Invested or business as usual?
The finance sector and the new EU sustainability policies.
A content analysis of sustainability reporting within financial monetary institutions operating in Sweden

Key words: Sustainable Finance, Sustainable Finance Disclosure Regulation (SFDR), Institutional Theory, Stakeholder Pressure, Disclosure Policy
Abstract
The aim of this thesis is to partly get an overview of how financial market participants operating in Sweden complied to third article in the new Sustainable Finance Disclosure Regulation (SFDR) in forced by the EU and partly to investigate how financial market participants handle and navigate through the forced transparency, in the search of finding increased understanding to why the allocation of capital is not going fast enough toward sustainable economic activities. To reach this aim a content analysis was conducted on Swedish financial monetary institutions’s sustainability reports and institutional theory was used as the theoretical framework.

The result showed that a small majority comply with the third article more extensively than what is forced by law and that financial market participants navigate through disclosure by rather presenting a positive than transparent picture of their role and impact on the planet and climate. The results indicate that the institutional pressure of sustainability reforms is still in the journey of being accepted and legitimized, and not fully implemented by the financial sector yet, which reveals perspectives of the absence of urgency to allocate capital towards sustainable economic activities.
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1. **Introduction**

Climate change is one of humanity's greatest challenges. Nevertheless, the transition into a sustainable society is going worryingly slow (IPCC, 2023). A crucial measure to cope with the challenges ahead is that capital needs to be directed towards solutions, businesses and innovation that enable a sustainable transition. It’s estimated that around USD 6.8 trillion per year until 2030 have to be spent in order to meet the 2 degree goal in the Paris agreement (OECD/The World Bank/UN Environment, 2018). Public investments will not alone be able to mobilize the investments needed, therefore private investments at a large scale is essential to allocate towards low-carbon economic activities (UNFCCC, 2016, Schoenmaker & Schramade, 2018). However, finance and sustainability rests on a complex relationship, where finance is being perceived as a big part of the problem, and at the same time as a big part of the solution (Ahlström & Monciardini, 2021). During the past years this has been addressed by governments, society, the industry and the market by an increased demand of information from the financial sector on how their operations impact the environment and climate change, and how capital is allocated towards initiatives that contribute to climate mitigation. This demand, or pressure, of non-financial transparency on financial market participants is a clear shift in the global financial sector (Ameli et al, 2019; Di Marco et al, 2021; Nipper et al., 2022).

Although there is a shift in the finance sector with an increased understanding of its fundamental role in founding and enabling a low-carbon society, the pace of the sustainable transition is not going fast enough (Schoenmaker & Schramade, 2018; Ahlström & Monciardini, 2022). The latest IPCC report (2023) states that private finance is not allocated enough towards sustainable investments and is calling for at least a six-fold increase in finance provided to emissions reduction projects by 2030. IPCC states that the world is “off track” to achieve the Paris Agreement (IPCC, 2023).

Since the finance sector is playing such a crucial role in the transition, it is of importance to investigate why the development toward sustainable finance practices is not going fast enough. This thesis seeks to provide answers to this crucial question by examining the measures used to transform the finance sector into more sustainable practices and how the finance sector is responding to these measures.
The lack of transparency in the financial sector has been seen as a large part of the problem (Ameli et al, 2019). Financial actors have traditionally been able to invest without disclosing how the investments affect the climate and the environment. We are now entering a new era where financial market participants and companies are expected to disclose to a greater extent how sustainable and climate neutral their economic activities, products and investments really are (Abhayawansa & Adams, 2021; Dumrose, 2022). One clear indication of this shift is the debated Sustainable Finance Disclosure Regulation (SFDR), presented by the European Union (EU), which forces financial market participants to disclose information about the environmental, social, and governance (ESG) characteristics of their investment products and how they align with the EU taxonomy. It is also forcing them to report on how they implement climate-related risks into their decision-making process (Cermasco & Boni, 2022; EU)2019/2088). The assumption is that exposing climate-related risks to world wide exposure will make investors move away from carbon high assets to reduce risks, and move the investments to carbon low opportunities that benefit from the enhanced market and value of low carbon investments (Ameli et al, 2019).

The financial sector is expected to transform through disclosure. At the same time, the SFDR is generous in its flexibility in how the disclosure is to be incorporated by the actors, full transparency of the implementation of climate-related risks are relatively optional for those subject to the regulation (Cermasco & Boni, 2022).

Previous research has questioned whether disclosure policies are enough to transform the financial market and even stated that it is a poor tool for achieving set goals, due to the built-in complexity of disclosure (Ameli, et al 2019; Di Marco et al. 2021; Ahlström & Monciardini, 2022). Finance actors need to include and calculate climate risks to not lose money, but by disclosing the financial impact of climate risks of their investment they could at the same time lose capital. By performing well with disclosure, actors can gain the image of being proactive, responsible and make well-informed investment decisions that will generate profit, which could attract investment and raise the advantages against competitors. On the other hand, comprehensive disclosure also signifies investments that are either bad for the climate or will be negatively financially affected by climate change (Ahlström & Monciardini, 2022). This could hurt the company image, the expected revenue and make you a less attractive investment and option. Previous research has called for more research and
studies that investigate how actors navigate through this dilemma (Marquis & Qian, 2014; Wedari et al., 2021; Ahlström & Monciardini, 2022).

As the SFDR was implemented during 2021, the 2022 reporting year is the first year to study how financial market participants report how sustainable their investments are based on the same definition and how they implement climate-related risks into their decision making process (Cermasco & Boni, 2022). This provides an opportunity to investigate how the financial industry responds and balances the new demands regarding transparency, directing capital towards sustainable investments and communicating to their stakeholders. This could give indications of how invested the finance sector is in sustainable investments and why the allocation of capital toward sustainable investments is going worryingly slow.

This thesis will start by introducing an overview of background followed by previous research about sustainable finance, climate related risk and finance, EU and sustainable finance and disclosure. Further will the theoretical framework institutional theory be described, followed by method and material. Moreover, will the research puzzle and questions be presented, followed by the result and analysis. Lastly, a more broad discussion about finance and sustainability will be presented.

2. Previous research
2.1 Bakgrund
The global economy is complex. The economy, as we know it today, was created in the age of resource abundance at the onset of the Industrial revolution (Schoenmaker & Schramade, 2018). Initially there was no shortage of natural resources and GHG emissions were at low levels, which has resulted in our economic models being developed without consideration of environmental factors, rather they rely on labor and capital to optimize production. As a consequence of these initial premises, traditional financial theory does not concern value to natural resources beyond their short-term cash flows and depletion of resources is ignored. These economic models are standardized to use world wide today (Schoenmaker & Schramade, 2018). The models are based on a linear system of production and consumption. From extracting raw materials, processing it into products, consuming the product to finally disposing of it (turned into waste). Businesses are centered around this linear system that assumes an ongoing availability of unlimited cheap resources. Here major risks have arised.
Non-renewable resources, such as fossil fuels, metals and minerals are under an increased pressure while renewable resources such as rivers (Schoenmaker & Schramade, 2018). Further, fossil fuels in this linear model overburden Earth's ecological system (Schoenmaker & Schramade, 2018). Continuing the current economic model will cross planetary boundaries beyond the possibility to destabilize the Earth system (Schoenmaker & Schramade, 2018). Some argue that the planetary boundaries have already been crossed to an extent that may not be possible to recreate (Rockström, 2020; IPCC 2023) However, the transition towards a circular and low-carbon economic model based on sustainable production and consumption can mitigate these risks (Schoenmaker & Schramade, 2018).

The global economy and the financial system are highly integrated, with financial markets playing a fundamental role in facilitating capital flows across borders and enabling international trade and investment (Merton & Bodie, 1995). Global financial markets allow investments in assets located in different countries and in different currencies, providing access to a wider range of investment opportunities and a mechanism for diversifying risk (Merton & Bodie, 1995). The movement of services and goods relies on the availability of financing, such as credits and trade facilities, which are provided by financial institutions. Through these cross-border investment flows, such as foreign direct investment and portfolio investment facilitated by global financial markets, the finance sector plays a key role in driving economic growth and development (Merton & Bodie, 1995; Schoenmaker & Schramade, 2018).

Because of finance's integral and fundamental role in the global economy, the transition into a low-carbon and circular economy is dependent on the financial system and its actors to allocate capital towards innovation that will enable us to overcome climate and environmental challenges and secure sustainable development (Schoenmaker & Schramade, 2018).

Further, this thesis is referring to sustainability mainly in relation to the environment and climate. Where sustainability and its development is seen as fulfilling the needs of current generations without compromising the needs of future generations, according to the widely accepted definition in the Brundtland report 'Our Common Future'(1987).

2.2 Sustainable finance
Classical neoliberal assumptions of investments are that rational investors are striving for profit opportunities. While selecting investments they look at the level of financing at an equilibrium rate of return corresponding to the level of risk (Meade, 2013, Ameli et al. 2019). Sustainable finance in contrast refers to how finance, through investing and lending, interacts with economic, social and environmental issues (Schoenmaker & Schramade, 2018, Cremasco & Boni, 2022). Previous research is describing how sustainable finance, in contrast to traditional finance, focuses on gradually shifting from near-term profit to long-term value creation (Schoenmaker & Schramade, 2018). The logic behind sustainable finance is that investors will choose to invest in low carbon projects prior to other investment options, once equilibrium rate of return corresponding to the level of risk (Ameli et al. 2019).

One of the main features of the finance system is that it allocate capital to its most productive use, thus the finance sector is seen as crucial in allocating capital to sustainable economic activities and accelerate the transition to a circular and low-carbon economy (Schoenmaker & Schramade, 2018; Amelie et al. 2019). Finance can through the allocation role it possesses, assist in strategic decisions on the trade-offs between sustainable goals.

The relationship between sustainability and finance has been increasingly framed as complementary rather than conflictual (Ahlström & Monciardini, 2022). Finance and its role to allocate capital towards low-carbon economic activities are crucial for the future development of sustainable progress in society. While strategies can guide organizations to more sustainable practices, the financial system can fund the initiatives and activities needed for reaching sustainability goals. Hence, funding is crucial for the future development of business (Scholtens, 2006). By financing sustainable companies and projects, the financial sector can accelerate the transition toward a low-carbon economy (Schoenmaker & Schramade, 2018).

However, there is a mixed perception of the relationship between corporate sustainability performance and financial performance in the literature of sustainable finance (Jeucken, 2004; Soppe, 2004; Friede et. al., 2015; Schoenmaker & Schramade, 2018; Gillan et al., 2021, Bartolacci et al., 2020). Research by Busch, Bauer and Orlitzky (2016) stated that at the very least that there is no indication of a negative relationship or trade-off between sustainability performance and financial performance. In the long run, previous research shows that sustainable practices have a higher survival rate as resilience helps companies to
avoid bounceback from market shocks, such as environmental regulations, pricing and unexpected events (Ortiz-de-Mandojana & Bansal, 2016). Further, companies that have implemented responsible environmental practices have lower financial volatility, higher chances of survival during a fifteen year period and higher sales growth, which makes these companies a more safe investment. However, any clear differences in the short-term perspective have not been found (Ortiz-de-Mandojana & Bansal, 2016).

Research about sustainable finance discusses three stages of sustainable finance typology (Schoenmaker & Schramade, 2018). A common first step for financial market participants conducting or aiming to conduct sustainable finance practices is to avoid investing or lend money to what is referred to as “sin companies”. Sin companies are actors with large negative impact in both social and environmental dimensions. These companies usually have production chains that include poor labor conditions or dangerous waste (Schoenmaker & Schramade, 2018). More recently are financial institutions also excluding fossil fuels companies (Schoenmaker & Schramade, 2018, page 21). The exclusion list is often created after pressure from stakeholders like NGO’s (Schoenmaker & Schramade, 2018). Previous research argues that the initial effect of exclusion is limited (Skancke, 2016).

Further, as a more ambitious step in sustainable finance typology, financial institutions incorporate environmental and social externalities and objectives into their decision-making (Gillan et al., 2021, Bengo et al., 2022). Some of these externalities might become prised, such as carbon pricing, and others might impact the reputation negatively. By incorporating externalities actors can reduce the risk of negative financial and reputational risks (Gillan et al., 2021; Schoenmaker & Schramade, 2018).

The last approach discussed regarding sustainable finance typology, is actors contributing to sustainable development while observing financial viability, here companies shift from risk to opportunity. This approach from finance actors fosters sustainable development, by only investing in companies and projects that are contributing to progress. Instead of using an exclusion list, an inclusive list is developed based on the project's potential to generate mitigation of environmental and climate impact (Schoenmaker & Schramade, 2018).

Sustainable finance is however typically identified with financial practices that incorporate environmental, social and governance (ESG) aspects into consideration. ESG is an
established concept within finance which refers to investments taking these aspects into their decision-making process (Gillan et al., 2021; Bengo et al., 2022). ESG ratings were developed by the finance sector as a response to the increased debate about sustainability and the expectation of all sectors to contribute to sustainable development (Friede et. al., 2015). ESG is used to rate and determine how well companies perform in environmental, social and governance objectives and is used to communicate these aspects to stakeholders (Friede et. al., 2015). ESG ratings have become an increasingly accepted feature in the financial market as issues of sustainability have been more urgent on the agenda. In 2012 ESG was consolidated at the EU level followed by the adoption of United Nations Agenda 2030 and the Paris Agreement in 2015, which increased the awareness of ESG among investors (Bush et al., 2016; Bengo et. al., 2022). However, these ratings have diverged in the assessment of performance because of the lack of common definitions and language (Dumrose, 2022).

Initially, including ESG in decision-making was not considered by the vast majority, but was rather something a small part of actors performed and who constituted a niche in the industry. Today ESG is an established concept that most actors highlight (Bengo et. al., 2022). ESG concept and objectives are further the foundation that the new regulation from the EU rests on (Bengo et. al., 2022; Cremasco & Boni, 2022).

