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Sustainable Funding: The Future Role of Finance Suppliers in Sweden Promoting Green Real Estate.

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Abstract

This report investigates the relationships between Corporate Social responsibility and how it affects Swedish banks' role in promoting green real estate. The foundation of the analysis is a qualitative study based on interviews that were conducted on Swedish banks. The earlier theoretical work describes the essence of the successful implementation of CSR and how this affects a financial supplier. The theoretical data was based on material from earlier verifiable articles and books with similar contexts. The analysis is a major part of this report, where a particular exploration of banks' role in promoting sustainable development captures its effects on the banking sector. The respondents explained that the people working within the Swedish banks' were satisfied with the overall sustainable development, however, they were keen on developing it more due to the stakeholder pressure, in doing so trying to protect its reputation. The bottom line is that the study says that CSR has been developed into other sustainability development tools that play a central role in the banking sector and also in any other industry. It is also important that the top management keeps working on continuous improvements regarding sustainability to stay on top of the markets and to cope with its continuous pressure

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1. Introduction

As the world becomes more conscious of our impact on the environment, sustainability is one of the most talked-about topics today. It is a long-term goal for our society to meet the needs of economic growth at its current speed with the least impact on the environment. It attracts immense attention from stakeholders, where sustainability engagement can contribute to a firm's overall success. Corporate social responsibility refers to a firm's commitment to developing sustainability. CSR is usually viewed as a public relations effort, but it goes beyond this as it can boost a firm's competitive edge, including better brand image, recognition, and reputation. It may also give easier access to funding from finance suppliers because there are a lot of investors willing to support firms that practice CSR (CFI). CSR and its effect on businesses alone would be an interesting topic to look into; however, this is too broad; therefore, the thesis will be narrowed down by focusing on its importance regarding shareholders in Swedish banks. Specifically, how CSR affects financial suppliers in deciding why they use green funding in sustainable real estate projects. In this sense, due to the link between CSR and reputation, increasing attention has been devoted to the effects of CSR on the financial performance of banks.

Banks play a role in our everyday lives, and, like other big businesses, they influence many aspects of our society. Investments and loans that banks give out can have negative and positive impacts on our society. Swedish banks are renowned for their progressive practices and how they have incorporated CSR into their operations, including their role in promoting green real estate, which can all be seen in their sustainability sections. One of the Swedish Central Bank's goals in sustainable development is to encourage international cooperation to promote this and reduce the risks linked to climate change. Consequently, in line with the intentions of the Riksdag and the government, the Riksbank shall act to regulate the financial system that reduces risks linked to climate change (Sveriges Riksbank). The banks that will be used for this thesis are Swedbank, SEB, and Norion Bank. This report aims to investigate and understand the influence of CSR on the strategies of Swedish banks, especially in promoting green real estate. The report aims to highlight the impact of CSR on these banks' practices, explore their sustainability development,

and provide insight into the Swedish green real estate market. This research could help future banking strategies, CSR initiatives, and other sustainable development efforts in the Swedish banking sector.

1.1 Background Description

The Swedish banking sector has been using corporate social responsibility initiatives, recognising the role of businesses in building a sustainable future. The sector has implemented a range of measures to promote responsible banking practices that prioritize social and environmental impact alongside economic performance. This commitment to CSR has helped the sector establish itself as a leader in sustainable finance by developing bonds and other funding to support the green real estate sector.

Statistics from the big Swedish banks tend to show a positive correlation towards more sustainable development in the real estate market, where the banks increased their spending on sustainable financial tools. SEB has increased its development of green assets since 2020, when it went from 5 billion SEK in 2020 to 5.1 billion SEK in 2021 and 22 billion in 2022. The increase is not as clear for the spending of these bonds on the real estate sector since the bank used up 1.5 billion SEK in 2020 but decreased the amount down to 1.4 billion SEK in 2021, even if their total green bond assets increased from 2020 to 2021. There was an increase for 2022 since it went up to 4.4 bn SEK in comparison to the earlier years. Swedbank shows that in their sustainability financial reports, the total sustainability assets have improved over the years. For 2020, it had 18 344 mSEK; in 2021, it improved to 44 655 mSEK; and it increased to 59 297 mSEK in 2022. There was a positive correlation between increased amounts of sustainable assets and the increase in spending on green real estate. In 2020, Swedbank used up 13 632 mSEK; in 2021, they used up 40 277 mSEK; and in 2022, they used up 45 064 mSEK.

The Swedish banking sector has shown quite an increase in its total sustainable assets throughout the years. However, SEB and Swedbank ESG ratings per institute differ between the years. SEB's Sustainalytics ESG Risk rating from 2019 was 23,0, while in 2022 it increased to 24,0, which is a considerably low rating since the high ratings are 40,0 and up. The MSCI ESG rating measures a company's resilience to long-term, financially relevant ESG risks, which is

considerably better. From 2019 to 2022, it has a rating of AA, where the scale is AAA-CCC. For Swedbank, it was the same as in SEB for the MSCI ESG rating since they have AA, and for the Sustainalytics ESG for 2022, they had 21.7; however, for 2023, they increased it to 23.4. At Norion Bank, they follow the NASDAQ ESG guide. This is an ESG transparency partner, and these certifications are given to firms that showcase a high degree of transparency in ESG. It seems that when it comes to the ESG part of this sector, they are doing quite well in the long run; however, for the Sustainalytics ESG, it shows that they are quite poor in the sense of scale.

With more focus on sustainability reports in the Swedish banking sector, it is noticeable that there is a concern with showing the correct numbers that represent the firm. Due to the importance of sustainability initiatives and potential setbacks, firms may manipulate this measurement to make it look like they have better initiatives than they do. Greenwashing is an issue nowadays, and banks need to have the correct sustainability data. Greenwashing refers to when a company makes false or exaggerated claims about its environmental responsibilities by selectively disclosing information or presenting misleading narratives (Shi et al., 2023). To avoid greenwashing, funding needs to be more transparent, and the Swedish banking sector sees this as of great importance. This sector aligns with the central bank's stance on the issue. Riksbank addresses this by developing a transparency statement to align with the correct numbers. One area that they looked into was doubtful loans, where the Riksbank has emphasized that transparency should be increased so that investors can better understand the risks and quality of the banks' loan portfolios to minimize the chances of greenwashing. (Riksbanken, 2022) They should also ensure that their ESG commitments translate into real action by maintaining transparent communications and providing reliable information on their CSR initiatives.

By addressing greenwashing, Swedish banks can build trust with their stakeholders and potentially improve their financial performance in the long run. A stakeholder is any individual that has an interest in an organization and the outcome of its actions. Different stakeholders have different interests, and companies often face trade-offs between them. The thesis will mainly focus on shareholders and their reasoning behind pressuring banks into engaging in CSR activities. Major concerns regarding banks' interest in CSR may be due to the benefits shareholders can gain from this and its long-term financial goals. The potential effects on

stakeholders and if there is any underlying reason why a bank would manipulate sustainable data by implementing greenwashing. Swedish banks already use ESG to measure different sustainability criteria to grade how sustainable a company is. ESG showcases a company's effects on environmental, social, and governance aspects of sustainability. Edmans (2022), in the article "The End of ESG," considers ESG a conventional approach when it comes to investing and research, offering the perspective that ESG should be viewed long-term. It should also create some value, regardless of how it fits into an ESG framework.

Lastly, several innovative financial tools are used to support firms during these difficult economic times. For a better transition, sustainable finance embraces new debt securities, such as green loans granted by multilateral and commercial banks, green bonds issued by public sector entities and private firms, as well as ESG investments (Baldi and Pandimiglio, 2022). This thesis will investigate how Swedish banks finance green real estate projects and how these financial terms differ from other funding. And also look into how their budget has focused on future investments such as these compared to earlier years. The thesis aims to investigate and understand the influence of CSR on the strategies of Swedish banks, especially in promoting green real estate. It aims to highlight the impact of CSR on these banks' practices, explore their sustainability development, and provide insight into the Swedish green real estate market. This research could help future banking strategies, CSR initiatives, and other sustainable development efforts in the Swedish banking sector. The thesis's results will be based on a qualitative approach that will provide significance to our analysis. The conclusion is based on the results and analysis, which will focus on shareholders' reasoning behind implementing CSR initiatives to fund green real estate.

