Lund University Master of Science in

International Development and Management

January 2024

**Sustainable Finance**

A case study of Swedish Banks' engagement in Sustainable Development. Goals.

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**Abstract**

Sustainable finance incorporates actions and policies for economic development, social inclusion, and environmental sustainability. The development of the Sustainable Development Goals (SDGs) by the United Nations became a guide for the transformation towards sustainability and social inclusion. This case study examines the motivations of Swedish Banks' engagement in sustainable development issues by applying Rettberg (2016) three reasons for businesses' engagement in issues outside the core business activities, "Need, Creed, and Greed". The *"need"* to reduce risk exposure to the businesses because of climate-related factors but also secure new business opportunities; the *"creed"* could be the willingness to "do good" or "do no harm", move beyond profit-making, and contribute to a healthier planet for future generations; and *"greed"*, as the necessity to keep operations running and protect revenue. The results of the study show that there is no single reason for engagement, rather the complex nature of exposure to sustainable risk is expressed by most as the leading reason for commitment to sustainable development. Emphasis is put on the need for stabilization of the financial system while considering the impact on the environment and society they operate in. In addition, government policies and regulations play a fundamental role in long-term engagements.

**Keywords**: Sustainable finance, Sustainable Development Goals, Agenda 2030, Paris Agreement, Need, Creed, Greed.

Word count: 14,940

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## Acronyms

| | |
|---|---|
| CERCLA | Comprehensive Environmental Response, Compensation, and Liability Act |
| CSR | Social Corporate Responsibility |
| EP | Equator Principles |
| ESG | Environmental, Social and Governance |
| EU | European Union |
| FFG | Fair Finance Guide |
| GDP | Gross Domestic Product |
| GIIN | Global Impact Investment Network |
| GRI | Global Reporting Initiatives |
| IDS | Institute of Development Studies |
| MDGs | Millennium Development Goals |
| NGOs | Non-governmental Organization |
| OECD | Organisation for European Co-operation and Development |
| PRB | Principles of Responsible Banking |
| PRI | Principles for Responsible Investments |
| SDGs | Sustainable Development Goals |
| SIDA | Swedish International Development Cooperation Agency |
| SRI | Socially Responsible Investment |
| SISD | Swedish Investors for Sustainable Development |
| SWESIF | Sweden's Sustainable Investment Forum |
| UN | United Nations |
| UNEPFI | United Nations Environmental Programme Financial Initiative |

## Abbreviations

| | |
|---|---|
| e.g. | "for example" |
| et al. | "and others" |
| ibid. | "in the same place" |
| i.e. | "that is/means" |
| n.d. | "no date" |

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# 1 Introduction

## *1.1 Background*

For decades the degree of development activities has centered around economic development (Abshagen et al., 2018). While industrialization brought about tremendous prosperity and economic growth lifting millions out of poverty and decreasing hunger, the reliance on fossil fuels and extraction of natural resources has amplified pollution and depleted natural resources (Schoenmaker, 2018). The adoption of the Sustainable Development Goals (SDGs) in 2015 by the United Nations (UN) meant modifications of the United Nations Millennium Development Goals (MDGs). Building on the success of the MDGs, the SDGs and Agenda 2030[1] purpose is to address MDG constraints (Sachs, 2012). While there are different variations on the definitions of sustainable development, the most acknowledged and widely used by researchers in sciences also adopted in this study is by the Brundtland Report of the World Commission on the Environment and Development. "Sustainable Development is the development that meets the needs of the present without compromising the ability of the future generations to meet their own needs" (United Nations, 1987). The perception here is that sustainable development encompasses action and policies for economic development, environmental sustainability, as well as social inclusion (Sachs, 2012), therefore increasing the number of goals from 8 to 17 interrelated development goals (Rosenbaum, 2015). SDG goal 17 itself is an appeal for a global partnership for sustainable development. Particularly target 17.16 which is a "call to mobilize and share knowledge, expertise, technology, and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries" (SDGs, 2023). As a result of this call to action, the financial sector committed to making the financial systems more sustainable by incorporating objectives of the 2030 agenda for sustainable development within the financial decision processes.

## *1.2 Sustainable Finance and the SDGs*

At present there is no explicit definition of sustainable finance. The definitions of Sustainable finance have over time evolved from a narrow definition of incorporating environmental, social, and governance (ESG) concepts into the financial decision-making process to advancing sustainable economic, social, and environmental development (Migliorelli, 2021; Saran and

[1] An action plan for countries and other stakeholders to respond to the Sustainable Development Goals.

John, 2021). And to the broadest definition of "a financial system that is stable and tackles long-term education, economic, social, and environmental issues" (Saran and John, 2021). Hence, this study has adopted the definition of sustainable finance as finance that supports sectors or activities that contribute to the achievements of, or the improvements in, at least one of the ESG concepts. As environmental and societal policies evolve, sustainable finance for the financial sector has synonymously been associated with the provision of financial resources for the transition toward a sustainable society and climate neutrality (Migliorelli, 2021). Alignment to the 2030 agenda for sustainable development ushered in generally "sustainable" investment. For the financial sector, there is what is today known as "green finance", financial resources for environmental action, and "climate finance" supporting climate change alleviation (Ibid). The long-term perspective concerning sustainable investment meant the orthodox financial models of profit generation and maximization, and short-term oriented conduct of value creation were no longer compatible with the long-term orientation of the SDGs (Saldinger, 2019; Zanten and Tulder, 2021). According to Ziolo et al., (2020), the orthodox financial models lack the environmental and social perspectives, two of the three scopes of sustainable development. These perspectives may include considerations of climate change, biodiversity preservation, and pollution prevention. Concerns of inequalities and inclusiveness as well as issues of management structures, employee rights, and actions against corruption.

For banks, confronting climate change issues means taking on risks but also opportunities. Studies by Bowen and Dietz (2016) on the effects of climate change have concluded that the financial systems, particularly financial institutions will suffer the most at the hands of climate change effects in terms of rising costs for insurance due to increased extreme weather partners. Environmental risks will have a huge negative impact on issues such as asset management, asset evaluation, cash flows, and creditworthiness may be affected by climate-related frequent and strong hurricanes, floods, etc (Bowen and Dietz, 2016). The chance of success will not only be determined by how good the frameworks and policies are toward a sustainable future but also by the determination and swiftness in the transition. Hence, the link between climate-related risk evaluation and alignment when it comes to the implementation of the SDGs as Scholtens (2006) argues. Sustainability should thus be of urgency for the banks not only for risk management but also for loss avoidance. therefore, the sector is projected to be the most affected due to the above-mentioned costs as a result of extreme climate-related incidents (Scholtens, 2006; Swedish Bankers Association, 2021).

The debate on how to create long-term development strategies has been going on among development stakeholders for decades. Most researchers in development studies believe that the long-term success of development policies will be dependent on the types of partnerships that can be forged (Scheyvens et al., 2016). As studies, demonstrate a link between risk avoidance and sustainability pledges, Banks as intermediaries in society can significantly influence sustainable development, particularly environmental preservation (Zimmermann, 2019). Just as the United Nations through the 2030 agenda for sustainable development affirmed private actors as the ultimate partners in the fulfillment of the SDGs, the role of banks in society as agents between businesses, individuals, and the public sector makes them unique partners for the SDGs (Florini and Pauli, 2018; Cummings et al., 2020). However, others are skeptical about the contributions that the private sector may bring to the table (ibid). The benefits of private sector engagement in sustainable development have been a subject of debate within development circles (Dyllick and Muff, 2016; Mhlanga et al., 2018). Some recent studies by researchers across disciplines have concluded that development finance from the private sector has considerably increased (OECD, 2016; Suehrer, 2019; Cummings et al., 2020). Nevertheless, according to the Organization of Economic Cooperation and Development (OECD), as of 2016, the estimated annual finance for sustainable development needs was 3,9 trillion USD to deliver on the commitments of the Agenda 2030. Final figures for the same year landed at 1,4 trillion USD generating an estimated 2.5 trillion USD gap (OECD, 2016).

As interactions between sustainable development and sustainable finance were becoming more and more clear, the United Nations in 2019 through its Environmental Programme Financial Initiative (UNEPFI) came up with six Principles of Responsible Banking (PRB)[2], a framework to help the financial sector navigate SDGs and align with the Paris Agreement (Maltais and Nykvist, 2020). The UNEPFI's mandate is to spearhead and coordinate environmental issues with financial institutions (Jeucken and Bouma, 1999). Moreover, the Global Impact Investment Network (GIIN) found that more and more investors view SDGs as a valuable framework when framing policy, impact assessments, and goals. The network research on

[2] Six Principles for Responsible Banking (1. Alignment of business strategy, 2. Impact and target setting, 3. working responsibly with clients and customers, 4. engaging with stakeholders and partners, 5. commitment to governance and culture and 6. transparency and accountability) is a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement (Unepfi, 2019).

issues related to the alignment of SDGs with the impact of private investment found that most investors pictured themselves aligning with SDGs through Environmental, Social, and Corporate Governance (ESG) as well as Social Corporate Responsibility (CSR) measurements (GIIN, 2016).

Other networks such as the Business and Sustainable Development Commission concluded that there are two reasons for incorporating SDGs in core business activities (Business Commission, 2017). Firstly, the universality of the SDGs makes them difficult to neglect. This is because investors' and customers' growing interest and engagement in sustainability issues indirectly empower banks in this case to engage. Secondly, evidence of the successful implementation of the SDGs might encourage more and more financial businesses to come on board and take advantage of market opportunities provided by sustainable development. The effects of climate change because of global warming have not gone unnoticed. Extreme weather and changing patterns driven to a large extent by human activities pose universal challenges for all stakeholders in the Sustainable Development (Ibid). The establishment of the SDGs ushered in a certain urgency and has prompted and broadened the engagement of all stakeholders including the private financial sector, specifically the environmental risks (Ziolo et al., 2020; WEF, 2020). Therefore, achieving the SDGs will require both a national and global approach by all relevant stakeholders both from the public and private sector. The role of the private financial sector has been underscored by numerous United Nations Summits as well as different other signatories to the SDGs such as both individual governments as well as regional bodies like the European Union (EU) (Barkemeyer et al., 2014; Scheyvens et al., 2016).

