# Assessing ESG Reporting Practices in Swedish Banks: Approaches, and Barriers.

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**ABSTRACT**


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| Keywords: | Sustainability reporting, transparency, accountability, disclosure barriers, stakeholder theory, corporate social responsibility, environment social governance. |
| Research questions | 1. How do Swedish banks integrate ESG into reporting and disclosure? 2. What are the barriers to improving transparency and accountability into this process? |
| Purpose: | The purpose of this thesis is to explore the challenges Swedish banks are faced with in their sustainability reporting practices, as well as to deduce solutions and add potential contributions to the development of standardized frameworks in reporting practices by conducting interviews with sustainability experts, both in banks, and a consultancy firm. |
| Method: | Non-standardized semi-structured interviews was the main method adopted for this thesis' exploratory qualitative research, the data was then comparatively analyzed, bank by bank. |
| Conclusion: | The challenges and barriers identified in this study emphasize the need for standardized reporting frameworks, enhanced data collection process, stakeholder engagement, and employee education in sustainable initiatives. By addressing these issues banks can improve transparency and accountability in their ESG reporting process, contributing to a more sustainable future. |

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Thank you.

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# Acronyms

| | |
|---|---|
| CSR | Corporate Social Responsibility |
| ESG | Environmental, Social & Governance |
| CSRD | Corporate Social Responsibility Directive |
| NFRD | Non-Financial Reporting Directive |
| TCFD | Task Force on Climate Related Financial Disclosures |
| SRI | Sustainable Responsible Investing |
| IR | Integrated Reporting |
| IIRC | International Integrated Reporting Council |
| COP21 | 21st Conference of the Parties |
| ERM | Enterprise Risk Management |
| MNE | Multinational Enterprises |
| IASB | International Accounting Standards Board |
| SASB | Sustainability Accounting Standards Board |
| SEAAR | Social and Ethical Accounting, Auditing and Reporting. |
| GRI | The Global Reporting Initiative |
| PRB | Principles of Responsible Banking |

# 1. Introduction

## 1.1 Background

The phenomenon of environmental, social, and governance, or ESG, as a term, was coined in 2004 at a United Nations initiative for financial institutions, all invited by the then Secretary-General (Câmara, 2022). The purpose of the initiative was to work towards establishing guidelines and contributing to guidance with ESG issues for financial institutions (Câmara, 2022). The tremendous increase in ESG activities comes at a time when several significant factors have changed the landscape of corporate governance worldwide (Câmara, 2022). Hence, transitioning into a net-zero economy and meeting the 2015 Paris Agreements targets, simultaneously as institutional investors are being positively outspoken regarding the concept, showcases the increasing ascendance of the concept (Câmara, 2022). ESG principles can be viewed as the directives that influence a company's investment decision-making, demonstrating its dedication to ethical and sustainable investment strategies. As a result, ESG has become essential and simultaneously influences organizational decision-making (Câmara, 2022). This macro-view of the phenomenon showcases the rise of the ESG concept in a general sense. Thus, there needs to be more of a regulatory standardization of the process of ESG reporting for the corporations to fully grasp its meaning.

The way that businesses conduct their operations has changed as a result of increasing sustainability trends in today's socially aware economy (Nizam et al., 2019). This has led to increasing sustainability reporting demands, which are becoming far more comprehensive and substantial for corporations. The concept of sustainability reporting has gained widespread recognition, and it is a type of integrated disclosure procedure that examines the economic, ecological, and even social performance (Bosi et al., 2022). Sustainability, especially within the banking sector, plays a major role in the markets today, and the trend has seen significant advancements over the years (Nizam et al., 2019). Sustainability's growth in the face of corporations could be viewed in the form of corporate executives targeting corporate social responsibility (CSR), investors' aiming for sustainable responsible investing (SRI), or even stakeholders acknowledging the environmental impact and sustainable issues caused by large corporations (Nizam et al., 2019). However, with the dearth of standardized ESG reporting procedures, and the fact that corporations have different business practices, significant inconsistencies arise as corporations choose dissimilar ways to report (Esty, 2020). Hence, the lack of standardization leads to lack of clarity, lack of transparency, and potentially incomplete reporting (Esty, 2020). All of which lead towards challenges for the readers' comprehension of said ESG reports.

As stakeholders demand more transparency and accountability from companies, ESG reporting has emerged as a critical tool for assessing a company's long-term credibility and sustainability (A Short Introduction to the GRI Standards, 2022). Hence, many directives and initiatives have been taken on EU and global levels to meet the external pressure. Some reporting initiatives, such as the Corporate Social Responsible Directive (CSRD) will enter into force for the financial year of 2024 for the first set of companies (European Commission, n.d). This directive not only aims to disclose information valuable for investors and stakeholders, but it will also contribute to transparency in terms of how the company impacts the environment and the people in it (European Commission, n.d). Whilst this is an EU initiative, the Global Reporting Initiative (GRI) is an international initiative, and is today, the most comprehensive and widely used reporting framework (Abeysekera, 2022). GRI's overarching reporting principle establishes that companies shall disclose "material" ESG information (Jebe, 2019). With the growing concerns over ESG disclosures by stakeholders, companies must integrate a sustainable business strategy for their organizational culture (Helfaya et al., 2023). Furthermore, when assessing a company's performance, the incorporation of ESG into their company operations has become essential by the standards of stakeholders (Helfaya et al., 2023). The challenge is then to meet the demands of the different stakeholders as some are bottom-line oriented, some are more focused on the sustainability element, and others regard both equally as high.

In response to the shifting demand by stakeholders, banks have adopted reporting practices integrated with ESG considerations (Heller et al., 2023). Multiple non-financial frameworks have been developed to revamp the regulated reporting of ESG information. The purpose of these frameworks has been to improve the consistency, accessibility, and readability of the data that stakeholders, or investors, can use to evaluate the sustainability implications of their capital investment decisions (Bose, 2020). The frameworks used in company reports are intended to further precision, make the reports more rigorous, and advance coherence in regards to ESG and other sustainable factors (Bose, 2020). Banks have started complying with a variety of non-financial reporting frameworks, such as GRI, and the Sustainability Accounting Standards Board (SASB), to help standardize and improve the consistency and readability of ESG data in their reports to meet the thriving demands (Bose, 2020).

Despite the growing importance of ESG reporting for corporations, there is still a lack of transparency and consistency in terms of how businesses report on ESG issues. This is relatable in the banking industry, where ESG reporting is still a relatively new concept (KPMG, 2021). Companies often encounter challenges, such as incomplete or inadequate disclosures, the use of different reporting frameworks, and the use of different metrics, making it difficult for stakeholders to compare and evaluate ESG performances across different companies (Frade & Froumouth, 2022). Transparency is something that investors want and further requirements for disclosure are being imposed by authorities and policymakers, but inconsistent reporting systems maintain the unevenness of ESG data (Peterson, 2022).

### 1.2 Problematization

In research by Probert (2021), it is revealed that 45% of valuation experts feel that the largest barrier towards successful ESG reporting for organizations is the lack of a standardized and recognized reporting mechanism. A wide range of frameworks are used in the study by Probert (2021) where he mentions that there are 14 different combinations of frameworks used by the study's respondents, the most popular standards were GRI with 33%, Sustainability Accounting Standards Board (SASB) with 32% and lastly, TCFD with 25%. This all leads to stakeholders struggling to assess firms fairly and effectively in the absence of a standard reporting methodology across organizations, it also showcases why the lack of standardization is the main issue and threat towards ESG disclosures for businesses.

While this study aims to investigate Swedish banks ESG reporting processes, reporting and disclosure have become increasingly important in the banking sector as stakeholders demand greater transparency and accountability from financial institutions (Heller et al., 2023). For example, how do various stakeholders view the importance of ESG reporting and disclosure, and what do they expect in terms of the quality and scope of information disclosed? Is there a regulatory framework in place to encourage ESG disclosure and hold banks accountable for their efforts to be environmentally responsible?

Over the past ten years or more, investors have become much more concerned with corporate responsibility, with the even more recent rise of interest in sustainability. Improved information about corporate sustainability is increasingly rising in demand from the growing group of environmentally conscious investors, who represent a wide range of investment strategies, risk tolerances, and interest in substantive matters (Cort & Esty, 2020). This information is frequently expressed in terms of ESG standards (Cort & Esty, 2020). Additionally, as investors keep seeking to associate their investment portfolios towards their personal values, regardless if their values are entirely bottom-line oriented or a pledge towards more sustainable investment, the importance of transparent disclosure has been increasing (Cort & Esty, 2020). Hence, to meet demands and showcase the corporation's values and sustainable work, the organization must therefore adhere to multiple different frameworks for their ESG reporting. This lack of standardization increasingly enhances the efforts needed to be made by the banks and makes the stakeholders ability to compare different reports more complicated.

Internal resistance is a significant barrier to implement new practices within organizations, as it can foster a culture of resistance to change and slow adoption of new practices. This can be due to a number of factors, including competing priorities or differing perspectives on the significance of issues (Rehman et al. 2021). According to Rehman et al. (2021), the success of organizational change is primarily determined by the attitude and response of their employees to change. In addition, research has shown that negative affectivity, hierarchical status, and self-determination can all influence internal resistance to change (Aquino et al., 1999). This highlights the importance of identifying and addressing the underlying factors that contribute to resistance. Furthermore, some scholars argue that resistance to change is not always a bad thing, but rather a natural reaction that can be used to achieve positive results (Ford et al., 2008). It is, however, important to distinguish between constructive and destructive resistance and to develop strategies for addressing the latter. Thus, a comprehensive change management plan that considers the bank's context is required to effectively manage the resistance. This may involve key stakeholders, providing employees with training and support, and establishing effective communication channels to foster collaboration and trust.

As the world is growing towards a more sustainable business setting, regulations are expected to come and dictate the way sustainability reporting is done. ESG disclosure standards are insufficient and include exceedingly erratic data for evaluating sustainability performances (Furness, 2022). Thus, businesses in the EU will need to provide information on how closely their sustainability work that complies with the EU Taxonomy which defines what activities are regarded as sustainable in the future. ESG issues are therefore moving in accordance, and proceeding from a previously voluntary disclosure activity, to an activity based on legislation with major effects on how ESG data is gathered, validated, and utilized throughout a company.

The fragmentation of stakeholders is a significant barrier to improving ESG reporting and disclosure practices within banks. The complex and evolving nature of sustainability issues, as well as the diverse range of stakeholders involved in sustainability reporting, can lead to stakeholder fragmentation according to Gal et al. (2017). This makes it difficult for banks to identify and prioritize the most important sustainability issues and stakeholders, as well as ensuring their reporting is aligned with stakeholder expectations. Furthermore, Gal et al. (2017) argue that stakeholder fragmentation can result in inconsistencies and contradictions in sustainability reporting and disclosure, compromising the credibility and legitimacy of sustainability practices. Because different stakeholder groups may have conflicting expectations and preferences regarding sustainability issues, tensions and limitations in sustainability reporting can arise. The absence of clear guidelines or standards for ESG reporting exacerbates the issue of stakeholder fragmentation. This may misguide banks in attempts to please various stakeholder groups. According to a study by Al-Tuwaijri et al. (2004), a lack of standards and guidelines can lead to stakeholder confusion and distrust, making it more difficult for banks to build trust and maintain positive relationships with their stakeholders.

Integrated reporting (IR) has attracted a lot of attention since the upbringing of the final version in 2013 (Mio, 2016). Although one could argue that its characteristics allow clarity in certain issues, the counter argument would be the barriers that follow. Where one issue is the definition and how companies should adopt it (Dumay et al., 2017).