1.2 Research Question and Problem Discussion

1.2.1 Research Question

How has the emphasis on corporate social responsibility affected the Swedish banks' role in promoting green real estate?

1.2.2 Problem Discussion

CSR is a phenomenon that affects businesses in many different ways if not implemented and followed in a way that corresponds to social, environmental, and governance feedback. Since there are a lot of different approaches to a business's success in implementing CSR, there is also potential backlash that can strictly affect a firm's future. Banks are used by everyone, which is why they need to have a clear vision that aligns with CSR to help them cope with pressure from society and the stakeholders within the company.

Sustainable finance has introduced innovative financing tools for real estate projects, such as green bonds and sustainability-linked loans, which enable real estate developers to access capital while exhibiting their commitment to sustainability. Green bonds have emerged as a popular financing tool for environmentally friendly initiatives, including green real estate projects. The popularity of these bonds has grown immensely since they were issued in the international capital market in December 2020 and accounted for 3.5% of the total. In 2016, it was just under 1% (Baldi and Pandimiglio, 2022). These bonds are differentiated from regular bonds by their label, which signifies a commitment to exclusively use the funds raised to finance or refinance "green" projects, assets, or business activities (Danske Banken 2019). The issuance of green bonds broadens firms' funding sources and increases their focus on their sustainability efforts. Sustainability-linked loans are a loan instrument that incentivizes the borrower's achievement of ambitious, predetermined sustainability performance objectives (Loan Association market).

Sustainability-linked loans have exceeded greatly in the real estate market, and the Swedish banking sector has increased its overall budget and terms on these. However, the issue that can come with this is that the banking sector needs to increase its green revenue to increase these green bonds. A study with a similar investigation as this thesis investigates the sustainability benefits of financing green buildings, as they have attracted significantly more attention globally. It regarded green buildings and mentioned that green buildings only account for a fraction of the total 24.7 trillion dollars in investment opportunities in 2030. In 2013, it was significantly lower, as 148 billion of the total 5.6 trillion was invested in green buildings (Debrah, Chan, and Darko, 2022). And, according to Debrah, Chan, and Darko (2022), there is a need to close this gap by leveraging innovative financing tools such as green finance and including green bonds. In this

sense, according to the study, governments around the world are promoting the development of green finance in green buildings. This was identified as essential in financing climate change action for nations regarding risk reduction, the Paris Agreement, and sustainability goals. These financial tools apply to green buildings as a climate change mitigation action within the real estate sector. The findings from this investigation indicate that green funding in green buildings has been under-researched, and the green finance parts have been under-researched as well. The underlying reason behind this could be inadequate funding since there are plenty of investment opportunities (Debrah, Chan, and Darko, 2022).

The actions of Swedish banks could significantly influence the Swedish real estate market by using their sustainable assets, and they could potentially make more sustainable development efforts. At this moment, it is easier for banks to measure the environmental effects of the real estate sector by measuring energy efficiency and greenhouse gas release. However, it is more difficult to measure the social effects. Sustainable real estate investments can be beneficial in terms of financing, especially since there are potential long-term financial gains, and with more awareness of the topic, it can lead to future demand. CSR activities in banks can improve their financial performance by reducing upfront costs, increasing revenues, and reducing the risk of investment. In the study by Khalil and O'Sullivan (2017), they investigated CSR concerning Internet, social, and environmental reporting (ISER) in Lebanese banks. They stated that CSR had a positive impact on the community and the bank in terms of brand image and differentiation, and therefore it is perceived as a win-win situation. ISER was naturally linked to financial performance because the higher the profitability of the bank, the higher the budget allocated for CSR.

There are numerous benefits to investing in green real estate, although it comes with challenges. Challenges include balancing profitability in the banking sector since some changes could be expensive. However, a study that looked into the sustainability changes in the real estate market in urban areas found that economic incentives play a significant role in shaping sustainability actions within the sector (Nyoni, Broberg Piller, and Vigren, 2023). The study's result indicates that in the real estate sector, it was worth noting that nearly half of the respondents strongly agreed with the statement that the anticipation of increasing energy and resource costs serves as a

significant motivation for undertaking sustainability initiatives (Nyoni, Broberg Piller, and Vigren, 2023). The incentives come from the rising costs of resources, which may serve as an incentive for sustainability changes in the real estate sector. These changes could take time, and there needs to be a certain yield to maturity to justify the funding. The risk of these investments is carefully calculated by Swedish banks and the real estate sector to make sure that their financial reports are up to par. A lack of sustainable materials and technology in certain regions can put a hold on the project. Investors may view sustainable projects as riskier due to unfamiliar technology or uncertainty around potential returns on investment, which can lead to limited funding. Financial suppliers need to compare the risk to the actual gains of implementing CSR strategies that focus on sustainable investments. Since potential risks lead to uncertain future cash flow, the benefits of funding sustainable real estate might not exceed the positive feedback from stakeholders. These issues can cause hesitation from a financial supplier, which is needed when developing a sustainable property.

Shareholders are another part of the banking sector and could have several different reasons for implementing CSR initiatives. These initiatives could help a bank attract more investors by showcasing good risk management and sustainable impact. For instance, implementing CSR and investing in sustainable projects could lead to happier investors, and a bank could gain financially from this, according to Khan *et al.* (2024). This is of importance because banks that fund these investments showcase to their shareholders that they are doing their part in following relevant issues by focusing on the ethical and sustainable parts. It is also important to know that most of the investors in banks have green funds invested, therefore putting great pressure on the Swedish banking sector to generate green revenue (Khan *et al.*, 2024). Since there are benefits to using CSR, firms could mislead stakeholders by exaggerating sustainability claims. Many stakeholders may demand that a bank use certain green services; in turn, this can lead to them portraying sustainable statistics better than they are. Nowadays, sustainable initiatives are shown in Swedish banks' financial reports, which indicates that they are setting aside a lot of their revenue to fund different green real estate projects with specialized financial tools.

Greenwashing is an issue that may arise from these specialized financial tools. A company that portrays itself as more sustainable by following CSR or similar measurements may exaggerate

by showing that they are following sustainable initiatives; however, this is not always the case (Riksbanken, 2022). In a study based on Chinese enterprises, the authors stated that greenwashing can promote the improvement of corporate value through sustainability implementation. It was the implementation of carbon disclosure quality where they found that this greenwashing behavior was most effective in the short run and that the effect in the long run tends to fade (Cao et al., 2022). Misleading claims regarding sustainability measurements may affect investors' confidence and decision-making in the banking industry. There can be potential for backlash if they have not carefully looked into the exact details of their investments regarding sustainable development, such as losing funding or potential customers.

2. Theoretical Reference Frame

2.1 Introduction of The Theoretical Framework

The theories and previous research cover various aspects of corporate responsibility, including stakeholder theory, CSR, informational asymmetry, ESG activities, and the use of blockchain technology to reduce greenwashing. These sections highlight the importance of considering the interests of all stakeholders, not just shareholders, and the benefits of CSR, such as improved reputation and increased customer loyalty. Additionally, it discusses the negative impacts of informational asymmetry and greenwashing on consumer trust. The studies presented suggest that ESG activities positively affect firm performance, but their impact on bank diversification is nonlinear. Lastly, the studies also emphasize the importance of a long-term approach to ESG and the use of blockchain technology to increase regulatory transparency and reduce greenwashing.