By the European commission is sustainable finance referred “to the process of taking due account of environmental and social considerations in investment decision-making, leading to increased investments in longer-term and sustainable activities” (European Commission 2018, p. 2). This was the starting point and fundament for the EU Taxonomy, a classification system, within the Green Deal, which defines to what extent an economic activity is causing environmental harm. The European classification system has the task to define, direct capital and guide sustainable transformal efforts (Lucarelli et al, 2020). The taxonomy is expected to disaggregate the confusion of the environmental aspects in ESG, by harmonizing technical criterias for measuring the environmental impact of economic activities, by reducing divergence in measuring (Dumrose, 2022).

The challenge within finance to reach sustainable practices is that today’s economic models are still based on capital and labor, where the prerequisites provided from the environment are excluded (Schoenmaker & Schramade, 2018). The notion of a sustainable world is to be achieved via a sustainable development of the natural environment, society, and economy. Scientific reports unveil that to become more sustainable it is necessary to apply the
principles of strong sustainability on a large scale and not just in niches, for example, it is crucial to target political and economic activities (Rockström et al., 2009). With regard to the latter, sustainable development requires that mass markets become more sustainable (Schaltegger et al. 2016; Whiteman et. al., 2013). It is not enough that sustainable finance is regarded as a niche, it has to become standard. With the new regulations from the EU, the aim is to simulate and implement sustainable finance practices broadly over the sector (Ahlström & Monciardini, 2022).

2.3 Climate-related risks and finance
Climate change can affect the economy, companies and societies in many different ways. Everyone will be affected by climate change and there are great risks towards the entire global economy (EU Commission 2018; IPCC, 2023). Especially vulnerable for climate change are low and middle-income countries around the equator. Extreme weather events can damage these countries' production capacity with increased expenditure to reconstruct factories and infrastructure as a consequence. These costs can be devastating for low income countries since they might end up in down-ward spiral of negative fiscal and macro-economics outcomes which could increase poverty (Schoenmaker & Schramade, 2018).

The Task force on Climate-related Financial Disclosure (TCFD) is an international initiative and organization formed in 2015 by the Financial Stability Board (FSB) with the goal of improving the reporting of climate-related financial risks and opportunities by companies. In 2017, the TCFD framework was launched (TCFD, 2023). In Sweden actors such as the Swedish government, AP funds and the Financial Supervisory Authority have adopted TCFD to better identify their climate-related financial risks. As of November 2021, over 4000 organizations worldwide have expressed their support for the TCFD, including companies, financial institutions, governments, and industry associations. This includes companies from over 100 countries with a combined market capitalization of over $27 trillion USD (TCFD, 2023).

TCFD has divided climate-related risks into two categories where the first category refers to risks related to the transition and the second category relates to the physical impacts of climate (TCFD, 2017).
Transition risks recognize that the transition into a low-carbon and circular economy demands extensive legal, policy, technology and market changes to enable mitigation and adaptation to climate change. Transition risks in the finance sector are therefore referring to four main risks in the journey to transform. Firstly, policy and legal risks. The objective of these risks fall into two categories, policy and legal action that aim to constrain action that contribute to negative climate impact or policy attempting to promote adaptation to climate change (TCFD, 2017). The other category is litigation, where actors have been brought before court by property owners, states, insurers, shareholders and NGOs (TCFD, 2017).

Technology risks is another category within transition risks. Technological improvements will displace old systems and disrupt parts of the existing economic system. This will create winners and losers, and is seen as a competitiveness risk (TCFD, 2017). Thirdly, is market risks identified as a transition risk. This is a complex issue since markets could be affected differently. However, one of the major risks that is high-lighted is the shift in supply and demand for certain sectors (TCFD, 2017). Lastly, are the category of transitional risks including reputational risks. These risks point out how customer or community perceptions of actors' contribution to enable a low-carbon economy, they include risks that can damage the image of the company, competitiveness and survival of the business (TCFD, 2017).

When it comes to physical risks TCFD divides them into acute risks and chronic risks. Acute risks are event-driven, such as extreme weather events like flooding and hurricanes. Chronic risks on the other hand include long-term shifts in the climate, such as higher temperature and sea level rise (TCFD, 2017).

Research made by Stroebel & Wurgler (2021) studied through surveys with 861 respondents within finance academia, professionals, regulators and policy economists what the sector thought about climate risks. The most striking finding was that they identified legislative risk at the top of climate related risk over the next five years and physical risks as the top risk over the next 30 years (Stroebel & Wurgler, 2021). Physical risks in the study include wildfires, rising sea level and other physical changes in the environment and to the planet due to climate change. Further they find out through their study that respondents are at least 20 times more likely to believe that climate risks are underestimated today by asset markets, as opposed to overestimated (Stroebel & Wurgler, 2021). The second most highly ranked risk was identified as stakeholder risk, more specifically changing preferences of employees and customers (Stroebel & Wurgler, 2021).
Research made by Di Marco et al. (2021) investigated TCFD compliance between 2016 and 2019 and found a moderate increase of actors reporting according to the framework, however they found there was a large gap between the TCFD’s information requirements and what the investigated financial market participants actually disclosed. This study builds on the foundations of this research, by examining TCFD compliance after new legislation was implemented by the EU that compels finance market players to report how they implement climate-related risks in their processes.

To understand climate-related risk, you have to understand corporate sustainability as ecological sustainability, which rests on the assumption that organizations are not separated from the natural environment, but rather operate in it (Linnenluecke & Griffiths, 2010). However, based on the latest IPCC report and previous research, indicates that the risks are not fully understood by the finance sector in the way capital is being allocated and how they previously have reported climate risk implementation (IPCC, 2023; Di Marco et al., 2021).

2.4 EU and sustainable finance

The finance market has been historically speared from regulation, especially when it comes to regulation targeting climate and environment mitigation. In 2009 the EU still had no policy whatsoever about sustainable finance (Vander Stichele, 2018). The historical well established logic behind finance has been profit-maximization as the main goal, and regulation was seen to be ruled out. This was done since it was a dominant view that restricting business would damage performance. Overmore, forcing industries with legislation was understood as something that could impact the potential and result with serious negative consequences for the economy (Goodhart et al. 2003, Ahlström & Monciardini, 2022).

Today, however, the EU recognizes climate change and environmental degradation as an existential threat to Europe and the rest of the world (European Commission, 2023). Further, the Paris agreement states that the world needs to turn into a low carbon and climate resilient economy to target these threats. The link between economic activities and negative environmental impacts addressed in the Paris agreement was a starting point for a debate about policy interventions targeting these concerns in Europe (Lucarelli et al, 2020; Cermasco & Boni, 2022). Through the debate a need was identified to allocate principles that the financial market could follow that ensured to what extent a company was using sustainable practices to make informed investments decisions (Lucarelli et al, 2020). Due to
the increased understanding that capital plays a crucial role in achieving sustainable society, investors have more actively integrated sustainability assessments in their decision-making, like ESG (Friede et. al., 2015; Dumrose, 2022). This has also led to that information about the environmental impact of investments has become more important.

In response to the challenges of climate change and environmental degradation the EU presented the Green Deal, the road map to a sustainable Europe. The deal consists of three main policies affecting the financial market (Ahlström & Monciardini, 2022). Firstly, the EU taxonomy, which is the core of the European Green Deal, with the aim to ease the transition and make it easier for investors, companies and decision-makers to identify and compare investments based on common definitions of what constitutes an sustainable economic activity (Ahlström & Monciardini, 2022; Bengo et al., 2022). The taxonomy is a classification system with technical criteria for environmentally sustainable operations and is therefore a central measure within the framework of the EU’s action plan for the financing of sustainable growth (European Commission, 2023).

Further the European Green Deal and the taxonomy policy framework consists of two other main regulations which together are aiming to ensure that investments are directed towards economic activities that are in line with the EU taxonomy and create incentives for companies to prioritize an sustainable transition; the Non-Financial Reporting Directive (NFRD), which forces companies to disclose how their economic activities are aligned with the EU Taxonomy. NFDR is transforming into Corporate Sustainability Reporting Directive (CSDR) that will gradually be in force from 2024 and fully implemented in 2025, which will make the reporting more comprehensive for companies. The second one, The Sustainable Finance Disclosure Regulation (SFDR) (EU 2019/2088), is targeting the finance sector to disclose information about the environmental, social, and governance (ESG) characteristics of their investment products and how they align with the EU taxonomy. It is also forcing them to report on how they implement climate-related risks into their decision-making process. The EU taxonomy, NFDR (soon to be CSDR) and the SFDR together constitute an ESG regulatory framework of binding rules for the finance sector and corporations operating in the EU (Bengo et al., 2022).

The European policies targeting a sustainability reform within finance is an uninvestigated area within the literature, since the policy framework is so recently created and is in its initial
phase of implementation (Ahlström & Monciardini, 2022; Boni & Cremasco, 2022). Since it’s crucial to understand the basics of the policy framework to understand the measures taken against the financial sector, I find it of importance to describe what the EU Taxonomy and SFDR implies for the financial market in Europe.

The European Commission set up a Technical Expert Group (TEG) on sustainable finance in July 2018. The group consisted of people from academia, the finance sector and members from the EU and international public bodies. The TEG presented its final version of the Taxonomy Technical Report in March 2020 (European Commission, 2023; Lucarelli et al, 2020). The TEG based the classification system on NACE code, the official industry classification code used in the EU, and selected macroeconomic sectors that are relevant in terms of greenhouse gas (GHG) emissions; the sectors that are targeted stand for roughly 93.5% of Europe's emissions. Further the macro-sectors are covering a significant proportion of GDP and employment in the EU member states (European Commission, 2023; Lucarelli et al, 2020). For each of these sectors the TEG identified a list of activities and a detailed technical screening criteria to validate that these economic activities fulfill substantial contributions to objectives of the EU taxonomy (European Commission, 2023; Lucarelli et al, 2020).

The Taxonomy has six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

Both the investors and the companies are supposed to follow specific requirements to reach the six objectives of the taxonomy (Lucarelli et al, 2020). The idea is that the performance is based on that an economic activity has to contribute substantially to at least one of the six environmental objectives, do no significant harm to any of the other environmental objectives in the taxonomy and complies to minimal social safeguards. If an economic activity meets these requirements it is classified as EU taxonomy-aligned (European Commission, 2018). The activity that meets the EU taxonomy criteria, is classified with a corresponding
percentage of its performance, counted in turnover, capital expenses or operating expense. Companies will get a percentage of how well their economic activities are aligned with the EU taxonomy. This is further forced to be disclosed by companies under the NFDR. On the other hand, financial actors through the SFDR need to disclose how their financial products are aligned with the EU taxonomy, i.e. in what kind of companies they have invested in. The idea is, through transparency, ease for investors and financial market participants to make informed investment decisions and that is assumed to stimulate the market to transform, by leading financial flows to EU taxonomy aligned performance (Cremasco & Boni, 2022). Companies also need to disclose if their product is not aligned with the taxonomy (Lucarelli et al, 2020). The reporting is done by stating which out of three different articles in the SFDR the fund is classified under. Article 9 funds have as a target to invest in sustainable economic activities and fulfill all of the six environmental objectives stated in the EU Taxonomy. Article 8 funds do not have a target to invest sustainably, but are at least fulfilling one of the six environmental objectives and do no significant harm against the other. Article 6 funds are not taking sustainability into consideration (Cremaso & Boni, 2022). The majority of financial market participants' funds are categorized as Article 8 funds (Cremaso & Boni, 2022).

The SFDR, as an EU regulation, applies directly across all EU member states. The SFDR has a higher legal status than national laws, which means that it takes precedence over conflicting national legislation. All financial market participants operating in the EU must comply with the SFDR, regardless of any conflicting national laws (Lucarelli et al, 2020; Cremasco & Boni, 2022). Member states have to ensure that the SFDR is fully implemented ((EU) 2019/2088). According to the SFDR financial market participants need to disclose sustainability regarding their practices and their financial products ((EU) 2019/2088). The SFDR applies to two categories of financial firms; Financial advisors that provide investment advice or insurance advice regarding insurance-based investment products and financial market participants that manufacture and sell financial products and perform portfolio management services (Cremaso & Boni, 2022). Deep changes in economic activities and capital flow is expected to be the result of the EU taxonomy and SFDR (Lucarelli et al, 2020).

Some critics and concerns have arisen regarding the EU taxonomy. One main concern is that today the most common way to verify that an investment is sustainable is by third-party
validation of ESG. Disclosure of how corporate performance is aligned with the EU Taxonomy will work next to these kinds of sustainability ratings, and the question is what will influence an investor in their decisions. Nipper et al (2022), found in their research that the Taxonomy might rather be a compliment, than substituting sustainability ratings. However, sustainability ratings are voluntary. In contrast to the EU taxonomy, the NFDR and SFDR, which forces companies to disclose how green their revenue, capital expenses and operating expense is, even if that number is zero (Nipper et al, 2022). Ratings made by independent agencies have for years been the way for companies to voluntarily disclose how sustainable their operations are. But since the rating diverge remarkably and also allows companies to cherry-pick ratings that suit them the most, the forcing measures and disclosure are much welcomed (Christensen et al., 2022).

SFDR, has been in force since March 10th, 2021 and forces financial market participants (FMP) to publish on their websites information about how their portfolios and funds align with the EU Taxonomy. Further, is the SFDR pushing for integration of considerations of sustainability risks in financial investment decisions (Cremasco & Boni, 2022). Therefore, financial market participants also have to disclose how they implement climate-related risks in their decision-making process (EU Commission, 2023). The assumption is that exposing climate-related risks to public exposure will make investors move away from carbon high assets to reduce the risks, and move the investments to carbon low opportunities that benefit from the enhanced market and value of low carbon investments (Ameli et al, 2019).