Following the adoption of the SDGs, just like many other governments around the world, the Swedish Government also decided to align its framework for development with Agenda 2030. The government agency tasked with development (SIDA) is not only to implement the SDGs in their frameworks but also to encourage active participation and alignment of the Swedish private sector, which includes the financial sector (Swedish Government, 2016). Following encouragement from the government and inspiration from other stakeholders, the financial sector in Sweden began to craft its agendas and commitments (Finansinspektionen, 2016). As the EU committed to climate neutrality by 2050, Sweden´s policy framework sets the country to net-zero emissions by 2045 (Swedish Bankers Association, 2021). Following the banking crisis in 1991, Sweden embarked on building a banking system with tough regulations and ethics to prevent such future crises (Boström and Wilson, 2009; Boström et al., 2015). With this commitment, the role of banks i.e., "green transition" through green products and services such as green bonds as well as investment redirection towards green energy such as wind and solar cannot be overlooked (Maltais and Nykvist, 2020). In this context, the important function of private banks provide prospects, both financially and knowledge for businesses and individuals in the transformation towards a better and healthier world (Zimmermann, 2019; Fryxell and Ferlin, 2020). According to Aspinall et al., (2018), the stability and resilience of banks to financial crises promote and increase sustainability within financial systems.

### *1.3 Research Problem*

Just like numerous banks around the world, several of Sweden's largest banks have also voluntarily aligned and signed on to various sustainability initiatives such as the PRB concept mentioned above in section 1.2, a framework guiding banks to navigate the SDGs and the Paris Agreement (Swedish Bankers, 2021). Despite concepts existing since the mid-1940s and all through the 1970s, there is still little evidence and knowledge on the reasons for the financial sector engaging in the Sustainable Development (Scheyvens et al., 2016). Critics often point to this fact in proclaiming that the reasons for engagement are often either unclear or reactive, therefore the need for clear sustainable strategies (Zimmermann, 2019). For many, mitigations are translated into the exchange between financial markets and the economy with SDGs being the measure of their sustainability. For the banks, this can be challenging as they are intermediaries, providing products and services often without direct effect on social and environmental issues. Nonetheless, with their financial resources, the banks do exert a huge influence as lenders and investor representatives (Scholtens and van't Klooster, 2019).

Numerous surveys conducted by the Swedish Banks Regulatory Agency (Finansinspektionen), could conclude that there is a clear pattern of more and more Swedish Banks getting acquainted with the aspect of sustainability. However, there are disparities in levels of engagement arising from how the banks individually interpret sustainability, the tools of measurements used, and the level of transparency in reporting which translates into social accountability and legitimacy (Finansinpektionen, 2016), frameworks, policies, and strategies implemented depending on the markets of exposure geographically. e.g., in the United States, through the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) banks can be held responsible for customers' environmental degradation (Jeucken and Bouma, 1999). Despite recent strides in terms of green products and services, the banking sector is still lagging when it comes to sustainable development engagement as potential business opportunities as a result of engaging are not yet feasible for the sector (Ibid). Since the introduction of the first green bonds in 2008, issuances have tremendously grown from 11 billion USD to 167 billion in 2018 (Maltais and Nykvist, 2020). There are also commitments by several banks such as BNP Paribas and Bank of America of up to 125 billion USD in low-carbon businesses and industries by 2025 (OECD, 2016). Given the intermediary role of banks in societies, their sustainability work must consider societal long-term benefits. However, the question for the banks is whether sustainability is profitable or costly, prioritizing long-term sustainable goals over profit-making margins and growing portfolios. (Finansinspektionen, 2016).

There is general agreement that sustainable development hinges on economic, environmental, and social goals. Yet there is not much consensus on the dilemma of synergies, contradictions, and trade-offs among them (Sachs, 2012; Menton *et al.*, 2020). Nonetheless, Swedish Banks are regarded as some of the most stable banks regarding market volatility and their higher ratio of own capital requirements in combination with a culture of long-term planning. Strict internal risk management and vigorous authority supervision regarding risky undertakings as well as regulations on high own capital liquidities (minimum of 8% of total assets) make well places to handle volatilities in the market better than other banks (Boström et al., 2015; Finansinspektionen, 2017). Therefore, making them global leaders in issues of sustainability in the guidance of Agenda 2030 (Boström et al., 2015). What is behind this commitment? What are the motivations behind the engagement?

### *1.4 Aim and Research Question*

This case study will examine the discourse surrounding private banks' engagement in sustainable development concerning sustainable finance compared with orthodox finance models. Build on previous studies official reports and documents to identify the reason for the Swedish banks' alignment with the SDGs and discuss the role and incentives of the financial sector in the fulfilment of the 2030 agenda for sustainable development with a particular focus on environmental, social, and governance issues.

**Aim:** To build a better understanding of the motives behind Swedish banks' engagement in the SDGs. The arguments for alignment in development issues as well as how the banks can be assisted in their pursuit for alignment. Therefore, the following research questions have been composed:

A. Why and how are Swedish Banks engaging in sustainable development?
B. How can the implementation of the SDGs by Swedish banks be improved for long-term success?

*1.5 Structure of the Thesis*

Following the introductory chapter, the remaining part of the thesis will be structured as follows. First a literature review of the topic. Then an outline of the theoretical framework. Then the research methods used in data collection and their limitations. Thereafter, a presentation of the findings followed by an analysis of the findings outlining the themes of the documents and the interviews. Finally, a discussion of the findings in relation to the theoretical framework and a presentation of the main findings and proposals for future research.

# 2 Literature Review

This chapter kicks off with a discourse on the motivations behind corporations' engagement in SDGs. Then the debates on the financial institutions and the dynamics between the banking sector and the SDGs. The chapter concludes with a description of the Swedish banking sector and the Swedish government's position and policy for development.

*2.1 Why the SDGs?*

Evaluations conducted regarding corporate engagement show something Abshagen (2018) calls "cherry-picking" on which SDGs to engage in or invest in, somewhat logical from a corporate standpoint. However, given the global nature of the SDGs quite problematic. This is evident in sustainable finance studies where investments in social projects such as healthcare, education, and access to safe drinking water projects vital for the people and the planet get sidelined for more and more investments into renewable energy and other infrastructure projects because they are not commercially lucrative enough i.e., Profitable (Abshagen et al., 2018). Other studies conducted on some European and North American multinationals according to Van Zanten and van Tulder (2018), draw conclusions that corporations engage in SDGs closely linked to their business activities (value chain) with a focus on "not doing harm" compared to those that "do good". Refraining from acting rather than action causes more harm than good (Van Zanten and van Tulder, 2018). However, Grilly (2016) argues that corporations with negative externalities, especially towards the environment are more likely to turn "do no harm" to "do good" out of stakeholder, employee, and societal pressure (Crilly et al., 2016).

On the other hand, researchers aligned with 'do-well-by-doing-good' literature such as Engert (2016) suggest that corporations will engage and integrate issues of sustainable development for reasons such as "reduction of risk"[3], "reduction of finance and labor costs", "gaining a comparative advantage", "access to markets", "developing a positive reputation", "maintaining and increasing legitimacy" (Engert et al., 2016). Furthermore, Fleming (2017) argues that personal and corporate values, as well as awareness, are key drivers of engagement in the SDGs (Fleming *et al.*, 2017). Moreover, corporate engagement in SDGs is seen as adding value to the business, they are perceived to be responsible and trustworthy businesses (Van der Waal and Thijssens, 2020). However, assumptions that corporate engagement in development issues is either for "doing well by doing good" or for "shared value" has empirically been criticized

[3] Mechanisms or strategies that involve reducing financial losses because of business activities.

as being symbolic, premeditated, and rigid rather than substantive. In particular issues of pollution and the restoration and protection of nature  (Crane et al., 2014; Dembek et al., 2016). In addition, Bracking (2012) argues that financial systems lack within them mechanisms that can set a value on the environment and nature issues such as rivers, oceans, wetlands, etc. in order to allocate value in the same proportion as they do on people (Bracking, 2012).

Moreover, the fact that SDG targets are not strongly related or designed to match the core business of corporations, makes it hard to achieve shared value or what Van der Waal (2020) calls "win-win opportunities" (Van der Waal and Thijssens, 2020). This argument is reinforced by Dyllick and Muff (2016) who claim that the intended achievements of the SDGs and corporate or company sustainability are unpaired. SDG targets are largely aligned towards global challenges whereas corporate sustainability is a business or sector-focused (Dyllick and Muff, 2016). As argued by Mhlanga et al., (2018) there are also ambiguities between orthodox finance models of short-term financial incentives 'short-termism' and long-term perspectives associated with the SDGs. Stakeholder periodization to make short-term profits will significantly affect the corporations' engagement in the SDGs (Mhlanga et al., 2018). Within development perceptions, the focal point is human well-being while in the financial sector, the focus is on economic growth and value creation for investors (Scheyvens et al., 2016). Therefore, Dyllick and Muff (2016) claim that moving from "business as usual" to true business sustainability that creates universal value would require fundamental shifts in perspective on how to engage with sustainable development and create the common good (Dyllick and Muff, 2016).

### *2.2 The Banking Sector Dynamics and the SDGs*

According to Abshagen et al. (2018), the assumptions of the significance of finance in responding to the challenges faced by sustainable development are manifested with the transition from the MDGs towards the SDGs. Even though public finance is the primary source of financing the SDGs, various World Bank reports point to the fact that, due to the huge sums required, financing needs to come from all possible sources. Hence, the need to address the ambiguities between "rights-based social inclusion"[4] at all levels and the contemporary "profit-

[4] "Social inclusion is the process of improving the terms on which individuals and groups take part in society – improving the ability, opportunity, and dignity of those disadvantaged based on their identity" (WorldBank, 2023).

oriented economic models" i.e., equal rights of participation of locals at all levels and matters of society and access to fundamental rights such as education, health, and employment with decent wages (Abshagen et al., 2018; World Bank, n.d.). As argued by Jeucken and Bouma (1999), finance is a driving factor in sustainability. Effectiveness in lending and investment practices has the potential to promote sustainability through the application of robust risk assessments when lending in addition to investing in more sustainable products and ventures (Jeucken and Bouma, 1999). According to Ziolo (2020), the successful integration of environmental, social, and governance (ESG) into the decision-making financial process is vital for the achievement of the SDGs. However, most researchers agree that studies on the engagement of corporations and private businesses are relatively new and insufficient (Fleming *et al.*, 2017; Pedersen, 2018). The discourse between sustainability and finance is wide-ranging and evident among researchers in the social sciences (Ziolo et al., 2020). Some studies underscore the significance of finance as a driver of sustainability, particularly through socially responsible investments such as ethical and human rights screening before investing in certain firms and portfolios (Scholtens, 2006). Estimates in the funding and investments gap are in the 2.6 trillion USD (Ziolo et al., 2020). While others such as Van del Waal and Thijssens (2020) state that the limited scope of research in the field makes it difficult to determine the motivations behind the engagement (Van der Waal and Thijssens, 2020).