2.2 Previous Research

The study by Ludwigsson and Hong (2022) was made to examine CSR communication in Swedish banks. The study intends to measure how different messages related to CSR influence and CSR authenticity will lead to better consumer response. Three different message content factors were measured: issue importance, commitment, and impact. Ludwigsson and Hong (2022) found that banks use a combination of message content factors, some of which are used more than others. It turned out that commitment was used most frequently when communicating CSR; second was issue importance; and last was impact. They also found that message content factors affected the customers to different extents. Their study then revealed that different message content factors varied for trust; communications that showcase the banks' actual performance and impact tend to directly increase trust; thus, communications regarding the banks' intentions and plans depend on how well they can communicate CSR to positively influence trust. Furthermore, the study showed that a bank's CSR initiatives do explain the positive impact of engagement on the consumer response variables measured in the study.

To gather more data for the thesis, CSR strategies were looked at and how they enhance advantage and reputation. Mai, Nguyen, and Nguyen (2021) have in their study tried to identify the mediating role of a firm's reputation on the relationship between CSR dimensions (economic, legal, ethical, philanthropic, and environmental) and competitive advantage, but also how a firm can gain competitive advantage with CSR. In this study, they take real estate companies into account, among others. The results from this study showed that implementing CSR in a corporation contributes to a better reputation and can generate competitive advantages. One exception is economic CSR, which does not have a positive relationship between reputation and competitive advantage. The study also shows that every dimension of CSR except environmental has a positive direct effect on competitive advantage.

Mai, Nguyen, and Nguyen (2021) also found that these results can be guidelines for firms that want to achieve a competitive edge in the market. Furthermore, the authors conclude that CSR should be implemented as a long-term strategy to gain reputation and competitive advantage. According to the study, this can be implemented in three stages. Firstly, managers should pay attention to systematic and well-structured plans and programs for corporate responsibility and their reputation. Secondly, the managers should maintain and develop a good reputation in the industry to create a competitive advantage. Lastly, managers should pay more attention to ethical CSR, legal CSR, philanthropic CSR, and economic CSR to generate competitive advantage.

Further, the relationship between environmental, social, and governance (ESG) activities and bank diversification was looked at to support the thesis. Saif-Alyousfi, Saha, and Alshammari (2023) find that ESG activities and bank diversification are related in a nonlinear manner, with environmental and social factors negatively impacting bank diversification, while governance has a positive effect. The study found a clear impact of ESG on bank diversification in developed economies compared to developing countries. Better ESG usage affects bank diversification through changes in capitalization, management quality, and liquidity. The study analyzes the interaction effects of ESG and individual dimensions with CAMEL (capitalization, asset quality, management efficiency, and liquidity) on bank diversification using a two-step system called GMM (generalized method of moments). Additionally, the study includes descriptive statistics and interaction effects for different income countries.

The study "The End of ESG" by Edmans (2022) is about the conventional approach to environmental, social, and governance (ESG) when it comes to investing and research. The article offers a perspective and a theoretical framework based on how ESG could be approached. This should be viewed as long-term, and it is important to study issues that create value, regardless of whether they fit into the ESG framework. The author highlights several implications for academic research, including the need to be more broad, less monotonic, more granular, and less quantitative in the approach to ESG analysis. The study emphasizes the importance of understanding both the positive and negative aspects of ESG (Edmans, 2022). It was also discovered that ESG should be viewed as a separate niche field and that the integration of ESG into mainstream business practices and investment analysis should be a long-term integration. The author suggests that long-term factors when valuing a company are not ESG investing but rather an aspect of investing in yourself. A balanced perspective on ESG is also addressed in the study, acknowledging both its pros and cons and stating that the value of ESG in business should have a nuanced understanding (Edmans, 2022).

According to another study, the development of greenwashing has a detrimental effect on green credit implementations, which leads to a gradual increase in regulatory pressure on banks. Greenwashing can lead to several negative effects on the company, for example, costs due to unsatisfied customers, according to Xu and Tian (2023). The study then explores the impact of blockchain technology on the behavior of banks and firms regarding green credit regulation. Xu and Tian (2023) constructed an evolutionary game model to simulate the dynamic evolutionary path of their decisions, and numerical simulations were conducted to investigate the effect of different variables on the evolutionary stabilization strategy. The study discovers that the use of blockchain technology can increase regulatory transparency in the financial sector and reduce the incentive for firms to engage in greenwashing or default. It also suggests that there may be a threshold for green credit lines that can increase the incentive for banks to adopt blockchain regulation.

2.3 Theory

2.3.1 Stakeholder Theory

Stakeholder theory suggests that a firm should consider the interests and concerns of all its stakeholders. This includes employees, customers, suppliers, investors, and everyone else who can be affected by the firm's actions (ScienceDirect, W.Y.). Shareholder relations is the main area that will be investigated for this thesis. According to Fassing (2009), stakeholders can be categorized into three groups: real stakeholders, stakewatchers, and stakekeepers. The real stakeholders have more stake in the company and possess power and influence; therefore, firms have a responsibility towards them, for example, shareholders. The stake-watchers don't have the same stake as real stakeholders; instead, they protect the real stakeholders' interests. They consist of different associations that protect customers' rights, the environment, and shareholders. The stakekeepers are, for example, the governments, the press, the media, the courts, and more. They have no stake in the firm; instead, they have some external controls and regulations on the firm. They are completely independent of the company but can indirectly and externally impose liability. The company has no responsibility for stakekeepers (ScienceDirect, W.Y.). The real stakeholders, with a primary focus on shareholders, have a big influence on a bank's decision-making process. Since shareholders are most often the owners of the institution, they're seen as the most critical owners. Their influence in a bank's decision-making comes primarily from their voting rights, board representation, dividend decisions, and shareholders' activism. There could be potential underlying reasons for their base since they have invested in the bank.

2.3.2 Institutional Theory

Institutional theory is another one that will be used for this thesis. It is a sociological and organizational theory that can explain why structures and practices become entrenched and also why and how these can change (ScienceDirect, W.Y.). By understanding this theory, organizations can better comprehend why they act in certain ways, like adopting norms or due to external pressure. For this thesis, this theory plays an important part; thus, it can explain how norms, values, and regulations in the Swedish banking sector influence the banks' role in promoting green real estate. The study by Khan *et al.* (2024) investigated the central role of institutional factors in shaping the environmental responsibilities of Chinese-listed firms.

Findings from this study indicate that subnational institutions (regional development, state-owned enterprises, and firms listed on the international stock exchange) have a positive effect on green investments. This is because of media attention, government interference, strict rules, and legal requirements, for example, that are associated with these formal institutions. Further, this study finds that green investments improve financial performance. According to the authors, this has to do with a better corporate image and more trust from environmentally sensitive stakeholders. In other words, this may send positive signals to society and the government, which is a competitive advantage for the firm and a positive effect on financial performance (Khan *et al.*, 2024).

2.3.3 Informational Asymmetry

The last theory that will be used in this thesis is informational asymmetry. This focuses on when one party in an economic transaction has more information or knowledge than the other party. (Hillier *et al.*, 2020). According to Hillier *et al.* (2020), managers should know more about the company than outsiders, such as shareholders, because they work at the company every day. In the banking sector, there can be asymmetric information between investors and those working in the bank, primarily in the sustainability department. Since those who are involved in the daily work have more knowledge and inside information about what is being done towards sustainability, investors, on the other hand, do not have the same information or the same amount of knowledge, and therefore informational asymmetry can appear between the two parties. The banks can use this to gain advantages over the shareholders (Hillier *et al.*, 2020). The study by Rehman *et al.* (2021) investigated the moderating effect of ownership concentration on the relationship between corporate social responsibility performance (CSR) and information asymmetry in firms in China. The study found that CSR positively affects information asymmetry and that ownership concentration has a more negative effect on the association between CSR and information asymmetry. If a company or bank increases its CSR initiatives, there may be a tendency for information asymmetry to develop at the same time. The communication between banks and shareholders is incredibly important, and the banks can then exploit this to attract more investors or make the existing investors satisfied by being transparent.