The Green Deal is Europe's road map toward a resilient, low-carbon and circular economy (EU Commission, 2018). Policy targeting the finance sector is on an upswing. Not only in Europe. The Chinese green credit guidelines is a known example, but also countries like Brazil, Nigeria and Bangladesh have implemented environmental and sustainability regulations in the banking sector. The assumption of these regulations is that financial performance and sustainability performance go hand-in-hand, the sector will be more financially stable with good sustainability performance (Weber, 2016).

2.5 Disclosure
Transparency is one of the conductive themes that have emerged in the financial sector to handle climate change and transform the sector to more sustainable approaches (Ameli et al., 2019). Hence disclosure policy has become the dominant tool to lead finance actors into more
sustainable practices. Disclosure is used since it provides investors and stakeholders with information about ESG risks and opportunities, information that enables stakeholders to make more informed investment decisions (Dumrose, 2022). Further, increased disclosure is assumed to drive market-wide changes towards more sustainable practices. As more actors disclose their ESG information, stakeholders can compare and evaluate sustainability performance more easily and create a competitive pressure to enhance ESG performance (Cremasco & Boni, 2022; Gillan et. al., 2021). Additionally, is disclosure seen as a tool for regulators as it gives them the possibility to use the information disclosed to develop policies and regulations that promote sustainability practices (Cremasco & Boni, 2022).

There are several interesting research findings regarding disclosure in the context of sustainability and finance. Previous research has found negative associations between the volume of carbon emission disclosed and firm value (Matsumura et al. 2014). An experiment made by Holm and Rikhardsson (2008) showed that investors allocate more funding to a company who disclose positive environmental information in comparison to a company that does not disclose such information at all. Moreover, studies have found that there is a positive correlation between sustainability reporting and the size and profitability of financial institutions (Alberici & Querci, 2015). Further, research is predicting that companies with high alignment with the EU taxonomy, increases the probability of investment (Nipper et al. 2022). Overall, disclosure is seen as crucial for promoting sustainable standards in the finance sector, as it enables stakeholders to make informed decisions and incentivizes companies to improve their ESG performance (Weber, 2016; Gillan et. al., 2021; Cremasco & Boni, 2022).

There are different arguments for why disclosure of companies' sustainability performance influences investors and stakeholders. The main argument is that disclosure of good sustainability performance and responsible behavior indicates positive cashflow effects (Nipper et al). This behavior is reducing the risk of litigation, preventing government regulation and related cost compliance. Further this performance and behavior attracts certain customers and the product carries market benefits. Aligned with that does it increase the possibility to avoid negative publicity and boycotts (Richardson et al. 1999, Dhalilwal et al. 2011, Matsumura et al. 2014; Nipper et al. 2022). Responsible corporate behavior implies promises of higher financial outcomes and that the investment is more worthwhile (Al-Tuwajri et al. 2004; Nipper et al, 2022). Further, actors that decide to not disclose
information about its sustainability performance might turn stakeholders suspicious and take the non-disclosure as a bad signal. Which could penalize the actor and reduce the probability of investments (Matsamura et al. 2014; Nipper et al, 2022).

However, previous research by Di Marco et al (2021) argues that external requirements of disclosure are often not concretely related to most organizations internal capacities and requirements. This creates what they call an institutional myth, which results in the implementation of institutional practices becoming decoupled from what is said in the formal policy (Di Marco et al. 2021). Institutional decoupling refers to symbolic adoption of external demands, where actors claim to adopt an institutional recommendation/policy but are rather doing that in a rhetorical way, than in a substantive nature (Di Marco et al. 2021). Institutional decoupling in terms of disclosure policy is related to greenwashing (Walker & Wan, 2012; Liang & Sun, 2021; Wedari et al, 2021). Greenwashing refers to companies strategically disclosing information that creates an image of environmental and socially responsible transformation, but where they actually just maintain business as usual, or rather the provided information which is not backed by substantive actions (Walker & Wan, 2012; Liang & Sun, 2021; Di Marco et al, 2021). Di Marco et al (2021) argues that the forced disclosure that has emerged more seems like an institutional myth, rather than an actual incentive that truly drives change within the finance sector (Di Marco et al. 2021). The notion of institutional myth is something this thesis finds interesting, especially in relation to the SFDR. Further, the concept of institutional myth is also highlighted within the literature of institutional theory, which will be discussed further in the theory section.

Despite this, disclosure is one of the main ingredient in the European Green Deal (Nipper et al. 2020). With the SFDR and the taxonomy the reporting is now calculated through the same matrix (Nipper et al 2020; Lucarelli, 2020). Further, since the disclosure of EU Taxonomy alignment is mandatory, companies have no option but to report their investments based on the criterias (Nipper et al. 2022). In this way the regulation builds up a model that pressures for operational change (Nipper et al. 2022). As mentioned, the SFDR regulation is not only forcing financial market participants to disclose the ESG performance and characteristics of their investments, but also how they implement climate risks in their decision-making process (Cremasco & Boni, 2022; EU Commission, 2023). Climate risk reporting reflects the increased concern about how climate change might affect the economy and financial markets. By mainstreaming integration of risk information into finance practices, asset mispricing and
misallocation of capital could be avoided (Di Marco et al., 2021). The assumption is that exposing climate-related risks will make investors move away from carbon high assets to reduce the risks (Ameli et al, 2019). However, the SFDR is rather open about how the disclosure of climate-related risk is to be incorporated by the actors. The third Article only states that climate-related risks need to be reported on financial market participants' homepage ((EU) 2019/2088). Which means that the extent of such transparency is still relatively optional for those subject to the regulation. Nonetheless, the TCFD framework is the widely recognized way to report climate-related risks in the industry and recommended by the EU Commission (EU Commission, 2019).

Disclosure is further a way for organizations to communicate to their stakeholders. Communication with stakeholders indicates how the company is performing and helps build trust and a positive reputation for the organization (Scholes & Clutterbuck, 1998; Morsing & Schultz, 2006). By sharing information about the organizations activities, plans, and performance, stakeholders can gain a better understanding of the organization's values, goals, and commitment to sustainability and responsible business practices (Brown & Dacin, 1997; Scholes & Clutterbuck, 1998; Morsing & Schultz, 2006). Messages about these topics are likely to evoke positive reactions among stakeholders (Morsing & Schultz, 2006). Effective communication with stakeholders can also enable organizations to identify and manage risks (Scholes & Clutterbuck, 1998). Engaging with stakeholders makes actors understand their concerns, which helps companies to take steps to address potential risks and be able to avoid negative impacts on their business and reputation (Brown & Dacin, 1997). Further, stakeholders have increased their expectations for companies when it comes to social and environmental responsibility, thus communication with stakeholders can contribute to understanding and meeting these expectations (Morsing & Schultz, 2006).

Due to this, there is an interesting built-in complexity to disclosure. The communicated disclosure can contribute to an improved image of being successful, proactive and responsible, which could attract investment and raise the advantages against competitors. On the other hand, comprehensive disclosure also highlights investments that are either bad for the climate or will be negatively financially affected by climate change. This could hurt the company image, the expected revenue and make you a less attractive investment and option (Marquis & Qian, 2014; Wedari et al., 2021; Ahlström & Monciardini, 2022). Historically, the financial industry has spread from having to publish non-financial information, so it has
been possible to avoid raising things which could damage reputation and only highlight matters that improve reputation (Vander Stichele, 2018). However, now with the new regulations from the EU with the aim to combat greenwashing, the sector is forced to transparency (Cremasco & Boni, 2022; Di Marco et al., 2021). There is a dilemma in disclosure that financial market participants now need to navigate through.

Ultimately, the financial sector is expected to transform through disclosure. That’s why this thesis is investigating financial market participants' sustainability reporting to investigate how this measure is being perceived and handled. Investigating to what extent actors are transparent, navigate through disclosure and how they communicate towards their stakeholders could give indications on how the demands and pressure for sustainability performance are responded to, perceived and implemented. But also give fragments of greater understanding of why allocation of capital towards sustainable investments are not done in the pace needed.

3. Theoretical framework
3.1 Institutional theory
This thesis uses institutional theory as its theoretical framework in its study of the increased demand for sustainable reforms and non-financial transparency in the finance sector. Institutional theory emphasizes the influence of impact coming from outside the organization and argue that this influence has effects on organizations business strategies, activities and goals (DiMaggio & Powell, 1983). The theory states that legislations, rules, norms or cultures determine the behavior of firms (DiMaggio & Powell, 1983), and is questioning the old rational-actors models of classical economics (DiMaggio & Powell, 1983). The theory is frequently used to explain why actors transform (Delmas & Toffel, 2004; Suddaby, 2010; Lin & Sheu, 2012) and argues that transformation occurs when there is an institutional pressure for change. This pressure is put forward e.g. from regulators, the market, society, NGO’s and competitors (Delmas & Toffel, 2004; Kassinis & Vafeas, 2006).

Jennings (1994) describes two different kinds of institutional pressure that contributes to change. Firstly, coercive pressures, which refers to new rules that are backed by enforcement, that stimulates organizational change via direct or indirect institutional dependencies. For example if there are new rules for toxic waste the change can depend on indirect pressures from environmental authorities as on institutional penalties for non-compliance (Jennings,
1994; de Jong, 2015). Secondly, mimetic pressures that replicate successful behavior during periods of political or economic change can stimulate organizational change (Jennings 1994). For example, if a bank offers a lower interest rate for companies or individuals loaning for installing solar energy at a time where renewable energy is seen as part of a solution to reduce emissions, and this initiative brings an increased number of customers and improved reputation for the bank, the competitors will eventually mimic this initiative. Further, when these new practices or standards become broadly accepted and adopted, they are gradually more legitimized in the environment that the organization acts in. Finally, these practices and standards are so legitimized where failure to adopt them is perceived as irrational (Jennings, 1994; de Jonge, 2015). For example, smoking cigarettes in public places like on airplanes or offices was considered normal not that long ago, today probably everyone would react if an airline company allowed smoking on their flights. With these attributes, institutional pressure theory is a suitable theoretical framework to use while studying transformation and behavior of organizations, especially regarding sustainability reforms (Delmas & Toffel, 2004; Higgins & Larrinaga 2014; Di Marco et al., 2022).

Previous research has argued that there is a shift within the finance sector in the perception and description of the institutional pressure. Traditionally the main actor to respond to has been shareholders. Today the finance sector to a larger extent talks about stakeholders (Kassinis & Vafeas, 2006; Schoenmaker & Schramade, 2018; DiMarco et al., 2022), where governments, regulatory power (like the EU), society, industry, NGO’s, the market and shareholders all are included (Schoenmaker & Schramade, 2018). Stakeholders can influence organizations by utilizing pressure on them (Kassinis & Vafeas, 2006). This pressure can have many forms. One concrete form of stakeholder pressure where stakeholders are indirectly pressuring firms and organizations is in the political process of creating new policies through e.g. public debate, demands, needs, norms or cultures (Kassinis & Vafeas, 2006). The policies are later affecting resource flows through taxes, subsidies, but also through the costs of beneficial or unfavorable legislation (Kassinis & Vafeas, 2006). Thus, governments and legislators have different carrots and sticks at their disposal to put pressure on firms and their environmental performance. As a result of adapting to new pressure from stakeholders and tougher environmental legislation, organizations have now been forced to reevaluate their approaches, strategies and decisions (Delmas & Toffel, 2004; Kassinis & Vafeas, 2006). Previous research has highlighted that organizations' competitive environment and public policy are highly interdependent, as regulators can change conditions and structure
of markets and by that influence the demand of products (Baron, 1995; Kassinis & Vafeas, 2006). Legislation does in sum have the power to influence the market situation, as it can channel valuable resources and conditions towards or away from sectors. Law and legislation is further a social phenomena, especially in democratic states, where legislation follows rather than leads social change in society (de Jong, 2015).

Although institutional pressure in terms of legislative force stimulates change, research shows that some policy reforms are not truly implemented and are referred to as institutional myths (Meyer & Roman 1997; DiMarco et al., 2022). Institutional myths are those practices and standards that the organization accepts to maintain or gain legitimacy in the institutional environment. This ceremonial adoption of standards and practices is done to secure organizational survival, rather than an indication of genuine change (Meyer & Roman 1997; de Jonge, 2015). Institutional theorists argue that external institutional requirements are often not completely aligned or related to organizational capabilities or requirements, and when this is the case the implementation of practices or standards becomes decoupled from the aim of the policy reform and institutional pressure (Meyer & Roman 1997; Bromley & Powell, 2012; DiMarco et al., 2022). Research based on institutional theory argues that this can be seen as organizational resistance to change (de Jong, 2015).

Public pressure for sustainability has increased in the finance sector (Schoenmaker & Schramade, 2018). This has led to a shift towards sustainable finance (Schoenmaker & Schramade, 2018; Ameli et al., 2020). The evolution has moved from targeting shareholder value towards stakeholder value. Value for shareholders is maximized by looking for the optimal financial return and risk combination, which is the approach within traditional finance (Schoenmaker & Schramade, 2018). However, now stakeholder pressure has emerged for financial market participants to include sustainable awareness as well (Morning & Schultz, 2006; DiMarco et al., 2022). The societal forces put pressure on investors and corporations to internalize environmental externalities (Schoenmaker & Schramade, 2018).

Nonetheless, organizations meet a multitude of conflicting demands and pressures from stakeholders, which are challenging to manage and have to be prioritized (Mitchel et al., 1997). Although there is an increased pressure for sustainable practices and standards within the finance sector, research about sustainable finance still states that the underlying driving force and endorsement of the activities to meet new demands are purely economic (Dyllick &
Muff, 2016; Schoenmaker & Schramade, 2018). E.g. rather than responding and fostering sustainable change it could be seen as appropriation of environmental concern under predominant market ideals (Schoenmaker & Schramade, 2018; Di Marco et al., 2020).