Furthermore, the framework can be assessed from two different perspectives, a static and dynamic perspective (Mio, 2016). For the purpose of the problematization section, more emphasis will be put on the static perspective, its correlation to IR and the concept of materiality, further shedding focus on the barriers that may follow. The International Integrated Reporting Council (IIRC) defines the matter of materiality based on issues relevance and importance in influencing "the assessments of providers of financial capital" (Mio, 2016, p. 3). Thus, the static perspective allows companies to themselves define the relevancy of issues they believe might impact the financial providers (Mio, 2016). Giving businesses this much autonomy runs the danger of them ignoring some concerns because they don't think their effects will matter to them enough to include them in the reports (Mio, 2016).

The barriers that arise from IR can be traced to the principles and terminology within the framework. Whilst Dumay et al. (2017) highlight the two vital concepts "integrated thinking" and "value creation" as having certain advantages, they also disclose the disadvantages. IIRC defines integrated thinking as the relationship between different operating and functional units and the capital utilized or affected. This means that integrated thinking prompts integrated decision-making needed to create value (Dumay et al., 2017). The problem emerging is that it requires delicate knowledge amongst the organization's managers and employees regarding the six capital and the organization's functional units. However, in an organization, such knowledge needed for integrated thinking might only be possessed by senior managers, thus, limiting the decision-making process (Dumay et al., 2017).

When instead examining value creation, the definition in IIRC is “the process that results in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs” (IIRC, 2013, p.33). Although the definition seems comprehensive and relevant, it also raises questions regarding the utilization of capital and its correlation to value creation (Dumay et al., 2017). Moreover, as capital is not only composed of financial capital, one could argue for the unsustainable practice in using different types of capital in order to create long term financial capital (Dumay et al., 2017).

### 1.3 Purpose

The purpose of this article is to add to the expanding material of knowledge on ESG disclosures in the banking sector. With a focus on identifying the main obstacles to enhancing transparency and accountability in this area, the study's particular objective is to investigate the ESG reporting practices of Swedish banks. The study aims to offer insightful information about the difficulties Swedish banks encounter in improving their disclosure practices and to suggest probable solutions to get around the present barriers. It aims to do that by conducting a literary review of publications regarding the subject of ESG reporting, and sustainable finance within the banking, or even corporate, sector. Furthermore, the authors shall conduct semi-structured interviews with bank employees, and industry experts or consultants with competence in this area. Additionally, the authors shall subsequently conduct a comparative analysis between the different banks, and their procedures when it comes to ESG reporting, along with the issues the banks possibly allude to having. Furthermore, the study shall shed light on the complications for the readers when reviewing a company’s ESG report. The intention of this study is to advance knowledge of ESG reporting procedures within the banking sector and support ongoing initiatives to promote sustainable finance. By acknowledging the problems within the current state of non-financial reporting frameworks and standards for the process of ESG reporting for Swedish banks, this research also intends to possibly contribute towards the creation of an integrated and standardized reporting framework that will foster a simpler way of both company, and international comparisons of ESG metrics.

### 1.4 Research question

To achieve the aim, purpose, and objective of this study, the authors attempt at answering the following research questions:

- How do Swedish banks integrate ESG into reporting and disclosure?
- What are the barriers to improving transparency and accountability when integrating ESG into reporting and disclosure?

## 2. Literature review

### 2.1 Process of literary search

This literature review will study articles, books, and other publications from reputable sources that concern the necessary themes regarding the subject to conduct the necessary research for this thesis paper. To gather important information and viewpoints on this topic's study area, literary research will be applied. Academic publications and news stories will be the literature that makes up this literature review. The literature review will also determine whether there are any gaps in the body of existing information on the issue and highlight any areas that may need more investigation by evaluating a variety of publications, while also providing the researchers with a more in-depth understanding of the subject to maximize the quality of the paper. Articles and books used within this thesis paper shall be found in the Mälardalen University library database and in Google Scholar because of the article filters available on the databases. Additionally, articles from internationally established journals shall also be reviewed for this literature review. The authors will filter their literature search by using the filters "peer-reviewed", "articles", "book chapters", "books", "conference papers", and "newspaper articles". Furthermore, the reduction process, after adding the filters and marginalizing the answers who appear, the authors intend to only look for articles with keywords that are related to the research subject. Hence, literature that involves the research topic, after applying the exclusion criterias shall be what will be reviewed.

For a greater comprehension of the data gathered and the research subject, this literature review will present the concepts that will be used throughout the paper. This next portion of the paper will present the theoretical parts of reporting, mainly stakeholder theory, and the sub theories within these two concepts in order to give the reader more insight into the theories and enhance their understanding of the research field.

#### 2.1.1 Approach towards literature review

This literature review has been done by first examining academic publications surrounding the subjects of ESG reporting, and barriers to disclosure for both general companies and banks to get a grasp of the outlook on this subject. Then, by reviewing such publications, the authors got a generalized overview of the research field before properly delving deeper into the literature in preparation for the literature review. By examining academic publications surrounding the research area, concepts to follow were deduced, and main theoretical ideas were found, such as stakeholder engagement for the former, and the stakeholder theory for the latter.

### 2.2. Explanation of key categories

The identification of key categories through a comprehensive literature review has facilitated the establishment of a structured and cohesive definition with the intention to work as a guideline for the study, as seen in Table 1. The utilization of categories has facilitated the investigation of diverse topics, enabling the research to establish a coherent and rational thread throughout the paper. The definitions and concepts utilized in this research are based on the knowledge acquired from the literature review below.

**Table 1:** Explanations of key categories

| | |
|---|---|
| **Business culture** | Business culture, or corporate culture is what values, ideal and beliefs that the company pushes on its employees, both for their ordinary life, and for how they interact at work. This culture can be grown organically, or it can be influenced by corporate practices and policies within the organization to provide a stronger sense of identity and reshape the culture towards its sustainable initiatives. Therefore, the company's senior managers instilling beliefs in the value of finding a balance between social justice, profitability, and ecological consequences is essential. |
| **Sustainable integration** | Sustainable integration refers to the process of incorporating sustainability principles into a company's overall strategy and operations. As stakeholders demand more environmentally and socially responsible practices, businesses have prioritized sustainable integration. Businesses are implementing specific measures to integrate sustainability into their business operation to remain competitive. These measures can be both social and sustainable, such as reducing carbon emission to promote diversity and inclusion. |
| **Stakeholder engagement** | Stakeholder engagement refers to the process of involving various parties in a business' sustainable activities, such as customers, investors, regulators, and civil society groups for creating a more sustainable future and ensuring transparency and accuracy in sustainability reporting. Businesses can gain valuable insights into the environmental and social impacts of their operations, identify key sustainability risks and opportunities, and develop more effective sustainability strategies by engaging with stakeholders. Businesses can utilize various communication channels, such as social media, annual reports, and dedicated sustainability reports to engage with stakeholders. |
| **Materiality** | The concept of materiality refers to issues that are of such importance and relevance that they have an impact on potential assessment from capital providers. |
| **Regulations & standards** | Banks are obliged to follow various regulations and standards when conducting ESG reports to assure compliance. |
| **Barriers to transparency and accountability** | The barriers refer to the difficulties in aiding stakeholders with relevant and unanimous information. Due to the regulations & standards being of such nature that misinterpretations are of high risk, these issues need to be overcome. |
| **Proactive sustainable initiatives** | Proactive sustainability initiatives are initiatives that aim at controlling a situation, not just reacting when things have gone too far. For businesses, by proactively reexamining their procedures and strategies that directly influence the sustainability of their operations and the stakeholders whose interests one has to align with, they are developing a sustainable advantage over their competitors. |

### 2.3 Reporting

Accounting information is crucial in market-based economies where its purpose serves two vital roles (Beyer et al., 2010). The first purpose according to Beyer et al. (2010) is that it permits shareholders to assess returns on potential investment opportunities (ex-ante). Whereas the second purpose is to allow shareholders committed capital to be monitored (ex-post). Although the ex-post information tends to be valued by investors, they require a lower return of the ex-ante. However, this allows the information required in the ex-ante and ex-post demands to be under the risk of not being voluntarily supplied by the organization (Beyer et al., 2010). This risk allows various regulations to be integrated to attain a certain level of disclosure amongst companies (Beyer et al., 2010).

Following the 21st Conference of the Parties (COP21), there has been a growing emphasis on the importance of reliable information in directing capital toward low-carbon and sustainable activities (Frade & Froumouth, 2022). ESG reporting provides essential information on such activities, allowing stakeholders to evaluate the company's environmental and societal effect. This information is key for investors looking to make decisions that are similar to their own values and ideals. Thus, ESG reporting is important for holding companies accountable for their actions and promoting appropriate sustainability practices (Frade & Froumouth, 2022).

### 2.3.1 Integrated reporting

The formation of the IIRC in 2010 had a significant impact on the evolution of IR (Mio, 2016). The process started in September 2011 and went through several stages of pilot programs which allowed participating companies to give proposals, before it would eventually culminate in a final version of the framework in 2013 (Mio, 2016). Firstly, the dynamic perspective, according to Mio (2016), takes the stakeholders into consideration and highlights their ability to interfere when not content with certain issues being excluded. This allows the stakeholders to share opinions that the company can adapt to. Moreover, the framework is constructed on four guiding principles and content elements, which are structured into implementation phases within the IR process, as seen in figure 1 (Mio, 2016).

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**Figure 1.**
Implementation phases of the IIRC guiding principles.
(Mio, 2016. p.11)

On the left side are the different implementation phases in which a company should implement the IIRC guiding principles. Mio (2016) argues that the first implementation step is to identify the information that needs to be considered. Hence, the information needs to be of such character that it has a positive impact on the principles of strategic focus and future orientation, as well as their stakeholder relationships. Thus, an early recognition of stakeholders can be beneficial. The next step, as highlighted by Mio (2016), is the information selected through the materiality principle, a step that can be of a complex nature. As mentioned before, the material issues mentioned in the report should be of such relevance that they can influence potential assessments made by capital providers and have an impact on value creation. This step leads to the connectivity of information principle, which connects the information selected, allowing it to be shared in an integrated manner (Mio, 2016). Ultimately, this finalizes in the final step, which is correlated to the presentation of the information and the principles of reliability and completeness, consistency, and comparability, and finally, the conciseness principle, which should be applied (Mio, 2016).

One of the core concepts within IR is the organization's value creation and the value created over short, medium, and long-term periods (Vedovato, 2016). This should be presented in a succinct manner within the integrated report and should be built on an organization's strategy, governance, performance, and prospects in an external environment (Vedovato, 2016). In this section, the researchers will delve deeper into the strategy and business model of an organization and how those can be presented within the IR. The strategy, as highlighted by Vedovato (2016), links objectives with environmental and internal variables and recognizes actions that should be pursued. Thus, in the sense of value creation, strategy cannot be neglected, more specifically, the extensive description of it cannot be neglected. Since the questions IR wants to answer are in regard to the organization's goals and path to those goals, the strategic objectives need to be identified in the report (Vedovato, 2016). Additionally, unlike the GRI reporting framework, IIRC focuses on the overall performance of the company and not only the sustainability part.