3. Method

The purpose of this thesis was to investigate CSR and its relations with sustainable development in banks. To interpret and understand the relationship between sustainable development and stakeholders, the results needed to be in the form of what was gathered during this qualitative approach. The information used to answer this topic was gathered by analysing and interpreting the results. To gather the correct material for this thesis, interviews were conducted based on 11 questions, with the first one regarding CSR having sub-questions. Conducting interviews within a bank gave the most relevant information since it was based on the respondent's expertise and reasoning behind CSR initiatives. For this to work, it needed to provide enough relevant information regarding the subject to be used in the analysis. To conduct the interviews properly and to ask the right questions, an interview guide was created. This was also because it was important to follow the answers and not forget relevant questions. The questions were set up in a semi-structured way, so all the respondents interviewed were asked the same questions in the same order. These were set up to be more like a discussion than a questionnaire to make them more fluent. The interviews always focused on all scientific requirements and ethical principles. The following was used for this: the respondents were anonymous, approved the purpose of the investigation, approved their participation, and they were also recorded. This can all be viewed in Appendix B. This was done to make sure that everything went as smoothly as possible and that nothing should be questioned afterward.

The information collected for this thesis was based on the insights of bank employees. An interview was deemed suitable for this type of data collection as it allowed for a qualitative approach to gathering relevant knowledge. By asking the right questions and ensuring that the respondents were willing to provide detailed answers, they gained valuable insights into their opinions and thoughts on the subject matter. There was space for follow-up questions, which were built on the respondents' answers to limit miscommunication. This was an effective method by which the respondents could develop their answers. With this method, the interviews were more nuanced, and at the same time, the respondents came up with new information while the interviews were conducted, which made the answers more in-depth and helpful in the analysis.

The method and the carefully thought-out questions did not put the respondents in a corner and instead made it easier for them to give a thought-through answer.

The questions were structured in a way to avoid answers such as yes and no. Instead, the respondents were invited to speak freely and give more detailed answers. The interviews were meant to be conducted face-to-face, but since time was limited and there was quite a distance between some of the respondents, it felt that the reasonable way to go was by conducting interviews in teams. The use of this did not limit the respondents since the questions were misinterpreted, and if so, they could have been clarified. It also made it easier for the respondents to give more detailed answers and gave us chances to ask follow-up questions. The data was recorded for later use in the results and made sure that all the focus went on conducting the interviews.

People working in Swedish banks were interviewed for the collection of data. The thought process was to gather as much relevant information as possible for later use in the results and the analysis. The interviews were conducted at different Swedish banks, and they all worked in key departments such as investments and sustainability, particularly sustainability development. This approach was used to explore different thought processes behind project investments regarding sustainability, and the interviews were conducted at different Swedish banks. To create a suitable basis for the analysis, the selection was limited to Swedish banks that have implemented sustainable development. Subsequently, mostly the larger banks were contacted; however, to see a difference in the banking sector, there was a decision to contact a few smaller banks as well. The selection of banks was as follows: SEB, Swedbank, and Norion, which all gave their input on the use of CSR. When it came to choosing respondents, it was important for the qualitative interview that the number of respondents was not too large, as this would be time-consuming. From this, four people at SEB, one person at Swedbank, and one at Norion Bank were chosen as respondents. This was considered a sufficient sample that gave insight into the banking sector. The collected material from the interviews was of good quality, which provided a sufficient basis for the interpretation and the analysis. This was done by carefully checking the interview guide and the answers to ensure that they contained relevant information and sufficient evidence to be

able to analyze the relationship between CSR in the banking sector and how these banks use it in the green real estate market.

3.1 Data

The data was modeled using a qualitative approach that was based on the interviews conducted. The interviews gave useful data because the respondents that were interviewed gave insightful information and their expertise, opinions, and relevant information. People working in a bank were interviewed since they gave us relevant information regarding their sustainability policies and how they have developed them over time. The questions were based on the green real estate market and sustainable development, with the use of CSR to investigate how banks have developed these green real estate bonds and their importance, as well as the effect on their financing supplier. The questions were structured into four main parts: CSR, where the questions were mostly focused on their implementation and strategy development. However, not all banks use CSR; they use other sustainability tools to measure the same thing. Therefore, there were sub questions used to reveal how they went from a CSR approach to a newer model to measure sustainability and implement sustainable development. The second part was based on finding relevant information regarding the stakeholders, mainly focusing on the shareholders and their underlying reasoning regarding the sustainability approach. The third area that was focused on was the green real estate part, especially the sustainable financial tools that the banks used and how the amount spent in this sector had developed over time. The last area investigated was sustainability development and plans for the Swedish banks. SEB, Swedbank, and Norion will be used for the interview. The thesis conducted a total of six interviews within the Swedish banking sector and mainly focused on the sustainability department and the investors' department. The selection of the respondents was solely based on which department they work in since we conducted interviews with people from a high role in their department but also from a lower role to compare the answers that we base our analysis on. The interviews followed different research ethics and principles, which can all be seen in Appendix B.

4. Analysis

The section under consideration is a comprehensive analysis of the two primary areas presented in the results. It has been divided into different parts to provide a detailed examination of each area. The first part focuses on corporate social responsibility and other sustainability implementations used by Swedish banks for sustainable development in the green real estate market. The second part of the analysis focuses on stakeholders and sustainability initiatives.

4.1 CSR and Other Sustainability Tools Used in Green Real Estate

Regarding CSR and other sustainability tools used in green real estate, it has been found that the Swedish banking sector uses CSR strategies for its sustainable development. Over the years, the use of CSR has evolved, and this sector has incorporated better measurements of its overall impact. For the real estate sector, the primary focus was to limit impacts on the environment, which could be seen in their sustainability reports. It was also easier to measure changes in this area compared to the social part of CSR since these data points are often tangible. However, the governance part was up to speed, especially regarding legislation. Sustainability work was the CEO's responsibility regarding aligning the firm goals with changes that occur, and they developed new goals that put them on track to reach this agreement. In the early days of SEB, it seemed that they were working in different departments that each had its side project with different goals, which, of course, made it difficult to reach the Paris agreement. The CEO and investors saw this as an issue since it made it hard to move the bank in the same direction. SEB has made a positive change in the last five years. There has been a lot of development where they have a few sectors that target decarbonisation and made a clear picture for the whole organization by using a bottom-down approach that helped the different departments. It was still the responsibility of the bank to ensure that this transformation occurred when it was supposed to. Norion used the social aspect of CSR to align it with goals such as providing job opportunities to less fortunate people. SEB and Swedbank were also trying to develop some sort of social bond in the real estate sector; however, this was challenging since there was not as much data to base their loans on compared to the green bonds that they used. This aligns with a study conducted on green banking in Greece, which found that it was commonly accepted that

banks should incorporate environmental and social issues in their decision-making to minimize their impact on sustainability (Evangelinos et al., 2009). SEB has built an internal organization that works with both strategy and governance updates to keep them updated on changes such as new sustainability legislation. Norion focused on the sustainability part to limit risk and mainly focused on the social part. However, they do have sustainability reports that showcase their sustainable development. In the real estate sector, the banks use their loan portfolios, which consist of sustainable assets, to fund changes in the real estate market. It is safe to say that the Swedish banking sector uses CSR to minimize impacts on these areas since they are focusing on their customers now but also have goals for future generations since these will be their customers later on.