Given the short-termism associated with the financial sector, sustainable finance policies and schemes need to be compelling and attractive in terms of incentives and support for the transition from conventional financing toward sustainable finance. The sector itself has to be willing to transition from mainstream to sustainable finance and the long-term perfective and thereby increases in sustainable finance products and services such as green bonds with increased demand as a side-effect (Scheyvens et al., 2016). However, this is not without a disruptive effect on mainstream financing. This is known as the system disruption theory of sustainable finance. With transitioning toward sustainable finance, decision-making will have to be based on a perception that long-term incentives and benefits compensate for costs endowed during the transition and whether the disruption is containable. Therefore, trust in sustainable transition structures and systems through vigorous information disclosure is decisive. Failure may translate into resistance and dwindling support for sustainable finance (Doane, 2005).

Therefore, this is where the positive signaling theory of sustainable finance becomes a significant tool for the transition. The positive signaling theory claims that in sustainable finance, incentives to disclose positive information on sustainability commitments and initiatives become more appealing (Quatrini, 2021). Making it easier to attract potential investors who may have vested interests in sustainable finance such as green bonds therefore increasing the organization's reputation. Contrarily, the disclosure of positive information can harm the organization when used to hide bad information thereby derailing the goals and objectives of the SDGs. For example, investments made in fossil fuels while information disclosed described sustainable investment objectives (Doane, 2005; (Quatrini, 2021)

Banks can engage in sustainability by employing different criteria in decision-making processes according to Zimmermann (2019). Among them are the ‘negative criteria’ of social responsibility that can be employed in investment decisions, and the ‘environmental criteria’ incorporated in lending decision-making processes. Banks as intermediaries in addition to providing financial services are responsible for risk management through monitoring, screening, and enforcement of investors' and savers' financial assets (Scholtens, 2006). However, progression and awareness of other risks such as societal and environmental that financial institutions may be exposed to has increased engagement (Jeucken and Bouma, 1999; Scholtens, 2006). The leverage possessed by the banks over customers through lending and financing gives them the ability to indirectly exert influence on their overall commitments and engagements with Sustainable Development (Gylfason, 2001; Rashid et al., 2018). Banks as intermediaries also provide financing in distal investments often in private equity funds without control or influence over the assessment risk for environmental degradation. Most of these types of investments are made in the natural resources sector e.g., mining and energy. Therefore, local risks and liabilities not being part of the risk assessments conducted by the Banks (Bracking, 2012).

### *2.3 The participating banks*

#### ***Svenska Handelsbanken Ab***

In 2021 Handelsbanken celebrated 150 years of operations. Founded in 1871 as Stockholm’s Handelsbanken, in 1970 because of management changes the bank became Svenska Handelsbanken and embarked on a decentralization process. To better respond to the growing number of customers, the bank's management decided the best way to meet the customer needs

(Handelsbanken, 2023a). In the late 1980s, the bank became an international bank with ventures outside Sweden. Today the bank has in addition to Sweden 3 other home markets, Norway, Netherlands, and the United Kingdom. Currently, the bank has roughly 12,000 employees across the countries they operate in, with Women consisting 49% of the total workforce and 41% of managers as of the end of 2021 (Annual and sustainability report, 2021, p.70).

***Nordea Abp***

In 2001 four banks from the Nordic countries, Kreditkassen, Merita Bank, Nordbank, and Unibank merged and became Nordea. Nordea comes from the words 'Nordic' and 'Idea'. The idea was to incorporate Nordic values and innovations under one brand to produce a bank offering excellent products and solutions (Nordea, 2023b). Through the four merger banks, Nordea has been in operation for more than 200 years, dating back to 1820. Today Nordea has the bulk of its operations in the Nordic countries, Finland, Denmark, Norway, and Sweden. Despite moving the group headquarters to Helsinki from Stockholm in October 2018, the relocation had minimal effect on bank operations in Sweden (Nordea, 2022; Swedish Bankers Association, 2017). The bank has kept its profile, attaining a large share of customers with the largest share of private loans in Sweden (Nordea, 2023a). As of 2020, Nordea is the largest bank in the Nordics with approximately 30 000 employees. In Sweden, the workforce is approximately 7,000 (Swedish Bankers Association, 2023).

***Skandinaviska Enskilda Banken Ab (SEB)***

The modern bank SEB was formed in 1972 when two banks Stockholm's Enskilda Bank and Skandinaviska Banken merged. The bank's history goes back to 1856 when André Oskar Wallenberg founded Stockholm Enskilda Bank. Just like many of the Nordic banks, SEB has over the years gone through extensive development and international expansion. In the early 2000s, the bank ventured into Germany and the Baltic state, increasing their home markets (SEB, 2023a). Currently, the bank has operations in 20 countries around the world with a total workforce of 15000 and approximately 4 million customers in Sweden and the Baltic states (SEB, 2023b). The bank aims through its Agenda 2030 strategy to remain a leading actor in the Nordics and Baltics while growing internationally and building long-term customer relationships through responsible investments (SEB, 2023c).

***Swedbank Ab***

Swedbank in its current form was formed in 1997 when two banks Sparbanken and Föreningsbanken merged and became FöreningsSparbanken. In 2006 FöreningsSparbanken changed its name to Swedbank (Swedbank, 2023a). Currently, Swedbank is one of the largest Banks in the Nordics and Baltic states with approximately 7 million customers and roughly 600 000 business customers. In Sweden, the bank has about 3,7 million private customers and over 260,000 business customers (Swedbank, 2023b). The bank's home markets are Sweden, Estonia, Latvia, and Lithuania. Swedbank has operations in other countries such as Denmark, Finland, China, Norway, the United States, and South Africa (Swedbank, 2023c).

# 3 Theoretical Framework

*3.1 Three reasons for engagement*

Drawing from the research and conclusions of Angelika Rettberg (2016) private businesses not only have resources such as capital and job creation but most importantly their central role in society as intermediaries makes them the ultimate partners in sustainable development. The author assumes that takeaways from Rittberg's peacebuilding research apply to financing development issues both nationally as well as internationally, working with local NGOs and multinational development agencies. Through mutual interest as stipulated in the SDGs, mechanisms and concepts of decision-making processes of the private sector can be tapped into to support long-term development activities. The financial resources, knowledge, and innovations retained by banks are crucial drivers of long-term development (Rettberg, 2016).

The reasons Rettberg (2016) presents are "Need, Creed, and Greed". The "Need" for alignment could be the need to reduce risk exposure to the businesses because of climate-related factors but also secure new business opportunities in terms of new markets and products. In the context of this study, banks need to maintain a stable business environment and safeguard their operations and growth. This creates a necessity to engage in sustainable development and where there is strain, crisis, and agency, the 'need' becomes a necessity. However, to meet the necessity, adaptation through innovations becomes the mechanism to meet the need and could therefore be regarded as a rational choice Making a rational choice requires a certain level of opportunity (Tunley, 2011). Opportunities such as government incentives such as tax benefits and subsidies, business opportunities arising from the growth of the green financing market, and competitive advantage resulting from expanding market shares. The decision-making process requires therefore motivation and opportunity (ibid). These incentives and opportunities become too persuasive for banks to align their operations with environmental, social, and governance (ESG) aspects. For long these considerations have been ignored by orthodox economics and financial systems in the pursuit of profit maximization (Walter, 2020; Heller, 2018).

The "Creed" could be the willingness to "do good" or "do no harm". Beyond profit-making businesses may have a genuine conviction to support development activities i.e., not willing to contribute to the destruction of the planet or be part of other social and human rights violations.

These forms of initiatives are known as Corporate Social Responsibility (CSR). Voluntary actions are often beyond legal regulations in consideration of social, environmental, and ethical aspects A way for Corporations to balance the short-term financial returns and the long-term social benefits (Doane and Abasta-Vilaplana, 2005). The World Business Council for Sustainable Development defines CSR as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large” or “Ethical behavior of a company towards society through management and acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business” (Migliorelli, 2021). However, this balancing concept between the financial well-being of a bank and ethical considerations is arguably complex as in many cases in the financial sector, in a trade-off profit certainly wins over ethics (Doane and Abasta-Vilaplana, 2005).

The “greed” relates to the necessity to keep operations running and protect revenue, infrastructure, and personnel e.g., following the classic profit-making business model, there is money to be made from engaging with Sustainable Development (Seuntjens *et al.*, 2015). Translated in various languages, the word “greed” is understood to be “excessive desires”, and “selfish and excess desire for more of something (as money) than is needed” (ibid). Some authors even go further in unethical and immoral forms of self-interest leading practices such as fraud, corruption, theft, and even wars (Balot, 2020; Quah, 2017). Within orthodox economic practices, greed as self-interest is used as a rationale for the maximization of profit and motivation for a booming economy (Fehr and Gintis, 2007); Balot, R. K., 2020; Tunley, 2011; William, 2000).

Greed is an amplified form of maximization in which more is preferred and sought after. There may be a rationale explaining the pursuit of maximization, however, as a result of unethical and immoral behaviors, the continuous desire becomes irrational (Balot, 2001). Greed is also a motivation for bolstering economic growth creating new products and establishing new industries resulting in increased wealth, employment opportunities, and well-being (Melleuish, G. (2009). However, Keely, (2005) and Diener et al., (1999) argue that greedy practices are a systematic issue. Goalposts keep extending, profit generation is never sufficient. In conventional finance profit maximization is usually the intended goal. Decision-making is centered around the intent to maximize gains for investors and shareholders. This regularly entails a fixation on short-term gains, increasing revenue while reducing costs. Although from shareholders, there may be a notion of medium and long-term thinking, there are built-in incentives to do with a short-term approach within the financial system that can prove challenging gains over long-term sustainability and social responsibility.

The ideal intended goal in sustainable finance is that banks and other financial institutions phasing out or circumvent investments or lending to organizations with negative impacts. It is encouraging that lately, these firms and organizations such as fossil fuel, coal, and even tobacco and some arms producing are excluded from recipients of investments and funding by a growing number of banks. Mostly out of pressure from stakeholders such as employees, and non-governmental and governmental organizations. These are companies that Dyllick and Muff, (2016) call "sin companies" (Dyllick and Muff, 2016).