### 2.4 Stakeholder theory

Stakeholder theory is not directly a single theory, but rather a collection of various perspectives that have been interpreted and applied in a variety of ways. These perspectives range from CSR and ethical business initiatives to managerial strategy, corporate governance, and even financial matters (Miles, 2017). However, the question "what is a stakeholder?" often arises, and there are various definitions of what a stakeholder is. Additionally, the definition of what a stakeholder is has changed multiple times throughout history. The first known definition of a stakeholder was "those groups without whose support the organization would cease to exist", by the Stanford Research Institute in 1963 (Friedman & Miles, 2006. p.5). Friedman and Miles (2006) showcase numerous different definitions, for instance, "Driven by their own interests and goals, they are participants in a firm, thus depending on it, and for whose sake the firm is depending" by Ahlstedt and Jahnukainen (1971, p.5). "Any naturally occurring entity that affects or is affected by organizational performance" by Starik in 1993 (Friedman & Miles, 2006. p.6). And, "participants in a business (who) have some kind of economic stake directly at risk" by Orts and Strudler in 2002 (Friedman & Miles, 2006, p. 8). Stakeholders for organizations can be deemed as very different, and they are both internal and external people or organizations surrounding the corporation, which all makes the organization possible to run.



**Figure 2.**

Internal and external stakeholders of a company.

(Gurzawska et al., 2017. p.9).

Figure 2 showcases a summary of stakeholders surrounding a company, and separates them into internal and external. Therefore, as employees, owners, and the different representatives of a company, i.e. managers, are inside the company, they are the internal stakeholders. Meanwhile, the ones with vested interests on the external part of the company are regarded as external stakeholders, these include suppliers, customers, civil society organizations, regulators, creditors, and shareholders.

The stakeholder theory emerged as a different approach to comprehending how organizations could create value and engage in business activities in a world with little stability and assurance, making it often seem like a competing perspective to the shareholder value maximization perspective (Freeman et al., 2018). Despite that competing perspective, the stakeholder theory still acknowledges the importance of maximizing shareholder value but also acknowledges the prominence of non-shareholder importance to a functioning and successful corporation (Freeman et al., 2018). While shareholder value maximization promotes the belief that maximizing profits to provide the highest possible profits for stockholders is a top manager's main responsibility. According to the stakeholder theory, the world is far more complicated, and successful businesses produce value for all major stakeholders, while only a portion of that value is financial (Freeman et al., 2018). Based on the stakeholder theory, value creation is a cooperative effort in partnerships that should, in principle, benefit the focus firm and all of its stakeholders (Freudenreich, Lüdeke-Freund, & Schaltegger., 2020). Thus, the stakeholder theory was created to address three linked issues, "First, how can we create value in a turbulent world? Second, how are we to understand the ethics of capitalism? Third, what should we be teaching in business schools?" (Freeman et al., 2018. p.1).

### 2.4.1 Stakeholder theory in finance

While there have been some implications that a company’s focus is to maximize profit for shareholders, Jensen (1989), as mentioned in Freeman (2010), argued that a business cannot simply neglect the stakeholders in doing so. On the contrary, it wants to invest resources in such activities that will provide benefits that exceed the additional costs. And, although there used to be uncertainties in managers' capabilities to work with this effectively, the various reporting frameworks now hold them accountable (Freeman, 2010).

According to Freeman (2010), stakeholder theory offers businesses a broader framework for decision-making and long-term success. Companies can create value beyond financial gains and improve relationships with their stakeholders by taking into account the interests of both their internal and external stakeholders, see figure 1, potentially resulting in increased trust, loyalty, and reputation.

However, to implement stakeholder theory in finance, companies need to identify their stakeholders, understand their interests and concerns, and engage with them in meaningful ways (Freeman, 2010). This involves regular communication, attentive listening, and a willingness to respond to stakeholder feedback. However, Pérez and Del Bosque (2016) demonstrate that not all conventional stakeholders are significant to customers. Companies must therefore develop performance metrics that go beyond financial metrics and track their progress toward stakeholder-related goals.

Enterprise risk management (ERM) is one method for implementing stakeholder theory in finance. ERM seeks to balance an enterprise's entire risk portfolio to align with stakeholders' risk willingness or tolerance (Beasley & Frigo, 2007). Traditional risk management approaches tend to manage risks in isolation, whereas ERM takes an integrated approach, allowing top management to manage their firms' total risk more effectively (Beasley & Frigo, 2007).

In general, stakeholder theory in finance offers a comprehensive approach for businesses to create long-term value and build sustainable business models (Freudenreich et al., 2020). Companies can better manage risk, build trust, and contribute to the well-being of society and the environment by considering the interests of all stakeholders.

### 2.4.2 Stakeholder theory in accounting

In the early 1990s, studies regarding annual reports from a stakeholder point of view began to surface. Meek and Gray (1988) and Rahman (1990) discussed the added value of providing annual reports that highlight wealth created across different stakeholder groups. In addition, Rahman (1990) argued that multinational enterprises (MNEs) should publish financial reports in their operating countries as well, as this would provide relevant information for a broader group of stakeholders. Through these, studies emerged regarding the inclusion of CSR and sustainability in those reports. In addition, Rubenstein (1992) focused on creating an account that would help define the sustainable practices of a firm, and Ilinitch, Soderström, and Thomas (1998) further highlighted the importance of providing such information; allowing strategic decisions to be based upon information given to stakeholders.

While stakeholder theory has had a major impact on many areas of business, researchers highlight that compared to other fields, accounting has barely been affected by the theory (Hörisch et al., 2020). Within this field, the fundamental concepts of stakeholder theory, rather than the concept of stakeholders alone, have infrequently been utilized in accounting studies (Hörisch et al., 2020). One of the key challenges in applying stakeholder theory to accounting is determining which stakeholders should be considered. Hörisch et al. (2020) argues that the stakeholder concept is inadequate for directing accounting practices due to its absence of a well-defined structure for recognizing and ranking stakeholders. The authors posit that accounting ought to be directed by fundamental principles derived from stakeholder theory, specifically the principle of inclusivity. This principle underscores the significance of considering every relevant stakeholder. Thus, what is conveyed to stakeholders through accounting procedures depends on how epistemic beliefs along with additional inputs, such as stakeholder voices, interact (Mitchell et al., 2015).

Materiality is a crucial concept in accounting and financial reporting. It refers to the significance or relevance of information to different stakeholders. In financial reporting, materiality helps determine what information should be included in financial statements and what should be disclosed separately in footnotes or other supplementary materials. The International Accounting Standards Board (IASB) defines material information as that which, if omitted or misrepresented, could impact the economic decisions made by users of financial statements (IFRS, 2018). Materiality is also important in sustainability reporting, where it is used to identify the most significant ESG issues affecting a company and its stakeholders (GRI, 2023). Stakeholder theory has been applied in accounting in addition to materiality through the development of reporting frameworks and standards that require companies to disclose information about their ESG performance and impacts. GRI, for example, provides sustainability reporting guidelines that are used by businesses worldwide (GRI, 2023). Companies must disclose information about their material ESG issues, stakeholder engagement, and management approach to sustainability under the GRI framework.

#### 2.4.3 CSR considerations in Stakeholder theory

Stakeholder theory and its relation to CSR can, in its early days, be viewed as an initiative from management to broaden their reach to stakeholders opposed to the firm's activities (Freeman, 2010). Over the years, studies highlight CSR as a driver of firms financial and technical agendas, whilst others see it as a mere add-on to a corporate strategy, and some instead recognize its central role within the strategy itself (Freeman, 2010). In addition, more comprehensive studies were made in the 1990s and the concept of SEAAR (Social and Ethical Accounting, Auditing and Reporting) was coined (Freeman, 2010). A concept and practice which stakeholder theory seems to have heavily influenced. SEAAR and relevant studies were conducted to address demands in translating CSR into accountable measures, and thus ease the implementation into managerial practices. This is where standards such as AA1000 and GRI start to set the tone in promoting sustainable reporting (Freeman, 2010).

Furthermore, CSR is a hypernym for a company's activities targeted towards society and the focus is not on seeking to define what the company is about or its broad range of requirements, but more on its responsibilities to their own community and society (Freeman et al., 2010). Moreover, Freeman et al. (2010) suggest that the stakeholder theory's point of view differs, as it gives a more distinctive view of how businesses produce value that is both monetary and social, as well as the integral part ethics and morals play in this entire procedure. Furthermore, to give a different perspective, the agency theory views the CSR movement and CSR disclosure in a different light, as it sees the disclosures as a way for managers to act in terms of self-interest (Tsang et al., 2023). The agency theory explains that managers use CSR reporting to deliberately exploit and influence their company's reputation by purposefully making the disclosing report biased to make the firm seem more aligned with CSR guidelines, than as to the truth (Tsang et al., 2023). Therefore, as CSR disclosures can be manipulated, agency theory has a contrasting view to stakeholder theory. In addition, agency theory coincides with Friedman's beliefs from the 1970's that businesses should put shareholders and their profits ahead of stakeholders and their views (Friedman, 1970; Tsang et al., 2023).

### 2.5 Transition from CSR to ESG

Although they remain a component of the wider CSR concept, ESG and sustainable finance is essentially replacing CSR by bringing the environmental, gender, diversity, and inclusivity concerns, which have historically been the weakest portion of the CSR equation, and the forefront for criticism towards it (Ferreira, 2022). In addition, the untrustworthiness of CSR assessments also stems from the fact that organizational rhetoric has a stronger effect than actual action, and corporations have been discovered to be both socially responsible and irresponsible, making overall evaluations of a firm's CSR challenging (Busch et al., 2016). ESG has become an important aspect, and it's establishing itself as the main criteria when making decisions while simultaneously becoming essential to defining the objectives of businesses, investors, workers, and clients (Ferreira, 2022). Costa et al. (2022) suggest that ESG is a tool used to regulate an organization's environmental and social activities, additionally, ESG also helps to determine the risk of sustainable investment opportunities. Hence, the exponential rise of the concept of ESG has been as quick and sudden, during the past decade, while companies reporting their ESG measures have incrementally increased during the same time frame.

The shift from CSR towards the more holistic approach of ESG reporting has been apparent. The philosophy of "business for good is good for business" summarizes a company working for its ESG initiatives (McCracken, 2022), and comparatively, companies with CSR commitments work towards the approach of believing in "doing well by doing good" (Falck & Heblich, 2007). Corporations working towards ESG regulations, which can be seen as a methodical application of ESG disciplines in their disclosures, are embraced more nowadays (McCracken, 2022). Oh (2021) states that while CSR commitments are frequently advertised through marketing communications, simultaneously there is a shortage of measurable and comparative data to support the efficacy of CSR initiatives. In comparison, ESG initiatives are measured through more vast and distinguished metrics to indicate the company’s holistic performance (Oh, 2021). As ESG issues are overlapping since environmental issues can be connected and reported about within social issues, ESG reports are intersectional and therefore cannot be seen directly as different categories (Oh, 2021). According to Oh (2021), CSR reporting varies significantly as companies demonstrate their responsibility in diverse ways, often with activities that may seem unrelated, such as employee volunteering and support for charitable causes. While ESG helps calculate and assess social initiatives in their ESG reports, CSR differs by making corporations take responsibility for the company’s social commitments in a qualitative way (Park et al., 2023).

# 3. Methodology

This following section presents an overview of the adopted methodology and the limitations in this thesis. This study employed an exploratory qualitative research design consisting of a systematic literature review and a comparative case study analysis of Swedish banks and their ESG disclosures from a monomethod qualitative study, by conducting non-standardized semi-structured interviews.

## 3.1 Research philosophy

Research philosophy describes a set of assumptions and expectations towards the growth of knowledge (Saunders et al., 2019). Hence, a conclusive research philosophy section is instrumental to a cohesive method chapter.