Previous research asks for more contributions in reaching a definitive conclusion regarding stakeholder pressure and environmental performance (Kassinis & Vafeas, 2006). Even when there is a clear pressure that seems to matter, it appears to have a varying effect on organizations’ environmental performance (Delmas & Toffel, 2004; Kassinis & Vafeas, 2006). Like previous research (Scholes & Clutterbuck, 1998; Delmas & Toffel, 2004; Kassinis & Vafeas, 2006, Schoenmaker & Schramade, 2018, DiMarco et al., 2022) this thesis argues that stakeholder pressure is a crucial institutional pressure for sustainability reforms. Based on previous research that states that institutional pressure impacts and determines behavior of organizations, through e.g. legislation, rules, norms or demands (Jennings, 1994; Delmas & Toffel 2004, Kassinis & Vafeas, 2006) this thesis is arguing that SFDR as legislation should be seen as a constituent of new institutional pressure from stakeholders on the finance sector to reform to more sustainable practices. The SFDR is doing this by forced disclosure. Nonetheless, when it comes to disclosure of climate-related risk implemented into the decision-making process, the SFDR is still quite flexible in how this disclosure is to be incorporated by the actors, which means that full compliance to transparency of sustainability performance is still relatively optional for those subject to the regulation (Di Marco et al, 2022). By examining how financial market participants compile and navigate through this new institutional pressure of disclosure, indications of how the stakeholder pressure is being perceived by the finance sector and its impact can be discovered. Based on the theory, the extent of compliance to the new disclosure regulation and how the transparency is conducted, can be used to measure indications of how these pressures of disclosure are being perceived, implemented, accepted and legitimized by the sector (Mitchel et al., 1997; Jennings 1994).

4. Research puzzle and research question
Climate change is one of the most urgent challenges in the world today (IPCC,2023). The finance sector is crucial to allocate the investments needed to secure a sustainable future for our planet. Institutional pressure from stakeholders has therefore increased towards the sector and it is argued that there's been a shift among financial market participants toward more sustainable practices, especially since 2015 when the Paris Agreement was made and the SDG’s goals were set (Ahlström & Monciardini, 2022; Bengo et al., 2022). Still, the latest
IPCC report (2023) is warning that the world is off track to reach the Paris Agreement and states that the private investments unlocked toward sustainable investments is not enough. At least a six-fold increase of finance is called for to emissions reduction projects by 2030 (IPCC, 2023). Even though there is a confirmed and agreed on urgency to battle climate change (EU Commission, 2018), why is the finance industry not more urgently allocating capital towards sustainable investments?

This thesis wants to investigate dimensions of this big question by investigating the measures put forward to direct the sector toward more sustainable practices. Disclosure is one of the main tools put forward to redirect capital flows away from investments with negative impact on the climate and the environment, and are expected to transform the finance sector towards more sustainable investments strategies (DiMarco et al, 2022). The SFDR put this new kind of pressure on financial market participants, since March 10th 2021 it forces financial market participants to disclose sustainability performance, especially regarding environmental, social and governance (ESG) objectives of their investments and climate-related risks assessment, and the implementation of these in their decision-making process ((EU)2018/2099).

Nonetheless, even though disclosure is assumed to be an effective tool to use within the finance sector, the policy reforms have been questioned since there is an in-built complexity in disclosure (Ameli et al., 2020; DiMarco et al., 2022; Cremasco & Boni, 2022). Disclosure can affect the financial outcomes. Showing too much exposure of negative activities could affect how attractive these financial market participants are perceived. At the same time, disclosure brings benefits of improved reputation, competitor advantages and attract customers. It is a complex matter for financial actors to navigate through the dilemma of disclosure (Di Marco et al., 2021 Ahlström & Monciardini, 2022), especially since the SFDR came into force.

This thesis uses institutional theory as the theoretical framework in the search of indications of how financial market participants are responding to the stakeholder pressure of disclosure. By examining how financial actors balance the new demands regarding transparency, directing capital towards sustainable investments and communicating to their stakeholders, could give indications of how they respond to the increased stakeholder pressure for sustainability practices and standards.
The aim of this study is to partly get an overview of how the new institutional pressure for disclosure from the SFDR are complied and handled by financial market participants and partly to investigate more in depth how financial market participants handle the shift towards increased transparency and navigate through the complexity of disclosure, in the search of finding fragments of explanation to why the allocation of capital is not going fast enough toward sustainable economic activities and get insights of how effective these policy reforms are for its purpose. The thesis also wants to contribute to the quite unexamined area of regulatory changes targeting sustainable finance in the EU (DiMarco, et al., 2022; Ahlström & Monciardini, 2022). Since the policy reforms are in its initial phase, early studies like this one, can bring some indications of how the policies are being received and if there is any noticeable immediate effect.

This thesis wants to examine dimensions of why allocation of capital toward economic activities that mitigate climate change is not being directed at the pace needed from the finance sector. To reach this aim, measures that have been put forward to reposition the sector is examined by the following two research questions:

1. Research question: To what extent are financial market participants operating in Sweden complying with the new disclosure policy of reporting climate-related risks in their decision making processes?

2. Research question: How do financial market participants navigate through the institutional pressure of disclosure of sustainability performance in their communication towards stakeholders?

To answer these research questions this thesis will do two investigations. One overall compilation about how well financial monetary institutions operating in Sweden are complying to the SFDR recommendation of disclosure of climate-related risks. Further, a more in depth content analysis will be done on SEB and Handelsbanken’s sustainability reports from 2020 and 2022 to investigate how financial market participants navigate through the new demands of disclosure.

5. Method, material and research design
5.1 Content analysis

Qualitative content analysis is a research method of the subjective interpretation of the content of text. But can also be used to systematically spot specified characteristics of messages (Boreus & Kohl, 2018). Content analysis is a technique for compressing a large amount of words of text into fewer content categories based on rules of coding (Krippendorff, 1980; Weber, 1990; Stemler, 2000). The method is the systematic classification process of coding text data and identifying themes or patterns, through a process that transforms the data into a standardized form (Boreus & Kohl, 2018). Content analysis is useful to study and determine how subjects are represented and framed in text. The content analysis method is described by Boréus and Kohl (2018) as a tool for text analysis where researchers can systematically break down texts to answer a research question. Further, content analysis enables researchers to discover and describe the focus of individual, institutional, group or social attention (Weber 1990). Since qualitative work is expressed in natural language and small samples, in contrast to quantitative work that is expressed in numbers, statistical models and on large-N analysis, a qualitative research approach was selected to conduct this study (Gerring, 2017). To be able to investigate to what extent institutional pressure is compiled and examine how these actors navigated through transparency in their sustainability reports, this study focuses its investigation on a specific context, language and small samples (Gerring, 2017). Therefore, were qualitative content analysis found suitable for this study's research question due to its flexible research approach and its focus on analyses of different sorts of texts.

This thesis was conducted in two steps, where sustainability reports from 65 financial monetary institutions operating in Sweden were studied. Annual reports are argued to be the essential channel of information that organizations can hand out to their stakeholders (O’Donnovan, 2002). With this argument as a found, it is reasonable to argue that the annual sustainability report has equal value when it comes to sustainability performance, since it is integrated or an extended channel of crucial information for stakeholders. Thus, sustainability reports are the content units and the text in the sustainability reports are the coding unit of this study (Stemler, 2001).

Two analytical frameworks were developed to be able to answer the research questions and to get through the quite large amount of text of the content units. The analytical framework used in the first part of the study used prior coding based on institutional theory operationalized
through measures this thesis argues indicates strong or weak institutional pressure (Weber, 1990, Stemler 2000). The second framework is focusing on a more in depth analysis of two of the 65 financial monetary institutions, and is more comprehensive. It was developed through a priori coding approach creating coding rules based on institutional theory, but was influenced by emergent coding elements (Weber, 1990, Stemler, 2000). While looking through hundreds of pages of sustainability reporting an overview of features was discovered that tightened up the categories for the second framework, therefore some revisions were made in the analytical framework after the first part of the study was conducted (Weber, 1990, Stemler, 2000). The analytical frameworks are more comprehensively explained below.

When conducting content analysis it is of importance that the classification is reliable in the form of being consistent (Weber, 1990). Reliability issues often arise from the ambiguity of coding rules, most often regarding words' meaning and category definitions (Weber, 1990). The analytical frameworks created in this thesis have followed Weber’s (1990) recommendations of developing explicit recording instructions within the analytical framework, which is seen as a critical step to avoid problems about reliability. Another matter of importance while conducting a content analysis is validity. Conclusion and inferences based on the data and one analytical approach need to be validated. This can be done by using multiple sources of information or some kind of inbuilt validation into the research design by triangulation (Stempler, 2001). By incorporating multiple sources this thesis argues that the methodology is serving the research question and brings validation (Stemler, 2001).

5.2 Overview of financial monetary institutions compliance to the third article of SFDR

The first part of this study was conducted by going through the sustainability reports from 2022 made by monetary financial institutions and identifying to what extent they have compiled the third article of SFDR. The third article of SFDR is stating that financial market participants should disclose how they implement climate-related risks into their decision making process and make it available on their homepages ((EU)2019/2088). Nonetheless, the third article of SFDR is not specific in the legal text of the directive about how the reporting on risk management in the decision-making processes should be executed ((EU)2019/2088). Nonetheless, to continue the aim of more common ways to define and work with sustainability in the financial sector and avoid greenwashing, it is recommended for financial market participants to disclose information about their climate-related risks using the Task
Force on Climate-related Finance Disclosure (TCFD) framework (Di Marco et al., 2021; EU Commission, 2018). The TCFD recommendations are widely recognized as an important reference point for the disclosure of climate-related information and are widely recognized in the finance sector (DiMarco et al., 2022). As mentioned previously in this thesis, the TCFD framework rests on four pillars: Governance, Strategy, Risk Management, and Metrics and Targets.

There is an increasing demand of transparency on financial market participants (Weber, 2016; Ameli et al, 2019; Di Marco et al, 2021) and based on previous research about institutional pressure (Kassinis, G., & Vafeas, 2006) this thesis argues that compliance to disclosure indicates that actors see it as urgent and important to respond to the pressure from stakeholders. On the contrary, reporting poorly in alignment with SFDR and the recommendations indicates that the institutional pressure is not perceived as strong or urgent.

To investigate the first research question I have constructed an analysis framework to study how financial participants are disclosing climate-related risks in their processes. This analysis framework was done with prior coding, where the categories were established prior to the analysis based on institutional theory (Stemler, 2001), operationalized through the TCFD framework. As part of the analysis framework, four main investigating questions were posed to the sustainability reports. Is the actor investigated going under the SFDR? Has the third article of the SFDR been accomplished? Has the actor reported accordingly to the TCFD framework? Alternatively, has the actor taken into account the TCFD framework? The coding unit in this first part of the study is sentences and paragraphs which could provide answers to these questions (Stemler, 2000).

Reporting according to the TCFD framework is in this study argued to show a higher indication of response to the institutional pressure of disclosure, in comparison to taking into account the TCFD framework. Reporting according to the TCFD framework means that the actor is disclosing climate-related risk assessment regarding their governance, strategy, risk management and matrix and targets after the recommendation of TCFD, a framework widely acknowledged as best practice. By only taking the TCFD framework into account, the actor is disclosing climate-related risk of just some of the four pillars recommended by the framework. This is argued in this analysis to indicate lower perceived institutional pressure for disclosure of climate-related risk assessment. Furthermore, only complying with the
SFDR, e.g. publish on their homepage or in their sustainability reports that climate-related risks are taken into consideration during decision-making processes is valued as indication of lower response to the institutional pressure. To be in the category of companies reporting according to, or taking into account TCFD, it has to be explicitly mentioned in the sustainability report that the TCFD framework is supported. Otherwise the content unit was evaluated as just achieved the SFDR third article.

The first part of the study in this thesis was conducted by investigating the financial monetary institutions registered to be operating in Sweden by the Swedish Central Bank (Riksbanken) and going through their sustainability reports from 2022. The first step of this part of the study was to chart how many of the financial monetary institutions registered by Riksbanken are subject to SFDR. This was done by visiting all registered actors' homepage to investigate their offer and type of business. The SFDR is targeting financial market participants that are offering financial advice or financial products (EU) 2019/2088). The sample and selection is described in more depth in the section “Sample and selection” below. When it was determined whether the actor was subject to SFDR this thesis investigated the actors’ compliance to SFDR’s third article. This part of the study was time consuming, since all financial monetary institutions are reporting differently. Some of the financial market participants are ambitious in the amount of text and pages of their sustainability reports. Further, the actors choose to include the climate-related risk disclosure in different parts of their report. However, since TCFD is a widely recognized initiative by the finance market participants, actors state if they are reporting accordingly and supporting the framework. Therefore, to study the compliance to SFDR precisely and effectively the analysis framework was designed to investigate if the content unit mentioned that it was reporting accordingly or taking into account the TCFD framework. The content units that were stating they were reporting accordingly or taking into account TCFD framework was investigated more in depth. Still, since the variation of reporting is individual for all financial market participants, it was challenging in some cases to determine to what extent a report was made accordingly or taking into account the framework. In these cases, the actors that described risk assessment of all four pillars of TCFD were categorized as reporting accordingly. If this was not very clear, that all four pillars were reported on, the content unit was categorized as reporting taking into account the TCFD framework.

5.2 Navigation through disclosure and stakeholder presence
The second part of this study is a more in depth comparative content analysis of sustainability reports from 2020 and 2022 from two of the largest banks in Sweden, SEB and Handelsbanken. The study targets positive and negative framing and stakeholder influence of the two investigated financial monetary institutions to examine how they navigate through disclosure and to search for traces of responses to stakeholder pressure. This was done by an analytical framework developed to capture the above categories (Stemler, 2001). Further, sustainability reports from 2020 and 2022 were compared to investigate whether any immediate impact could be noticed regarding how these actors handled the transparency after the SFDR came into force.

