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CSR and financial performance in the banking sector in Scandinavia

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Abstract

Corporate social responsibility (CSR) has had an increasing role in the banking industry over the past decade. Many banks have taken up different CSR activities in their reports to show the shareholders their investments in the social welfare. The motivation behind the CSR remains unclear even though many researches have been made regarding the topic. The question arises whether CSR has an impact on the banks' financial results, or if the banks perform CSR activities only to profit the society. The purpose of this thesis is to examine the link between CSR and financial performance. With a combination of a qualitative and a quantitative analysis the relationship between CSR activities and the financial results is studied. The data used in this thesis is collected from five major banks in Scandinavia in order to study the relationship and it is taken from the banks' annually published reports during the time period between 2011 and 2015. Regression model is the main tool used to observe the relationship, and with the help of different theories from earlier researches the relationship is further analyzed. Based on the results no connection between CSR and financial performance could be seen as the set of data did not provide enough evidence. The final result supports the theory that the measurement of CSR is difficult and depends highly on the researcher.

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Introduction

Background

After the financial crisis that dragged down the world's economy in 2008 activities connected to corporate social responsibility (CSR) has become a remedy for companies to improve their reputation (Burianova, Paulik, n.d). Many companies especially in the banking industry have lost their credibility in the eyes of the consumers as the crisis originated from the financial markets. People stopped trusting banks with their money and investments decreased, which halted the economy from growing. CSR has been found to be a way for companies in the banking industry to earn back their credibility (Cornett, Erhemjamts, Tehranian, 2014). Banks practice complex activities that are hard for people who are not in the field to understand, which is why it is important to show people that they care about the society with activities that people understand about. Also increased customer awareness nowadays has given more pressure to companies to not only look good but to also act well (Yeung, 2011).

The European Commission (2016) defines CSR as "the responsibility of enterprises for their impact on society". A further meaning for the definition is that firms take responsibility for their impact to the society and try to improve the society through their actions. Sustainability is often closely connected to the definition of CSR (European Commission, 2016). The word sustainability is defined in the Oxfrod English dictionary (2016) as "The property of being environmentally sustainable; the degree to which a process or enterprise is able to be maintained or continued while avoiding the long-term depletion of natural resources". In general CSR has been understood as concentrade on social issues and sustainability concentrading on environmental issues (Strand, Freeman, Hockerts, 2014). Although, in this study the meanings of CSR and sustainability can be interpreted as close to synonyms. A company tries to maintain or improve its position in the society through its actions.

CSR can be divided into three main areas: economic, social and environmental. The ways a company can improve the welfare of the society varies in many ways (Uddin, Hassan, Tarique, 2008). For example, they can be economic responsible by cutting unnecessary costs, they can be socially responsible by providing employees the best working environment, or they can be environmentally responsible by having a waste sorting station. Because CSR

activities are usually carried out within companies it is hard for people who do not have daily contacts with these companies to understand what the companies actually do for the society (Doane, 2005). To show customers how CSR is being implemented in everyday business, companies have started to publish annual sustainability reports. The reports have usually been made by following the GRI's (Global report initiative) standards which makes it easier to compare different companies' CSR investments (EY, Boston College, 2013).

CSR activities have been implemented into business strategies of the firms in the financial sector quite recently. Even though banking sector plays an initial role in the economy, for a long time sustainability was not seen to be a relevant issue to the industry (Wu, Shen, 2013). Literature from the 1990's show that banks first started to address environmental issues because there have been investments that could be directly linked to the banks' activities (Barth, Wolff, 2009). For example, banks' funding industries that pollute. Later on in the 2000's banks began to consider social issues such as their reputation in the eyes of the stakeholders. Social issues are seen as indirect risks that arise when banks perform activities that will weaken or build up their reputations (Barth, Wolff, 2009). For example, lending money to customers who are environmentally aware will make the bank look better for the society.

Problem discussion

Nowadays an increasing amount of banks have taken up CSR reporting and also more and more investment has been made regarding CSR (Papunen, 2013). Being social responsible has become a part of banks' strategies but till today CSR's impact on their actual performance is unclear (Dawkins, Lewis, 2003, Johansson, Karlsson and Hagberg, 2015). A question arises when it comes to banks' CSR activities. It is unclear if banks practice CSR only to look good and to earn profit or because they actually care about the society's well being (Wu, Shen, 2013). The motive behind CSR activities in the financial world will always be uncertain but by analyzing the available data some interpretations can be made. The problem is to find out if there is a link between a bank's CSR activities and its financial performance and whether these links are strong. Different CSR activities can have a different impact on the financial performance (Johansson, Kulmala, 2015). Some CSR activities can be directly connected to

the bank's financial performance while there can also be activities that have no impact on the financial performance at all.

In this thesis only data that is used is the annual and sustainability reports that the banks have created. Annual reports are legislated in EU but there is a limitation when it comes to the sustainability reports (European Commission, 2002). As the sustainability reports are participatory the banks can choose what information they want to publish regarding their sustainability activities (GRI, 2013). Big public companies have a tendency to publish only positive information about their business. It is thus debatable that the banks only choose to report the parts of their CSR activities that they have invested in and leave out the parts that they have ignored in their operations. This can result in an overly positive picture of the company which may increase the potential investors' interest of the company (McWilliams, Siegel, 2001). Thus the banks use the same standards while reporting their sustainability activities, e.g. UNPRI and Global Compact, these common principles do not strictly restrain the banks' sustainability activities. This results in differences between banks' activities, which can be seen to depend on the ''implicit CSR'', described as values, norms and rules that the corporation follows in order to fulfill the society's demands (Strand, Freeman, 2014).

In the financial world CSR activities has been seen to be lacking behind other industries, which is why this thesis focus on the banking industry (Barth, Wolff, 2009). An understanding of whether the connection between CSR activities and the financial performance is needed and based on these relationships an interpretation of what is the purpose behind each CSR activities can be made. Since in Scandinavia the CSR reporting is quite new, not much research can be found on the subject comparing CSR's relationship to financial performance in these countries (Strand, Freeman, Hockerts, 2014), and thus this study can add new knowledge.