This thesis paper utilizes an interpretive philosophy for the qualitative research design. It is interpretive because the researchers need to comprehend and make sense of the socially manufactured and arbitrary interpretations made of the subject being researched (Saunders et al., 2019). This enables a more thorough comprehension of the elements impacting the Swedish banks and their ESG disclosures. Moreover, this paper makes use of epistemological assumptions when it discusses knowledge, questions, and the various ways that knowledge is understood in research (Saunders et al., 2019). To be able to distinguish different assumptions researchers make, the study incorporates objectivism, as the researchers aim to discover the reality regarding problems with disclosures for banks. Objectivism states that a researcher shall not be influenced by their own conscious biases when conducting research, and instead the researcher's subjectivity will make them accurately comprehend the environment studied (Ratner, 2002). Saunders et al. (2019) states that epistemological objectivists seek knowledge through noticeable, and measurable information to deduce generalizations, hence this study employs said way of research philosophy. Furthermore, this paper has the philosophical stance of interpretivism, as the study is on people and their situations according to their own complex context. Saunders et al. (2019) emphasizes that an interpretivist research purpose is to develop new, broader, and more comprehensive understandings and clarifications of social worlds and contexts. Within business management research, Saunders et al. (2019) further mentions that the research is conducted by delving into the different perspectives of different people about organizations. Therefore, interpretivist and epistemology researchers set out with the objective of furthering understanding and developing practice (Saunders et al., 2019).

### 3.2 Research approach

There are three main approaches to theory development, abductive, inductive, and deductive. The abductive approach is a combination of the deductive and inductive approaches, as the abductive approach alternates between data and theory throughout the research, whereas the deductive approach moves from theory to data, and the inductive approach moves from data to theory (Saunders et al., 2019). The researchers approach towards theory development follows the abductive approach, as the researchers seek to collect data regarding the phenomenon of ESG and disclosures, then, by researching into different banks and their procedures, capture where the barriers and issues occur, while also going back and forth between the data and theory while analyzing the answers from the interviews.

The abductive approach is also suitable because the researchers started off by informing themselves about the theory of the subject, what is currently happening, and the challenges that follow. The researchers then went to the banks and tried to explore what the real challenges were, and what they believed emerging challenges might look like. Then after conducting the interviews, the researchers went back to the theories to try and interpret what the theories were saying, which is all an abductive approach (Saunders et al. 2019). Additionally, as this study does not conduct a thematic, or content analysis, it is further appropriate towards the abductive approach. Hence, with this research seeking to add to the expanding material regarding ESG disclosures by conducting non-standardized semi structured interviews, the chosen approach is the most appropriate (Saunders et al., 2019).

### 3.3 Research design

The case study approach was chosen because it allows for a thorough analysis of the research phenomenon and allows for the investigation of complex issues in a real-life context (Saunders et al., 2019). Researchers can examine similarities and differences between various cases and gain a more thorough understanding of the research phenomenon by using the comparative case study design (Saunders et al., 2019).

This study uses both primary and secondary data collection methods to achieve the research aims and objectives. Non-standardized semi-structured interviews were used as the primary data collection method in this study. Employees of selected Swedish banks were interviewed to gain insights into their ESG disclosures and sustainable practices. Afterwards, the researchers will conduct a non-standardized semi-structured interview with an industry expert, there will be a similar set of questions, but more from an external stakeholder perspective, where it still revolves around the banks ESG disclosures and sustainable practices. The reason for choosing consultancy firms apart from the banks was to gain insight from industry experts who possess a more general knowledge base regarding ESG reporting. Non-standardized semi-structured interviews are preferred because they allow researchers to follow up on interesting points raised during the interviews and probe for more in-depth responses and detailed data (Saunders et al., 2019). For non-standardized semi-structured interviews to be able to ensure relevant and effective data, the interview questions will be developed based on the research questions and objectives and will be related to the study’s literature review.

The secondary data collection method in this study should be a comprehensive literature review of relevant concepts and theories related to ESG disclosures, sustainability practices. The literature review will be conducted using various academic databases, such as Mälardalen's university primo database, to identify scholarly articles, journals, and other relevant publications. The literature review will also include the use of relevant keywords and phrases to ensure a thorough and comprehensive search. Secondary data will be collected to provide a broader context and understanding of ESG disclosures and sustainability practices in the banking sector, as well as to validate and triangulate the primary data collected through semi-structured interviews.

## 3.4 Data Collection

### 3.4.1 Primary data

The collection of primary data for this study was done through qualitative non-standardized semi-structured interviews. The study gathered primary data through virtual oral interviews, as to establish direct contact between the interviewer and the respondent (Saunders et al., 2019). The interviews for the research were conducted using synchronous electronic interviews, via the platform Microsoft Teams which gives both parties the possibility to participate from wherever, with cameras on, and automated recording options. Saunders et al. (2019) state that synchronous electronic interviews gives both the interviewers, and the respondents the option to remain in their own comfortable and safe locations which increases the possibility for respondents to even participate. Conducting the interview through Microsoft Teams also gives participants the option to schedule the interview at a time that works best for them. Saunders et al. (2019) assert that semi-structured interviews, which are non-standardized, require careful planning and thoughtful consideration. In this study, the researcher developed a set of themes and main questions to guide the discussion prior to conducting the interviews. These themes and questions were then shared with the respondents prior to the actual interview. According to Saunders et al. (2019), this approach is flexible and allows for the inclusion of additional questions during the interview process. This enables the researcher to delve deeper into topics of specific interest and further develop their understanding of the research topic. By taking an open-ended approach to the interview process, the researchers can uncover more nuanced insights and gain a more comprehensive understanding of the topic (Saunders et al., 2019).

### 3.4.2 Respondents selection

This study obtained primary data by conducting empirical interviews with banks and a sustainability industry expert in Sweden. To identify appropriate participants, the researchers utilized a combination of Google search and personal connections within the industry. Based on these efforts, a list of 12 suitable banks and 1 appropriate consultancy firm was compiled for the study. The researchers then proceeded to contact the identified banks and consultancy firm through both phone and email communication. Out of the 12 banks contacted, 9 either declined the invitation to participate or did not respond, while 1 industry expert accepted the invitation. The reasons for non-participation among the contacted banks varied. Some banks reported back with packed schedules and offered to do the interview at a later date, which fell beyond the required deadline for the study.

During the initial stages of the study, the researchers made contact with Länsförsäkringar Bergslagen, who initially expressed willingness to participate in the interview. However, upon reviewing the interview questions, the representative suggested that the head of sustainability within the company group should also be contacted. The purpose of this suggestion was to gain a more thorough comprehension of the sustainable practices of the entire company. Subsequently, two interviews were conducted, one with Länsförsäkringar Bergslagen and the other with Länsförsäkringar AB. Additionally, the researchers reached out to the head of sustainability at Bank X, but that person referred to someone else within the bank, the sustainability expert who works directly with the reports. The researchers communicated with the sustainability expert who wanted both the bank and their name to not be named, hence opting to be anonymous, and conducted the interview with that person. The sustainability expert shall further be named as Respondent X if needed, and the bank shall be named Bank X. The researchers scheduled interviews with the industry expert after completing initial sessions with the banks to have a more thorough understanding of how they operate. This strategy was used to make it possible to create relevant and focused questions for the industry expert. The researchers were then able to gain detailed insights on sustainability practices from the industry experts' perspective, in order to compare them with those of the banks.

**Table 2:** Respondent background and way of interview.

| **Respondent** | **Role** | **Experience** | **Location** |
|---|---|---|---|
| **Bank X** | **Sustainability expert** | **1.5 Years** | **Virtual** |
| **Länsförsäkringar Bergslagen** | **Sustainability officer** | **1.5 Years** | **Virtual** |
| **Länsförsäkringar AB** | **Head of sustainability** | **2 Years** | **Virtual** |
| **CGI Consultant (Industry expert)** | **Sustainability & ESG Coordinator** | **1.5 Years** | **Virtual** |

### 3.4.3 Interview Building

The interview process started with developing a level of knowledge needed to not only understand the respondents, but also to know what questions to ask. In correlation with Saunders et al. (2019), the researchers identified contextual information through the banks websites and by glancing at their annual reports. Through this, keywords and patterns could be identified which would benefit the formatting of questions. Furthermore, the researchers delved into knowledge regarding ESG and various sustainability practices that had been present in banks over the last years. Following the knowledge development, the process of formatting questions would begin. As previously mentioned, interviews would occur with banks as well as an industry expert, hence the formation of two sets of questions. One set of central questions for the banks and one for the industry expert. The differences in questions were in regard to their work tasks.

Reliability/dependability and validity/credibility and the avoidance of any form of bias were central goals throughout the interview process (Saunders et al., 2019). Thus, the questions needed to ensure that those goals would be achieved, and increase reliability of the information (Saunders et al., 2019). The set of questions were constructed of mainly open questions and those that were too long were parted into two. Moreover, the number of theoretical concepts and phrases used were reduced to prevent misunderstandings amongst the researchers and the respondents (Saunders et al., 2019). Although the interviews were aimed to be as narrow to the subject as possible, the researchers wanted to allow the respondents to reply as they wished. Hence, the open questions were phrased with initial keywords such as “how”, “why”, and “what”, as questions of such nature would allow the respondents to define events as they please (Saunders et al., 2019). The exclusion of too many probing questions in the set was purposely made as the researchers wanted to explore the specific responses made by each respondent.

The setting of the interview was also specific as several factors had to be taken into consideration. Firstly, the distance between the respondents and the researchers made the possibility of in-person interviews complex as the locations were spread out. Secondly, although virtual meetings would aid in audio recordings, there is no guarantee for decent quality. Thus, as a backup for the recordings, notes were taken from the other members participating in the interviews (Saunders et al., 2019).

The interviewers decided that one specific person should lead the interviews, to make the respondent more comfortable just speaking and answering one person, while the others took notes, and prepared potential follow-up questions. Additionally, all four interviews started off with the same set of four different background questions to gather information about the respondent, and what it is they do, see appendix 1, table 3. To further clarify and showcase the interview questions, their connection to the key categories in this study, there are two tables created by the authors that show the categories, interview questions for both the bank interviews, and industry expert interview, and the purpose of the questions asked, see appendix 1, table 4 & 5.

### 3.5 Data analysis

This study employs a comparative analysis to analyze the findings from the different banks, and the industry expert’s perspective on the banks. A comparative analysis has the purpose of finding similarities and differences among the data to be analyzed (Drobnič, 2014). In this study, such analysis is therefore the process of comparing different sets of data gathered from interviews with the same questions, subject and themes. Thus, comparative analysis can benefit researchers by informing the researchers of how something is truly conducted by comparing the data collected (Blair-Walcott, 2023. It is mostly used to gather thorough understandings of links between causes and effects (Blair-Walcott, 2023). Blair-Walcott (2023) also suggests that it is utilized for its exploratory effect, hence, as this study employed an exploratory qualitative research method with the semi-structured interviews, it coincides with the nature of the comparative analysis. By using a frame of reference, the data categories, a comparative study can distinguish the similarities and distinctions between the researched phenomena in the different banks. Blair-Walcott (2023) states that comparative studies discover the frame of reference through complex debate and theoretical preparation between the researchers ahead of conducting the research process.

Tilly (1984) presents four different types of comparative analysis, these four are: individualizing, universalizing, variation-finding, and encompassing. Individualizing includes discovering how a small number of cases vary from each other, while universalizing deduces that comparative analysis is done to discover observations about differences in comparisons, and that theories essentially all follow the same rules (Tilly. 1984). Variation-finding is to a greater degree used to establish the rules controlling variations in the phenomenon's characteristics, while encompassing is used to describe how different interactions directly affect systems altogether (Blair-Walcott, 2023). For this research, individualizing is the most suitable, as there are only three different banks to be analyzed and they are the ones where the variances will be discovered. Conclusively, the purpose is to glean greater understanding of causal mechanisms by utilizing a comparative analysis for more cohesive findings.