Since the implementation of SFDR in 2021 actors' are forced to be transparent about how well their investments are aligned with EU taxonomy, with the aim of making it harder for financial market participants to use greenwashing regarding their investment information. By investigating positive and negative framing this study wants to capture how these actors portray themselves as a positive or negative force for the climate and environment in their reporting, as an indicator of how they navigate through transparency. By investigating how these actors are transparent and describe their impact and their own role gives insight about how transparency is handled. Overmore, since the SFDR is forcing the financial market participants to disclose how well their investments align with the EU Taxonomy, it is possible to compare the positive and negative portraying communicated by these actors with concrete actions and allocation of capital towards sustainable investments (Lucarelli et al., 2020). This gives further indications of how these actors navigate through the complexity of disclosure. Furthermore, since this study is examining stakeholder pressure, the content analysis also looks for traces of stakeholder influence in SEB and Handelsbankens reporting. The study analyzes if stakeholder pressures are mentioned as an indication of to what extent stakeholder pressure is being present and met. Furthermore, it is of interest for the research questions to look into if financial markets participants mention the dynamics of outside demands of sustainability performance as an indication of how strong the stakeholder pressure has been perceived.

Content analysis is described as a method that uses a technique that is systematic and replicable for compressing many words of text into categories that are based on explicit rules of coding (Weber, 1990; Stemler, 2001). To investigate the above mentioned topics an analysis framework consisting of sentence rules was constructed. Since this thesis is studying
sustainability reports, which in its nature is written with ulterior motives and with stakeholders as audience, there are some challenges to take into consideration analyzing the text. The reports capture what is done well or try to describe efforts as being done well to portray the organization in a beneficial light (Landrum & Ohsowski, 2018). This could bring challenges to really get out the true meaning and importance of these efforts (Landrum & Ohsowski, 2018). However, since this thesis is interested in how financial market participants respond to stakeholder pressure and these reports are the channel where these actors communicate (respond) to their stakeholders it is of relevance to investigate the kinds of text and messages that they are carrying (Göthberg et al., 2018). Further, the study is interested in how actors navigate through disclosure, and since these reports are the channel where the actors are supposed to be transparent, they are of great interest for this study. But in order to get a valuable analysis that is able to capture what is needed from the corporate language to target the research questions, sentence rules were created. The sentence rules are triggered by certain combinations of words in the sentences. Sentence rules were further developed to really get through the large amount of text in the sustainability reports without losing its analytic focus (Stemler, 2001). Only communication that is triggering the sentence rules were considered in the analysis. To have rules to rest on during the execution of the analysis is favorable both for the researcher to be sure to investigate the real research question, but also to make the study more reliable (Weber, 1990; Stemler, 2001). The analysis framework is found and specified in the appendix section of this thesis.

The sentence rules was developed based on these two main themes that was asked towards the content units:

1. To what extent do financial monetary institutions portray themself as a positive or negative force regarding impacts on climate change, the environment or sustainable development.
2. To what extent stakeholders are influential or present in the sustainability report.

The study was conducted by reading the full sustainability reports and evaluating through the analysis framework if a sentence should be counted under a category. Since the nature of the content unit is to communicate positive messages about the different actors it could be challenging to determine what should be considered to be portraying the actor as a positive force (Landrum & Ohsowski, 2018). Here the sentence rules are making the study more precise (Weber, 1990; Stemler, 2001). The content units of “To what extent do financial
monetary institutions portray themself as a positive force regarding impacts on climate change, the environment or sustainable development” was captured by the following sentence rule:

**Sentence rules for the actor being a positive force:**

Sentences that indicate the actor as an enabler, driver or positive force for climate and environmental improvement or sustainable development. Sentences that contain words like or equivalent to “enable”, “ensure”, “contributor”, “aim”, “play a role”, “leading the way”, “driver” prior or followed by a positive statement regarding the climate, environment or the development will trigger this sentence rule.

Example of sentence:

“Through our ambitions and goals, we **aim** to accelerate the pace towards a sustainable future for people, businesses and society”

The analysis framework also includes examples of sentences that should not be considered to trigger the rule, to ensure the study to be as valid and reliable as possible.

Even though the sustainability reports are supposed to promote transparency, it is challenging to analyze these kinds of text and be convinced that the right content is being counted and categorized (Landrum & Ohsowski, 2018). This thesis is humble about that researchers are subjective and that there may be differences in how individuals interpret a sentence as an indication that an actor is a positive force (Boreus & Kohl, 2018). However, the analysis framework is developed with the aim to make the content analysis as systematic and transparent as possible, regardless of who is conducting the analysis (Weber, 1990; Stemler, 2001).

To what extent the actors portray themselves as a negative force was more challenging for this study to investigate. This is due to the nature of the content unit and its possible ulterior motives (Landrum & Ohosowski, 2018). Sustainability reports are, as mentioned, supposed to be transparent and the actors’ channel of disclosure, where their perception of their own role and impact on the climate and environment should be explained. Some might argue that it is not possible to expect an actor to give account of massive self-criticism towards its own practices that would damage business. However, this tension is precisely what this study
wants to capture. How do these actors navigate their own negative influence and impact on climate change, environment and sustainable development in a document that by law forces them to be transparent about sustainability performance and climate impact? The analysis framework has also in this regard tried to be designed to ensure continuous and equivalent rules as possible (Weber, 1990; Stemler 2001). The analysis framework is identifying sentences that capture that the investigated actor acknowledges their own impact. In contrast to the positive sentence rules, the sentence's rule targeting the portraying of being a negative force was triggered with less descriptive sentences, but were triggered by more subtle recognition by the actors of their impact on the environment and the climate. Sentences that contain words like “impact”, “affect”, “contributor” prior or followed by a negative statement or regarding the climate, environment or the development triggered this sentence rule.

Example of sentence triggering the sentence rule:
"SEB affects the environment, indirectly through business relationships with clients, and directly through own operations."

Stakeholder presence and influence was investigated by looking for sentences that indicated any type of stakeholder influence or pressure. Challenges with this part of the content analysis was that both SEB and Handelsbanken mention their customers frequently, which is a crucial stakeholder for these actors. However, with the sentence rule these sentences were thinned out by focusing on sentences that indicated stakeholder dialogues, demands, pressures, needs and equivalent words together with some kind of indication of the investigated actors responding to these. Even though the content unit frequently mentioned customers, this part of the content analysis had the least uncertain sentences to analyze.

Practically, this study was conducted by reading the sustainability report from beginning to end, sentence by sentence. Sentences that were triggering the rules were counted under the specified categories. The sentence was also copied and written down into a separate document. Some sentences that were hard to determine whether they did or did not trigger the rules were copied into the document and were marked to be double checked. When the whole sustainability report was read and analyzed, these sentences were reviewed again and compared to other sentences that had been counted as triggering the rule in order to determine if they should be counted.
6. Population and sample selection

To do a study you need population and sample selection. A population is a defined group and a sample is a selection of that group (Bryman 2016, page 694). The population can be huge. Therefore a sample selection can be used to draw general conclusions about the population. However, sometimes it is not possible to generalize based on a sample selection from a big population. This could be the case when the population has great variation and the sample selection is not confirmed to be representative of the population (Bryman, 2016). Further, sample selection is also a way to make studies possible, since it is an impossible task to conduct a study of an entire population that is enormous, like financial market participants world wide.

SFDR requires asset managers, investment advisers, and financial institutions that provide investment products or advice to disclose information about the sustainability risks and the environmental, social, and governance (ESG) characteristics of their products by report if they are Article 9, 8 or 6 funds ((EU)2019/2088). Financial market participants are entities that provide portfolio management, investment advice, or both. Examples of financial market participants include asset managers, pension funds, insurance companies, and investment firms (Ahlström & Monciardini, 2022).

Financial advisers are entities that provide investment advice but do not manage portfolios. Examples of financial advisers include wealth managers, financial planners, and investment advisers. The SFDR applies to financial market participants and financial advisers that are established in the EU, as well as to those that market their investment products or services in the EU, regardless of where they are established.

The Swedish central bank lists all monetary financial institutions operating in Sweden. Monetary financial institutions (MFIs) include banks, housing institutions, finance companies, corporate financing institutions, monetary securities companies and monetary investment funds (capital market funds). Monetary financial institutions are mainly engaged in receiving deposits from other institutional units and issuing loans and/or investing in securities on their own account. In addition to deposit banks, the sector also includes money market funds (Statistikcentralen, 2023). Other monetary financial institutions that mediate financing engage in financial intermediation by raising loans in forms other than deposits or technical insurance reserves. The sector includes credit institutions that have been granted a
license by the Swedish Financial Supervisory Authority and other institutional units that mediate financing, e.g. investment funds, development capital companies, property management companies, mortgage offices and e.g. holding company for depository banks (Statistikcentralen, 2023).

The list made by the Swedish central bank of registered MFI was used as sample selection in this study. The list, which was updated July 21 2022, consists of 157 monetary financial institutions that currently are operating in Sweden as MFIs. It consists of both Swedish, European and international MFIs and can be downloaded by anyone on their website. The study limits its sample to Riksbankens list since it provides an updated counting of MFI operating in Sweden. There are more actors that are subject to the SFDR regulation, for example small private investment funds. However, the list of MFI made by the Swedish central bank is chosen as sample selection since these actors are well-established organizations operating in Sweden and the list contains the well-known companies that provide financial advice or offer financial products. Further, it would be challenging to collect and include all smaller private financial market participants which could result in a questionable sample group, which would make the study less accurate or replicable.

Some of the MFIs on the list have been sorted out before the study started. For example, the bank Sparbanken, has all their local offices registered in the list since they have the corporate form of their own stock company, but still goes under the same corporate group of Swedbank and their main sustainability reporting was decided to be analyzed from the parent company. With them cleared out the list ends up at 112 unique monetary financial institutions operating in Sweden right now. Further example of differences in the selection sample is Nordea, which has three different types of banks registered to operate as a monetary financial institution in Sweden. But all report their sustainability disclosure in one report under the main group of Nordea. Further around 30 other MFIs were sorted out since they do not offer financial products or advice, and thereby do not go under the SFDR. This gave this study a sample size of 65.

The sample is suitable since the MFIs investigated in this study are the majority of financial market participants and financial advisors that offer financial products or advice in Sweden, which makes them subject to the SFDR. The selection is also appropriate in its size and scope, since it covers a whole country's MFIs. That provides a good overview and
possibilities to compare institutions operating in the same country. Further, since both Swedish, European and international MFIs are covered by the SFDR and the list is covering all MFIs operating in Sweden, the sample does not only consist of Swedish MFIs which gives the study a satisfactory spread. Lastly, Sweden is a suitable country to do a study in since we are traditionally known for generally implementing EU laws well and according to time frames.

The two banks that are compared in the second part of this study are SEB and Handelsbanken. SEB and Handelsbanken are the second and third biggest banks in Sweden, based on their balance sheet total (SwedishBankers, 2023). Balance sheet total is a term used to describe the sum of the asset side or the sum of liabilities and equity in a company's balance sheet (SwedishBankers, 2023). SEB has a balance sheet total of 3 533 billion SEK (2022) and Handelsbanken has a balance sheet total of 3 454 billion SEK (2022). In terms of financial flows, the two banks are similar in size which makes them apt to compare. Further, SEB and Handelsbanken are selected since they have two different approaches regarding allocating money to the fossil fuel industry. Handelsbanken was the first major bank to announce that they are not entering any new relationships with fossil fuel companies (Greenpeace, 2022). Handelsbanken has over time also reduced its lending to the fossil sector. Since 2017, lending decreased by 95 percent, to SEK 316 million, which corresponds to 0.01 percent of lending to the public (Handelsbanken, 2022). SEB, on the other hand, has allocated SEK 158 billion into the fossil fuel industry since 2016, the year after the UN climate agreement was concluded in Paris, until 2020 (Greenpeace 2022, SEB 2020). Among other things, SEB has lent billions to the coal power company Uniper, which is one of Europe's largest emitters of carbon dioxide, and close to SEK 34 billion from SEB has financed oil extraction in the Arctic. In 2021, SEB tightened its investment policy. However, the investment policy is accused by NGO’s to contain several loopholes (Greenpeace, 2023). One example is that oil extraction in the Norwegian Arctic still may constitute up to 15 percent of an oil company's revenue. The policy also does not set any absolute limits on how large a company's fossil operations may be, but only how large a proportion of the company's total operations the fossil parts may constitute (Greenpeace, 2023, SEB 2023). This different approach to the fossil fuel industry made the second and third largest banks in Sweden interesting to compare when it comes to navigating through disclosure about sustainability performance. The largest bank in Sweden, Nordea, who also allocates money towards the fossil fuel industry, was not selected since its balance sheet total was almost twice as big as
Handelsbanken and SEB (SEK 6 615 billion). This thesis therefore chose SEB prior to Nordea, since it was unclear how such a difference in balance sheet total might affect different financial decisions made by Nordea.

Since SEB and Handelsbanken are in the top three of largest banks in Sweden, they allocate a lot of money through their funds by investments. The large banks play a crucial role in directing capital to economic activities that benefit or enable the transition into a low-carbon economy and makes them a suitable actor to investigate for this thesis (Sarker & Cadman, 2022). Further, these banks have a great number of customers and clients. From private individuals to large companies. With millions of Swedes as customers and thousands of corporate customers they play a decisive role for the Swedish economy. Accordingly they have to respond to stakeholder pressure, including reviews from the media and NGOs (Sarker & Cadman, 2022). This makes their sustainability reports relevant and accurate to investigate for this thesis.