Aim

The aim of the thesis is to define the relationship between CSR activities and financial performance with the help of the annual reports and the sustainability reports published by five Scandinavian banks.

In order to fullfil the aim, the following research question is stated:

- Is there are a relationship between the CSR activities and the financial performance in the Scandinavian banking sector?

Methodology

Research method

This thesis concentrates on the relationship between corporate social responsibility and financial performance. In order to come to new findings, this relationship is studied in the major banks in Scandinavia. As the time for the research is limited to roughly 10 weeks, the data is collected from five banks; four from Sweden and one from Denmark. The selection of the banks is made by choosing the dominating banks in Scandinavia, as they all have large operations around Scandinavia and thus are the pioneers in CSR reporting.

With the help of a quantitative research it can be studied if there is an existing relationship between financial performance and CSR activities. The choice of a quantitative research is supported by the research question. Furthermore, a qualitative research method makes it possible to study the banks' sustainability activities individually; wich is why a combination of qualitative and quantitative research is chosen. The combination of qualitative and quantitative research methods brings an additional perspective to the study, the numerical data give concrete results of the performances while other information give a more detailed picture of the activities.

Data collection

As the banks chosen to be studied are big public companies, their annual and sustainability reports are available to public in their official websites. All data used in this thesis are thus collected from the public reports. The reports have all been studied and the essential data from each year has been collected for further analysis. The time period chosen to study is five years, from 2011 to 2015 as not much CSR data is available from earlier years.

Econometric model

The main statistical tool to analyze the causal effect of the different factors is the multiple linear regression analysis. Using this model, the assumption that all the obervations satisfy a linear relationship is made. Regression analysis is used to define the relationship between the

variables and the causal effect they have on each other. In the multiple linear regression model multiple independent variables are set against one dependent value. By using regression, it can be analyzed which certain independent variables have an effect on a dependent variable and how strong the effect is (Montgomery, Peck, Vining, 2011). In this way the independent variables that have the strongest effect can be picked and analyzed further whereas the independent variables that have least impact can be ignored.

The equation of a multiple linear regression model can be written as:

$$Y_i = \beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + \cdots + \beta_p X_{ip} + E_i \quad \text{where } i = 1, 2, \ldots, N$$

In the equation above the parameter Y_i represents the dependent variable and the parameter X_i represents the independent variables of the regression model. In addition, i denotes the observations, which in here are the banks, β denotes the unknown coefficient of each independent variable p, and finally E_i represents the random errors (Montgomery, Peck, Vining, 2011).

In this study CSR key performance measures are set as independent variables and the financial performance measures are set as dependent variables. To study the dependece between the independent and dependent variables only certain values are needed to be observed. The values that are observed are adjusted R square, significance F, intercept coefficient and independent variables' P-values. With adjusted R square it can be interpreted that how much the dependent variable's variation can be explained by all the independent variables together. An adjusted R square of zero implies that the independent variables have no effect on the dependent variable and the R square approaching one implies that the impact is strong (Rajput, Batra, Pathak, 2012). The signifigance F gives a probability that the regression output is not random. With other words the result from the regression is not caused because of chance but the independent variables actually are causing the result. Intercept coefficient denotes the mean of the dependent variable when all independent variables are set as zero (Montgomery, Peck, Vining, 2011). Finally, P-value is the significance of the independent variables in the regression. P-value tells the probability of how little effect the

corresponding independent variable has on the dependent variable. The bigger the probability the less the corresponding P-value is significant in the study (Rajput, Batra, Pathak, 2012).

Another statistical tool used in this study is the correlation matrix, which will show the strength of the relationship between two specific variables. A correlation matrix has been chosen as a statistical tool to help analyzing the relationships because it gives a visual identification of the correlation between the key performance measures. In this study the most generally used correlation model is used, which is the Pearson's correlation coefficient. A positive correlation implies that the two variables will change in the same direction. For example, if one variable's value increases, the value of the other variable that the first value is positively correlated to will also increase. A negative correlation implies the opposite relationship than in the positive correlation. Value of one variable's increase will imply that the value of the other variable that the first variable is negatively correlated to will decrease. The correlation will always be between 0 and 1. The more the correlation approches 1, the stronger is the dependence between the two variables (Corthinhas, Black, 2012).

Hypothesis

The hypothesis to be tested is that there is no relationship between the firms' CSR activities and the financial performance. To find out the relationship a test is made with a multiple linear regression analysis. This relationship can be positive, negative or neutral. If the results show a negative relationship it would imply that the companies are in a competitive disadvantage situation as they invest and generate costs that do not get them any return while these costs can be borne by other parties and are not on the responsibility of the firms (Friedman, 1970). A neutral relationship implies that there is basically no relationship found between the companies' CSR activities and the financial results. The connection should not even be expected to exist as the variables are indefinite (McWilliams, Siegel, 2000). Finally, a positive relationship between the CSR activities and the financial results tells that the investments the firms make in the name of CSR generate some kinds of benefit. In some cases, a positive relationship may not imply that the firms are actively performing CSR activities but doing what is necessary to keep the stakeholders satisfied. It can be that if the firms ignore a responsibility area, loss will occur in the long term in terms of bad reputation,

fines or lawsuits. To avoid that kind of loss and lessen the negative risks firms need to act socially responsible and in that way a positive relationship can be theoretically explained (Tsoutsoura, 2004).

Reliability and validity

Bryman and Bell (2013) state in their book that reliability and validity are the most critical aspects in a quantitative research. It is important to determine the reliability and validity of the primary data that is used in a study before proceeding any further with the research (Bryman, Bell, 2013). The data is reliable when it has been collected over time using the same measures. While validity comes with the accuracy of the data e.g. the data can be proven to be true (Golafshani, 2003).