However, some authors such as Skancke (2016) state, that the effects of disinvestment in "sin companies" are slow and minimal. The common viewpoint within the financial sector is that as long as buyers and investors are willing, shares and investments respectively are widely available (Dyllick and Muff, 2016). While others believe that the introduction of sustainability into businesses and finance will positively benefit the sector, some sustainability aspects such as cost and risk reductions may lead to enhanced positive reputations and attractiveness. Success in finance is still assessed and measured in purely economic terms, meaning the focus in the industry is still self-serving. Shareholder value and or profit maximization is still thought with some modifications, the guiding principle for the financial sector (Anderson and Ross, 2005).

Conflicts of interest may arise as banks driven by profit purposes might always face a conflict of interest between the financial objectives, shareholder financial commitments, and their sustainable development commitments. Making a trade-off between making and fostering sustainable investments with long-term yields versus investments in environmentally harmful ventures with short-term financial yields. Therefore, the distinction between the three aspects, "Need, Creed, and Greed" is not straightforward. Whichever reason for engagement in sustainable development the potential to interact and influence each other both positively and negatively for the environment and society is a given factor (ibid).

The pursuit of incentives such as green market opportunities, tax benefits, or even in the form of a competitive advantage can lead to greedy practices by banks such as greenwashing, misrepresenting their engagement with the SDGs. Undertaking gestures and actions without real contribution or effects to the environment or society but just as a PR tool to create a positive image around the bank. This PR stunt creates a transparency and accountability problem. Despite the desire to create long-term stability through responsible ethical banking practices, any investments by individual banks into controversial industries such as fossil fuels in pursuit of profit maximization have the potential to tarnish accountability and transparency. This is something that critics of banks' engagement in sustainable development such as William (2000) always point to. Aspects of greed such as profit maximization are deeply rooted in existing financing structures hence, initiatives associated with CSR are most likely to struggle to challenge these orthodox systems and mechanisms of finance.

On the other hand, the lack of ethical practices in risk management can be detrimental, to the extent that where the bank's existence may be threatened. Integrating sustainability into risk assessment frameworks or lack of can be the difference between investment losses and loan defaults with huge consequences for the bank's performance, stability, and credibility. The risks to society as huge as a collapse of the financial system are even more detrimental with huge consequences on individual livelihoods (Taskinsoy, 2012).

Just looking after own interests and not the environment and society. However, in the context of this study, they were used to understand the motive for banks' engagement in sustainable development issues. Figure 1 below illustrates the correlation between "need, creed, and greed" when engaging in issues outside core business activities.

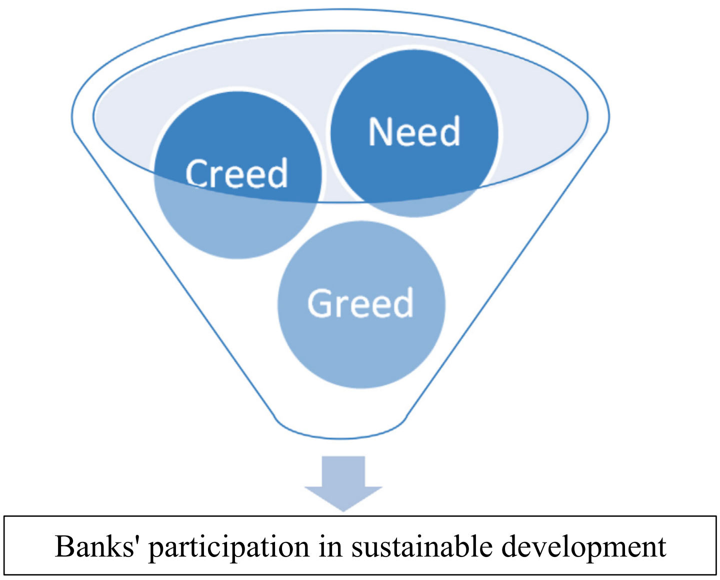


Figure 1. Illustration of the motivations behind the engagement (Rettberg, 2016).

Drawing from the business-as-usual model of the private sector, this thesis author's assumption at the beginning of the case study was that “greed” the necessity to increase profit margins and protect the financial interests of shareholders would be the primary factor when banks engage with development activities. Moreover, based on the assumptions of conventional economic practices, “greed” would be the driving factor for engaging (Dequech, 2007).

# 4 Methodological Framework

*4.1 Research strategy and design*

This study was conducted using qualitative data collection methodology. According to (Hyett et. al. (2014), qualitative methods fit well when studying complex issues such as sustainable development. To understand the banks' motives for engaging, an abductive approach type of qualitative research was chosen. Dubois and Gadde (2002) explained that to comprehensively examine complex issues, a systematic combination approach has to be applied. For this research, a literature review of previous research and theories was first conducted. Thereafter, empirical data from the field in the form of document reviews, published literature, and other publications such as newspapers related to the topic. Semi-structured interviews were also conducted with representatives of the banks. Not only is finding the link between theory and research the basis of qualitative research but also using theory to analyze and interpret the findings of the research (Awuzie and McDermott, 2017).

Qualitative research has faced criticism of being too subjective, and the findings of qualitative research are often branded irreplicable due to the research's unsystematic nature. Moreover, qualitative methods in comparison to quantitative methods do not always develop new models but rather explore existing and new areas, allowing the outcomes to develop throughout the study in various forms (Bryman, 2016, p398-399). However, it is just for the above reasons that qualitative research was chosen for the study. Understanding the reasoning behind the Banks' engagement provides the banks with a chance to elaborate much more on their commitments (Ibid). Therefore, a text analysis and semi-structured interview are believed the natural way for this research to answer the research questions in a relevant and suitable way (Esaiasson et al, 2012 p210)

*4.2 A case study research*

A multiple-source case study involving previous literature, annual and sustainable reports, interviews, and observations is the most appropriate as it allows the researcher to get deeper into understanding the reasoning behind the Swedish Banks' engagement with the SDGs. Case study research gives researchers opportunities to delve into a subject matter using one or more cases to be studied. The objective is to analyze a case or cases with a context. Although the approach has been used across disciplines, case studies are mostly used in social and political sciences (Creswell, 2013, p97-99). The design of research with case studies is entirely up to the researcher to decide depending on the issues and context. Although researchers have vigorously debated whether this is a weakness or strength (Tracy, 2010; Hyett et al., 2014), it is precisely the reason why it fits this particular research. Approaching the subject of this study from different viewpoints will help in understanding the debates concerning banks' engagements with sustainable development.

### *4.3 Selection of Cases*

A purposive sampling approach was used in selecting cases for this study based on relevance to the research questions (Bryman, 2016, p408). Selecting cases is one other fundamental part of a case study. A decision must be made on the criteria of how and which cases would make up the research. For this research on the Swedish Banks' engagements in the SDGs, it was necessary to geographically look at banks with operations in Sweden as well as limit the number of cases. Hence, a decision was made to concentrate on the four largest commercial banks with operations in Sweden. The banks in this study are Svenska Handelsbanken, Nordea (Sweden Filial), Skandinaviska Enskilda Banken (SEB), and Swedbank (Swedish Bankers Association, 2020). The four are also the banks that seem to be recurring in other studies of the Swedish banking sector. Therefore, for this study as well it is reasonable to select the same banks to have a better and deeper understanding of the overall Swedish Banking sector. It is assumed that with 60% of the market share (in deposits), the four banks are a fair representation of the overall sector in Sweden (Swedish Bankers, 2023).

### *4.4 Data Collection*

The data collection process is categorized into two parts. The initial part involved the content analysis of the annual and sustainable reports, and the subsequent part was done through semi-structured interviews with relevant sustainability department heads.

#### **Documents**

The documents reviewed were the Annual and sustainability reports of the four banks for the year 2021. The reports provided information on the SDGs the respective banks have chosen to align with as well as the motivations behind the engagement. Links to the reports are presented in the reference chapter of this study.

The sustainability reports for the year 2021 of the four banks were analyzed based on the Principles of Responsible Banking (PRB). Established by the United Nations Environmental Program as a guide to help the banking sector engage in sustainable development in late 2019 130 banks from 49 countries signed on, including all the four banks in this study. The principles are a unique framework that should guide the signatories not only in navigating and aligning the strategies around sustainability issues but also assist in reaching the United Nations Sustainability Goals and the Paris Agreement (Unepfi, 2023). The Six Principles for Responsible Banking shown in the figure below are Alignment, Impact and Target setting, Client and Customers, Stakeholders, Government and Culture, Transparency and Accountability.


Figure 2. Six Principles for Responsible Banking (United Nations Environment Programme, 2019)

After reading the reports serval times, a text analysis to organize the information in the reports and allow for a critical review of the content was conducted using the qualitative text analysis guidelines as suggested by Esaiasson, 2012, interpreting content by classification into categories and measures. For this study, the categories were established in line with the principles of responsible banking enabling a systemic text and information review (ibid). Hence the table below was designed as the basis for the text analysis.

| Principles | Measures | Examples |
| --- | --- | --- |
| **1. Alignment** | Commitments | Sustainable Development Goals.<br>Principles for Responsible Banking. |
| **2. Impact and Target setting** | Targets on environmental impact minimization versus minimizing negative impact from the bank's activities. | Decisions and actions taken to minimize the negative impact on the environment. |
| **3. Clients and Customers** | Development and guidance of sustainable services and products to clients. | Green bonds.<br>Green mortgage and energy loans.<br>Advisory and guidance for the clients on making sustainable choices. |
| **4. Stakeholders** | Work with stakeholders to strive towards more sustainable practices. | The board engagement.<br>Sustainable investments and policies. |
| **5. Governance and Culture** | Sustainable practices throughout the organization | Implementation of sustainable norms.<br>Application of sustainable practices in every task. |
| **6. Transparency and Accountability** | Evaluation of negative and positive impacts.<br>Report and being transparent about results. | Yearly results of environmental impact.<br>Reporting on sustainable improvements /issues. |

Table 2. Created out of the six Principles for Responsible Banking (2023).

A methodical content analysis using the six principles of responsible banking as a baseline, of the sustainability reports was conducted where any information, idea, and action related to the six Principles for Responsible Banking were grasped appropriately and guided by the measures established in the table above. A methodical content analysis allows for a summative of complex texts into a more digestible form creating conditions for the researcher's reflexivity and validity on how information is collected and analyzed (Esaiasson, 2012).

Various other documents such as the official website of the four banks were reviewed providing additional information about the alignment. Reports and webpages of the Swedish Bankers Association were reviewed giving the study another dimension as the association not only works with the four banks but other banks and other financial institutions in Sweden, in total 32 (Swedish Bankers Association, 2020).