### 3.6 Reliability

With the study's validity in mind, ensuring that the questions are applicable and relevant to both the area of interest and the research subject is fundamental (Saunders et al., 2019). The reliability of the research must also be taken into consideration. To garner relevant responses, the interviewers must be consistent, and regulated with the questions, additionally, have follow-up questions that follow the same subject to collect more nuanced data (Saunders et al., 2019).

### 3.6.1 Data quality

When conducting semi-structured interviews, one thing researchers must consider is data quality issues (Saunders et al., 2019). Data quality issues are closely associated with semi-structured interviews, because of the more relaxed, and interchangeable nature revolving around the interviews. Thus, small biases, or errors while conducting the interviews could negatively affect the data collected. Saunders et al. (2019) state that data quality issues have many factors, the factors suggested are "reliability/dependability, forms of bias, cultural differences, generalizability/transferability, validity/credibility" (p.447).

Reliability/dependability is strongly associated with semi-structured interviews because of the possibility of respondents giving too similar responses to the differing questions based on the interviewer's bias when asking the questions (Saunders et al., 2019). The cultural difference factor was not something that occurred during the interviews, as the interview had no cultural ideology behind it hence, making the cultural reflexivity not an issue. However, Saunders et al. (2019) state that concerns surrounding the generalizability of findings from qualitative studies can be deduced when only one, or a small number of cases were studied. Hence, generalizability/transferability issues can be applicable to this study, as only four qualitative interviews were conducted. Validity/credibility is decidedly essential, and it can be achieved by using clarifying and coherent questions, and by using open ended questions to garner different perspectives while conducting semi-structured interviews (Saunders et al., 2019). To prevent these issues, preparation through a methodical approach to the interview, and knowing the potential limitations associated with this interview method are essential (Saunders et al., 2019).

### 3.6.2 Ethical considerations

The ethics of this research are constrained by the university's deontological principles, code of ethics, and guidelines for the course as representatives of Mälardalen's University (Saunders et al., 2019). The deontological view states that researchers must follow the rules while guiding the research, and that “acting outside the rules can never be justified” (Saunders et al., 2019, p.253). As the researchers are members of a university, the requirement is to abide by the university’s ethical code and follow the ethical standards of research conduct (Saunders et al., 2019). To abide by the university’s ethics, the researchers shall follow act (2019:504). Which is the act on assuming accountability for ethical research practices and investigating cases of misbehavior in research (Advisory Ethics Committee at MDU, 2020). Additionally, as interviews are used for the primary data collection, the respondents either consent to having their name and company featured in the paper, or they have the option of anonymity, and will therefore not be mentioned by name, nor company.

## 3.7 Limitations

Despite the rigorous methodology employed in this study, there are several limitations that should be acknowledged. Due to the time constraints of this research project, the sample size will be limited to a small number of interviews. As Saunders et al. (2019) note, when working with a small sample size in a qualitative study, researchers must exercise caution when drawing general conclusions from the findings. While a qualitative approach is well-suited for analyzing and gaining insight into complex phenomena, it may be less suitable for generalizing findings to large populations. Hence, as this study was limited to only four respondents, which included three banks, and one consultancy firm, the generalizations within the findings cannot be applied to the entirety of the Swedish bank sector but can be viewed as a point into how it is for some banks, from the perspective of a portion of industry experts.

# 4. Findings

## 4.1 Secondary data descriptions of case companies

The following section shall present an exhaustive overview over the companies studied in this research paper to give the readers a more in-depth background about the case companies. The companies were chosen based on their relevance to the research objective and their availability for interviews.

### 4.1.1 Länsförsäkringar AB

The history of Länsförsäkringar AB can be traced back to the early 1900s, when several regional insurance companies were founded throughout Sweden. These businesses concentrated mostly on offering insurance services to farmers and rural areas. Over time, these local insurers realized the advantages of cooperation and made the decision to band together in 1996 to create Länsförsäkringar Bank.

Länsförsäkringar AB is the parent company of Länsförsäkringar Bank, which this study revolved around and the Head of Sustainability interviewed worked in. Länsförsäkringar AB has 23 customer owned insurance companies which ultimately cooperates to combine the 115 regional bank offices into one large company with more market shares (Länsförsäkringar, n.d.). Hence, Länsförsäkringar Bank is one of Sweden's largest banks as their banking services are offered to 3.9 million customers of the Länsförsäkringar Group, but as of 2023 Q1, 617,100 had Länsförsäkringar Bank as their primary bank (Länsförsäkringar, 2023). They operate within the banking sector, but as the name states, the parent company also operates within the insurance market (Länsförsäkringar, n.d.). Länsförsäkringar AB is customer-owned, and its strategy is built on the broad customer base of the Länsförsäkringar Group. Additionally, they operate with their strong brand, and localized appearance thanks to its 115 regional offices.

### 4.1.2 Länsförsäkringar Bergslagen

Länsförsäkringar Bergslagen operates as an independent subunit of Länsförsäkringar AB, assuming full responsibility for serving the Västmanland and Örebro regions from its head office in Stockholm. The company holds a deep appreciation for its community and is dedicated to enhancing the well-being of its customers. What sets Länsförsäkringar Bergslagen apart is its unique customer-owned structure, which allows the organization to prioritize its operations over profit-seeking initiatives (Länsförsäkringar, n.d.).

### 4.1.3 Bank X

As Bank X stated that they wanted to be anonymous, not a lot of information can be given, as that could possibly give up the name of the Bank, which would break the anonymization of the respondent. However, Bank X is a Swedish bank which ultimately operates as a subsidiary in a consortium, and their headquarter is in Stockholm. They view sustainability as a prioritized part of their business, stating that sustainable finance is something they operate by, offering their customers adapted help with SRI, and a clear sustainable profile for the customers investment portfolio is essential for their future.

### 4.1.4 CGI

CGI is one of the biggest providers of business and IT consulting services globally. With the goal of accelerating their customers' returns on investments, CGI operates with an outcomes-based and insights-driven approach (CGI, 2023). CGI has 400 locations worldwide, and over 90,000 consultants and professionals employed within their diverse global network as they operate in 40+ countries. They state that their experience includes working with 15 out of the top 20 banks in the world, with over 40 years of experience leading innovation within the banking sector. In addition, CGI are in the front edge of ESG practices amongst consultant organizations, achieving great recognition and winning several awards (CGI, 2023). Thus, through their expertise in the banking industry and their ESG ambitions, they are a perfect fit for this study.

### 4.2 Summarization of data categorization

This chapter presents the empirical data gathered during the interviews, which included four different respondents. The goal of this chapter is to compile and analyze the collected data so that the authors can answer the study's purpose and research questions in the subsequent analysis and conclusion.

To effectively organize the findings, the data is divided into seven distinct categories, which corresponds to those outlined in the research paper. In the table presented below, the researchers have compiled key takeaways from the interviews, organized according to the specific categories identified in table 1. This approach allows the authors to gain a clear overview of the discussions held with the various experts involved in the study. By summarizing the key takeaways from each interview, the researchers can then highlight the most relevant insights provided by these individuals.

The table below provides a useful tool for identifying patterns, trends, commonalities and differences among the interviews. It allows the researchers to compare the opinions offered by the various respondents, which initiates the examination of the research topic.

**Table 6:** Key findings from data categorizations

| **Data categories** | **Länsförsäkringar AB** | **Länsförsäkringar Bergslagen** | **Bank X** | **CGI (Consultant)** |
|---|---|---|---|---|
| **Business culture** | Internal training during the year to assure all employees' knowledge within the field.<br><br>Work from scopes 1-3 that focus on direct, indirect and their customers. | Setting annual sustainable goals for the local office.<br><br>Conducting local internal training to focus on business-specific sustainable objectives.<br><br>Providing mandatory digital sustainability training.<br><br>Having sustainable discussions with different working | Sustainable business policy implementation.<br><br>Internal environmental and waste targets.<br><br>Net-Zero emissions targets, in line with the Paris agreement.<br>Sustainability forums. | Follow environmental standards, even for business trips. |

| | | | | |
|---|---|---|---|---|
| | | groups. | | |
| **Sustainable integration** | Small sustainability team due to importance in being part of the organization and not on the side.<br><br>Central role within their strategy.<br><br>Choose to be drivers, market leaders or part of the development. | Bergslagen Office's independence enables autonomous decision-making.<br><br>Employees are encouraged to come up with sustainable initiatives.<br><br>Internal system is being created to facilitate reporting on sustainable operations. | Obligatory internal sustainability training courses for new employees to get a Swedsec License.<br><br>Principles for responsible banking, the FN initiative. | 3,5,10-year sustainability strategies must be incorporated.<br><br>Sustainability Cabinet work towards integrating sustainability to the organizational strategy. |
| **Stakeholder engagement** | Stakeholder dialogues with suppliers who they set targets for.<br><br>Customer reach through the organizations companies.<br><br>Regular meetings with board and management.<br><br>Contact with external parties.<br><br>Impact on report. | Conduct materiality analysis and customer interviews.<br><br>Contribute to the local community.<br><br>Develop targeted ambitions by analyzing local societal challenges. | Stakeholder dialogues, with customers, employees, investors.<br><br>No direct effect on their reports, but the reports respond to transparency demands. | Investor dialogues have a lot of influence when deciding what to report.<br><br>Following stakeholder demands is second to following legal requirements. |
| **Materiality** | Follow the set guidelines and directives.<br><br>Recognizes that some aspects are made in panic by the regulators. | Follow the set guidelines and directives.<br><br>Customer ownership model with profits reinvested in sustainable initiatives. | Follow the EU directive NFRD, and the Annual Accounts Act.<br><br>Anti-Corruption being highlighted, relevant KPI’s. | UN Directives for sustainable goals cover three areas, environmental, social, and governance.<br><br>Follow the regulations and standards for the company’s sector. |
| **Regulations &** | Adapts to the | Local compliance | Two different | Auditing and |

| | | | | |
|---|---|---|---|---|
| **standards** | requirements set by EU.<br><br>Most central frameworks are CSRD and Pillar 3.<br><br>Recognizes optional frameworks such as Principles for responsible banking (PRB). | officer with full focus on regulations and standards.<br><br>Most central frameworks are CSRD.<br><br>Comply with Financial Supervisory Authority requirements. | perspectives, one from the bank and one from Bank X-Group. The banking group does one report for all the banks, and Bank X does one sustainability report for themselves.<br><br>Different requirements for the different reports. | third-party review companies are the future for reviewing reports. |
| **Barriers to transparency and Accountability** | Biggest barrier is the data collection.<br><br>Could be data they do not have, data on loans sustainable lifetime and data that not even the government have.<br><br>Time consuming process. | Biggest barrier is the data collection.<br><br>To involve everyone at different levels in the business to ensure action is taken from all parts.<br><br>Time consuming process. | Extremely time consuming, will get even worse with the new directive CSRD for 2025.<br><br>The banking group provides help, but low level of data for ESG metrics makes it complex. | Both the consultancy firm, and their customers have problems with gathering data, and making sure it's correct.<br><br>Company data gathering is prone to both human error, and lack of information. |
| **Proactive sustainable initiatives** | Sharing knowledge with the different banks.<br><br>Work with different data collection projects.<br><br>Symbiosis work with banks, politicians and people from business life to proactively work with the matter. | Gathering information and working on a "base year" for climate footprint data.<br><br>Forming project groups consisting of knowledgeable workers in relevant fields to prepare for CSRD. | CSRD, double materiality within the future directive.<br><br>Working with the banking group, since they start reporting one year before the bank.<br><br>Projects working towards interpretations and recommendation s for CSRD at group level, which will help | General code of conduct is something for the future.<br><br>Business ethics in regulations would be proactive, to prevent breaking the standards in the company chain.<br><br>EU Taxonomy and CSRD will make everyone more transparent, as sustainability |

| | | | | |
|---|---|---|---|---|
| | | | employees at the banks. | reporting will be mandatory. |

### 4.3 Summarization of interview categories

The upcoming section aims to present the findings in a comparative manner by incorporating direct quotations from the interviews conducted with both the banks and the industry expert. Through the use of comparative analysis methods, these findings will be examined and juxtaposed to identify similarities, differences, and patterns.