The data collected in this research can be seen as reliable as the banks have used the same measures and methods to conclude their sustainability reports. Besides the sustainability reports are made by following the GRI framework that all the banks in this study have adapted. Annual reports are legislated, which makes them standardized and thus they can also be seen as reliable data (European Commission, 2012). Validity of the data is harder to confirm as the banks can decide by themselves what information they want to make public. Once again annual reports are legislated so the banks can not hide any crucial information regarding to their financial performance so it can be expected that the data in the annual reports are valid. Sustainability reports are easier to manipulate because they are not demanded by law and no person outside the organization will know about the actual activities and practices that are performed inside the organization (Simnett, Vanstraelen, Chua, 2009). Although an argument can be made by looking into each bank's sustainability reports in which it has been mentioned that all the reports are made with the supervision of a third party, an independent auditor. For example, SEB has used PWC as their auditing partner that is impartial. In that case giving false information can lead to penalties, and a conclusion can be drawn that information in the CSR reports are reliable and valid (SEB, Corporate sustainability report 2015, 2016).

Theoretical framework and interpretations

Scandinavian countries and CSR

Although CSR measurements as Dow Jones Sustainability Index (DJSI), FTSE4Good and the Global 100 Index have their limitations and use different measurement methods, the Scandinavian countries are highly ranked according to all of these measurements. One of the main reasons behind this is high stakeholder engagement in Scandinavian countires, which is an important part of CSR and sustainability activities. The word stakeholder and the stakeholder theory can be seen to originated from the Scandinavian countries, as these concepts were firstly taken up in Scandinavian management literature in the 1960 (Strand, Freeman, and Hockerts, 2014) and the stakeholder engagement can be seen to be a tradition in the Nordic countries, as the Ihlen and von Weltzien Hoivik study (2015) shows.

One of the most significant addition to the stakeholder perspective in CSR is the ''outside-in approach'' that originates from the Scandinavian area. It is based on an expectation that the whole sociaty's needs and demands are in the center, the corporations' job is to fulfill these as good as possible. This approach is highly promoted by the Scandinavian industries and management theorists. The opposite of the ''outside-in'' approach is the ''inside-out'' approach that measures first the corporation's needs and interests, the society's needs come after, resulting in a neoclassical approach where the ultimate goal is to maximize the profit. This approach is mainly used in the US (Strand, Freeman, and Hockerts, 2014).

During the second half of the 20th century, the social democrats were the ruling political party in all of the Scandinavian countries. The Scandinavian countries are described to have ''institutionalized dialogue among firms and their stakeholders'' in the Strand, Freeman and Hockerts' (2014) article, which eases the implementation of corporate social activities in these countries. The cultures in Scandinavian countries are also described as ''feminine cultures'' according to Hofstede (1980), and are characterized by humility, trustworthiness and consensus. The feminine cultures that embarce cooperation and consideration of the others, have stronger CSR performance, and this can be seen to be the other main reason why the Scandinavian countries are the world leaders in CSR and sustainability performance (Gjølberg, 2010).

CSR and financial performance

There are numerous studies that analyze the relationship between Corporate Financial Performance (CFP) and Corporate Social Performance (CSP), which is defined by Wood (1991) as "organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships.'' Regarding to the definition, CSP can be used as a measurement of the firms' CSR input.

Many of these studies highlight the fact that although there are plenty of studies of the relationship between CFP and CSS, it still reimains unclear if the relationship between them exists (Ullman, 1985). CSP is a wide and complicated concept that has been overly simplified in the past studies, which makes the measurement of the relationship between CFP and CSP difficult (Weber and Gladstone, 2014). The CSP concept includes three categories: inputs, internal behaviors or processes and outputs, which consist of various variables, e.g. gender, pollutions and social relations between the firm and the community. The categories are also strictly bounded to managerial decisions and to the industry the firm is operating in (Waddock and Graves, 1997).

In his study on the financial consequences of CSR Gössling (2011) has divided CSP into three categories with the help of Orlitzky's (2005) research. CSP 1 includes analysing CSR disclosures, such as GRI reports, CSP 2 includes corporate actions and processes, it studies the outcomes can be directly measured, such as pollution control and non-market strategy, and finally CSP 3 includes corporate reputation ratings such as KLD, Fortune, Moskowitz and Business Ethics (Wu, 2006). The CSP 1 category is used to conduct this study because the information provided in CSR disclosures is easily accessible and all the chosen banks reported according to the same framework. Gössling's (2011) literature study also supports the choice of accounting-based measurements (e.g. ROA, ROE and ROS) when determining CFP, as 16 of the 24 observed studies used these in their analysis.

The choice of CFP measurements was also supported by Margolis and Walsh's (2001) research which included 95 individual studies which all aimed to study the relationship between CFP and CSP. 31 of these studies used ROE as a measurement, 28 ROA, 7 P/E ratio,

and 13 ROS, which is why the decision to use these methods to measure CFP in this thesis can be considered as an appropriate choice.

According to Waddock and Graves (1997) the relationship between CFP and CSP can be divided into three categories, negative, neutral and positive. The negative one can be explained with the help of neoclassical economics: the cost of the CSR is seen to exceed the profit it creates as the costs are more easily measurable and quantifiable than the profit. The company will also suffer from competitive disadvantage if the other firm's CSP is less than them. The neutral relationship is a consequence of the difficulties of measuring CSP (Ullman, 1985) because all can be seen to be dependent on the variables that the researcher decides to apply. By the relationship being so unsecure, Ullman states that there is no clear relationship to be seen between these two.

Waddock and Graves (1997) study if a greater CFP results in greater CSP, or if it is the other way around with the help of the slack resource theory and good management theory. These theories can also be used to explain the positive relationship between CFP and CSP (Waddock and Graves 1997). The slack resource theory implies that as the firm has excessive resources as a result of increased CFP, it will be possible for it to invest in CSR inputs and increase its CSP. As to this theory, the growth of CFP results in a greater CSP (Waddock and Graves, 1997). While the slack resource theory implies that the increase in CSP is a result of the growth of CFP, the good management theory suggests that CSP increases CFP as a greater input to CSP enhances the relationship with the key stakeholders (Waddock and Graves, 1997). This increase of CSP results also in an improved employee relationship, state relationship and customer relationship, which in turn also increases the CFP further (Waddock and Graves, 1997). These theories do not analyze the relationship any further but can be used as a guideline while studying the reason behind why companies are interested in applying CSR in their business.