There were different classifications used to measure the sustainability level of a property. SEB and Norion Bank used a grading system for the different sustainable levels that align with the Paris Agreement and others that do not. Swedbank focused on similar goals but did not specifically mention the Paris Agreement. However, all the banks that were interviewed were concerned with energy consumption and setting their goals towards energy efficiency. The classification of energy consumption was based on a scale from good to bad. CSR involvement in the green real estate sector is mainly aimed at the development of properties to make them "green properties." SEB measures ESG levels to classify firms' total sustainable impact, which has made it easier to call something "green." This aligns with an earlier study on the subject, which highlights the importance of using ESG as a long-term integration to create value (Edmans, 2022). This has justified the use of green bonds since there was a lot of analysis to be done before these bonds could be given out to different properties due to their better terms than regular bonds. The challenge that comes with aligning with the Paris Agreement is that properties of energy efficiency and carbon dioxide release are compared to the 2030 goal, and not all buildings are there yet. This was a challenge for the real estate sector since most banks set future goals, and aligning with them could be difficult and expensive to change. However, these bonds strengthen the relationship with customers and the bank, which is good for their future. There is an opportunity in the real estate market for the Swedish banking sector since there is potential for significant sustainable development, and due to this, the banks have developed their sustainable assets to help the green real estate sector. The difference between the banks that were

interviewed was the use of a third party to help with what needs to be improved to be more sustainable. Swedbank used a third party to assist its customers so that they could make these changes correctly. In the other banks, this was not clearly stated.

4.2 Stakeholders

In the banking sector, the pressure from stakeholders with a primary focus on shareholders was constant. It has also been stated that the banks get pressure from regulators, both in the EU and in Sweden. The investors are usually invested in green funds that they have in the banks, and they want them to grow. Therefore, shareholders want to know how the banks work, implement their sustainable strategies, and be part of it. The feedback from the banks was important, as was suggested in this study, and something that the banking sector prioritizes. In the study by Evangalinos et al. (2009), they stated the importance of communication to include stakeholders in the decision-making process but also to gain confidence from both clients and business partners. The findings were that banks should communicate in a credible, transparent, consistent, and standardized manner through environmental and social reports. Further, it has been found that the investors have specific knowledge about their investments, and this pressure comes back on the banks to present the data that the investors need. But there was also pressure from the social part, where investors compared the banks with each other because they wanted the banks to be as sustainable as possible. This was something that the banks especially saw in the younger generation. Therefore, communication was important and something that the banks developed and worked very hard on to make the market attractive to new investors and to keep the shareholders satisfied.

The pressure from the regulators was found to play a big part in this as well. For example, the EU's regulations were about transparency and comparability, and as mentioned before, this made it possible for investors to compare a company with another company when they report on the same CPI. Investors then justify their sustainable development based on new laws. Further pressure from these regulations also found that banks need to look at different regulations and what requirements will appear in the bank's future.

The driving factor for stakeholders when financing green projects was that they saw a higher quality in companies that were good at sustainability. Another factor in the market was the competitive advantage and better reputation of using CSR initiatives. In the study by Khan et al. (2024), they found that institutional factors have a positive effect on green investments, and this has a lot to do with the reputation of media factors such as strict rules and government interference, to mention a few. The study also discovered that green investments improve financial performance, which the stakeholders consider to be of high value, and with this comes competitive advantages for banks or firms in general. This may lead to the green funds that most shareholders are invested in doing well and increasing in value, which is something that the investors want and therefore pressure the banks towards. Another driving factor was sustainable investments in general and the fact that the banks were doing something good. This factor most frequently came from the younger generation, where sustainability has grown to be an important topic in their everyday lives.

5. Result

5.1 Presentation of the Firms

The thesis results are based on the interviews that were conducted in the Swedish banking sector. The Swedish banking sector is quite interesting due to its fluidity and the way it works carefully towards sustainable development. The Swedish banks used in this thesis are SEB, Norion Bank, and Swedbank. SEB is a Swedish bank that has developed integration into sustainability. We interviewed four people, who all work in SEB within different departments, in trying to grasp the CSR integration by funding real estate projects. The four different workplaces consisted of the head of sustainability financing, investor relations, sustainability coordinator within the real estate market, and a person who works close to bond development in an affiliated company. Swedbank is a large Swedish bank working towards sustainable development. The interviews were conducted in the investor relations part of the Swedish bank. The last bank that was interviewed was Norion Bank, which is a smaller bank. That person was the head of the sustainability department.

5.1.1 Presentation of the Respondents

The following people were interviewed to gain a better understanding of CSR implementation, shareholder pressure, implementation towards the real estate sector, challenges, and future development in the Swedish banking sector.

Respondent 1, Certified Financial Specialist, SEB

Respondent 2, Head of Sustainable Finance, SEB

Respondent 3, Sustainability Coordinator for the Real Estate Coverage, SEB

Respondent 4, Affiliated Company: Strategy and Offering Manager, SEB

Respondent 5, Investor Relations, Swedbank

Respondent 6, Chief Sustainability Officer, Norion Bank

5.2 Swedish Banks' CSR Implementations

SEB uses CSR implementations in its sustainable development strategies, and according to Respondent 1 (2023), it used an updated version of CSR when implementing sustainability development. ESG made it easier to measure sustainable development; however, it was difficult to measure the social part of sustainability. It was important in the banking sector that they used ESG to generalize the environmental, social, and international aspects of steering (Respondent 3, 2023). Respondent 1 (2023) mentions that ESG is used to looking at how they invest their money, not how they achieve sustainability. This was an instrument that they used to carefully consider their investment due to the importance of the impact that it may have on society as a whole. This was used to minimize risky investment in sustainable projects. These investment opportunities were supposed to express sustainability management, which was of importance to firms. For these investment opportunities, they expressed sustainable leadership, where the expression was that the importance relied on the financial division to look into these investments and use ESG to calculate the effects (Respondent 1, 2023).

SEB had built an internal organization that worked with strategy and governance to keep them updated when it came to new legislation and customer pressure (Respondent 2, 2023). The internal organization focused on product development and advisory with sustainability themes to help them align their sustainability goals. According to Respondent 2 (2023), "Sustainability work was the CEO's responsibility, and they have promised their owners and investors that their goals should align with the Paris Agreement." It was a responsibility that this transformation occurred and that they developed new goals that put them on track to reach this agreement. In the early days of SEB, it seemed that they were working in different departments that all had their side projects with different goals, which of course made it difficult to reach the Paris agreement. The CEO and investors saw this as an issue since it made it difficult to move the bank in the same direction. SEB has made a positive change in the last five years; there has been a lot of development where they have a few sectors that target decarbonisation and made a clear picture for the whole organization by using a bottom-down approach that helped the different

departments (Respondent 2, 2023). SEB also used different policies when it came to customers, commitment, national banking, and transitions in numbers. SEB does not put as much time and focus as other banks may do on the customer part but instead on the financial part of other firms when lending with sustainability tools, where real estate was part of their sustainability goals (Respondent 1, 2023). It was difficult for the Swedish bank to measure the social part; therefore, they developed a new system to calculate sustainability. To cope with the challenges of measuring the social effects, they have developed a system to calculate a rough estimate regarding the social effects (Respondent 2, 2023).

At Swedbank, there were a few CSR initiatives that were used to coordinate sustainable development. There was a big focus on developing its sustainable assets, especially its loan portfolio (Respondent 5, 2023). This was especially important as Swedbank is big in the real estate market. According to respondent 5 (2023), “Swedbank's focus was so big that almost 60% of their total loan portfolio was aimed at the real estate sector. There were a lot of big initiatives towards helping financially sustainable real estate.” They were focusing on the taxonomy and setting their goals towards that; they especially used it as an instrument to rank different companies from the lowest impact to the worst. They also implement energy certification, which is a way to measure their investments. Their customers needed this when buying or selling properties (Respondent 5, 2023). However, this was difficult to measure, and therefore they had to develop something that made it easier for them to rank different real estate projects based on their sustainable initiatives. The housing agency played a key role in this; however, they needed an instrument that they could build on, and it was really important for them to implement this instrument. Most of their CSR initiatives involved the real estate market, and the development throughout the year revolved around their loan portfolios (Respondent 5, 2023). There were a lot of goals revolving around sustainability; however, energy conversion was one of the main ones. According to Respondent 5 (2023), Swedbank started with an analysis to see where they stand today and what could be improved for the future. They were setting goals until 2030, which was when they expected to reach them. These goals have been extended because their use of methods needed to be improved and adjusted to the financial sector. It was important in the banking sector that they were transparent and that the numbers corresponded with the correct data, but also that

they were presented before they were done, which was a way for them to show that they were working on improvements (Respondent 5, 2023).