***Business Culture***

*"We have adopted a policy of sustainable business, with the purpose of actually providing a starting point and direction for Bank X and Bank X Group to act as a responsible bank that provides banking services and contributes with positive effects for customers, society and the climate, thus contributing to sustainable value creation"* - Bank X

In the area of business culture, the banks had incorporated similar features. All three banks offer consistent sustainability training for their employees, which allows them to gain more knowledge on the matter. Thus, allowing more sustainable initiatives to be worked towards. Moreover, the banks have different goals that they are working towards within their respective organizations. For instance, Länsförsäkringar AB has incorporated scope 1-3 emissions into their business culture, indicating a thorough approach to addressing the impacts they have made on the environment. Länsförsäkringar Bergslagen takes a distinct approach by setting annual sustainability goals that they strive to achieve. These goals are designed to place a strong emphasis on sustainability targets within their organization. Additionally, during the interview, the respondent from Länsförsäkringar Bergslagen expressed a desire to incorporate sustainable awards into their annual employee award ceremony. This initiative aims to highlight and recognize the importance of sustainable thinking among employees. The respondent expressed confidence that this inclusion will be implemented in the future, further emphasizing their commitment to fostering a culture of sustainability. Meanwhile, Bank X prioritizes internal environmental goals while also aligning its corporate culture with the Paris Agreement and the net-zero emissions aim.

The insights provided by the industry expert shed light on the crucial role of business culture and ambition in driving transparency in ESG reports. According to the expert, organizations that foster a strong sustainability culture and set ambitious goals are more likely to have a clear roadmap or plan in place, leading to enhanced transparency and comprehensive reporting in their ESG disclosures.

***Sustainable integration***

*“We have signed the principles for responsible banking which is a UN initiative. Through these principles we are taking steps to align our business strategy, lending decisions and investments with the UN Sustainable Development Goals and international agreements such as the Paris Climate Agreement.”* - Bank X

*“Implement sustainability in their strategy. That's what I would say all banks have done in principle. We have integrated it into the strategy. This is an extreme priority for all banks. Anyone who does not do this will not be eligible for election in a few years. There is no bank that does not work on these issues.” - Länsförsäkringar AB*

The banks’ efforts to integrate sustainability into their operations shows a commitment to promoting sustainable practices. The banks had similar recognitions in making sustainability a central component of their operations by prioritizing it in their strategies. The management of sustainable initiatives plays a significant role in the three banks' approaches. While Länsförsäkringar AB recognizes the strategic benefits of having a small sustainability team, Länsförsäkringar Bergslagen and Bank X prioritize incorporating larger sustainable teams across the companies. The reason behind Länsförsäkringar ABs strategic planning is so the sustainability team becomes a part of the organization and not a side of it. Meaning that the team works directly with employees in different units to address the questions directly throughout the workplace.

Moreover, Länsförsäkringar has taken a step towards promoting sustainable practices by implementing an internal system that facilitates reporting, knowledge sharing, and tracking of sustainability across all Länsförsäkringar Offices. This system not only helps the bank monitor its progress towards sustainability goals but also allows for the identification of areas where improvement is necessary. Also, proving to be a great tool for knowledge sharing. By joining accords like the principles for responsible banking, a UN initiative, Bank X highlights the significance of matching their corporate strategy with environmental aims. Thus, by adhering to these guidelines, Bank X hopes to guarantee that its lending decisions, investments, and overall business strategy are in accordance with global accords like the Paris Climate Agreement as well as the UN Sustainable Development Goals. This demonstrates Bank X's dedication to incorporating sustainability into their core operations and actively contributing to global sustainability efforts. Länsförsäkringen AB highlights the imperative for all banks to incorporate sustainability into their strategies, emphasizing that failure to do so may render them ineligible for election in the future. This assertion underscores the significance of addressing sustainability issues within the banking sector and the growing consensus among financial institutions regarding their responsibility to contribute to a sustainable future.

***Stakeholder engagement***

*"We schedule stakeholder dialogues, to understand what our customers value, what they believe is important, what they think we should value when it comes to sustainability"* - Bank X

*"Stakeholder dialogues are extremely central to how we adopt our operations", "To work sustainably, we have dialogues with our customers and ask them for instance, what their demands are? Then I take what we gathered from the stakeholder dialogues to the board"* - Länsförsäkringar AB

*"A light asset analysis and customer interviews have been done so far with the aim of listening to customers' values; we will need to do more solid double asset analysis to get clearer answers to customers' values in the future."* - Länsförsäkringar Bergslagen

Stakeholder dialogue seems to be the keyword when examining table 6. What can be identified in Länsförsäkringar AB's case is the extensive work with various stakeholders. Not only focusing on the customers but also external actors, such as suppliers. Moreover, a difference can be identified between Länsförsäkringar AB and Bank X in the impact stakeholders have on reporting. Where Länsförsäkringar AB recognizes the stakeholders' impact on the report, Bank X instead answers to transparency demands, without recognizing any real stakeholder impact. Thus, a difference in approaches towards ESG reporting is highlighted. Länsförsäkringar AB attains a proactive role, being on top of their stakeholders and ensuring excellence, Bank X instead attains a reactive role, answering to demands.

Further differences between the four respondents can be identified in the stakeholder meetings. Bank X states that they arrange stakeholder dialogues once every third year and Länsförsäkringar AB mentions the continuous meetings with board and management. Although Länsförsäkringar Bergslagen did not mention stakeholder meetings, they highlight their stakeholder engagement through surveys and interviews with clients. This type of data does not only allow Länsförsäkringar Bergslagen to make changes within close proximity to their customers, but by relaying the information to senior management, organizational adjustments connected to reporting can be done.

*"Corporations nowadays sit down and actually look at this* (what to include in sustainability reporting to maximize value creation)*" "Bar the legal requirements, figuring out what their customers are looking for, where they are making the biggest differences, and helping customers be more sustainable is the top priority for organizations today"* - CGI

The industry expert emphasizes the significance of investor interactions, stating that they have a substantial impact on the reporting process. This emphasizes the fact that stakeholders, particularly investors, wield significant influence over sustainability reporting procedures. Furthermore, the industry expert emphasized that modern organizations today focus on understanding what customers want and where they can have the greatest positive influence. Organizations are focusing on helping customers become more sustainable, in addition to meeting regulatory requirements, exhibiting a shift in emphasis toward value creation and sustainability.

***Materiality***

A review of the respondents was conducted to make sure that material issues were properly taken into account in their sustainability initiatives. Although Länsförsäkringar AB acknowledges that regulators occasionally make hasty choices, the company is still committed to adhering to the rules and regulations in place.

Länsförsäkringar AB operates under a distinctive ownership model because it is entirely owned by its stakeholders and complies with both the annual accounts act and the EU directive on non-financial reporting directive(NFRD). The organization's ownership structure, which allows for the reinvestment of profits exclusively in sustainable projects and other nonprofit endeavors, eliminating any profit-seeking motivations. They aim to make positive impacts beyond financial gains by prioritizing the interests of its stakeholders and concentrating on long-term sustainability, helping to create a more socially and environmentally responsible business landscape. Bank X emphasizes anti-corruption and employs relevant KPIs while adhering to UN directives for long-term goals in the areas of ESG.

All three banks demonstrate a strong commitment to adhering to regulations and standards specific to their sector when addressing material issues. This recognizes the importance of regulatory compliance and industry standards, as these banks actively prioritize and integrate them into their operations to ensure transparency, accountability, and responsible practices.

***Regulations & standards***

*"Sustainability report in general has been very... Not that it has been completely optional, but there have been no clear standards for reporting on it. So,I think that with the new standards that are coming in now, such as the EU taxonomy, CSRD and all the rest of it, it will make it transparent regardless of what your ambitions are." - CGI*

*"Banking group starts reporting on the CSRD directive in 2024, while the different* Länsförsäkringar *banks start in 2025"* - Länsförsäkringar AB

The regulations and standards section is the most unanimous since all banks follow the EU directives. Where the most central upcoming regulation is the CSRD that will enter into force from the year 2024. The standout case was Bank X who presented two perspectives of their regulatory operations. As mentioned in table 6, the Bank X group does the reports for all the banks and Bank X does the sustainability reports for their local operation themselves.

The implementation of regulatory frameworks such as the CSRD and EU taxonomy, according to the industry expert, will inherently bring transparency to organizations, regardless of their focus or ambitions. According to the expert, organizations with high aspirations must be able to articulate a detailed roadmap or plan to achieve their objectives. Failure to do so makes it difficult to effectively present and report on their sustainability efforts.

***Barriers to transparency and accountability***

*"The innovation is very high right now. The ambition is very high. There are three key elements. First it is the politicians. I don't know if you notice sometimes that it's in the newspaper, where they get some criticism. As.. Now they have backed off this proposal and so on. It is very challenging for us that they change the rules, If we say 2045 and then the next government backs down from 2045, then it*

*becomes unserious. It's kind of difficult for us if we don't know what the rules will be."* -

Länsförsäkringar AB

The three banks face unique challenges when it comes to barriers to transparency and accountability in sustainable reporting. Länsförsäkringar AB and Bergslagen both identified data collection as their primary challenge, citing missing data, the need for specific measures such as for example data on loans' sustainable lifetime, and data that is not even available to the government yet. Data collection for sustainable reporting is a labor-intensive process that requires an adequate workforce. The reporting process may be delayed as a result of this intensive effort. This challenge is prevalent across various banks, including Bank X. Due to a data shortage, Bank X in particular faces a problem with regards to ESG metrics. Accurate reporting necessitates thorough and trustworthy data on various ESG factors. However, Bank X encounters difficulties in obtaining the necessary data points, which hinders its ability to report on sustainability accurately. The reporting process is complicated and transparency and accountability are severely hindered by the lack of reliable data sources and standardized metrics for certain ESG indicators.

Länsförsäkringar AB is confronted with substantial challenges stemming from the constant uncertainty and unpredictability of regulatory changes. The respondent's concern regarding regulators frequently altering their proposed regulations reflects the perceived lack of seriousness in their approach. This dynamic and ever-changing regulatory landscape presents significant obstacles for banks, as they struggle to effectively adapt to the evolving rules and requirements. The frequent modifications not only create confusion but also demand continuous adjustments to compliance processes, operational frameworks, and risk management strategies. The lack of stable guidelines hinders Länsförsäkringar AB's ability to navigate regulatory complexities, impeding their capacity to implement necessary changes in a timely and efficient manner. This challenging environment necessitates enhanced agility and resilience, as well as strategic planning to anticipate and respond effectively to regulatory shifts, ensuring compliance and maintaining sound business practices.