Stakeholder theory

Much has been argued about the definition of stakeholders. Traditionally the stakeholders for a company have been defined to be the shareholders or the owners of the company.

Companies should always prioritize the needs of their shareholders and the only goal for them in the society has been seen to be bringing profit to the shareholders (Miles, 2011). In 1984 American philosopher R. Edward Freeman introduced the stakeholder theory that addressed morals and ethics in the business world. He redefined stakeholders and argued that everyone who is included in a company's operations should be seen as a stakeholder. Parties like trade unions, governmental bodies, employees, suppliers, customers should all be counted as stakeholders in addition to shareholders (Freeman, 1984). Thus a company should put weight on every stakeholder groups' interests and not only prioritize the interests of the shareholders. Freeman (2010) also argues that if the profit maximization is only concentrated on the owners of the organization, the society's welfare will fail to be maximized as there are unsatisfied parties.

In the broadened definition of stakeholders, stakeholders can be divided into two sub-groups, external stakeholders and internal stakeholders (CIPS, 2014). Internal stakeholders are those who have a direct economic link to the business and include for example employees, customers, shareholders. External stakeholders on the other hand are those who are affected other ways by the organization's operations and are for example the media, activist groups, general public. Both groups should be taken into account since a company's operations can affect and be affected by these groups. To maximize the social welfare companies should consider all the stakeholders they are connected with when making decisions (CIPS, 2014).

Since the definition of stakeholders has been broadened, it has become difficult to identify the exact stakeholders (Mitchell, 1997). When Freeman developed the stakeholder theory he defined the stakeholders as "any group or individual who can affect or be affected by the organization's operations" (Freeman, 1984). The definition is very ambiguous and gives organizations a lot of leeway when it comes to deciding the stakeholder groups. A problem in managing the stakeholders has arisen for companies since it is difficult to define and to decide the importance of each stakeholder (Mitchell, 1997).

Porter and Kramer's article Creating Shared Value (2011) enhances the importance of creating shared value, which includes not only profit for the company but also consideration of the economic and social aspects of the society in which the company operates. The authors

call it a ''restatement of stakeholder theory, as all the stakeholders are affected by the ''jointness of interests'' principle, which claims that company and its stakeholders have common interests. With the help of this approach, the companies can see that investments in creating shared value do not have to mean diminishing profit. For example, with the help of improved technology the company can reduce their environmental effects but also increase their revenue. The society and the companies have ''jointness of interests'' and by following both of these interests, the economic growth can be maximized (Porter, Kramer, 2011).

The GRI framework

Even though CSR activities and reporting are not mandated with legislation there are standards available for companies who want to promote their sustainability activities to follow (Papunen, 2013). GRI (Global reporting initiative) is one of the organizations that have developed a standardized framework for reporting of economic, environmental and social activities that have been implemented into a company's everyday business life. The GRI framework can be seen as a global standard as there are many companies worldwide that report according to GRI requirements. GRI's aim is to guide companies to communicate their values, their stakeholders' importance and the role CSR plays in their business strategies to the different stakeholders. A GRI standardized sustainability report helps to get an understanding of how a company is committed to create a sustainable economy (GRI, 2013). The GRI framework enables standardized measurement of firms' CSP, it makes the reports comparable while minimizing the measurement problem Waddock and Graves (1997) named. Also GRI framework can easily be used in combination with a quantitative research method in the view of that the GRI indicators are categorizable and quantifiable (Weber et. al 2008).

Key measures

CSR performance measures

In this study, banks that have reported their CSR activities according to the GRI framework have been chosen. One reason for this is that since all CSR reporting are voluntary, one can expect that companies who follow the GRI's standards do actually care about sustainability on some level. Another reason is that since the GRI framework is standardized, it is easier to compare a company's CSR activities and results with other companies (Papunen, 2013).

CSR is divided in three areas, environmental, social and economic responsibility (Uddin, Hassan, Tarique, 2008). CSR performance key measures have been chosen equally from each of the areas in our study. From the environmental responsibility area greenhouse gas emission released by the companies is used. This measure is chosen to represent the environmental responsibility to connect the environmentally friendliness to the financial performance. Percentage of women working in company, percentage of women among board of directors and employee turnover in percentage are the measures that represent the social responsibility. These measures show how gender equality and employee well being in general affect the financial results. Finally, tax paid to the government, costs used in company's personnel and donations in the value of money represent the economic responsibility. They show the investment a company puts in the society. It is the taxpayers who make a contribution to the society, whether they are legally bound or not, which is why paying taxes can be seen as economic responsible. They help the public to fund healthcare, education and other public services. The same applies to personnel costs, pension and other social costs are regulated by law but after all the employer is the one who makes the investment that benefit the society (Black, 2013). These key measures altogether give a general picture of company's investment in CSR.

Financial performance measures

Companies' ROE (return on equity) and operating income (EBIT) have been chosen in order to measure the financial performance. They are accounting-based financial performance measures, i.e. they are short-term measures that follow accounting principles (Encyclopedia of Finance, 2006). ROE is one of the most popular measurements used in determining the financial performance. ROE gives a percentage of how much of shareholders' invested equity returned annually (Hagel, Brown, Davison, 2010). To add a concrete financial performance aspect, EBIT is chosen. EBIT shows the profit before any taxes or interest expenses are deducted per year.

In comparison to accounting-based financial measures Tobin's Q, a market-based financial performance measure is chosen. Tobin's Q shows the ratio between a firm's market value and

its replacement value. In this study Tobin's Q is counted by the following formula: (book value off assets – book value of equity – deferred tax assets + market value of equity) / book value of assets (Servaes, Tamayo, 2013). The market value of the firms is calculated by using the end year closing prices of the shares. A firm's Tobin's Q ratio smaller than one means that the firm's market value is smaller than its asset value, which on the other hand means that the firm is undervaluated by it's market value. It can be interpreted that the current market is not very optimal and it is harder to liquidate the assets. A Tobin's Q ratio equal to one means that the market value is the same as the asset value and the firm's value is correctly evaluated. Lastly a Tobin's Q ratio greater than one shows that the firm's market value is greater that its asset value and means that the firm is underinvested, the firm gives more return than people invest in it (E-finance management, 2015). In contrast to accounting-based financial performance measures Tobin's Q is a long term measure that follows fluctuations in the market. Tobin's Q is a suitable ratio in interpreting CSR, because CSR have also a long term interest of a firm. A firm sacrifices its current profitability in order to gain future profitability by investing in CSR; the results from investing in CSR are not instantly visible (Servaes, Tamayo, 2013).