7. Limitations
There are many limitations when you do research. It's in research nature to draw limitations to be able to study a phenomenon. This thesis is interested in finding fragments of explanations or indications of why capital toward sustainable investments are going to slow. This is investigated by looking at how financial market participants respond to the measures put forward to change the sector. By investigating the institutional pressure of disclosure and how actors navigate through this disclosure. This is investigated by examining sustainability reports. The results in this study can give indications, based on the analytical framework and the way that the analysis was conducted on the text, of these questions. However the results from this thesis can not draw any general determining conclusions regarding all dimensions and aspects of institutional pressure of sustainable reform towards the finance sector, or why the allocation of capital toward sustainable investments are not going fast enough. This thesis is highlighting tendencies and indications discovered by conducting a content analysis on sustainability reports, based on institutional pressure theory to investigate the research question and explain the results. This thesis is looking at one aspect of institutional pressure. More specifically how institutional pressures are being received and responded to in how these actors communicate and respond towards their stakeholder. However, this thesis is aware that institutional pressures are being received and responded to in many different levels and dimensions by these actors. Rather, this thesis presents indications of institutional
pressure and navigation through disclosure limited and based on sustainability reports, which is argued to provide indications of aspects of why redirecting capital toward sustainable economic activities is not going fast enough.

8. Results & Analysis
This section will present and discuss the results of the study. Firstly it will present and discuss how the investigated financial market participants have chosen to comply with the third article of SFDR. Secondly it also presents how SEB and Handelsbanken have reported their sustainability performance and navigated through disclosure in their reports from 2020 and 2022, and discusses the results. Lastly, the result will be analyzed in relation to institutional theory and previous research to discuss potential indications of why financial market participants are not allocating money towards sustainable investments fast enough.

8.1 Climate-related risks, important or crucial?
Out of the 65 monetary financial institutions that were found to be subject to SFDR all of them fulfilled the SFDR third article and reported either in their sustainability report or on their homepage how they implemented climate-related risks in their decision-making process.

Out of the 65 monetary financial institutions that were investigated 26 of them reported according to the TCFD framework, and 10 of the monetary financial institutions were reporting taking into account the TCFD framework.
Figure 1. Number of financial market participants and how they report under article 3 in the SFDR. Source: own calculations based on the financial market participants sustainability reports from 2022.

Based on the analysis done in this study, just above half (36) of the actors are in some way reporting according to the recommended TCFD framework, a result that indicates that the institutional pressure of transparency regarding climate-related risk assessments is not perceived as crucial for all financial market participants. The result could further indicate that not all financial market participants thoroughly include climate-related risks in their decisions-making process. Out of the 65 monetary financial institutions investigated in this thesis, 26 of them have complied with the SFDR third article by reporting implementation of climate-related risks in their decision-making process according to the recommended TCFD framework.

Based on institutional theory, is coercive pressure in the form of new rules and legislation backed by enforcement stimulating change within organization and industries (Jennings, 1994). Based on the results we see, as expected, that the finance sector is going through a shift where climate-related risk assessment processes are starting to be described publicly. Even if the implementation of this pressure is not strictly and equally carried out by all actors. Further, institutional theory argues that when new standards become widely accepted within an industry they become gradually more legitimized. These practices and standards are after
some time so legitimized that failure to adopt them is perceived as irrational (Jennings, 1994; de Jonge, 2015). The TCFD framework is widely recognized as best practice to report climate-related risks within the finance industry and is recommended by the EU Commission to use (O'Dwyer & Unerman, 2020; DiMarci et al., 2022; EU Commission, 2018), still based on the results of this study we see that some actors do not report accordingly. Based on institutional theory and this analysis, the result indicates that the stakeholder pressure is not strong enough for these standards and practices to become accepted by all yet (Jennings, 1994). The results indicate that we still are in the journey of increased disclosure regarding implementations of climate-related risk assessment becoming accepted. Actors in the industry do seemingly not find it irrational to not fully disclose how they implement climate-related risks in their decision-making process.

To gain support and trust the information provided in environmental risk disclosures must be perceived as decision-useful and therefore be at least compliant with TCFD recommendations (DiMarco et al., 2022). Previous research has shown that there has been a moderate increase of compliance to the TCFD framework between 2016 and 2019, however that there has been a large gap between the information requirements and what the actors actually disclose. This has been argued to be indications of TCFD being an institutional myth, where support and claims to report according to the framework rather been in a rhetoric way than truly implemented (DiMarco, et al., 2022). This thesis, which is looking at TCFD compliance after the SFDR has been in force, notices the same tendencies. The extent of disclosure of how these actors implement climate-related risks in their decision making was varied. Some mentioned in short paragraphs that climate-related risks were included in their processes, while others explained on several pages how climate risks were integrated into the investment and decision-making process. This variation in how financial markets participants conduct disclosure and the consequence it constitutes of making it harder to do an objective comparison and evaluation of actors in the finance sector has been highlighted by Christensen, Hail and Leuz (2019). Based on this study's examination is this an obstacle that remains. Disclosure loses some of its points when it is difficult to compare between the actors. The actors who report according to TCFD, however, enable comparison to a much greater extent.

All the big banks investigated in the first part of this study complied with the SFDR third article by reporting accordingly or taking into account the TCFD framework. The big actors
are presumably perceiving more institutional pressure from stakeholders about transparency, which they have to respond to and provide. Further, big banks are seemingly also more responsive to mimetic pressures, which is to replicate successful behavior that stimulates change in sectors (Jennings, 1994). The result indicates that within big banks the TCFD is broadly legitimized and that big banks might report accordingly to the TCFD to not lose a competitive standpoint, and that it is seen as successful behavior to support and comply with the framework. That big banks are reporting more aligned with TCFD could be due to greater resources. The extensive new pressure of reporting is time consuming and does also require competence, this could affect the reporting from smaller actors (Dienes et al., 2016). Further, it should be regarded that SFDR is a new legislation which could affect the quality of the disclosure and reporting, due to confusion on how to report in a satisfying way. Nonetheless, the TCFD framework is developed just for that task and is widely established in the sector which should cure such ambiguity (O’Dwyer & Unerman, 2020; DiMarco et al., 2022). Overmore, the finance industry has in its core to calculate risk (Schoenmaker & Schramade, 2018; DiMarco et al., 2022). Therefore, the implementation of an additional risk dimension should not be a decisively large threshold. Furthermore, the SFDR was decided on in 2019, so financial market participants had quite some time to plan and adapt to the new rules ((EU) 2019/2088).

Out of this first part of the study some more tendencies can be highlighted. For example is the transparency about climate-related risk and the implementation of climate-related risk assessment mostly fulfilled on a general level targeting what kind of risks these actors experience and are expecting. The actors tend to describe the risks in a mainstream corporate language frequently used regarding these topics which makes it challenging to really discover and understand the procedure implementing climate-related risks in decision-making. This “boilerplate language” and the difficulties it brings is something that previous research has highlighted (China et al, 2017). The most absent and least described pillar of the TCFD framework, based on this examination, is the strategy pillar. Goals and targets are described quite extensively, however how these goals and targets are going to be met is less clear. This is problematic since it could be argued to be the most significant part to ensure sustainable development that will sustain. Moreover, the decision-making process taking climate change and sustainability in regard is often described ambitiously, mostly by the big actors. However, without insights from inside of the organization it is hard to validate the effectiveness and robustness in what is reported.
The first part of this study was challenging to conduct. The actors, as said, report in different ways. This makes it in some cases hard to locate where in the report to identify the disclosure of climate-related risks management, if they do not state that they are reporting according to the TCFD framework. Further, it is hard to establish to what extent some monetary financial institutions should be considered to be subject under SFDR. The SFDR forces financial market participants that have products or give financial advice to disclose how they implement risk in their decision-making process. To some extent, this thesis found it hard to determine whether a company is giving advice or not, or whether they are offering a financial product or a service.

Overall, the results from the first part of this study indicate that institutional pressure of disclosure is perceived as increasingly important by a majority of the finance sector, since a majority did report according to or taking into account the recommended TCFD framework, which this study argues is indicating more responsiveness to the institutional pressure from stakeholders. The coercive pressure put on financial market participants is seemingly being on a journey of being accepted and legitimized. However, the result of how financial market players calculate and implement the risks does not reflect that climate risks and changes are one of the biggest challenges of our time. This absence of calculating and implementing climate-related risks indicates a lack of urgency which could explain some fragments of why capital is not being allocated fast enough. Further, it raises questions whether disclosure as policy reform to redirect the sector is enough.

8.2 SEB and Handelsbanken - acceptance, legitimization and business as usual

The content analysis shows that at the crossroad of how to navigate through transparency of sustainability performance both Handelsbanken and SEB is clearly putting weight on presenting an image as a contributor, driver and enabler of sustainable economic activities and development, in contrast to transparently present a more nuanced picture of how their investments today affect the environment, the climate and sustainable development. The disclosure of how Handelsbanken and SEB’s allocate their managed capital shows that they are directing most of its capital to investments that do not target sustainability as a specific goal. Based on institutional theory and previous research, the results of this part of the study indicate that sustainability standards are accepted and legitimized within the finance sector,
however there are traces of institutional decoupling, which will be discussed further down in this section.

SEB’s sustainability report was 17 pages in 2020, in contrast to 34 pages in 2022. Since the implementation of SFDR in 2021 the scope of the reporting has become more comprehensive. The results of the study shows that SEB to a much greater extent, in contrast to Handelsbanken, acknowledge their own negative impact. In 2022 they mentioned 22 times their negative impact, in contrast to Handelsbanken that mentioned their impact 11 times. That SEB in a much greater extent mentioned their negative impact is indicating that the actors are complying to transparency, since SEB has a record of engaging with the fossil fuel industry to a larger extent than Handelsbanken, it is reasonable that they should mention negative impact more frequently. Moreover, SEB mentions their negative impact 23 times in their sustainability report from 2020, which means that they decreased the description of their own impact, even though they increased in pages of reporting. Moreover, did they describe their negative impact to a greater extent than portraying themselves as a positive force, the positive sentences were counted to 38 in 2022 and 22 in 2020.

Handelsbanken mentioned themselves as a positive driver for sustainable transition 56 times in their report from 2022, which is an increase from 2020 when they mentioned themselves as a positive force 44 times. Based on this study's analytical framework, they also increased acknowledging their own negative impact in a descriptive way from 4 times in the report from 2020 to 11 times in the report from 2022.
Figure 2. Overview of positive and negative framing from 2020 compared to 2022. Source: own calculations based on SEB and Handelsbanken’s sustainability report from 2020 and 2022.

The SFDR makes it more accessible to review if this described role of being a progressive positive force for sustainability goes together with the invested capital and the figures in sustainable economic activities. The new regulation forces financial market participants to disclose ESG objectives of their investments, based on the common definition in EU Taxonomy (Lucarelli et al, 2020). This is done by reporting under which article of the SFDR the investments are included. Article 9 funds are investments that have sustainability as an explicit target. Article 8 funds are investments that live up to one of the 6 environmental objectives in the EU taxonomy and do no significant damage to the other goals. However these investments do not have sustainability as a goal. Article 8 funds include most companies in the world. Article 6 funds are investments that do not take sustainability issues into account (Cremaso & Boni, 2022). Handelsbanken has in 2022 five funds that have sustainable investments as their goal and are reported as Article 9 funds that together constitute SEK 54.7 billion, which corresponds to 6.8 percent of managed capital at Handelsbanken. In contrast to 89 funds that are reported as Article 8 funds, together amount to SEK 736 billion, which corresponds to 91.9 percent of managed capital. Further, nine funds are reported as Article 6 funds and together constitute SEK 9.7 billion of the managed capital. In summary, Handelsbanken has SEK 745.7 billion invested in funds that do not have
sustainable investments as a goal. Compared to SEK 54,7 billion that is directly targeting sustainable investments. Ultimately there is a difference of SEK 691 billion in allocated capital towards investments with the goal of sustainability, only 6,8 percent of their managed capital is directly targeting sustainability.

Figure 3. Graph showing the distribution between the funds in percentage from the 2022 sustainability report of Handelsbanken.

SEB’s sustainability report from 2022 states that they offer thirteen Article 9 funds that have sustainable investments as their goal, which represent 3 % of their total assets under management. Article 8 funds amount to 87% of SEB’s total assets managed. Article 6 funds, that do not take sustainability into consideration, amount for 10% of the total assets managed. SEB did not disclose how much money constitutes the total assets that they manage. Based on the report, SEB is allocating 10% of their assets towards investment that is not taking sustainability into account at all, compared to 3% that is allocating toward sustainable investments. Further, SEB reported that their department Life & Pension have 10% of its funds classified as Article 9 funds, 77% as Article 8 funds and 13% as Article 6 funds. Here, too, money is allocated to a greater extent towards investments that do not take sustainability into account. Notable in SEB’s sustainability report is that they choose to report the Article 6 funds as "other", as opposed to reporting these as Article 6 funds. It could possibly be
because Article 6 funds are associated with a direct negative impact on the environment and climate and that they therefore choose to report them as "other".

Figure 5. The graph shows the distribution between the funds in percentage and is from the 2022 sustainability report.

In the sustainability report SEB claims, among many things, that “SEB wants to drive the development of the sustainable finance market”, “Through our ambitions and goals, we aim to accelerate the pace towards a sustainable future for people, businesses and society” and “SEB wants to be leading in the sustainability transition”. Still only 3% of SEB’s assets are invested in what the EU defines as sustainable funds. Handelsbanken mentions, in counted sentences, more positive initiatives than SEB, still they are more modest in how they formulate themselves about their contribution and aims, even though they have more than double (6.8%) of their managed capital invested in sustainable investments compared to SEB.

Handelsbanken’s sustainability report makes the confusion tangible of what should be considered to be a green, sustainable and environmental investment. The bank’s report in 2022 states that the share of green, sustainable or social financing amounts to 4.8 percent of Handelsbankens financing volume (Handelsbanken, p. 44), which is lower than the reported 6.8 percent allocated towards Article 9 funds reported elsewhere in the report.
(Handelsbanken, 2022, p. 53). Moreover, Handelsbanken is also reporting that 7 percent of the managed capital is allocated to Article 9 funds in the financial part of the annual report (Handelsbanken, 2022, p. 15). Moreover, Handelsbanken Fonder offers at the end of 2022 ten Nordic Ecolabelled (Svanenmärkt) funds which together make up SEK 115.6 billion, which corresponds to 14.4 percent of managed capital. The amount of money allocated and the different ways to define what a sustainable investment constitutes are seemingly still not completely unambiguous. One concern regarding the Taxonomy has been how it will work next to established third-party validations and ratings of ESG. Where banks can cherry pick the ones that suit them best (Christesen et al 2022). The ambition with the Taxonomy and SFDR is to create a common language and definition of sustainable economic activities. This findings in Handelsbanken’s report from 2022 strengthens the research done by Nipper et al (2022), who found in their research that the EU Taxonomy might rather be a compliment, than substituting sustainability ratings.