**Interviews**

For this study as mentioned before in the research design section, a qualitative methodology was decided as the most appropriate. Interviews conducted were semi-structured. The interviews were conducted in Swedish. The interchanges and recordings were then transcribed and translated into English with the help of ranskriptor.com before being analyzed. The motive for the semi-structured interviews is that they provided the interviewees with the flexibility to elaborate on their answers, therefore, providing a clear and deeper understanding of the provided answers. The in-person interview was conducted with Svenska Handelsbanken in Stockholm while the video call interview was with Swedbank on two occasions due to the time limitations of the interviewee. Video call interviews are not the most common way in social academic studies, they have their advantages such as time and economic effectiveness. (Bryman, 2012 p.214). The average time for the video call interviews was 25 minutes while the in-person interview was 40 minutes. The structure of questions for both banks was the same. The leading questions were the same and prepared to follow the same themes. It was decided that interviewees would have to be experts in their field i.e., decision-makers and or coordinators in the respective interviewed banks. This was in consideration when contacting potential interviewees. The reason was to provide the study with concrete information, therefore, making the data collection process much more valid. One of the banks was contacted with an interview request by email to the head of the corporate sustainability department. For the other bank interviewed, there was already established contact with their sustainability department because of my previous internship there. It was through this established contact that I was able to secure direct email contact with the representative of the other bank.

Just as in selecting cases, the purposive approach was used in sampling for the interview participants (Bryman, 2016 p408). Campbell et al., (2020) explain that the sampling of participants should always be for the overall aims of the research. In addition, it is a way of streamlining the research allowing for an effective in-depth exploration, particularly in cases where restricted resources are a factor (Bryman, 2012, p.214; Creswell, 2013, p.101). A request for interviews was sent out to all four banks and thereafter a decision was made to proceed with the two banks that offered an in-person interview and a video call interview. The mixture of in-person and video interviews was beneficial as even observations vital to the study could also be captured during the in-person interview while the resources effective video call interviews gave the findings a good balance (Bryman, 2016 p490-492; Creswell, 2013 p163). Limiting the interview sample to only two of the four cases in this study will enable the researcher to undertake a deeper case-oriented analysis. As Collins et al., (2007) argue, the sample size should be able to collect enough data for the research questions. The sample should not impede a deeper analysis and understanding of the study. For this study, it was decided for two interviews to get a more representative view of the engagement. Selecting one bank that has home markets in the Baltics (Swedbank) and another with home markets in Western Europe (Handelsbanken) to compare if the engagements differ depending on the geography of the markets of operation. Moreover, the two banks are the ones who offered interviews with individuals with special expertise and experience, leading the sustainable finance implementation of their respective banks (Palinkas *et al.*, 2015).

### *4.5 Limitations and Delimitations*

This study had a couple of limitations to be considered which the author had no control over. This is what Theofanidis and Fountouki (2019) refer to as obstacles during a research process that the author needs to take into account  (Theofanidis and Fountouki, 2019). In research processes, there are other hurdles such as sample size that researchers are aware of and thus consider and potentially may affect the validity and reliability (Bryman, 2016 p416-417). Therefore, in this context, not a definite representative of a general perception of Swedish financial institutions in the context of this study. According to Theofanidis and Fountouki (2019), there are limitations that researchers set and steer the research toward desired results and are often driven by the research topic and questions. A conscious decision was made to limit the number of banks in the study to four large banks to allow for a deeper exploration of the engagement.

### 4.6 Ethical Considerations

Through this research process, there are ethical issues that may arise and have to be taken into consideration. The ethical issues considered for this study are informed consent, confidentiality, and privacy (Bryman, 2012, p.135). All documents and reports reviewed for this study are publicly available information, hence, none of the data is classified or sensitive. The researcher acquired information consent from the interviewees. The participants were informed of the study and purpose both during the interview requests as well as at the start of each interview. Consent to record the interviews was also secured at the start of each interview. They were informed by the researcher of confidentiality in the study. No information from the interview will be shared with the other interviewee. Any potentially sensitive information or data gathered throughout the interview is to be left out of the study. In the spirit of GDPR, personal information is not to be collected and all recorded data will be deleted upon completion of the study.

### 4.7 Reflexibility and Positionality

Flexibility in qualitative research is the ability of the researcher to critically reflect on factors that may influence the research because of his or her positionality. With a background in finance and economics, the author is slightly biased in this research, which, therefore, may manifest during particularly the interview process. Hence, the authors relentlessly contemplation of preconceptions and tried to confront them as they arose. Despite this, absolute impartiality may not be possible in complex studies such as development issues.

## 5 Findings

***SDGs of priority***

To establish whether the banks in this study have more or less made similar reasoning and perhaps be able to generalize the choices for engagement and implementation of the SDGs, a compilation of the prioritized SDGs is presented below in Table 1. Then analyzed by which SDGs are prioritized by all 4 banks, then by 3, and lastly by 2 of the banks. A review of the annual and sustainability reports of the 4 banks for the year 2021, shows that certain patterns appear regarding the engagement and implementation of the SDGs.

| SDGs of priority | |
|---|---|
| Handelsbanken | SDG 5[5] SDG 8[6] SDG 9[7] Goal 11 SDG 13[8] Goal 16[9] |
| Nordea | SGD 4[10] Goal 5 Goal 7 Goal 8 Goal 9 Goal 10[11] SDG 12[12] Goal 13 Goal 14[13] Goal 15 Goal 16 Goal 17[14] |
| Swedbank | Goal 4 Goal 8 SDG 12 Goal 16 |
| SEB | Goal 5 Goal 8 Goal 9 Goal 13 Goal 16 |

Table 1. Illustration of SDGs of priority by each of the four banks.

***Principle 1: Alignment***

There are several national, regional, and international commitments and pledges by the four banks. However, for this study, the author decided to focus more on the United Nations Sustainable Development Goals (SDGs) and the Principles for Responsible Banking (PRB) of which the four Banks in this study are signatories. However, while contributing to all the 17 SDGs, the different banks have chosen to prioritize some more than others. The following are extracts from some of the sustainability reports on the motivations for engagements.

[5] Gender equality.
[6] Decent work and economic growth.
[7] Industry, innovation and infrastructure.
[8] Climate change.
[9] Peace, justice and strong institutions.
[10] Quality education.
[11] Reduced inequalities
[12] Responsible consumption and production.
[13] Life below water
[14] Partnership for the goals

> “Nordea as a member of the core group of the founding banks and a signatory to the Principles for Responsible Banking, we are committed to the objectives of the Sustainable Development Goals and the Paris Agreement” (Nordea, 2021, p 330).

> “SEB has committed to numerous international codes and agreements and signed frameworks that guide the work of the bank. Among the international agreements that SEB supports are the Paris Agreement, the UN Sustainable Development Goals (SDGs), and Principles of Responsible Banking (PRB) (SEB, 2021 p 57).

***Principle 2: Impact and Target Setting***

According to the content analysis the banks in this study have out of their materiality analysis set up goals that will help them reduce their negative impact while contributing to the achievement of the SDGs. Handelsbanken gives concrete examples of their targets as well as the positive impacts they hope to contribute towards the SDGs: 20% of their financing volume consists of green financing, social financing, or financing that contributes to a sustainable transition by 2025. Net-zero emission of greenhouse gases by 2040 at the latest. Through business development and training initiatives, measurably create conditions for gender-equal savings and thus contribute to the wealth gap between men and women at the latest 2023 (Nordea, 2021 p 40).

> “We have set a goal of net-zero emissions from all investment portfolios by no later than 2040. To this end, we are working towards two main interim targets: a 50 percent reduction in our funds` emissions intensity by 2030 and a doubling of investments in climate-related solutions by 2030” (Handelsbanken, 2021 p 47).

Nordea states in their annual sustainability report that through their medium-term and long-term, their target is to be the leading provider of sustainability services for large Corporations in their home markets. These targets include environmental and climate goals, social responsibility as well as governance and culture goals. Through a materiality and impact analysis, Nordea was able to identify and use inputs of their most significant sustainability impacts for their long-term plan for how to integrate sustainability into their business strategy. Among long-term goals are net-zero by 2050, reducing carbon emissions across lending, investment portfolios, and internal operations by 2030 in comparison to 2019 levels. Having a human rights impact assessment of the supply chain in place by the end of 2023. Integrate sustainability into the people process covering purpose and values, employee value proposition, and variable pay goals by the end of 2030. (Nordea, 2021 p 323-330).

Through the assessment of the bank's portfolio impact, Swedbank was able to present a detailed and complimented materiality analysis where the bank was able to set comprehensive targets with the aim of positively contributing to the SDGs. Targets include building on the achievements of 2021 with a sustainable finance volume of SEK 56bn. Aligning assets under management with the Paris Agreement by 2025 and increasing investments into renewable energies of assets under management to a 3.8 percentage scale by 2040. Cutting direct emissions by 60 percent by 2030 and reaching net zero by 2040. Accelerating energy effectiveness in the bank's premises, cutting it by 15 percent by 2025 (Swedbank, 2021).

***Principle 3: Client and Customers***

Working with clients and customers, through advisory dialogues encouraging sustainable practices and enabling sustainable economic activities. Creating responsible and long-term relationships that further exchange of views and incites concerning sustainability. Helping clients and customers through their journey to transition with sustainable products and services.

> "Swedbank will work responsibly with their customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations" (Swedbank, 2021).

Increasing awareness and expectations from clients and customers in sustainability translate into more pressure on SEB and demand for increased support with services and advice.

> "At SEB we are convinced that we can accelerate the pace of sustainable transition by supporting our customers through close collaboration, providing first-class advice and innovative financial solutions that are tailored to their needs" (SEB, 2023).

In 2021 green bonds issuances reached USD 474bn up 56 percent compared to 2020 and as stated in the sustainability strategy is to continue developing new financial services. The goal is to keep innovating and offering more products that meet the sustainability needs of customers such as social bonds and sustainable bonds. In 2021, SEB was the first bank in the Nordic to offer sustainability-linked supply chain financing (SEB, 2021).

***Principle 4: Stakeholders***

Working with both internal and external stakeholders to strive for more sustainable practices. This includes proactively and responsibly consulting with investors, customers, employees, local and international initiatives, authorities, and partners with consulting on matters of sustainability benefiting from each other's experiences and expertise.

> "Swedbank will proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve society´s goals" (Swedbank, 2021).