Empirical studies

Swedbank

The root of Swedbank lays in Sweden's first saving bank, which was founded in 1820 in Gothenburg. In 1997, after a merger of Sparbanken Sverige and Föreningsbanken, the name of Föreningsbanken was given to the company. In 2004, Hansabank became a part of Swedbank and the expansion to the Baltic are was completed. The name was officially changed from Föreningsbank AB to Swedbank AB in 2006 (Swedbank and the savings banks, no date).

Swedbank's home markets are Sweden, Estonia, Latvia and Lithuania and it has operations in Finland, Norway, Denmark, The US, China, South Africa and Luxembourg. (Swedbank Annual Report 2014, 2015) Swedbank's strategy ''--aims to create sustainable value for customers, employees, shareholders and society.'' (Customer value and sustainability are the core of our strategy - Swedbank, no date) and the ethical business values which Swedbank implies are e.g. confidence, compliance, reliability and openness. (Business ethics - Swedbank, no date).

CSR activities between the years 2011 and 2015

In 2011, Swedbank started a new project ''A Job At Last'' with the Swedish Public Employment Service, which aims to facilitate foreign-born and academically educated workforces entering to the labor market. (Eldh, 2015) In 2012, Swedbank was the first bank in the world to tie a partnership with the Clinton Global Iniative (CGI) (Swedbank Sustainability Report 2012, 2013), which deals with '' – economic development, climate change, health and wellness, and participation of girls and women.'' (Clinton Global Initiative - About us, no date). Swish mobile service was also launched in 2012, in order to make cost dividing and electronic payment easier. Sustainability and Ethics council replaced the previous Ethics Committee, combining the two aspects to the same council (Swedbank Sustainability Report 2012, 2013).

Later in 2012, Swedbank published a new Group-wide human right policy, which was the first step to account the UN Framework on Business and Human rights in their operations. (Swedbank Sustainability Report 2012, 2013). Swedbank also gave the naming rights of their Swedbank Arena to the organisations Friends, which fights against bullying, to support the movement and take actions in order to influence in the society (Swedbank skänker namnrätten för Swedbank Arena till Friends, 2012).

In 2013, the new GRI G4 guidelines and a new internal rule forbidding business relations with companies manufacturing or selling nuclear or illegal weapons was taken into use. The Board of Directors also signed a new anti-corruption programme, which includes improving the company's whistleblower policy (Swedbank Sustainability Report 2013, 2014).

In 2014, Swedbank HQ received a price '' This year's EU GreenBuilding from Sweden Green Building Council (Humlegården fastigheter vinnare av 'Årets EU GreenBuilding', 2014) and investments in green bonds, which finance projects, that have a positive environmental influence or which result in climate benefits (Green bonds - Swedbank, no date), was made for the first time (Swedbank Annual Report 2014, 2015).

In 2015, Swedbank signed the Montreal Carbon Pledge, which requires commitment to report the carbon footprint of the company's investment portfolios (Swedbank Annual Report 2015, 2016). Swedbank has continuosly reduced it's CO_2 emissions between 2011 and 2015 with the help of purchasing bigger amounts of renewable energy and the new HQ, which is highly eco friendly. Swedbank's employee turnover rate has also decreased every year since 2011, and since the 2011's rate 17,8% was relatively high, can this be seen a step to the right direction. Swedbank has keskiarvoisesti donated 33 million euros between 2011 and 2015, and has made the donating process easy, as the customers can donate directly to different projects through their donation portal on their website (Swedbank – Donation environment, no date).

Swedbank's aim in between 2010 and 2018 is to reduce its gas emissions by 60% with the help of renewable energy, increased digitital services and less highly pollinating travelling,

and to increase diversity in their operations and eliminate the unjustifiable wage differences between genders in 2017. (Swedbank Annual Report 2015, 2016).

SEB

Skandinaviska Ensilda Banken AB, SEB, was founded in 1972 after the merger of Stockholms Enskilda Bank and Skandinaviska Banken. Nevertheless, SEB's history can be seen to have started when Stockholms Enskilda Bank was founded in 1856 (Vår historia | SEB, 2014).

SEB financial group consists of six differet divisions: Business Support, Group Stuff & Control Functions, Life & Investment Management, Baltic, Large Corporates & Financial Institutions and Corporate & Private Customers (Våra divisioner | SEB, 2014), and has eight homemarkets: Finland, Sweden, Denmark, Norway, Germany, Estonia, Lithuania and Latvia (Hemmamarknader | SEB, 2014).

CSR activities between the years 2011 and 2015

The green leasing program was launched in the Baltic countries in 2011 and it promotes the leasing of eco-friendly cars. In addition, SEB has focused specially on equal pay between men and women since 2011, arranged the ''Oxygen Campaign'' with Latvia State forests in order to improve awareness in environmental issues and invested in their third climate compensation project which supports projects aiming to reduce carbon emissions. SEB was also one of the 13 companies that contacted carbon intensive organizations in 2011 in order to help them to report their climate impacts in a more comprehensive way. (SEB - Corporate Sustainability Report 11, 2012) In 2012, SEB was one of the banks launching the Swish mobile service and published a new group-wide sponsor strategy concentrating on creating relationships with the people and organizations they support, whistleblowing policy and Code of Business Conduct. (SEB - Corporate Sustainability Report 12, 2013). In 2013, SEB assisted the first Nordic municipality green bond for the city of Gothenburg and launched the mobile service Mobile Banking ID, which can be used as an electronical ID. In addition, SEB's new Human Rights policy was accepted by the UN Global Entrepreneurs Council (GEC) and SEB created the first Swedish microfinance fund, enabling microloans to

entrepreneurs in developing countries (SEB - Corporate Sustainability Report 13, 2014).