When it comes to stakeholders presence in the sustainability reports both SEB and Handelsbanken frequently acknowledge influence from stakeholders. Handelsbanken mentioned stakeholders influence 41 times in their report in 2022, which is a small increase from 2020 when they mentioned it 38 times. SEB mentioned stakeholder influence 37 times in 2022 and 23 times during 2020, which is more a notable increase. Both banks are using the word “stakeholder” explicitly several times, which indicates that the sector is truly getting through a change from a shareholder perspective to a wider stakeholder approach (Schoenmaker & Schramade, 2018). Handelsbanken describe that “All stakeholders have expectations of Handelsbanken” (Handelsbanken, 2022, p. x) and “For us, responsible business means that we live up to the expectations of these stakeholders and act in such a way that they feel continued trust in the bank” (Handelsbanken, 2022, p. x). Further, SEB describes that “SEB has both direct and indirect impact on stakeholders, and we are conscious that the planet and society, as well as our stakeholders, impact our business” (SEB, 2022, p.x). and “We regularly interact with key stakeholders to ensure we prioritise the most important issues and we aim to respond to our stakeholders' needs and expectations in a responsible manner” (SEB, 2022, p.x). These examples of formulations from the sustainability reports indicate that SEB and Handelsbanken perceive a stakeholder pressure that they need to take into account and respond to.
Examine how Handelsbanken and SEB is navigating through disclosure this thesis found indications that these actors are portraying themselves as a positive and important force for sustainable development while the actual allocation of capital towards sustainable investments is less convincing of that stated role and aim.

The weighting in the navigation through disclosure where these actors portray themselves as contributor, enabler and driver of sustainable development in their role as banks is an indication that these banks are perceiving institutional pressures of increased focus on sustainability practices and standards. Although, it’s possible in the sustainability reports from 2022 to compare sustainable finance information of their investments in a common form and definition due to the EU Taxonomy, where both banks are not perceived to be any clear driver of contributing to invest in low-carbon economic activities, they still choose to paint themselves as actors that play leading roles in the transition. This thesis argues that this indicates that the institutional pressure from stakeholders on sustainability matters is perceived as crucial, and that the positive portraying is done to present an responsible and progressive image, although it might be a bit exaggerated based on their current investments. However, the result indicates decoupling from the aim of the policy. Transparency and disclosure is argued to be effective for the financial sector to transform (Di Marco et. al, 2021). But based on the results of this study, questions regarding what transparency is aimed to be used for arise. The actors do indeed disclose how their investments align with the EU Taxonomy and confirm to some extent that they have an impact on the environment and climate, still, the way they communicate towards their stakeholders, e.g. their sustainability report, is not presented in a manner that this analysis would consider to be focused on transparency. The result is rather showing tendencies that transparency is used by this sector to build an attractive image that will satisfy, and might attract, stakeholders. As highlighted by previous research, it seems like these sustainable finance practices and standard’s underlying driveforce and endorsement are rather economic (Schoenmaker & Schramade, 2018).

Comparing the sustainability reports from 2020 and 2022 no ground breaking changes are found in the way these actors navigate through disclosure and communicate toward their stakeholders. Which declines any immediate major effects of SFDR and indicates business as usual. However, it is notable that business as usual includes sustainability practices and
standards, like ESG, Green bounds etc. Further, the reporting of EU Taxonomy alignment and climate-related risks implementation is present.

8.3 How invested is the finance sector in sustainability?

Based on the analysis of the sustainability reports from SEB and Handelsbanken, combined with the overview of the 65 other sustainability reports in the first part of this study, it is clear that the finance sector is perceiving an institutional pressure from its stakeholders to change to more sustainable practices. Sustainability reporting is seemingly widely accepted and legitimized, through coercive institutional pressure from stakeholders (Jennings, 1994; Delmas & Toffel, 2004). Nonetheless, based on this analysis the institutional pressure is rather responded to through extended reporting initiatives than actual financing being allocated towards sustainable initiatives. Tendencies show that practices and standards of sustainability reporting are increasingly becoming accepted and legitimized in this sector, it might even be seen as irrational to not comply due to competitor stand points. However, the major shift rather seems to be in being more transparent and generous in its reporting than allocating proving sums towards sustainable investments. The result of this analysis indicates tendencies of “misplaced” institutional pressure, which could explain why financial actors extensively legitimize sustainability reporting, rather than invest its capital in sustainable investments. Like previous research highlighted, disclosure is important for the finance sector to transform, but institutional decoupling can occur (Di Marco, 2022). Di Marco et al (2021) argues that external requirements of disclosure do not always concretely relate to organizations internal capacities and requirements, which results in the implementation of institutional practices becoming decoupled from what is said in the formal policy. The SFDR is demanding more transparency, since it is expecting to stimulate the finance market to transform to be more sustainability oriented. The adoption of the external demands of extended sustainability reporting is supposed to be done in a substantive way, but it could also be done in more of a rhetorical or ceremonial way (de Jong 2015; Di Marco, 2022). This creates what they call an institutional myth, which results in the implementation of institutional practices becoming decoupled from what is said in the formal policy (Di Marco et al. 2021). Based on the results in this analysis, is the implementation said in the formal policy being implemented, the financial market participant does sustainability reporting, however, it seems like the aim of the policy, to stimulate the market to invest extensively in sustainable economic activities, not yet being fully fulfilled. This could be due to, as research has stated, that the main driveforce in the finance sector is purely economic (Schoenmaker &
Schramade, 2018) and the fact that disclosure might not be an policy initiative sufficient enough to transform the finance sector rapidly (Di Marco et al., 2021; Ameli et al., 2019).

As previous research has mentioned, finance and sustainability rests on a complex relationship, where finance is being perceived as a big part of the problem, and at the same time as a big part of the solution (Ahlström & Monciardini, 2022). Based on this content analysis, it appears that the banking world is becoming aware that they are a crucial part of the solution by the way they describe themselves and their roles in their sustainability reports. Since it is an increasing market demand and lucrative to be part of the solution, they want to attract stakeholders by presenting themselves as a positive and active force in the transition. Less focus is, however, placed on transparently reporting the large areas where the financial sector still is feeding the root of the problem.

In Handelsbanken’s sustainability report of 2022 an interesting example of this complex relationship between finance and sustainability was discovered that pictures this phenomenon quite well. Under the topic “Direct and joint dialogues” you could read about how Handelsbanken engages with the companies they invest in through dialogues, which is portrayed as a successfully effective way of contributing to a sustainable development (Handelsbanken, 2023, p.51). Handelsbanken describes that these dialogues include partly overall strategic sustainability issues, such as demands for clearer objectives and increased transparency around the company's sustainability work (Handelsbanken, 2023). But it can also concern specific questions about environmental impact, human rights or labor law. During 2022, Handelsbanken Fonder has led direct dialogues with 197 companies. Handelsbanken also describes that they have done joint dialogues with other investors, since common dialogues with several investors together represent a greater share of ownership and it sends clear signals to the companies that the issue must be taken seriously (Handelsbanken, 2023, p.52). Further they describe how common dialogues together with other investors focus on specific themes and the example they highlight is human rights or climate impact. In 2022, 224 companies have been addressed (Handelsbanken, 2023). On the first appearance of this statement, it can sound noble with these dialogue. Nonetheless, this thesis finds it, first of all, quite outstanding that something as fundamental as human rights needs to be discussed and ensured with the companies that Handelsbanken invests in. Further, that dialogues about climate impacts are necessary shows that Handelsbanken currently have money in companies that they are aware of having a negative impact on the climate, one can just wonder how bad
the impact is when they need to sit down with these companies to make sure that pressure of improvement is received. These direct and joint dialogues, where issues such as human rights and climate impact were discussed, addressed 421 companies. Here, finance's complex relationship of being the root of the problem and the solution to the problem is being well described. Should money at all be allocated to companies where you need to remind them of what human rights stands for and discuss climate impact? Or is it the only way to do a sustainable transition, that investors use their influence as big shareholders and have dialogues with companies about these topics? These dialogues and how financial markets participants reason about them is something that further research could investigate.

Since the major part of the managed assets of the two examined actors is directed towards investments that do not specifically target sustainable development, despite their described ambition in leading the way of the transition, it raises questions regarding the concrete action needed by the finance institutions today. Together with the fact that only 26 of the studied 65 financial monetary institutions are disclosing comprehensively how they implement climate-related risks in their decision making process indicates absence of urgency. The alarms from IPCC are clear, more money needs to be unlocked for sustainable investments (IPCC, 2023). The result of this study indicates that stakeholder pressure for more sustainable practices and standards in the finance sector have increased, and that these have been accepted and legitimized. All investigated actors provide sustainability reporting. However, it does not seem to be irrational for this sector to not include climate-related risks in their investment decision or invest in economic activities that have a direct negative impact on the climate. This indicates, based on institutional pressure theory (Jennings, 1994), that the institutional pressure is not strong enough yet to stimulate change in the sector. Still, it shows that change seemingly has occurred regarding reporting and transparency, which is argued to be a key issue to enable sustainable finance.

It should be noted that the SFDR is a new regulation and that progress is likely to be more visible in the future when the regulation has become more mature. Still, since both Handelsbanken and SEB claim that they for a long time worked committed to these issues and targets, it is interesting to look at differences early on in the implementation of SFDR. It gives the opportunity to compare differences from before they had to disclose how much of their investment aligned with EU Taxonomy and how they implement climate-related risks into their decision-making process. By conducting a study, such as this one, immediately after
a new legislation being in force, gives an opportunity to investigate how new regulations initially are being handled and prioritized, which can give indications of how the institutional pressure is being received and responded to. Further, climate change won't wait for policy to get matured and implemented. Action needs, unfortunately, to be taken right now.

9. Discussion
The world needs to transition to more sustainable ways to secure the wellbeing of the planet we live on. Private investment at a large scale is essential to achieve this (UNFCCC, 2018; EU Commission, 2023). Even though there has been a shift within the finance sector with increased awareness and consideration for sustainability practices (Lucarelli et al, 2021; Carmesco & Boni, 2022, Ahlström & Monciardini, 2022), the latest IPCC reports states that we are off track to achieve the Paris Agreement and investments needs to increase rapidly (IPCC, 2023). Against this alarming backdrop, it is of interest to ask why isn't more capital directed where it is needed by the finance sector? To examine parts of this big question, this thesis has looked at one of the measures that have been put forward to stimulate the financial market to transform into more sustainable practices and used institutional theory as its theoretical framework.

There has been an increased stakeholder pressure on the finance sector to implement more sustainable practices where transparency and disclosure is seen as one of the crucial tools (Kassinis & Vafea, 2006; Ahlström & Monciardini, 2022; Di Marco, 2021). As a response to this the Sustainable Finance Disclosure Regulation (SFDR) and EU Taxonomy was presented from the EU with the aim to improve transparency of investment products and sustainability claims made by financial market participants (EU Commission, 2018). Institutional theory argues that change occurs when there is an external pressure for change (Kassinis & Vafea, 2006). The SFDR is argued in this thesis to constitute a clear institutional pressure from stakeholders on the financial sector to increase sustainable practices and standards, and was examined to get indications of how the financial market perceives and responds to this stakeholder pressure. Since sustainability reports are the channel where these actors communicate towards their stakeholders, these were examined to see how they responded to the new disclosure reforms and how they navigated through transparency.

The result of this study indicates that institutional pressure for sustainability reforms is clearly present within the finance sector based on how they communicate towards their
stakeholders, however, the disclosed actions showed tendencies of an absence of urgency. Only 26 out of 65 investigated financial monetary institutions are disclosing how they implement climate-related risks in their decision-making process according to the TCFD framework. Which indicates that climate-related risks are not crucial to many financial market participants in their investment strategies. It indicates further that the institutional pressure of including climate-related risks is still in the journey of being accepted and legitimized by the financial sector, and not considered as a matter of course (Jennings, 1994). Still, the relationship between sustainability and finance is framed as complementary rather than conflictual by many actors in the sector, which previous research has highlighted (Ahlström & Monciardini, 2022). This, among other things, is expressed in the way these actors communicate towards their stakeholders. Nonetheless, it seems to be a trade-off between sustainability and financial profit. The actions from financial market participants, e.g. what they allocate their money towards, are not as convincing (IPCC, 2023), as the communication they use about their role in the transition in their sustainability reports. Based on the sustainability reports from SEB and Handelsbanken, the actual amount of money allocated towards investments with sustainability as its main goals does not show indication of high institutional pressure stimulating change. However, all investigated actors had some kind of sustainability reporting, which indicates that the broad concept of sustainability reporting seems to be accepted and legitimized. Probably due to the coercive institutional pressure put on the sector. The result of this study indicates that financial markets participants are aware of their fundamental role in sustainable development by the way they describe themselves and navigate through disclosure by emphasizing how they have the ability to enable change. Thus, the result is thus in line with the findings from previous research that has highlighted the risk of institutional decoupling with policy targeting sustainability and transparency (Di Marco et al. 2021). However, it is still too early to determine the long-term effects of the SFDR. Nonetheless, this study has examined if there are any indications of immediate effects of the new forced disclosure and indications of how the institutional pressure has been perceived and responded to. The results, based on institutional theory and the analytical framework, indicate that the slow allocation of capital towards low-carbon economic activities is due to the fact that the finance sector still is in a transformal journey where these practices and standards are gradually being accepted and legitimized, but is still not considered as business as usual.
Although stakeholders, like the EU, sees climate change as an existential threat, it isn’t seen as irrational for financial market participants to do investments that are directly contributing to climate change and harmful for the planet. This is indicating that sustainable finance practices are not fully implemented, accepted or legitimized within the sector. Based on the results of this study and institutional theory, could this absence of urgency in allocating more capital toward sustainable investments might be due to a superior institutional pressure on these actors? Based on traditional economic theory and literature on sustainable finance, the main driving force for finance is purely economic (Meade, 2013; Schoenmaker & Schramade, 2018). Even though sustainable practices could bring beneficial economic outcomes to financial market participants, due to less risks, improved reputation and gained customers, the traditional main demand of financial market participants is their ability to create and secure profit (Schoenmaker & Schramade, 2018). Perhaps no other institutional pressure can become prioritized before the institutional pressure of profit decline. Accordingly, there is not only a need for a shift in the finance sector, the main shift might need to take place in society. As stated by researchers before, the transformative power depends on the possibility to shift the logic of finance (Schoenmaker & Schramade, 2018; Ahlström & Monciardini, 2022). Not only among financial market participants, but also among us all. There is a need to gradually shift from near-term profit to long-term value creation, to cure the trade-off between financial and sustainable values (Schoenmaker & Schramade, 2018; IPCC, 2023).