***Proactive sustainable initiatives***

*"We have a project on the group level, where they work with interpretations and recommendations for the new EU Directive CSRD, and the banking group will report on CSRD one year ahead of us, so we'll be able to see how they have done it, and get help from that"* - Bank X

The proactive approach taken by all banks, including Länsförsäkringar AB, Länsförsäkringar Bergslagen, and Bank X, to prepare for the implementation of the CSRD in their sustainability reports is a notable characteristic that all banks share. These banks established project groups to interpret and make suggestions on how to use the CSRD effectively because they recognize how comprehensive it is. By doing this, they hope to guarantee a smooth transition and adherence to the CSRD's rules. Additionally, the banking groups within these institutions will implement the CSRD one financial year before the different bank subdivisions. This phased approach will set a standard and offer useful insights into how to successfully implement the CSRD across the organization. All banks mentioned the implementation of internal sustainability training programs for their staff as another noteworthy practice. By helping employees become knowledgeable about sustainable practices and making it easier to integrate proactive sustainability initiatives across different work environments, these initiatives help foster a sustainability culture. The banks are actively positioning themselves to embrace upcoming changes in sustainability reporting frameworks through these preventative measures, which are also having a positive impact on their operations and stakeholder relationships.

### 4.4 Comparative summary

This section will provide a comparative summary of the banks sustainability reporting practices and initiatives in this section. To begin, the researchers will contrast the banks approaches in order to highlight their similarities and differences in this study's key categories: business culture, sustainable integration, stakeholder engagement, materiality, barriers to transparency and accountability, and proactive sustainable initiatives. Secondly, it will contrast the banks' practices and insights with those of an external industry expert, providing additional context for their sustainability efforts.

### 4.4.1 Comparative summary between banks

In terms of business culture, the banks prioritize and incorporate sustainable practices into their strategies. They provide internal sustainability training to employees, fostering a sustainable culture within their organizations. Länsförsäkringar AB prioritizes scope 1-3 emissions, Länsförsäkringar Bergslagen establishes annual sustainable goals, and Bank X aligns its corporate culture with the Paris Agreement and net-zero emissions. Although the initiatives vary amongst the different banks, the mutual fostering of a sustainability culture is to empower the importance of sustainability and sustainable initiatives. When the employees work in symbiosis with each other it will result in initiatives that eventually will be included in the ESG reports and affect the value created. Länsförsäkringar AB and Länsförsäkringar Bergslagen emphasize the integration of sustainability teams throughout their organizations. Bank X aligns its business strategy with UN initiatives, such as the principles for responsible banking and the Paris Climate Agreement.

Stakeholder engagement is critical for all banks with a focus on understanding and incorporating customers values. Länsförsäkringar AB and Bank X actively involve stakeholders in their decision-making processes, whereas Länsförsäkringar Bergslagen conduct light analysis but recognizes the need for more extensive stakeholder analysis. All banks prioritize managing material issues while adhering to EU directives and industry standards. Länsförsäkringar emphasizes stakeholder ownership and reinvesting profits in long-term ESG goals, whereas Bank X focuses on anti-corruption and aligning with PRB. Transparency and accountability challenges for the banks include data collection, missing data, and a lack of information. The adversity of regulators changing proposed regulations hinders the banks ability to adapt and maintain transparency, this is highlighted by Länsförsäkringar AB. All banks are proactively preparing for the implementation of the CSRD directive in reports. They also offer internal sustainability training in order to foster a sustainable culture within their organizations.

Finally, the comparative summary emphasizes the banks shared commitment to sustainability and its integration into their operations. They place priority on stakeholder engagement, materiality, and compliance with regulations and standards. However, they face transparency and accountability challenges, and they are actively working on proactive sustainable initiatives, such as the implementation of upcoming regulations.

### 4.4.2 Comparison between the banks versus external experts

During the interviews with industry experts, the focus of the questions was modified to gain insights into their perspectives on various business operations and their thoughts. When comparing the views of industry experts with the practices of banks, several significant points arise. One crucial aspect highlighted by the industry experts is the significance of comprehensive stakeholder engagement. They emphasize the need for banks to actively involve all relevant parties in their sustainability endeavors. Länsförsäkringar Bergslagen acknowledges the need for advancement in this area. As they stated that light material analysis was performed with customers, but a more comprehensive analysis is required. Another crucial "concept" emphasized by the industry expert is the development of specific and measurable sustainable goals. Where the expert argues that banks should set specific goals in order to effectively track their progress. The banks also emphasized the importance of setting internal goals as well as following regulator and government goals.

The Industry expert also emphasizes transparency and accountability. Where the expert emphasize the importance of robust data collection and reporting processes in providing accurate and reliable information to stakeholders. The banks are aware of these issues and are committed to addressing them. When the practices of the banks are examined, it is clear that sustainability is a top priority for all of them. They incorporate sustainability considerations into their strategies, showing alignment with industry experts. Who also emphasizes the significance of having it as a central focus. Furthermore, banks actively promote a sustainable culture within their organizations by providing internal employee training. Banks are preparing for the implementation of the CSRD directive, which emphasizes improved reporting requirements, in terms of transparency. This demonstrates their dedication to increasing data transparency and accountability to their stakeholders.

## 5. Theoretical Discussion

This section of the report is where the findings and analysis' broader ramifications are discussed. Moreover, the following section aims to correlate the theories and themes from the literature with the findings from the interviews.

### 5.1 Challenges to integration of ESG into reporting

The analysis reveals that the approach of providing employees with regular sustainability training is consistent with the principles of stakeholder theory. Stakeholder theory, according to Freeman (2010), emphasizes the importance of considering all stakeholders' interests in addition to financial returns, creating value, and strengthening stakeholder relationships. One common feature observed among the banks is their recognition of the significance of business culture and employee education. All three banks prioritize internal sustainability training to ensure that their workforce is well-informed and knowledgeable in the field of sustainability. By offering regular training programs, the banks aim to empower their employees to actively contribute to sustainable initiatives and cultivate a culture of sustainability within the organization. This approach aligns with the stakeholder theory by emphasizing employee engagement and meeting their expectations (Freeman, 2010). Banks enable employees to make informed decisions and take actions that promote sustainability by providing them with the necessary knowledge and skills. Furthermore, by cultivating a sustainable culture, the banks demonstrate their commitment to addressing societal and environmental challenges, meeting the expectations of purpose-driven employees, and building trust with stakeholders.

The incorporation of sustainability reporting into the operations of the three banks reflects a proactive approach motivated by the recognition of upcoming regulations such as the CSRD. These regulations require greater transparency and accountability, indicating that banks are anticipating stakeholder's needs and expectations (Frade & Froumouth, 2022). According to Gal et al. (2017), sustainability issues are complex and evolving, and stakeholder fragmentation can occur due to the diverse range of stakeholders involved in sustainability reporting. To address this fragmentation and effectively engage stakeholders, Swedish banks prioritize sustainability as a key component of their business operations. This approach ensures that sustainability considerations are embedded across all departments, even those focusing on areas beyond the core banking functions. By doing so, the banks acknowledge the importance of addressing stakeholders' diverse perspectives and needs. Länsförsäkringar is implementing an internal system to facilitate reporting on sustainable practices. This system is intended to streamline and improve sustainability reporting and data management across all departments. The bank's development of an internal system aims to overcome significant barriers to transparency and knowledge sharing in sustainability initiatives. One prominent challenge identified by banks is data handling, which is critical in preparing ESG reporting and identifying areas that require attention. The banks hope to improve data management practices by implementing the internal system, ensuring accurate and reliable information for their sustainability reporting. This advancement in data handling will not only contribute to greater transparency, but will also facilitate informed decision-making, allowing them to effectively prioritize their efforts and progress toward their sustainability goals (Oh, 2021).

### 5.2 Stakeholders role in ESG integration

Freeman et al. (2018) state that the stakeholder theory recognizes the significance of non-shareholders opinions and views to a profitable, operating organization. Thus, the stakeholder dialogues conducted by Bank X and Länsförsäkringar AB are following its ideas. Conducting stakeholder dialogues and responding to demands by stakeholders shows the importance of stakeholders' views for the banks. Additionally, the dynamic perspective on the IIRC stated that stakeholders must be taken into consideration and highlighted their willingness to intervene when dissatisfied with certain subjects being overlooked (Mio, 2016). This coincides with Länsförsäkringar AB and Bank X conducting stakeholder dialogues, then listening to the demands by their stakeholders, and taking those requests in consideration for their reporting.

Länsförsäkringar Bergslagen had a similar concept, as they stated that they hold customer interviews and asset analysis to interpret what their stakeholder demands are. This aligns with the stakeholder theory, as conducting interviews and following up on what their demands are epitomizes what the stakeholder theory suggests (Mio, 2016).

CGI’s statement about stakeholder demands being the second most important thing, after legal requirements, concurs with Mio’s (2016) statement regarding the dynamic perspective’s idea on the IIRC, as stakeholders can interfere on corporate matters when they are not content with how it’s been handled. Therefore, considering the stakeholders and their demands as the second most important thing when writing the reports follows the dynamic perspective.

The banks are all agreeing to abide by the EU rules and the established criteria to offer pertinent information which avoids the static perspective of what materiality concerns to enlighten (Mio, 2016). In addition, there is a threshold in identifying these relevant issues and how to define them (Mio, 2016). Moreover, Mio (2016) emphasizes that within GRI reporting, issues that do not have a direct financial impact may be of complex nature. This threshold is overcome through knowledge transfer between the banks where they set mutual definitions of these issues allowing security for stakeholders. This has been an issue amongst stakeholders, according to Frade and Froumouth (2022) who mentioned the implications stakeholders had when trying to evaluate and compare ESG performance for banks. Due to differences in definitions and metrics. Moreover, it should be highlighted that regulators sometimes decide on issues in haste due to externalities and other factors that call for action.

As previously mentioned, the world has shifted toward being more sustainability conscious (Nizam et al., 2019), thus, resulting in increased demands on a bank's disclosure and transparency practices. And, while lack of standardization has been a long-standing issue (Esty, 2020), new regulations and standards are set to change that. Regulations such as CSRD along with voluntary principles such as PRB focus on allowing stakeholders access to the information required to make investment decisions.

Barriers to transparency and accountability in sustainable reporting are common challenges encountered by companies. Frade and Froumouth (2022) highlight various difficulties faced in reporting ESG-related data, including incomplete or inadequate disclosures, the use of different reporting frameworks, and the application of diverse metrics. These challenges make it challenging for stakeholders to compare and evaluate ESG performance across different companies (Frade & Froumouth, 2022). As well as for banks to produce the high-quality material they wish. The three banks unanimously recognized data collection as a primary challenge in their sustainable reporting practices. Länsförsäkring Bergslagen specifically highlighted the lack of crucial data, such as information on their loan sustainable lifetime. Furthermore, Länsförsäkringar AB also stated that certain data required for ESG reporting is currently unavailable to anyone. The banks acknowledged that the data collection process is time consuming and resource intensive, and they are taking proactive steps to address these issues. They are aware that these challenges may cause delays in the reporting process and are committed to finding solutions to improve data collection efficiency.

In addition to the challenges faced by banks, consulting firms and their clients face common challenges in data collection and verification for future reporting. According to the CGI consultant, these challenges include human error and a lack of information. These barriers are consistent with Frade and Froumouth's (2022) findings, which highlight incomplete or inadequate disclosures, the use of different reporting frameworks, and the use of various metrics as obstacles in ESG reports. Such challenges not only make it difficult for stakeholders to compare and evaluate ESG performance across companies, but they also make it difficult for banks to produce quality sustainability reports.