In order to reach gender equality, SEB participated in ''Battle of the numbers'' project which aims to increase the number of women in operational management positions and started to compare the implementation of salary negotiations between men and women. In 2014, the number of female directors was higher than in previous years. Later on in 2014, SEB revised their Code of Conduct for Suppliers and renewed their Sector policy for arms and defense, making a distinct statement against illegal weapons and improved concentration on human rights (Corporate Sustainability Report 2014 - SEB, 2015).

In 2015, SEB announced their first Green Bond in the Baltic countries and 92 percent of the electricity used in the operations was renewable. Two funds, SEB Sustainability Fung Global and SEB Sustainability Fund Sweden, which do not allow investments in companies extracting fossil fuels, oil, coal and gas, were launched and the Montreal Carbon Pledge was signed. SEB decreased its CO_2 emissions by x percent compared to 2014, and this was a result of SEB's focus on reducing and optimizing of business travel, company cars, paper consumption and energy usage. 75% of the nominated board members were women in 2015, and the total percentage elected woman board members was 47%. SEB's employee turnover mean is 9,52 % and shows that approximately one of the ten employees is replaced with a new employee yearly. Additionally, SEB donated 6,3 million euros more in 2015 than in 2014, resulting from e.g. employees and SEB's own donations to the Syrian refugees and SOS Children Villages (Corporate Sustainability Report 2015 - SEB, 2016).

After reducing their emissions by 54 percent between 2009 and 2015, SEB continues to the attempt to reduce their carbon footprint in the future. In 2015 they set new goals considering the environmental aspect of the financial group, stating that the carbon footprint and the electricity consumption should be reduced by 20 percent between 2015 and 2020 (Corporate Sustainability Report 2015 - SEB, 2016).

Nordea Bank

Nordea is the biggest financial group in Northern Europe, which has having operations in Denmark, Finland, Norway, Sweden, Estonia, Latvia, Lithuania and Russia and its Head

Quarters is located in Stockholm, Sweden. The bank's history can be seen to have started in 1820, when the first of the 300 banks included in the birth of the bank was founded. Nordea aims to engage their customers in their operations with the four main focuses: Listening to their customers, keeping on top of the changing customer behaviour and prividing responsible investment and lending decisions. The mission of the Group is to ''Deliver returns with responsibility''and their CSR strategy is divided in four sections: Financial Skills, Diversity, Solid Foundation and Sustainable economic progress.

CSR activities between the years 2011 and 2015

In order to improve the risk management and control, Nordea enacted the Board Risk Committee (BRIC) in 2011 (Nordea CSR Report 2011, 2012). In 2012, Nordea published a new Sustainability Policy, which combined the two previous policies, Environmental Policy and Corporate Citizenship Principles. This was done in order to help to embed the CSR in the core values of the company. Nordea was also the best Nordic bank for the second year in a row in CDP's annual survey and published a new group-wide whistleblowing system. In order to ensure the suppliers' commitment in CSR areas, Nordea introduces a new CSR supplier management process in 2012 (Nordea CSR Report 2012, 2013).

In 2013, Nordea introduced an anti-money laundering and anti-terrorism project in order to enhance the work made in these areas and prevent investments in illegal activities. A stakeholder dialogue, which is conducted every three years, was also done and it helped the company to improve their CSR strategy in 2014 and 2015. Additionally, a Gender Diversity Initiative was launched in 2013, promoting gender equality and quotas for male and female candidates when applying for managerial positions. (Nordea CSR Report 2013, 2014) After launching this programme, in 2014, 50 % of the board members were women and 50 % men (Nordea CSR Report 2014, 2015).

Nordea become a green bond actor in 2014, (Nordea CSR Report 2014, 2015) firstly just providing arrangement to their customers and then self investing to the bonds after this (Nordea responsibility: Making an impact through our investments, 2016). The governance of CSR in Nordea was reorganized in 2014, when a new CSR Committee responsible of the

implementation of CSR strategy was authorized. In addition, the new head office in Stockholm was entitled to two Platinum level LEED certifications (Nordea CSR Report 2014, 2015).

In 2015, after the COP21, to say Paris Climate Conference, where the universal decision of keeping the global warming below 2 °C and commitment to the UN's Sustainable Development Goals was made (UNFCCC COP 21 Paris France - 2015 Paris Climate conference, 2015), Nordea pledged to adopt the agreement. Nordea also reached the status of carbon neutrality in 2015 after investing succesfully in renewable energy and carbon offsets and at the same time reducing its total CO_2 emissions (Nordea Sustainability Report 2015, 2016). Carbon neutrality means that Nordea's net carbon footpring is zero and the actions of the bank does not change the carbon content of the atmosphere (Carbon Neutral Program, 2014). Nordea's employee turnover mean is 4,09 % implying that the employees are not replaced with new employees in an exessively manner.

Danske Bank Group

Danske Bank Group is a Nordic Universal bank which has its primary operations in Denmark, Finland, Norway and Sweden and business totally in 15 countries (Danske Bank Corporate Responsibility 2015, 2016). Danske Bank Group has its headquarters in Copenhagen and it's the biggest bank operating in Denmark. The Group consists of three business units: Personal Banking, Business Banking and Corporate & Institutional Banking (Danske Bank - Bank in brief, 2014).

The history of Danske Bank Group started with the founding of Den Danske Landmansbank in 1871 in Denmark and it's at the moment the biggest bank in Denmark. The name Danske Bank was taken into use in 2000 and the bank has had nine mergers in total, the recent ones being 2005 with Northern Bank and 2006 with Sampo Bank (Danske Bank - History, 2015). The bank's vision is to be ''recognized as the most trusted financial partner'' and the operations are built on the five core values: expertise, integrity, value, agility and collaboration (Strategy and core values - Danske Bank, 2015).

CSR activities between the years 2011 and 2015

Since 2011, the UN PRI principles have been applied in Danske Bank Group's reporting and in the same year, the Group received the ecolabel Svanemærket for its in-house printing office (Danske Bank Corporate Responsibility 2011, 2012).