Dialogue and discussion with stakeholders on sustainability is a vital part of the bank's materiality analysis. In 2020 surveys with both internal and external stakeholders in Swedbank home markets to identify areas of the core business operations to focus more on the bank's sustainability work and report on. Financial stability and security were ranked among the top areas of focus but also more innovative products in areas of sustainable investments and sustainable finance with a positive impact on society (Swedbank, 2021).

SEB emphasizes on efforts to meet stakeholder expectations. Keeping the stakeholders engaged so that the most urgent and burning issues are prioritized, particularly concerning environmental and climate issues. As awareness increases among stakeholders, the bank has to step up to meet the emerging needs (SEB, 2021).

It is of vital importance in how we communicate and act in various matters related to our sustainability work and strategies transparently. As an employer, part of associations and organizations' stakeholder dialogues will affect how effectively the banks contribute to a sustainable society.

> "All stakeholders have expectations of Handelsbanken. They all wish the bank to be stable and responsive to their expectations. How well the bank manages to live up to these expectations has an impact on the continued success of Handelsbanken" (Handelsbanken, 2021 p41).

Nordea not only aims to use stakeholders' expectations and engagement to hold us to our commitment, to being a responsible bank. We work in collaboration to adhere to regulations and supervisory requirements while contributing to policy discussions as experts in our field (Nordea, 2021).

***Principle 5: Governance and Culture***

Appropriate government structure, policies, and guidelines that further sustainable practices throughout the bank´s activities. Engaging all stakeholders in managing the positive and negative impacts on the environment and society. The following quotes highlight the importance of integrating sustainability policies and practices at all levels of the organization.

> “Swedbank´s definition of sustainability rests on two pillars: Doing things right and Doing the right things. Swedbank has established an ethics committee to support the CEO with effective management and oversight in the areas of ethics and sustainability. The members represent the bank´s various business areas and Group Functions. Members of the Group Executive Committee are represented as well. Swedbank´s Head of Group Brand, Communication, and Sustainability is chair of the committee, whose purpose is to guide the organization to minimize sustainability risks and any negative impacts caused by and for the bank” (Swedbank, 2021 p199).

For Handelsbanken, sustainability risk follows the bank's decentralized model and is in line with the bank's low-risk tolerance. The central board sets goals and targets, and the Group Chief Executive issues guidelines and directions and follows up on the performance through regular reports from the sustainability committee which monitors the targets. Through various initiatives that include capacity building through sustainability training for employees.

> “Handelsbanken´s management and Board receive regular updates regarding progress on the processes for adapting the Bank´s operations to the principles and fulfillment of the goals. Most employees have completed a training course that clarifies the implications of the bank's various comments, including the PRB framework” (Handelsbanken, 2021 p73).

Nordea stresses the need to integrate sustainability and ESG factors into the business strategy and risk management. A comprehensive integration across the entire Group as well as the development of a culture with a focus on a long-term approach is a prerequisite for success (Nordea, 2021 p326).

> “The Board has a leading role in driving the sustainability strategy and is assisted by its committees. At the management level, ESG is organizationally integrated into the existing process for decision-making, risk management, and control as well as

> escalation, including management committee structures. The first line of defense is responsible for managing sustainability and financial impacts, while the second line of defense is accountable for developing ESG-related risk management frameworks" (Nordea, 2021 p326).

***Principle 6: Transparency and accountability***

The alignment and implementation of the existing regulations, guidelines, and good practices concerning transparency in reporting the Bank´s negative and positive impact as a result of their activities and being accountable to the environment and society. Despite that Nordea has decided to incorporate climate impact into the Annual Report, the majority still prefer to publish a detailed climate impact progress separate from the Annual Report. Reporting a requirement for most of the sustainability commitments and initiatives. As a signatory Nordea is compelled to report on their progress.

> "Nordea has reported on environmental and sustainability performance on an annual basis since 2002. In 2021, for the first time, sustainability reporting was integrated into Nordea´s Annual Report, and therefore a separate sustainability report is no longer being published" (Nordea, 2021).

> "Measuring, reporting, and transparency are central tenets of our climate strategy. In setting our climate goals for 2040, Handelsbanken has decided to commit to calculating the emissions our lending operations give rise to" (Handelsbanken, 2021 p 67).

# 6 Analysis of Findings

*6.1 Why engage in sustainable development?*

First, the banks will in their initial phase choose to align with the SDGs closely linked to their core business activities. Observing from the data in figure 4, the scope to which the four banks align with the SDGs is broad, nonetheless, what is clear from the sustainable report of the four banks alignment is closely affiliated with core business activities but also business culture and strategies. E.g., how the banks position themselves on the market concerning society and the environment is perceived to provide a comparative advantage not only on the morality front but also over competitors. As Abshagen (2018) suggests, aligning with and implementing SDGs targets closely relevant to their core business activities and stakeholders builds reputations providing certain advantages to grow market and share value (Abshagen, 2018; Business Commission, 2017, p.23). Attracting new clients and retaining existing ones by positioning the banks as innovators and forward-thinking.

> "Our sustainability policy sets out our principles for ensuring the long-term sustainability of our operations and in so doing, strengthens our long-term, customer relationships and contribution to a greater good. In addition to the policy, we have position statements and sector guidelines that provide guidance and principles for dealing with both business opportunities and risk management" (Nordea, 2021 p333).

As established in the methodological chapter, embracing sustainability comes with other incentives that may be the driving force of the alignment and commitments of banks. The incentives may be a result of other necessities such as market opportunities taping into the growing market for green financing i.e., providing loans and investment opportunities in renewable energy and sustainable infrastructure projects long ignored and largely by conventional financial institutions to be unprofitable (Walter, 2020). However, the debate on whether green products such as green bonds in the pursuit of market shares and investment opportunities contribute to sustainability or are just a repackaging of the business-as-usual corporate bonds. Despite this Handelsbanken in their sustainability report still argues that their focus on the customers, priority is given to the development of new sustainable products and services that meet customers' needs and expectations, what they call a customer-centric approach.

One other concept reoccurring concept in the banks' sustainability reports is the necessity of risk-mitigations and management. It is widely accepted that the banking sector is and will not be immune from ESG-related risks particularly climate-related risks. Therefore, it a necessary to engage in sustainable development, the strains and crises that may arise due to extreme weather may be a threat to the banking system.

The second reoccurring concept in the banks' sustainability reports is the necessity of risk-mitigations and management. That alignment is per the risks identified to be the most pressing for the bank as a business. As revealed in the four sustainable reports, materiality and impact assessments guide sustainability policies and strategies. The banking sector is and will not be immune from ESG-related risks particularly climate-related risks. Therefore, arises the necessity to engage in sustainable development. The strains and crises that may arise due to extreme weather may be a threat to the banking system.

"The Board has a leading role in driving the sustainability strategy and is assisted by its committees. At the management level, ESG is organizationally integrated into the existing process for decision-making, risk management, and control as well as escalation, including management committee structures. The first line of defense is responsible for managing sustainability and financial impacts, while the second line of defense is accountable for developing ESG-related risk management frameworks" (Nordea, 2021).

> "Our financial strength and stability help us to avoid becoming a burden on society. The bank has a low-risk tolerance, which has helped us keep credit losses at a low level" (Handelsbanken Representative).

These risks include threats to the core business activities, the relevance of banks as a sector in society as well as adherence to the interests of shareholders. This is evident in that 3 of the 4 banks have prioritized a strong bond to society. Issues such as promoting gender equality (SDG 5), pushing back against discrimination related to gender, and socioeconomic disparities arising from gender biases. Working to mitigate and build resilience against climate change and its impact. Moreover, resilience against climate change is subject to strong sustainable infrastructure that can support economic development through sustainable industries and innovation. However, critics state that this is s self-serving action driven by revenue generation and profit maximization arising from the growing sustainability market more than just driven by adhering to their corporate social responsibility or ethics (Dyllick and Muff, 2016).

Thirdly, the four banks reinforce the importance of international commitments such as SDGs, and the Paris Agreement when addressing international issues i.e., sustainable development. Despite the general uneasiness about engaging in sustainability, they insist that sustainable development issues were already part of their policies and strategies way before the SDGs. Initiatives such as PRB have made it possible to map out and understand own impact through business models and activities. The goals themselves have become ways to communicate own impact, a language when we have a dialogue with other sectors in society, civil society, or politics, a tool where the common challenges and objectives can be discussed and establish partnerships to meet common challenges.

> "Commitment in Agenda 2030 is quite natural from the bank's culture and values …. precisely our long-term approach to customer relations. The long-term perspective is also something that makes Agenda 2030 very relevant if you want to be a long-term player as Handelsbanken is" (Handelsbanken).

However, in a globalized financial market as the case currently, active ownership may be challenging as the participating banks in the interview have cross-border business activities. Particularly concerning distal investments where finances and investments end up outside the banks' sphere of control with very minimal influence on the end use of the funds as discussed by (Scholtens and van't Klooster, 2019). However, locally and on small scales, the banks attest to having made much more progress through risk management. As a low-risk bank, engaging with the SDGs becomes a natural thing. Many of the themes of the SDGs if not addressed may have a considerable impact on the banking operations as well as customers elaborates Handelsbanken.

*6.2 Can the nature of finance mechanisms change or match sustainability schemes?*

While there are arguments for finance as a driving factor to unsustainable practices, effectiveness in lending and investment practices has the potential to promote sustainability through the application of robust risk assessments (Jeucken and Bouma, 1999) even attested to by the four banks in their sustainability reports. On the other hand, there is skepticism about the extent and effectiveness since studies to this effect are still insufficient (Fleming et al., 2017; Pedersen, 2018), and the limited scope of research in the field makes it difficult to determine the motivations behind the engagement (Van der Waal and Thijssens, 2020).

Even with the good intentions of banks to engage through their corporate social responsibility policies and goals, how effectively are they able to navigate the conflict of interests? Banks particularly commercial banks just like the four in this study are still driven by profit motives and hence may struggle to fulfill their sustainability commitments and financial goals simultaneously. This becomes a systematic issue for the banks even when targets and goals are clearly stated.

Since the $18^{th}$ and 19th-century economic activities and behavior have been driven by rationality, also known as the rational choice theory. The decision-making process is based on the cost and benefit analysis through self-interests (Wortley, R., & Townsley, M. (Eds.) (2016). In finance, rational choices are the best way to achieve the best overall results. Given the short-termism in finance where individuals make decisions based on the immediate information available, it is therefore assumed that choices are purposely made to maximize the intended outcomes of benefits while hoping to minimize losses/costs. On the other hand, given the unpredictability of economic models, Individuals and actors may not always act rationally. Making decisions based on what Smelser, N. J. (1992) calls “knowledge at hand”, decisions made based on part of the available data or information in this regard, outcomes may not be the best possible (Smelser, N. J., 1992).

