretation of data is subject to researcher bias, and different interpretations by various researchers may influence results and conclusions. Moreover, external factors like market dynamics, regulatory changes, and political events may impact companies' operations and annual report content, potentially affecting the study's outcomes and generalizability.

Exploring the interplay between sustainability reporting practices and corporate strategies across diverse industries presents an intriguing avenue for further research. Conducting a comparative analysis involving a broader spectrum of companies from various sectors could offer valuable insights into industry-specific trends and best practices. By examining how companies from different industries approach sustainability reporting,

researchers can gain a more comprehensive understanding of the strategies employed and their implications for organizational performance and stakeholder engagement.

Moreover, employing a mixed-methods approach that integrates quantitative analysis of annual reports with qualitative methods such as interviews or case studies would enrich the research findings. This holistic approach would provide deeper insights into companies' sustainability strategies, challenges, and outcomes, allowing for a nuanced understanding of the complex dynamics at play.

Furthermore, investigating the role of stakeholder engagement in shaping companies' sustainability strategies and reporting practices presents an intriguing area for exploration. Analyzing the perceptions and expectations of various stakeholder groups and their influence on corporate decision-making could shed light on the effectiveness of stakeholder engagement initiatives and their impact on organizational sustainability efforts.

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