''Charter for more women in management''t is a project driven by Danish government and it aims to encourage organizations to increase the amount of women in the managerial positions. (Charter for more women in management - European platform for investing in children (EPIC) - European Union, 2012) Danske Bank underwrote the project in 2010 and in 2011, Danske Bank listed the aims for women in managerial positions and already reached the goal for 2012, 36 percent of women filling the managerial seats (Danske Bank Corporate Responsibility 2011, 2012).

In 2012, Danske Bank became a member in Ecolabelling Denmark network, which enables the companies to share their thoughts and learnings about purchasing eco-friendly products. Danske Bank reduced its paper consumption with 41 percent between years 2008 and 2012, and the new goal is to decrease the consumption by 30 percent in between 2009 and 2014 (Danske Bank Corporate Responsibility Report 2012, 2013). In 2013, Danske Bank published a new app in Finland and Denmark named Mobilepay, which enables transfering and receiving money with usage of mobile phone number. Danske Bank also set Gender targets for the year 2017, including 25 % women on the Board of Directions and 12,5 % women on the Executive Board (Danske Bank Corporate Responsibility Report 2013, 2014).

Danske Banks created the Business Integrity Board in 2014 in order to manage the CSR actions in a more efficient way in 2014 and published a new financial goal, stating that ROE should be atleast 12.5 % by 2018. The goal of paper consumption reduction was exceeded, as the reduction between years 2009 and 2014 was 37 percent instead of 30 percent. In Sweden, Danske Bank is a partner with My Life organisation that concentrates on diversity and integration issues in the Swedish labour market. In 2014, Danske Bank offered internships to a number of the participants in their training programmme, which was aimed to immigrants

with academic education background (Danske Bank Corporate Responsibility Report 2014, 2015).

Danske Bank was announces as a systemically important financial institution (SIFI) by the Danish Financial Supervisory Authority, beginning from the 1st of January 2015 and later on 2015, the Corporate Responsibility Strategy and Stakeholder Engagement Policy was updated, and Danske Bank signed the Paris Pledge for Action. All the energy consumed in the Group's operations was renewable in 2015, and they were the second-best Nordic Financial institution according to the CDP (Danske Bank Corporate Responsibility 2015, 2016). Danske Bank's employee turnover rate ranges from 7 to 11 between years 2011 and 2015, which does not show signs of highly increased employee replacements.

Svenska Handelsbanken

Svenska Handelsbanken AB, i.e. Handelsbanken, was founded in 1871 in Stockholm, Sweden and has six home markets: Sweden, the United Kingdom, Denmark, Finland, Norway and the Netherlands. In addition, it operates in 19 other countries and become a stock quoted company in Sweden in 1873. The bank offers multiple financial services, and serves both private and corporate customers. Handelsbanken's aim is to create long-term relationships with its customers, and this is done by setting customers in focus in the bank's operations (Handelsbanken in brief, no date).

CSR activities between the years 2011 and 2015

In 2011, Handelsbanken scored 76 points of 100 in Carbon Disclosure Project's (CDP) annual reporting, improving its score from the previous year. Handelsbanken also decreased its CO_2 emissions for electricity usage in the Northern Europe and its CO_2 emissions for trips, electricity and heat in Sweden, 47 percent and 16 percent compared to 2010, respectively (Sustainability Report 2011 - Handelsbanken, 2012).

During 2012, Handelsbanken hold conversations about issues related to sustainability with companies they invest in, and enhanced the importance of following international norms and conventions to around ten companies. Besides, Handelsbanken's funds committed not to

invest in companies, which either facture or sell illegal weapons. In 2012, the electricity usage was reduced and the environmentally marked electricity was 94% of all the electricity used in the Nordic area. Handelsbanken's total CO_2 emissions were reduced by 33% between years 2011 and 2012, resulting e.g. from the bank's decreased electricity consumption and purchase of hydroelectric electricity (Sustainability Report 2012 - Handelsbanken, 2013).

In 2013, Handelsbanken introduced a plan to reduce the bank's properties' total energy usage and the plan was a part of their continuous changes in order to achieve decreased environmental and climate impact. Between 2007 and 2013, the environmental and climate impact was reduced by 99%, resulting from decreased electricity usage and purchase of hydroelectric electricity. Other changes were also made in order to achieve the goal, as sending electric invoices to the suppliers and increasing the number of video conference hours. The CO_2 emissions increased by 51 % between 2012 and 2013 as a result from the expansion of the bank, principally in the Netherlands and the United Kingdom (Sustainability Report - Extract from Handelsbanken's Annual Report 2013, 2014).

Handelsbanken's CO_2 emissions in Sweden decreased by 10 percent between 2013 and 2014, and starting from 2014, the bank displays its intern usage of paper in Sweden, Finland and Norway. The bank climate compensates for the CO_2 emissions created by trips and job cars in Denmark, Finland and Norway. The compensation is done with the help of carbon credits, which gives the owner the right to emit one ton of CO_2 and in 2014, Handelsbanken bought 3000 carbon credits. Additionally, the amount of video conference hours increased by 44 percent between 2013 and 2014, and the employees were in 2014 given a chance to lease hybrid cars, which are charged from solid electricity grids. Although the bank's CO_2 emissions for the electricity usage increased in 2014 due to the expansion in the UK, Handelsbanken's total CO_2 emission decreased with 21 percent (Sustainability Report - Extract from Handelsbanken's Annual Report 2014, 2015).

In 2015, the amount of renewable electricity reached 100% in the Nordic operations and 87% for all the six home markets in total. Since 2015, Handelsbanken have not invested in funds which have significant operations in coal mining or coal burning. Handelsbanken offers funds which take into account customers' environmental considerations, for example offering funds

which do not invest in alcohol, cigarette or fossil fuel operations. Additionally in 2015, the bank expanded its supply and can nowadays provide 12 funds with special criteria. The bank climate compensates with the help of Clean Development Mechanism, which is an UN registered project with a verified climate benefit and one of the bank's biggest office buildings is now Green Building certified. The company has also applied for the Swedish Miljöbyggnad Silver certificate for the same building and the bank's internal printer received the Nordic Ecolabel ''The Swan'' in 2015. One of Handelsbanken's goals for 2016 is to increase the purchased amount of environmentally marked electricity in the home markets outside of Sweden. The bank's total CO_2 emissions decreased by 15 percent compared to 2014, and this was seen to be a result from bank's increasing purchase amount of renewable electricity.