Norion Bank does not use CSR in the concept of CSR, especially to implement sustainable development strategies, since it feels like an old-school concept. According to respondent 6 (2023), "It seems that using CSR is a way to buy away from real sustainable work, and it is not relevant for this bank when working with risk mitigation." When investing money, it is important to focus on analyzing risks rather than the sustainable part of the investment. However, they did work with sustainability but moved away from CSR as they believed it to be an outdated concept (Respondent 6, 2023). It was important within which industry they were focusing on regarding their sustainability development, where they must limit the risk that applies to the industry. Also, a concern for them, according to Respondent 6 (2023), was that they did not want to increase the debt for private persons if they were already in debt. This would be bad for their business, the customer, and society as a whole (Respondent 6, 2023). They were working on making a difference in society; however, in doing so, they were not limiting anyone or making it worse for their customers or society in general by using a clear lending and granting process. They worked a lot on the social part of sustainability, such as with younger adults where they gave out internships or for people who may have difficulty getting a job. Their initiatives also included supporting this by giving job opportunities and trying to get them into the working sector (Respondent 6, 2023).

The Swedish banking sector uses some sort of CSR implementation for its sustainable development. It was mostly common to have sustainability goals that align with agreements such as the Paris Agreement to create a pathway. There was a big focus on the social part of CSR; however, it was difficult to measure the changes, but all the banks that were interviewed were developing this. The focus was mainly on the environmental issues that occur, such as the consumption of energy and carbon dioxide, but also on making sure that new legislations were followed.

5.3 Swedish Banks' Implementations in the Real Estate Sector

SEB has done a climate classification in a lot of different sectors; however, it differs in the real estate market since it did not do any damage to the real estate market. The classifications that were related to the real estate sector included carbon dioxide release and energy efficiency measurements. According to Respondent 1 (2023), "It was quite difficult in the early days to call something green. Nowadays, it has been made a lot easier by the use of ESG, energy efficiency, and carbon dioxide release. This has created an easy resilience on what is green and not green; it is very easy nowadays to see who green washes their data." There were a few data points that were looked at, such as that the real estate market has released at least 20% of the total carbon released in Sweden, and the same goes for the energy used in the whole of Sweden (Respondent 2, 2023). Therefore, they focused on making better terms for their bonds when it came to energy-efficient firms as well as those trying to be more sustainable. This has evolved a lot since it was a challenge to support their customers in making this transition due to the high costs that may come with it (Respondent 4, 2023). According to Respondent 4 (2023), "SEB has invested in new good adjustments regarding using energy more efficiently." These challenges were that the customers might have to make big changes for them to align with the Paris Agreement. Especially nowadays with the high-interest rates, they kept in mind that there were a lot of challenges for real estate firms, and there needed to be careful consideration of the balance between changes and financial costs (Respondent 2, 2023).

The EU's green taxonomy came into the picture, which releases green criteria where the real estate market is affected. Aligning with the Paris Agreement meant that the industries would align with the green taxonomy, which was what they were trying to do, according to Respondent 2 (2023). There were quite a few challenges for SEB, as they always try to increase their revenue assets, and for them to be able to do this, they need to increase their revenue each year since they use this for their sustainable funding (Respondent 3, 2023). There was a lot of market research that was being done before implementing different financial tools for the real estate sector. The real estate market was very thankful since they had a lot of capital, especially if they implemented sustainable and energy-efficient changes. The banks would allocate a lot of green bonds for this. They offered green bonds, sustainability bonds, social bonds, and bonds in general. Social obligation was a bit more difficult, but in the future, they hoped to see a

development, according to Respondent 3 (2023). A major part of the development was sustainability, which has affected them positively since it has been clear to them what is expected. However, it could be expensive when the real estate firms have to do this new renovation where they can get better obligations, such as green bonds, but this could strengthen the relationship with the customer (Respondent 2, 2023).

SEB specializes in green bonds and energy-efficient loans to help the real estate market. Green bonds were brought up quite a bit since they were of great importance in the green real estate market and other sustainable development markets (Respondent 1, 2023). They based this on the sustainability reports, where those who have great initiatives get green bonds with better terms, and those who follow them to some extent get energy-level bonds or sustainability loans, which are worse than the green bonds. The firms that gained from this were those that limited their use to efficiency (Respondent 3, 2023). For instance, new properties that were being built with solar panels and those that were restricted from using energy more efficiently get to gain from their energy bonds with better financial terms (Respondent 1, 2023). Green bonds were brought up quite a bit since they were of great importance in the green real estate market and other sustainable development markets. Using green bonds and investment management to work with sustainability questions has created a special climate specification tool that calculates CO2 release risk management (Respondent 2, 2023). Green bonds were the best, but there were a lot of other real estate properties that could not get them because they got sustainability-linked loans instead. SEB analyzed a company as a whole, a different product for companies that are not as sustainable, where you can measure energy levels instead. And, according to Respondent 2 (2023), there was a good goal towards this: to increase their green sustainable finances and sustainability index and to grow from 2021 (the baseline) to 68 times by 2030 to increase the volume during this period. They saw this as a big opportunity for sustainable development and called it the sustainable cycle, which was the biggest development in the foreseeable future, according to Respondent 3 (2023).

Swedbank implementations in the real estate sector were those for different types of real estate, especially for the commercial part of the sector. They had the potential to give out discounts on their loans if, for instance, the person who owned the property invested in reducing energy and

contributed to less energy consumption, according to Respondent 5 (2023). It was difficult in the real estate sector since the customers could question what they needed to do to lower their energy consumption since they were not energy experts. Although this was an issue for their customer, it was also a challenge for the bank since they did not have any concrete answers. To cope with this issue, they had gone to great lengths to develop an educational approach to help the bank assess potential improvements. Also, they had teamed up with a company called Home, which was an expert in this particular area and gave out great advice (Respondent 5, 2023). In doing so, the Swedish bank allowed their customers to make contact with them and find out what possible changes were best for their properties.

According to Respondent 5 (2023), Swedbank was the first Nordic bank to issue a social bond this year, and they had also created three green bonds. This, however, also depended on the green bonds that were issued, especially on how the green register was growing. The bank has a lot of assets that were classified as green registers, where all properties have gone through a framework. This was then classified by a committee to determine what is considered in the green real estate market. There were a few requirements that needed to be met, and if these were met, they entered their green register (Respondent 5, 2023). If they were able to, they would emit a lot of green bonds to finance properties, but this was based on data that was compared to their classification and decided on how many sustainable assets they have each year (Respondent 5, 2023).

According to respondent 6 (2023), "Norion Bank wants to separate CSR from the real estate market since it was believed that they were two completely different areas". They seem to be focusing on the social aspect of the bank. However, financing properties was treated differently; however, they do finance green properties. The expectation from the EU was that financial actors should drive the transition and live up to the Paris Agreement. According to respondent 5 (2023), "Norion fully agrees with the Paris agreement and was moving towards this goal." And that was also what the regulations were all about reallocating resources to more green or socially sustainable activities in one's business. It was about which companies they lend money to and which companies they do not lend money to, and over time the bank wanted to manifest a price difference where companies that were not as good at sustainability had to pay a higher interest

rate on a loan than companies that were good at it (Respondent 6, 2023). That is what the regulations were about and it was like the real estate industry has been working on these issues for a long time. According to respondent 6 (2023), they are very mature, which means that it is quite easy to sort of get your CPI and report on what a green property is doing or, like, performing versus a bad one. But it also has to do with the fact that the property companies' core business gains from building energy-efficient properties, so they do it to make money from the very beginning." The real estate firms were the first to issue green bonds in Sweden, which makes it quite natural that it will be the sector that the bank might target, and Norion has a very large property exposure in the Nordics, but in a green framework (Respondent 6, 2023)

The financing of this sector mainly consisted of how well their sustainability assets were doing, such as how much revenue there was in their financial reports. Green bonds were mainly used in this sector; however, for other real estate firms or projects that have some indication of sustainability development, the banks offer other loans, such as energy-efficient loans. The banking sector mainly used a grading scale to match their different sustainable assets to align with their goals. In doing so, it was difficult since most of their goals were for the future, such as the Paris Agreement.