Discussing reasons for their respective engagement, the two banks interviewed underscored what was presented in the sustainability reports of the four banks, business culture and values be a driving force for their commitments to the SDGs. Being responsible banks is rooted in the pillars of their establishment and existence. The banks stress that many of the issues in the SDGs and Agenda 2030 are central to the banking sector as the stability and success of the banking system depend on secure and healthy societies and economies. Furthermore, there is also pressure from informed stakeholders, society, and employees who today demand more investments in sustainability. In addition to being a fundamental position, the bank had taken long before the SDGs, a decision being a responsible bank, striving for a sustainable, secure, and resilient society for future generations, SDGs become something to embrace, a tool, an aid of explaining what we are already doing (Representative of Swedbank).

> "Commitment in Agenda 2030 is quite natural from the bank's culture and values …. precisely our long-term approach to customer relations. The long-term perspective is also something that makes Agenda 2030 very relevant if you want to be a long-term player as Handelsbanken is" (Representative of Handelsbanken).

However, as urged by Abshagen et al. (2018), how do the banks overcome the conflicts of profitability and sustainable development? Given the present business models of economic growth. Nevertheless, for example, investments in sustainable energy (sun, wind, etc.) and bioenergy by Swedish seven large banks since 2015 have increased from 12% to 28% by the end of 2017. On the other hand, investments in fossil fuels are still at 70% of total investments (Axelsson et al., 2018). Therefore, the risk for "soft" involvement results in greenwashing or whitewashing, the engagement being symbolic and rigid without real substance in contribution to the SDGs as (Abshagen et al. 2018) put it. Particularly when evidence shows that investments by the Swedish banks in fossil fuels keep on increasing, investments and new loans into fossil fuels during the same period are in billions of Swedish Crowns (Greenpeace, 2022). Leading to running the risks of greenwashing become an issue. Through disclosures misrepresenting their environmental commitments shuttering the trustworthiness and reputation, they hoped to portray by engaging in sustainability and one of the main pillars of the principles of responsible banking, transparency, and accountability.

### *6.2 Challenges to the Engagement*

The alignment with the SDGs is not without challenges. The two banks participating in the interview discussed some of the challenges encountered while implementing. The challenge of conflicts between the SDGs themselves. The broadness of the SDGs as previously mentioned in this chapter makes them attractive because each bank and stakeholder can somehow relate their business activities to one or several SDGs at a minimum where they may have either a positive or negative impact.  However, this same broadness poses challenges for those who wish to engage and contribute. Drawing the real estate comment by Swedbank above, incredible opportunities for individuals can harm other SDGs related to the environment and life on land despite contributing to affordable housing. How does one make these difficult trade-offs, as to which SDGs are more important? hence the duality contest as Swedbank explains.

The banks in the interview also discussed other challenges in the implementation process. The insufficient expertise required to best navigate these complex issues as Handelsbanken put it, SDGs are not traditional debates among bankers used in the past, not even in finance academia. However, now there is a lot of sustainable development embedded in numerous studies at universities. Nonetheless, not everyone in the banking sector feels very comfortable with reporting on the progress of implementation. Lack of a holistic understanding of the SDGs, sub-goals, and targets has the potential to affect the validity of reporting thereafter loss of credibility (Handelsbanken). Therefore, affecting the overall delivery of the goals, cherry-picking as critics of private sector alignment usually point to. A lack of knowledge of the interactions and interconnectivity among SDGs leads to an insufficient and somewhat predetermined engagement Abshagen et al, (2018).

The interviewees discussed the dilemma of reliable data running the risk of misrepresenting their disclosures and tarnishing reputations and trustworthiness. When asked to elaborate more on how data availability and reliability affect their levels of engagement as well as reporting on the progress, both interviewees insisted that there is a lot to be done in that regard. Movements within the bank's portfolio and operations can be measured and reported on with certain accuracy, however, there is a lot of the unknown in the context of society and large.
A lack of commonly reliable data means that everyone finds their data and maneuvers the data in the way that suits them. It has been a challenge to find relevant data points on which to report and follow up.

> "Somehow the difficulty is because the SDGs are so broad and that many sub-goals are set from the perspective of a developing country, not far from everyone but still very much so some of the underlying goals have been difficult to apply just in our markets" (Swedbank Respondent).

Given that SDGs are being integrated and implemented individually by the banks at different levels and the universal nature of SDGs requires everyone's efforts, the interviewees were asked to discuss cooperation and collaboration both within and outside the banking sector. Even so, SDG 17 itself is a call for cooperation and all the banks in this study have chosen to align themselves with, how they cooperate and collaborate. Both banks reiterated that the most fruitful cooperation on a global scale is through the Principles of Responsible Banking Initiative when e.g., common frameworks and strategies on the risk assessment on double materiality[15] is very much appreciated. For the Nordics and Swedish level, the noticeable is cooperation through the Bankers association. The association provides a platform where issues and ideas are discussed, and common roadmaps can be drawn up within the rules and regulations governing competition. I.e., in areas of climate change, all banks want to engage, however, from a product and service perspective we are competitors (Handelsbanken, Swedbank). On the other hand, a lot of work is ongoing around the sustainable construction industry where the objective is to counter fraud and human rights abuse.

[15] Double materiality in this context is a consideration of not only how the sustainable development issues affect the bank's activities but how the bank's activities also affect sustainable development.

# 6 Discussion

*7.1 Can the banks afford to stay on the sidelines?*

It is overwhelmingly clear from the revised material and conducted interviews that the banks in this study perform wide-ranging impact analysis throughout all business activities. All four Banks chose to prioritize those SDGs that are closely linked to their core business activities. The advantages of this type of reasoning as described by Abshagen (2018) are that in the context of banks or the financial sector at large, there may certainly be a negative effect that needs to be reversed or the need to contribute and make a positive impact. Given that the sector has the resources at hand necessary to address pressing developmental issues, a comprehensive understanding of SDG implications and outline priorities in terms of purpose and relevance to the banking sector is vital. Hence, natural for the banks to initially prioritize SDGs closely linked with the core business activities, moreover, the right step in delivering on the objectives of the SDGs.

For this context, Banks engage with SDGs close to their core business activities while other stakeholders for example do the same hence closing on each other shortcomings. However, can one say that this is cherry-picking, having a business or sector-oriented perspective compared to the global perspective represented in the SDGs? There are valid arguments as to why this may not be the most effective way to achieve the 'collective' engraved in the SDGs. For example, making trade-offs between investments in social projects and the planet and other investments for example in energy and infrastructure projects which are more financially lucrative. For instance, Handelsbanken in the interview expressed this to be one of the challenges they face, making decisions on the trade-offs between the SDGs. However, can this be a conscious decision on the part of the banks in pursuit of short-term high levels of profits usually associated with such kinds of infrastructure projects as eluded by Abshagen (2018)? Prioritizing profit-making margins, growing portfolios over long-term sustainable goals the social and environmental effects. Often urgent infrastructure needs are in developing countries while most of the financing comes from the developed countries often without full control of the value chain generating risks of human rights and environmental violations. Is this choice doing "do good" rather than "do no harm"? therefore as many studies on conglomerates show, because of further awareness and stakeholder pressure "do no harm" is preferred over "do good". Hence, the need to engage more in SDGs close to their core activities where they may have leverage and perhaps control over these issues (van Zanten and van Tulder, 2018). On the other hand, these infrastructure investments in water, sanitation, and renewable energy are a requirement for the success of the SDGs. OECD (2016) estimated the finance gap to be 1.6 trillion USD annually, funds that are way more than what the public sector has at its disposal. Moreover, does this mean that there is a need for a shift from “do no harm” to “do good”? or “do more good” than harm as argued by (Buhmann et al., 2019).

Findings from this study reveal personal conviction within the banks of the willingness to “do good” as one other motivation to engage with the SDGs. From all four banks, this willingness is expressed firmly. Perhaps inherited from the historical legacy that predates their establishment that shaped the cultures and values. Maybe one can also argue that this willingness to engage comes from the culture and values of the Nordic countries, putting society at the center of development and human well-being. Or is it solemnly due to the banks' corporation strategic decisions and culture? Can this be attributed to pressure from a well-informed society, politics, or shareholders as argued by (Crilly et al., (2016)? Going beyond profit-making and putting forward other gains and benefits such as universal values other than the standards associated with financial institutions has not gone without criticism. Critics of the role of banks in development argue that the engagement lacks substantive and is malicious (Van der Waal and Thijssens, 2020). The short-termism of value creation synonymous with financial institutions does not match the long-term perspective of most of the SDGs.

Just like many other businesses, banks have interests and assets that need to be protected. The need to preserve operations and protect investor revenue and personnel as well as infrastructure is one of the reasons for engagement in matters outside core business activities as described by Rettberg (2016). Despite criticism that the bank's engagement in developmental issues is selfish and indifferent, being part of the society means that one must play a role in the ecosystem. Moreover, the banks' sustainability must consider society's long-term benefits otherwise the consequences to society, economies, and livelihoods can be catastrophic. Therefore, responsible banks need to out of awareness be protective of customer capital as well as employees.

Furthermore, Rettberg (2016) argues that risk management is one other reason why corporations may align themselves with the SDGs. In the traditional neoclassical models of financial risk, mitigation has always been of huge consideration. Reducing financial risk models and mechanisms are used in lending and investment practices. Handelsbanken in the interview and annual report promotes itself as a “low-risk bank”. However, the SDGs also incorporate environmental risk, something that the orthodox financial systems have long ignored hence the environmental degradation trends manifestation we see today (Walter, 2020). The rush for profit maximization has long been the focal point of corporations in Finance, with little or no regard for environmental or societal risks. According to Xie et al (2022), Investments particularly in natural resources have been a source of pollution and climate change. But also, one of if not the primary drivers of development for the countries that have them, particularly developing countries. The link between economic development and the environment has long been overlooked, particularly during the industrialization era (Xie *et al.*, 2022). But the fact is that even after the introduction of the SDGs, economic growth is still a direct driver of development, both positive for some SDGs such as SDG 2 (end hunger) or SDG 8 (promote decent work and economic growth). Negatively for SDG 12 (responsible consumption and production) and SDG 13 (climate change). Moreover, the leading indicator for sustainable development is the measure of GDP which in itself may be a contributor to the increases in carbon emissions as a result of production and consumption (Kostoska et al., 2019; Xie et al., 2022).