McCracken (2022) stated that businesses that follow ESG measures adopt the philosophy of “business for good is good for business”, hence the inclusion of internal sustainability training in all three banks employ this methodical application of ESG in its proactive sustainability initiatives. By introducing project teams that work separately with preparing for the implementation of CSRD, the banks are working to be better prepared for the application of CSRD. In addition, the COP21 agreement provided emphasis on the significance of trustworthy data in administrating capital toward low-carbon and sustainable activities (Frade & Froumouth, 2022). Thus, accurately following up on the CSRD directive, and its many mandatory obligations by the instructions of the CSRD project teams is essential.

### 5.3 Reconciling factors for the ESG reporting transition

As mentioned in section 2.5, there has been a gradual transition from CSR to ESG during the past decade. Culminating in the restructuring of business models and strategies for not only the banking industry but for every industry. Ferreira (2022) defines ESG as the main criteria when taking business objectives and stakeholders in consideration, this can be seen throughout the respondents' standpoints. For instance, Länsförsäkringar AB emphasizes that the lack of ESG and ESG reporting frameworks integrated into the business strategy, automatically reduces the opportunity to be a choice for clients. Moreover, across the respondents in the study, Länsförsäkringar AB comes across as the more ESG oriented bank. Through its philosophy of integrating sustainability questions throughout the organization and not on the side within a sustainability team, it holds the holistic nature of ESG in high regard. Thus, embracing the central role the practice has.

Furthermore, there is a clear distinction that can be drawn when comparing ESG with CSR and "business for good is good for business" (McCracken, 2022), contra "doing well by doing good" (Falck & Heblich, 2007) in the findings. The findings showcase Länsförsäkringar AB's focus on integrating sustainability and ESG practices throughout the organization as a whole. This eventually recognizes that the stakeholders' impact on the bank and the proactive work that comes from utilizing the stakeholder theory's method are critical. The focus is not only on the profit, but also on the purpose it serves. Comparatively, one can argue that Länsförsäkringar Bergslagen and Bank X fall under the CSR concept. As Länsförsäkringar Bergslagen mentions, contributing to society through various initiatives and Bank X with their stakeholder dialogue they have every third year. This gives the perception that Länsförsäkringar AB, which is the HQ, are front runners when it comes to ESG implementation, whilst Länsförsäkringar Bergslagen and Bank X, which are both subunits of an organization, are trailing with still using CSR initiatives.

Ultimately, the differences between ESG and CSR stem from the holistic diversity that the two concepts possess. Whereas the first requires comprehensive data and structured reporting, the second focuses on a more qualitative approach of the company's social responsibilities. Thus, the companies must make several challenging changes to adapt to the ESG requirements. Leading the study back to the first subsection of this section regarding the challenges to ESG reporting.

## 6. Conclusion

The study aimed to explore the challenges of integrating ESG into reporting through two research questions which were to guide the authors through the process. The first research question was set to try and understand the process of integrating ESG into reporting. Meanwhile, the second research question was established to understand what the barriers were in regard to improving transparency and accountability.

The findings from the study highlight barriers to overcome but also possibilities for ensuring improved transparency and accountability for stakeholders. As gathered from the interviews, banks are able to accurately integrate ESG into their reports by incorporating various reporting frameworks, such as, GRI, the NFRD, and eventually the CSRD in future reports. Materiality plays a critical role in reporting on sustainable matters, and the Swedish banks aim to address this by adhering to EU directives and set guidelines to include essential information. Collaboration and knowledge transfer among banks help establish mutual definitions and materiality thresholds, guaranteeing consistency and giving stakeholders the information needed when reading ESG reports. Additionally, the respondents all noted that the lack of ESG data and information can be crucial to conducting accurate ESG reporting, working towards getting improved data for the reports is a necessary action for cohesive reporting within the banks.

However, due to the various frameworks, there can be misconduct and misinterpretations in defining the issues that need to be incorporated. Thus, knowledge transfer and replication from head offices function as drivers for incorporating as much conciseness as possible within the ESG reports. Furthermore, the two most distinct barriers are the data collection of the bank's activities as well as the immense amount of time that the reporting process takes. Thus, reporting standards require banks to be on top of their data collection and identify data of such nature that covers a comprehensive part of the business. Banks must eventually be able collect this information even if regulators may ignore gaps and could grant exemptions as a result of the unavailability or unattainability of certain data at the moment. This leads to the second barrier being time consumption; not only as a part of the data collection, but also in correlation to the many standards and requirements set by the regulators.

In conclusion, ESG has grown to be a vital part for banks in Sweden and has come to play a central role within the business models. Although regulations and standards have decreased the lack of standardization and increased transparency, challenges remain to be faced. The challenges and barriers identified in this study emphasize the need for standardized reporting frameworks, enhanced data collection process, additional stakeholder engagement, and employee education in sustainable initiatives. By addressing these issues, banks can improve transparency and accountability in their ESG reporting process, contributing to a more sustainable future.

## 7. Implications for further research

The study’s findings shed light on the barriers for improvement within transparency and accountability in ESG reporting. However, there are several implications for future research that can help deepen our understanding and improve practices in this area.

Standardization is an important area for future research, additionally, it would be beneficial to examine the quality of data used in ESG reporting on a larger population with more standardized reporting. This could entail examining a broader range of banks to determine the consistency and reliability of their sustainability data. Furthermore, it could be useful to examine how the HQ of the banks integrate ESG reporting in their practices, and how that transfers to subunits within the banks. This was not something the authors expected to discover when doing the research, but as all respondents brought up a way of knowledge transfer in preparation of the CSRD directive, having questions prepared, or theories surrounding knowledge transfer, can be helpful.

Future research should also look into the effects of regulatory changes on ESG reporting. With the changing regulatory and standard landscape, it is critical to understand how these changes affect the transparency and accountability of ESG reporting practices. This research can shed light on the effectiveness of regulatory measures and identify areas for further improvement. Building on the ESG regulatory changes, one could further delve into the transition from CSR to ESG and examine how the business practices have changed from that. Although the two concepts will most likely coexist, the latter’s growing importance cannot be neglected. Due to a lot of banks operating according to CSR, the transition can imply further challenges.

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## Appendix 1

**Table 3: Background questions for interviews**

| **Background questions** |
|---|
| In which unit do you work in your company? |
| What is your role, and if you don't mind, can you give us a quick summary of what your role requires of you? |
| How long have you been working in this industry? |
| How big is the sustainability team in your workplace? |

**Table 3: Background questions for interviews**

| **Data categories** | **Interview questions** | **Purpose of questions** |
|---|---|---|
| Business culture | How is sustainability promoted in your workplace<br><br>How does your bank foster a culture of sustainability, and what role do employees play in driving the implementation of sustainable initiatives within the organization? | To understand how the bank promotes sustainability within its workplace culture, and how employees are involved in implementing sustainable initiatives. |
| Sustainable integration | How important is sustainability to your bank's overall strategy, and what specific measures is your bank taking to integrate sustainability principles into its business operations? | To assess the importance of sustainability in the bank's overall strategy and to gain insight into the specific measures it is taking to integrate sustainability principles into its business operations. |
| Stakeholder engagement | How does the stakeholders engage in the companies sustainable activities<br><br>How does your bank engage with stakeholders (e.g. customers, investors, regulators, civil society groups) on ESG issues?<br><br>How do the stakeholders perspectives influence your reporting and disclosure practices?<br><br>What steps has the bank taken to ensure that its sustainability reporting is | To get an understanding into how companies and organizations are addressing sustainability concerns and how they are communicating with stakeholders about their efforts in this area. |

| | | |
|---|---|---|
| | transparent, accurate and meets the needs and requirements of its stakeholders? | |
| Materiality | How do you decide which issues to highlight in the report?<br><br>How are these issues relating to value creation and sustainability? | To understand the concept of materiality in the context of sustainability reporting. Materiality refers to the importance or significance of an issue to a company's operations, financial performance, or stakeholders. |
| Regulations & standards | How does your bank define ESG reporting?<br><br>Which ESG reporting and disclosure frameworks or standards does your bank currently use, and why did you choose these particular standards?<br><br>How does the bank report on its sustainability performance and what are the most important guidelines followed to ensure accuracy and transparency in reporting? | To fully grasp the way in which banks adapt to working with regulations and standards, the reasons behind the use of certain standards, and the way standards help banks improve their sustainability reports. |
| Barriers to transparency and accountability | What barriers do you believe your bank experience when doing sustainable reporting?<br><br>What are some of the biggest challenges your bank has faced in improving transparency and accountability around its ESG practices, and how have you addressed these challenges? | To identify the barriers or challenges that the bank faces when engaging in sustainable reporting. And on the challenges that the bank has faced in improving transparency and accountability around its ESG practices and how it has addressed these challenges. |
| Proactive sustainable initiatives | Looking to the future, what do you see as the most important trends or developments in ESG reporting and disclosure for banks?<br><br>How is your bank preparing to respond to these challenges? | To understand the bank's perspective on the future of ESG reporting and disclosure, and how it is preparing to respond to emerging trends and developments. |

**Table 5:** Interview with industry expert.

| **Data Categories** | **Interview questions** | **Purpose of questions** |
|---|---|---|
| Business culture | Do you think there is a correlation between a banks sustainability ambitions and the level of transparency in reporting? | To understand how the different banks promotes sustainability within its workplace culture, and how employees are involved in implementing sustainable initiatives from a consultants perspective. |

| | | |
|---|---|---|
| Sustainable integration | In your opinion, how important is sustainability to a bank's overall strategy, and what steps do you see banks taking to integrate sustainability principles into their operations? | To assess the importance of sustainability in the bank's overall strategy and to gain insight into the specific measures it is taking to integrate sustainability principles into its business operations. |
| Stakeholder engagement | How do the perspectives of stakeholders, such as your company, affect reporting and disclosure?<br><br>What steps have banks taken to ensure that their sustainability reporting is transparent, accurate and meets the needs and requirements of their stakeholders?<br><br>In your experience, what are the most important indicators that banks should include in their sustainability reporting to provide stakeholders with a comprehensive overview of their ESG performance? | To get an understanding into how companies and banks are addressing sustainability concerns and how they are communicating with stakeholders about their efforts in this area. |
| Materiality | How should banks be able to understand which issues to address in order to benefit stakeholders and create value? | To understand the concept of materiality in the context of sustainability reporting. Materiality refers to the importance or significance of an issue to a company's operations, financial performance, or stakeholders. |
| Regulations & standards | How does your company define ESG reporting?<br><br>How do companies, or banks in this case, report on their sustainability performance and what are the main guidelines followed to ensure accuracy and transparency in reporting?<br><br>How does the bank report on its sustainability performance and what are the most important guidelines followed to ensure accuracy and transparency in reporting? | To fully grasp the way in which banks adapt to working with regulations and standards, the reasons behind the use of certain standards, and the way standards help banks improve their sustainability reports. |
| Barriers to transparency and accountability | In your experience, what are some common challenges or limitations that banks face in terms of ESG reporting and disclosure, and how do you work with banks to address these challenges?<br><br>What are some of the biggest challenges your bank has faced in improving | To identify the barriers or challenges that banks face when engaging in sustainable reporting. And, on the challenges that banks can face in improving transparency and accountability around their ESG practices and how they have addressed these challenges. |

| | | |
|---|---|---|
| | transparency and accountability around its ESG practices, and how have you addressed these challenges? | |
| Proactive sustainable initiatives | What future initiatives or frameworks should banks start preparing for?<br><br>How would these initiatives restructure banks' sustainable approach? | To understand how banks view the future of ESG reporting and disclosure, and how they are preparing to respond to emerging trends and developments. |