5.4 Stakeholder Pressure on Swedish Banks'

Those who own stocks or funds have some influence on sustainable strategies to move into more development of this, especially to make them grow since they are usually invested in green funds that they have in SEB (Respondent 1, 2023) and (Respondent 3, 2023). Feedback regarding progress was important and something that SEB prioritized. This was effective for SEB to make sure that the projects got done since there was a lot of pressure from their owners to follow through but also to look attractive on the market for new investors (Respondent 2, 2023). Shareholders justify their sustainable development based on new laws. A fair financial guide helped with their development. The big investors were those who influenced changes the most (Respondent 1, 2023). According to Respondent 2 (2023), there was also pressure from the social part, where they would compare SEB with different banks. This pressure was especially strong in the younger generation, and their focus was mainly aimed at them since they would be their future customers.

The driving factors from stakeholders in SEB when deciding on financing green projects include the demands from customers, mainly sustainability since it is important to create value in the long run and not use up all the resources in the short run (Respondent 1, 2023). Respondent 1 (2023) and Respondent 2 (2023) mention another driving factor for SEB, which was market factors such as competitive advantage and reputation where SEB has gained business due to their quick sustainability investments, for example, business in Germany, which they would not have had if they did not implement sustainable approaches and set up sustainability goals for the future. Many investors had invested in stocks and funds that were based on sustainable development and therefore wanted them to do well. Investors had different funds, and with this came different strategies and policies that needed to be followed, especially with the new CSR initiatives and reporting on how you invest. It was important to be transparent regarding the use of money; this was especially important in the future, where investors could compare with other banks on how much they spend on green projects and financially linked loans (Respondent 3, 2023). According to Respondent 4, (2023), it was important to keep up with the demand and ensure that sustainable development went through. It was the same as communicating financial goals; there was a clear line between what wanted to be done, what needed to be done, and when it had to be done. Therefore, investors wanted to be kept in the loop from start to finish to keep an eye on what was going on and to make sure that it was followed through. According to Respondent 5 (2023), there needed to be transparency between the investors and those who work within a bank; otherwise, this could create an issue of risk.

The external pressure was constant not only from shareholders but also from regulators both in the EU and here in Sweden, from the Financial Supervisory Authority (Respondent 5, 2023). The pressure from here was due to different regulations and what sustainability requirements would appear to banks in the future. There were more and more people who invested in green funds; they had their taxonomy, and to classify their green investments as green, they needed to have specific knowledge about the investments that they made. Further, Respondent 5 (2023) mentions that this pressure comes back on Swedbank to present the data the investors need. But a lot started at Swedbank and all the other banks that the funds will be invested in. This started around 2021, when sustainability development, investor interest, and banks' importance grew. During this time, there was a focus on this, and it was here that everybody knew changes would

take longer than expected (Respondent 5, 2023). There was more of an understanding that it would take time and that it was not a “quick fix,” which was important to consider for future goals.

Norion Bank gave insights about a previous background in major banks as an asset manager, and the reason why the respondent started to work with sustainability was because of the customer segment where sustainability was an important part of the investment. Further, institutional investors have done this for hundreds of years. But again, the EU’s regulations were about transparency and comparability, so it would be possible for an investor to compare one company against another when all report on the same CPI (Respondent 6, 2023). As mentioned earlier, the regulations were about the EU wanting to reallocate resources. According to respondent 6 (2023), Sweden and the Nordic countries, have been very good at sustainability work and have their investors to thank for that because they have been very good at initiating this development. The first ever green bond was issued with the help of Statistics Sweden (SCB) and with pressure from the Swedish pension foundations and the World Bank. So that it came from the outside world and the investors were always first with the initiatives (Respondent 6, 2023).

The driving factor from stakeholders with a primary focus on shareholders was that they saw a higher quality in companies that were good at sustainability (Respondent 6, 2023). If a company had come so far that they could focus on keeping the company green, they would have come a long way and be very mature for the other areas of risk that may arise. The green part of this is typically very mature and good; many times it was about whether companies could have stakeholders that act out, for example, pension foundations or funds; they were interested in green bonds because they are possible to sell on (Respondent 6, 2023). This came down to the fact that they could eventually be held accountable for not doing enough regarding sustainability. There are quite a few examples, just these days, of construction sites where people have died because safety measures were not in place. It does not just need to be green; it needs to be regarding the social part as well (Respondent 6, 2023). During COVID, they saw a clear example regarding the companies that had high ESG scores and were more resilient in the case of the well-managed stock market (Respondent 6, 2023). According to Respondent 6 (2023), financing more sustainable approaches was something that hopefully would make Norion Bank more

attractive in the stock market, but this was also connected with having good profitability, and all parameters fell into place. They can not only be sustainable, but that was not considered a profitable business model; it was necessary to have a combination of both, and with this, they could be hopeful that investors see this as a quality seal.

Pressures and drivers from stakeholders with a primary focus on shareholders were constant throughout the banking sector. This was mainly because they were invested in green funds with the banks, and of course, they wanted these to do well. Through this, the investors need good communication from the banks to ensure that the banks act according to their interests. The press also came from social parts where the banks were compared to each other from the investors' point of view; thus, the investors wanted them to be sustainable since this could be used as a competitive advantage strategy.

5.5 Swedish Banks' Challenges and Future Sustainable Development

The challenges that SEB faced with aligning CSR goals in promoting green real estate were mostly how much the real estate market needed to change, especially regarding the investors who wanted to look at the big changes (Respondent 2, 2023). Assessing properties in a completely different way may cause a challenge and include sustainability because the properties' well-being needs to be reported and developed more in the future. They also wanted to take in more sustainability data, where a lot of energy improvements can be very expensive. The commercial property sector needs to develop more; however, these were the ones that were most likely to be funded in the future (Respondent 2, 2023). There was a big challenge to how SEB invests, and it should always focus on sustainability when issuing a bond. They could improve with more direct investment funds, which might make a bigger difference (Respondent 1, 2023). Further, Respondent 1 (2023) mentions that there were difficulties in measuring the social part of sustainability and that it could take a lot of time and energy to implement new strategies. To cope with these challenges, SEB developed a system to calculate a rough estimate regarding the social effects. Respondent 3 (2023) mentions challenges that include the EU taxonomy, especially in the real estate market, because, before this, it was difficult to call something green. There were other challenges to getting their customers to move in the same direction, towards sustainable development, and at the same time, it had to align with social

norms since the customers were important to them (Respondent 4, 2023). This influenced the bank to look at innovative funding tools with better terms than a regular loan. They were trying to get more of their green assets; however, this depends solely on their financials. The impacts were huge since a lot of real estate firms were already trying to change their buildings into green buildings.

SEB was trying to increase its ambitions for future sustainable development, since they had big ambitions, especially regarding SLA and energy-efficient loans. They were looking into renewability and trying to grow, for example, solar panels (Respondent 3, 2023). Many real estate firms had a lot of this, and this was an opportunity for SEB to drive these types of projects. Biodiversity was continuously exposed to new areas, especially the social bonds where the real estate market played a huge role, and SEB tried to support them in this (Respondent 3, 2023). Further, Respondent 4 (2023) mentions that SEB was working more on transforming these buildings that were not up to par with the others since they may be abandoned if they were not energy-efficiently driven. They were also working on better financing for the buildings that were up to par to give an incentive for the changes that they have made to the Paris Agreement for 2030 (Respondent 4, 2023). SEB explained that there were some challenges for future strategies and that they were trying to focus on the circular economy. This included renewable materials since, in a sustainable world, it was important to do this and not use new materials all the time since resources are limited (Respondent 1, 2023). SEB wanted to increase its sustainable revenue for better loan terms (Respondent 1, 2023).