However, as much as awareness of this nexus has contributed to the change in lending and investment mechanisms, there is still a lot to be done in enforcing and creating policies that demand the banks broaden risk assessments to include environmental and societal risks. One may argue that banks or financial institutions need to see that there are business opportunities for engaging in SDGs. As Walter (2020) argues, transformative changes are needed if sustainability and resilience in development are to be achieved. This can be achieved by setting up more environmentally friendly products as many banks are doing today. Generating not only economic advantages about risk reductions and increased productivity and efficiency but also advantages in reputation and innovations, particularly when engaging in environmental and societal issues translating into market shares (Baumgartner and Rauter, 2017). Even attested by the four banks in this study through the enormous increases in green products. But then, the broadness of the SDGs themselves may pose a challenge. The conflicts among the SDGs are still something that corporations are still being confronted with. How does one navigate the concept of “do good” or “do no harm” when as a bank you are just part of the ecosystem (Swedbank)? Providing methodical solutions to deliver on the collective that the SDGs need is challenging for corporations. Even though banks are used to dealing with complex analysis, “analysis where there are conflicting goals can sometimes be quite difficult to determine what is right and what is wrong” (Handelsbanken).

Even though the banks in this study aim to indirectly deliver on the “collective”, all the 17 SDGs in the long run, prioritizing individual goals at the expense of others means therefore that delivering on the “collective” will be difficult. Financing and investments in infrastructure which are prerequisites for the development activities such as ending poverty (SDG 1) or ending hunger (SDG 2) may result in the deterioration of land and resource rights widening inequalities (SDG 10) among communities leading to conflicts (SDG 16) not only with authorities but among communities (IDS, 2015). Therefore, there may be a genuine willingness on the part of the banks to engage, however, a lack of analysis on the SDGs as interconnectedness leads to shortfalls and carelessness reporting with a possibility for \`whitewashing\` and therefore loss of credibility for the banking sector as Handelsbanken put it in the interview.

*7.2 SDGs cannot be ignored given the benefits and incentives.*

As Zimmerman (2019) and Scholtens (2016) argue in their research on the role of banks in society, it is not only the tremendous power of influence but also how this power can be used to subsequently influence and inspire other stakeholders in their value chain to engage. Banks have also a role to play by exercising leverage toward investors and customers. Steering investment towards environmental and social positive investment. Both Swedbank and Handelsbanken see huge potential not only in their direct engagement but in inspiring for example customers to make smarter sustainable choices. However, this may be no straightforward issue to navigate since banks as intermediaries would be acting in an indirect role of the value chain. On the other hand, their role might be exactly what would enable a commanding role and hence fundamental to the sector's endeavor in the SDGs. As intermediaries, part of the value chain for example with climate-friendly choices in housing and cars, it is the customers themselves that make the final decisions on these matters. However, the banks provide the products in terms of green bonds as well as other green products and services such as green loans earmarked for energy efficiency purposes. On the other hand, their role might be exactly what would enable a commanding role and hence fundamental to the sector's endeavor in the SDGs. As Swedbank put it “It is not easy to take credit for the transition, how much did we contribute? It is the customer that made the informed decision”. However, by being one piece of the puzzle in society and subsequently, of the transition towards a sustainable future, the banks have a huge role to play. On the other hand, informed and engaged shareholders have proved to be a great influence on the banks, requiring investments in a sustainable future. Shareholder meetings have come to be decisive where requirements and demands are made to the bank executives to justify the investments made in different sectors. With the power of finance, the banks as intermediaries have a central and vital role position with regard not only to economic development but also to environmental and social development.

Recognizing and understanding the central role of banks in society as drivers of change and sustainable development is fundamental. Change not only toward transition but re-channeling vital investments as a driver for economic, social, and environmental development. The power possessed by the banks in enforcing the desired change is from my point of view, the most significant if the objectives set within the SDGs are to be realized. Given the ambiguities between the orthodox finance models and the objectives of the SDGs as touched on by Mhlanga (2018), it is not difficult to see the skepticism of some regarding the banks' alignment with development issues. It is, therefore, reasonable to ask questions as to why banks voluntarily choose to engage with issues that are to a large extent government or public sector responsibility.

## 8 Conclusion

This study began with the purpose of exploring the reasons for the alignment of the Swedish banking sector with the SDG, particularly the four largest banks in Sweden. By examining the annual and sustainability reports of the four banks as well as interviews with two of the four banks and applying the three reasons for engagement as presented by Retteberg (2016). The "need" to reduce risk exposure to business activities as well as pursue possible opportunities as a result of the engagement, e.g., green bonds and lending. "Creed", the willingness to "do good" and "do no harm", move beyond profit-making. And the "greed", the necessity to protect revenue, keep and grow profit margins portfolios through business expansion through the SDGs.
Before conducting this study, the assumption was that the banks would primarily engage in sustainable development for profit maximization, and growing revenue margins through expansions in new markets. However, it is clear through the findings of this study that the reasons for engagement are far more complex than just "need, creed, and greed". Given the need to stay relevant and safeguard their existence as a business, banks have to engage. Not only for themselves, but their significant role in society also calls for the stability of the financial structures as the effects of an unstable financial system can be detrimental to sociality as evidence in the study has shown.

The need to mitigate risks as their business activities get more and more exposed to the effects of climate change and changing social dynamics, leading to uncertainty and volatility which is always a risk to the banking sector. Findings in this study show that risk assessment and management, both financial and environmental were most prevalent in the analysis guiding their engagement. The investor interests and their revenues are the lifeline of the banking sector and must be protected. Conversely, this is when collaborations and awareness of all stakeholders come into play propelling the banks and pressuring them to live up to their sustainability commitments. As stipulated in the annual and sustainability reports of the four banks in this study, there is a real conviction to engage in development issues proclaiming historical culture and values. Moreover, the universality of the SDGs makes them hard to ignore thus the necessity to engage with the SDGs.

Due to the proclaimed historic values and culture of the development issue engagements, further examination was also done on the sustainable development environment in Sweden.

The findings demonstrate that Sweden has been a pioneer in engaging with development issues for a long time. Conclusions drawn here are that government policies have had a fundamental role in long-term encouragement and facilitating the best possible conditions for private business engagement in the SDGs. The accepting environment has been of great empowerment for the banks to make ambitious commitments and strategies.

As the effects of climate change are becoming more and more real, negatively hampering development efforts and threatening the essence of society, banks as intermediaries with such a vital role in society are becoming ever more fundamental in addressing sustainable development. Despite ambiguities on the role and purpose of engaging, it is clear both from the findings of this thesis as well as recent research by Abshagen (2018) that the financial sector is working hard in engaging with the SDGs but that a lot more needs to be done. However, the banks need help and partnership in accelerating and making the necessary changes that need to happen to make decisive contributions to the achievement of the SDGs. Robust partnership between the public and the private sector. Just like target 17:16 calls for the enhanced partnership for knowledge, and expertise, there is a need for a multistakeholder approach to reform and reinforce collective action in support of the SDGs. The banks in this study call for more regulations and as well as the availability of reliable data. Regulation and mechanisms which facilitate the integration of SDG indicators into financial guidelines. This will allow the shift towards a more long-term strategizing that is necessary for SDG engagement. Regulation that turns today's voluntary code of conduct into an obligatory one. Creation and enforcement of guidelines and policies about dos and don'ts and complementing them with an affirmative drive on risk reduction by presenting the business opportunities obtainable by engaging in the SDGs. As Handelsbanken put in the interview "How does one know that they are contributing to the overall delivery of the SDGs?". Hence the need for these policies and guidelines. Accurate analysis and identification of impacts and drivers are subject to reliable data. Through partnerships, the banks require support from relevant stakeholders with the know-how about what is to be measured.

Finally, I conclude, just like in the introduction. The Universality of the SDGs makes them difficult to ignore. Engagement is no longer "willingness" but rather a necessity to avoid catastrophic consequences not only for society but also for the financial sector. If the financial sector does not take more action and seize on currently available opportunities, future risks will be too large to manage therefore a danger to the sector and society at large.

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# 10 Appendix

## 9.1 Interview Guide

**Original guide in Swedish used in the interviews.**

Denna är en guide som används för de två semistrukturerade intervjuerna i denna studie. Alla intervjuer inleddes med en presentation och syftet av studie. Därefter informerades intervjupersonerna om författarens etiska riktlinjer samt samtycke till att spela in intervjuerna.

- Skulle du beskriva din nuvarande position i din bank?
- Hur länge har du arbetat på din nuvarande position?
- Hur började du jobba med hållbarhet?
- Hur många arbetar med hållbarhet i din bank?
- Hur började din bank arbeta med de globala målen?
- Vad skulle du säga är orsakerna bakom din banks åtaganden för globala hållbarhets målen?
- Finns det vissa mål som ni som bank har valt att fokusera på mer än andra och varför?
- Vilka möjligheter ser du för din bank med engagemanget i frågor som rör hållbarhet?
- Vilka ser ni som utmaningar för din bank och finanssektorn i stort när det gäller engagemang i frågor som rör hållbarhet?
- Hur samarbetar ni kring hållbarhetsfrågor, inom finanssektorn eller mer andra intressenter?
- Hur ser du på framtiden? Tror du att dina åtaganden kommer att förändras på något sätt?

**Translation from Swedish**

This is a guide used for the two semi-structured interviews in this study. It is a translation from Swedish from which the interviews were conducted. During the interviews, the order of the questions was not followed as some were answered through follow-up questions and elaborations by the interviewees. All interviews kicked off with a presentation and the aim of this case study. Then the interviewees were informed of the author's ethical guidelines as well as consent to record the interviews.

- Would you describe your current position in your bank?
- How long have you been working in your position?
- How did you start working with sustainability?
- How many of work with sustainability in your bank?
- How did your bank start to work with the Sustainable Development Goals?
- What would you say are the reasons behind your bank's commitments to Sustainable Development Goals?
- Are there certain goals your bank has chosen to focus on than others and why?
- What opportunities do you see for your bank with the engagement in Sustainable development issues?
- What do you see as the challenges for your bank and the financial sector at large regarding engagement in sustainable development issues?
- How do you collaborate regarding sustainability issues, within the financial sector or other stakeholders?
- How do you see the future? Do you think your commitments will change in any way?