There are many interesting dimensions for further research to investigate regarding these topics. The EU policies targeting sustainable finance are in its initial phase and the research on the subject is quite small. Investigations into how the financial market participants perceive these new policy reforms is crucial. This thesis looked at this question by examining the response to stakeholders in sustainability reports. However, interviews with people working in the sector could provide even more qualitative insights into how the reforms are perceived and managed. Further, based on this study, stakeholder pressure exercised by the banks themselves through direct and joint dialogues with companies in which they invest in gave rise to interesting questions. How the banks relate to their own role as stakeholders and their investment choices, were they the need to put pressure on companies to ensure human rights and influence to reduce climate impact. Understanding more in depth their reasoning of why they invest or keep their money in companies that they are aware of needs this sort of pressure is an important key issue.
The global economy is complex. The financial system is one of the fundamentals in the
global economy that makes it complex, due to its global spread and sensitivity for market
events (Schoenmaker & Schramade, 2018). If a bank in California goes bankrupt, a Swiss
bank needs to be sold before Monday, because of the uncertainty of how the Asian market
will respond when it opens (Forbes, 2023). The financial market is globally connected and
changes on the market have a powerful impact. This makes it extremely hard to study and
understand why certain things occur within the financial system. This thesis tackles this
complex context by examining institutional pressure on financial market participants and
investigating the initiatives put forward to improve the sector, to understand some aspects of
why capital is not directed in the pace needed towards sustainable investment. This thesis
highlights the importance of stakeholder pressure due to its power, especially towards a
sector that is sensitive and dependent on the market. The financial system is equipped to
smoothly be able to contribute to transformation. It is in the nature of finance to allocate
money towards initiatives that meet demands (Schoenmaker & Schramade, 2018). If
stakeholder pressure and demand was decisive for sustainable finance, the market most likely
would respond to it, since it then would be a predominant market ideal (Delmas & Toffel,
2004; Di Marco et al., 2020). One could argue that it should be possible to combine the
fundamental thoughts in classical economic theory and institutional theory, where stakeholder
pressure is equal to profit-maximization (due to competition aspects, if you don’t have any
clients you can’t exist). For example, when the whole market (all of us) is demanding that our
pension money should only be invested in sustainable investments, the pension money most
likely will due to the risk of boycott (Nipper et al. 2022). In turn, if all of us only bought
services and products provided from companies prioritizing sustainability objectives, our
pension money would thrive. As Jennings (1994) is highlighting in his research, change
needs to be accepted and legitimized, but to thoroughly get implemented it must almost be
seen as irrational of the institutional environment to not change. The judge of that is all of us.
10. References


New York, N.Y.


Greenpeace Sweden (November 16th, 2022) Svenska banker fortsätter gynna utsläppsjättar. Retrieved from:


Appendix 1.

Analysis framework 1.

Instructions:
First read this paper closely before starting your content analysis.

Thereafter go through the Swedish central banks list of financial monetary institutions and find their sustainability reports on their homepage.

Coding scheme content analysis of all financial monetary institutions sustainability reports and to what extent they complies with the SFDR regulations.

The first step of this study is doing a content analysis by going through all sustainability reports for 2022 published by financial monetary institutions operating in Sweden.

The coding units are sentences or topics in the content. The analysis is investigating whether or not the monetary financial institution recognizes TCFD in the report, by stating that it’s supporting TCFD. Further it examines if the actor complies to SFDR and to what extent the TCFD framework is included in the disclosure of the sustainability performance.

The first step of this content analysis is asking following question to the unit of analysis:

To what extent has the institutional pressure of disclosure of sustainability performance been perceived and compiled by financial market participants operating in Sweden?

This is answered to by the following steps:
1. Determine whether the company is subject to the SFDR. If yes;
2. Determine whether the company has reported in accordance with the 3d article in SFDR. If yes;
3. Determine whether the organization is stating that they support the TCFD framework. If yes;
4. Determine whether the company reports according to, alternative take into account, the TCFD framework.

Next step is to determine if the organization reports as it states. To be counted as “reporting accordingly to TCFD” all following topics/pillars need to be covered in the report. If just some of the topics/pillars are reported on the actor is counted as “reporting taking into account TCFD”. You determine this by examine in the report if climate-related risk is disclosed regarding follow topics:
Governance pillar:
“Disclose the organization’s governance around climate-related risks and opportunities”.

The coding units of the governance pillar are sentences or topics that include the word of “Governance” prior or followed by a description that is related to climate-related risks.

Strategy pillar:
“Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.”

The coding units of the strategy pillar are sentences or topics that include the word of “Strategy” prior or followed by a description that is related to climate-related risks or description of actions that indicates that the measure is implemented.

Risk management pillar:
“Disclose how the organization identifies, assesses, and manages climate-related risks.”

The recording units of the risk management pillar are sentences or topics that include the words of “Risk management”, “Risk assessment”, prior or followed by a description that is related to climate-related risks or description of actions that indicates that the measure is implemented.

Matrix and targets pillar:
“Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.”

The recording units of the risk management pillar are sentences or topics that include the words of “Matrix” and “Targets” prior or followed by a description that is related to climate-related risks or description of actions that indicates that the measure is implemented.
Appendix 2.

Analysis framework 2.

**Instructions:**
First read this paper closely before starting your content analysis.

Thereafter go through the Swedish central banks list of financial monetary institutions and find their sustainability reports on their homepage.

Based on the coding rules you take notes when the rules are triggered. Preferably, you copy the sentences that you find living up to the coding rule in a separate document.

If you are uncertain with a certain sentence, mark the sentence and go back to it when the whole analysis is done. Compare the uncertain sentence with sentences that you have counted as fulfilling the relevant category. By doing this it will probably be easier to determine if the sentence should be counted or not.

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**Coding scheme content analysis of two financial monetary institutions sustainability report:**

The analysis wants to investigate and compare more in depth how two different financial monetary institutions navigate through disclosure.

Therefore is this part of content analysis looking at sentences and what these sentences are indicating as a message for the stakeholder. To make replication of this study easier, I have created sentence rules to guide how the analysis is made.

This content analysis is looking at two main themes.

1. To what extent do financial monetary institutions portray themself as a positive or negative force regarding impacts on climate change, the environment or sustainable development.
2. To what extent stakeholders are influential or present in the sustainability report.

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**Positive or negative force:**
The recording units of “To what extent do financial monetary institutions portray themself as a positive or negative force regarding impacts on climate change, the environment or sustainable development.”

**Sentence rules for the actor being a positive force:**
Sentences that indicate the actor as an enabler, driver or positive force for climate and environmental improvement. Sentences that contain words like “enable”, “ensure”, “contributor”, “aim”, “play a role”, “leading the way”, “driver” prior or followed by a positive statement regarding the climate, environment or the development will trigger this sentence rule.

Example of sentence:
“Through our ambitions and goals, we **aim** to accelerate the pace towards a sustainable future for people, businesses and society”

“**SEB wants to be leading** in the sustainability transition”.

“As a bank we **play an important role** in creating opportunities to channel the vast investments that are required for the climate transition to happen.”

This rule is not triggered simply by the actor describing an initiative or action they made. This is a limitation that has been done in the analysis instrument since it is too complex to evaluate to what extent if a certain act is good. Further, since this study primarily wants to study how the actors portray themself as positive or negative towards stakeholders this study limits its analysis to these indications. Therefore, the sentence rule is only triggered if the action or initiative is combined with a positive framing in the sentence.

**Example of sentence that does not trigger the rule:**
“SEB Investment Management has a broad offering of so-called Article 8 and 9 funds, classified according to the EU regulation SFDR (Sustainable Finance Disclosure Regulation).”

“During 2022, the fund company further strengthened the offering of funds with sustainability as an objective, Article 9 funds.”

**Example of sentences that do trigger the rule:**
“SEB is **enhancing the engagement on biodiversity** and welcomes the agreement that was achieved at the COP15 United Nations Biodiversity Conference in Montreal in 2022.”

“In collaboration with other financial institutions, corporates and academia, SEB **aims to take on an active role in developing innovative approaches of integrating biodiversity** considerations into existing financial decision-making processes.”

**Sentence rules for the actor being a negative force:**
Sentences that indicate the actor as having an impact, affect or constitutes a negative force on the climate and environment. Sentences that contain words like “impact”, “affect”,

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“contributor” prior or followed by a negative statement regarding the climate, environment or the development will trigger this sentence rule.

Example of sentence:
"SEB affects the environment, indirectly through business relationships with clients, and directly through own operations."

"Our responsibility covers the impact that we and our business partners have on living and non-living natural systems, including climate, biodiversity, land, air and water."

Stakeholder presence:
The recording units of “to what extent stakeholders are influential or present in the sustainability report”. Sentence rules for the influential and present of stakeholder in the content unit: Sentences that contain words like “stakeholder”, “customers”, “clients”, “society”, “industry”, “owner”, “investors”. These sentences should also include or indicate some kind of response to these stakeholders by either a described action or words “dialogue”, “expectations”, “demand”, “needs”, “respond” to trigger this sentence rule.

Example of sentence:
"This, in turn, contributes to re-directing capital flows and increasing transparency for owners and investors."

"We regularly interact with key stakeholders to ensure we prioritise the most important issues and we aim to respond to our stakeholders' needs and expectations in a responsible manner."

To just mention customers in a sentence does not trigger this rule. It has to be clear that stakeholders have been involved, put pressure or have a demand that is being met for this sentence rule to be triggered. This since the report can be describing how the monetary financial institutions have ambitions to help their clients, however it is too challenging to determine if that is indicating any stakeholder pressure or response.
Appendix 3.

List of financial monetary institutions subject to SFDR on Riksbankens list.
Aareal Bank AG Tyskland, filial Stockholm
AK Nordic AB
Aktiebolaget Svensk Exportkredit
Allfunds Bank S.A. Stockholm Branch Sweden, filial
Avanza Bank AB
Bank of America Merrill Lynch International Designated Activity Company Stockholm Bankfilial
Bank of China (Luxembourg) S.A. Stockholm filial
Barclays Bank Ireland PLC, Filial Sweden
BNP Paribas S.A., Bankfilial Sverige
Carnegie Investment Bank AB
Citibank Europe plc, Sverige filial
Crédit Agricole Corporate and Investment Bank(Frankrike) Sverige Filial
Credit Suisse Bank (Europe), S.A. Stockholm Branch Filial
Danske Bank A/S, Danmark, Sverige Filial
Danske Hypotek AB (publ)
Deutsche Bank AG bankfilial Stockholm
DNB Bank ASA, filial Sverige
Ecster AB
Ekobanken medlemsbank
EnterCard Group AB
Erik Penser Bank AB
European Bank for Financial Services Filial Sweden
Express Bank Sverige Filial
Facit Bank Filial
Garantum Fondkommission Aktiebolag
Goldman Sachs Bank Europe SE, Sweden Bankfilial
Handelsbanken Finans Aktiebolag
Hoist Finance AB (publ)
HSBC Continental Europe Bank, Sweden Filial
ICA Banken AB
Ikano Bank AB (publ)
J.P. Morgan AG, Stockholm Bankfilial
Joh. Berenberg, Gossler & Co. KG, Stockholm Bankfilial
Klarna Bank AB
Landesbank Hessen-Thüringen Girozentrale Stockholm Filial
Länsförsäkringar Bank Aktiebolag
Mangold Fondkommission AB
Marginalen Bank Bankaktiebolag
NatWest Markets N.V. Bankfilial Sverige
Nordea Bank Abp, filial i Sverige
Nordea Finance Equipment AS, Sverige filial
Nordea Finans Sverige AB
Nordea Hypotek Aktiebolag
Nordnet Bank AB
Northern Trust Global Services SE Sweden Bankfilial
Pareto Securities AB
PBB Deutsche Pfandbriefbank AG Stockholm Filial (branch)
Resurs Bank Aktiebolag
Santander Consumer Bank AS Norge, Sverige Filial
SBAB Bank AB (publ)
SEB Kort Bank AB
Siemens Financial Services Aktiebolag
Skandiabanken Aktiebolag (publ)
Skandinaviska Enskilda Banken AB
Societe Generale SA Bankfilial Sverige
Stadshypotek AB
Standard Chartered Bank AG filial Sverige
Svea Bank AB
Swedbank AB
Swedbank Hypotek AB
Svenska Handelsbanken AB
Svenska Skeppshypotekskassan
TF Bank AB
UBS Europe SE Sweden Bankfilial
Ålandsbanken Abp(Finland), svensk filial