Challenges for Swedbank, when it came to sustainable development in the real estate sector, were mostly the need for environmental certificates or energy certificates. The energy certificate was a challenge because not a lot of properties had it. Real estate firms need this to buy or sell a property, except for leisure properties, and if you did not stay longer than 3 months to 1 year, then you did not need to present a certificate (Respondent 5, 2023). Swedbank had another challenge in getting data from the Swedish Housing Authority. The Housing Authority has an ongoing collaboration with several banks in Sweden, and one of them was Swedbank (Respondent 5, 2023). Swedbank has so many mortgages, and there were not any grudges against the mortgages that say this property has an energy certificate; this one did not have an

energy certificate, so it was also something that Swedbank had to start with now that they were starting to get data from the Housing Authority (Respondent 5, 2023). Swedbank had a methodology to begin with or a set of regulations to follow, and in the past, it had been an initiative from the EU on how this should be done. Then it became clearer when they came up with the taxonomy that should be followed (Respondent 5, 2023). There may be developments or changes in that taxonomy that will further put things in place; it was a little living matter, one might say, which makes it a challenge in itself with all initiatives. Swedbank wants to do their best and be as ambitious as they can. (Respondent 5, 2023). Swedbank's future development in sustainability was to work on and develop the products they have. As has been mentioned before, this is long-term work, not only for Swedbank but also for all other banks or companies that are implementing it. Respondent 5 (2023) mentions that it will take time; they have to work hard and make sure that they can both contribute to their customers' transition and continue to develop their initiatives.

Norion Bank's future sustainable development was that they wanted to invest in more green and sustainable areas; they believed that this was a good business model, and here was where the external pressure came from (Respondent 6, 2023). The Paris Agreement, FN's global sustainability goals, and the EA Green Deal all go in the same direction, and the banks should work together to build a sustainable future (Respondent 6, 2023). Banks in general have shifted towards a more sustainable path, as has Norion, because they believe in doing something good and that this will grow in the future (Respondent 6, 2023).

Challenges when it came to aligning CSR goals in promoting green real estate were mainly about how much the real estate market needed to change, for example, the development of environmental or energy certificates because not all properties had this. But also, properties' environmental initiatives need to be reported and developed more in the future. The banking sector's environmental development in the future will mainly be based on investing in greener and more sustainable areas. But also to develop existing products and strategies that have already been implemented. They also wanted to focus on renewables and then mainly on the real estate market, as this is a large part of Sweden's economy.

6. Conclusion

This paper investigates the relationship between Swedish banks' implementations of CSR in their strategies and their funding in the real estate sector, as well as shareholder pressure. The study revealed a link between sustainability development in the real estate sector and different financial terms for this development. The Swedish banks have increased their sustainable assets throughout the years due to market opportunity in the green real estate market, due to the potential of making it more sustainable, and for it to be called the green real estate market. CSR is used by the banks to create a pathway for their sustainable development goals, leading them to develop more suitable loans throughout the years. Our findings indicate that the owners and the shareholders in the banking sector are of great importance when it comes to sustainable development, but also through transparency between the workers and all of the stakeholders in the Swedish banking sector. This importance suggests that transparency between the Swedish banking sector and its stakeholders is of great importance, firstly, to showcase how they are spending their sustainable assets and also to gain trust in the sector to assure them that their numbers are correct.

The study emphasized the importance of implementing CSR into their sustainable strategies and developing goals to create a pathway to ensure that the Swedish banking sector reaches its future goals. It highlights the importance of using different grading scales to match the real estate market to be able to call something green, but also to align its different sustainable assets where they mostly fit.

6.1 Limitations and Future Studies

For this study, there were some limitations that needed to be taken into consideration for the analysis of the result. The perspective of the respondents was only from the Swedish banking sector and potential biases need to be considered since the results were dependent on the perspective from these banks. The sampling size of the banks was rather small and this could have an effect on the results of the whole banking sector, a more extensive sampling size should be considered to avoid potential biases. Further, the time limitations need to be considered as a

limitation for this study. This was simply because planned interviews were postponed, it was difficult to get hold of respondents at banks during such a short period and it was difficult to get a perspective from the entire banking sector with the time limitation that occurred.

For future studies, there can be an investigation into how other Swedish banks have developed CSR implementations in the real estate sector and compare them to those of another Scandinavian country to highlight the difference in sustainable development between these nations in that sector. There is a possibility to analyze the impact of sustainable practices in the real estate market, such as property values in the transaction market, and how they correlate with energy efficiency and other financing requirements in Sweden. Another area to be explored is the evaluation of ESG risks for a few real estate firms in Sweden; this could be done by developing an analytical model measuring ESG risks. Future studies could also consist of other sectors than just real estate since there is development in urban areas, where it could be interesting to investigate how the Swedish banking sector uses other parts of their sustainable asset portfolios.

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Appendices

Appendix A

Interview Guide

Does your bank use CSR?

- And if not, do you use any other sustainable strategies?
- Can you describe your bank's CSR initiatives?

Why do you use CSR?

- And if not, do you use any other sustainable strategies?

How has your bank's CSR approach to green real estate evolved over time?

What challenges has your bank faced in aligning its CSR goals with its role in promoting green real estate?

Do you get pressure into using sustainable tools from stakeholders?

- How is this concerning investors?
- Do you get any external pressure from elsewhere?

What are the driving factors from stakeholders when deciding on financing green projects?

Have you differentiated in any financial funding when it comes to green real estate?

How does the bank as a whole benefit from using sustainable strategies?

How will financing sustainable real estate affect potential investments in banks?

How have these policies influenced your decision to invest in green real estate, and what is the impact of these investments on the Swedish green real estate market?

Can you discuss any future plans that your bank has for increasing its role in promoting green real estate?

Appendix B

Research ethics principles

When you work with scientific subjects it is important to stick to the research ethics principles that are out there. The following ethics have been considered during the gathering of information:

Respect for a person's autonomy

In this study that has been cleared for everyone that participated, it is completely up to them if they want to participate or not, and they can cancel at any time they want. This information has been delivered to everybody. This is because a research study can only be done if the participants give us their consent. Everyone in this study has voluntarily participated, without any coercion or undue influence, and their autonomy, rights, and dignity have been respected and protected in an appropriate manner. (City University of London, W.Y.)

Informed consent

Another ethical principle that has been followed during this study is informed consent, which means that the participants had been given appropriate information about the research in a comprehensible manner without duress or inappropriate inducement (City University of London, W.Y.). This means that everyone in this study has been given needed information about the study to evaluate their participant, none of the people who have been included has been forced to be in.

Confidentiality and data protection

According to the City University of London (W.Y.), confidentiality and data protection are something that should be carefully considered in a research study. Anonymity is one thing that has been considered and respected in the study. The personal data of the interview participants has been considered whether it should be or not, whoever was interviewed had the chance to choose for themselves whether they wanted to be anonymous or not and this has been respected in the study.

Integrity

City University of London (W.Y.) also mentions the importance of how research should be designed, reviewed, and undertaken to ensure that it meets the standards of integrity and that quality and transparency are assured. Use of false data, inappropriate manipulation when selecting the data or consent, and plagiarism or use of others' ideas without permission are some that have been vigilantly avoided by studies as a whole. This is to get as real, reliable, and credible a research study as possible.

Source criticism

The material that his study has critically approached is the interviews that have been created, which is the result and will later on be the groundwork for the analysis. This study's material has primarily been collected through an interview approach, and to create such a reliable/correct basis as possible this material has been critically reviewed. The reliability of the interviews could have been affected because some of them were postponed, some interviewees had to cancel their first appointment, this could have had an effect on the outcome of the interview. The interview was postponed because of sickness and travel.