In 2015, Handelsbanken published a new policy supporting diversity in the board of the company, and the same year, the amount of women in the board rose by 13 percent. The employee turnover rate ranges between 2,9 % and 3,9 % in the time period of 2011–2015, which is a sign of satisfied and engaged employees, who have a long-term relationship with the company. No donations were accounted, as Handelsbanken do not provide any financial support to the political parties (Sustainability Report - Extract from Handelsbanken's Annual Report 2015, 2016).

Results

Summary of CSR performance measures

In table 1 all the CSR performance measures used in the regression are collected and summarized. The emission of CO_2 of the firms are on average 35130 tonnes, but the variation of the emissions are very high between the banks. On the social side the mean of the female employees in the firms is 56 percent while the female board of directors average is 35,1 percent. Variation of women employees are fairly low compared to the variation of women's share in board of directors. Employee turnover average on approximately 8 percent with a pretty low volatility over the study period but a fairly high variation with the lowest turnover of 2,9 percent and highest turnover of 17,8 percent. Finally, the mean of taxes paid by the banks is 597 million euros, costs spent on employees is 1700 million euros on average and donations are made for 1 million euros on average. The observed scale of all three variables are wide, which make the variations high, the variations can be explained by different policies that the different banks apply.

Table 1 Summary of CSR performance measures

	mean	Standard dev.	max.	min
CO2	35130,3	16579,68	74123	10863
Women	56,08	4,63	66	47
Women on board	35,1	8,58	50	20
Employee turnover	8,01	3,74	17,8	2,9
Tax	596,91	340,20	1523	228,13
Personnel cost	1699,67	783,46	3263	838,72
Donations	1,01	1,59	4,69	0

Summary of financial performance measures

In the table 2 the data of each of the financial performance measures are summarized. The banks chosen to be studied in this study have an average of return on equity of 12 percent with a relatively low volatility but a high variation. Earnings before interests and taxes of the banks average on 2607 million euros, but the scale between the maximum and the minimum

values are relatively large. The mean of Tobin's Q ratio is 1,28 and the variables vary between 1,95 and 0,42.

Table 2 Summary of financial performance measures

	mean	standard deviation	max.	min.
EBIT (million)	2607,36	1205,77	5115,80	565,12
ROE (%)	12	2,86	15,6	3,6
Tobin's Q	1,28	0,44	1,95	0,42

The table 3 shows the yearly development of the financial performance measures during the study period. As can be seen in the table, all of the financial performance measures besides EBIT grow steadily until 2014 and a drop of the values can be seen right after year 2014. The mean of EBIT increases each year but the standard deviation become relatively lower after year 2014. Otherwise there are no significant fluctuations between the years, and the values are quite steady.

Table 3 Summary of financial performance measures from each year of the study period

Year	EBIT			ROE			Tobin's Q		
	mean	median	standard deviation	mean	median	standard deviation	mean	median	standard deviation
2011	2253,82	1802,34	1374,62	10,44	12,2	3,96	0,81	0,89	0,24
2012	2480,28	2109,60	1191,81	11,94	11,6	3,63	1,11	1,10	0,34
2013	2574,83	2121,70	1223,71	11,96	13,1	3,05	1,51	1,58	0,44
2014	2746,30	2291,73	1518,53	13,76	13,5	1,60	1,55	1,69	0,43
2015	2981,57	2380,89	1110,41	11,9	12,2	1,19	1,43	1,41	0,34

Analysis and discussion

In order to test the hypothesis, each relationship, positive, neutral and negative, will be analyzed. Tables 4 and 5 summarize the regression results. In the table 4 the values of intercept coefficient, adjusted R square ad the significance F are gathered. The table 5 shows the coefficients of each independent variable set against the dependent variable and the values in the parenthesis tell the significance of each independent variable. In the equation in the econometric model – section the coefficient denotes the slope of the regression line.

Table 4 Regression results

Dependent variable	Intercept coefficient	Adjusted R square	Significance F
ROE (%)	4,77	0,36	0,03
EBIT (million)	-5108,78	0,37	0,03
Tobin's Q	1,73	0,52	0,004

From the table 4 it can be observed that the adjusted R square with each of the dependent variables are between 33 and 44 percent. This implies that the effects the independent variables have on dependent variables are relatively low, but still a relationship exists. The significance F values from the regression show a good result. The F value with ROE is 2%, with EBIT is 5% and with Tobin's is Q 1%. From this it can be interpreted that the regression output is reliable and not caused by random chance.

When all the independent variables are set as zero the intercept coefficient tells the expected mean of the dependent values. The expected means from the regression output for ROE, EBIT and Tobin's Q are 4,77%, -5108,78 million euros and 1,73 respectively. To compare, the means from the collected ROE, EBIT and Tobin's Q are 12%, 2607,36 million euros and 1,28 respectively. From the results it can be interpreted that if banks did not invest in CSR at all, with the exception of the environmental responsibility, ROE and EBIT will decrease massively but Tobin's Q will increase. The increase of Tobin's Q can be explained by that since no investment in the CSR is done, the banks are probably overvaluated in the market. For example, in the case of acquisition there would not be any goodwill from investing in CSR performances, i.e intangible assets such as reputation. CO_2 emission is the only variable

that is better when it is decreased, which is why it is an exception. If greenhouse gas emission can be deducted to zero, it means that the banks have probably invested much more than they can afford in being environmentally friendly, which is why it makes the regression results worse. If the variable CO2 is left out from the regression analysis, the difference between the intercept coefficient output and the initial means of the financial measures would be smaller.

Table 5 Regression results of each CSR performance measures

	Dependent variable	EBIT	ROE	Tobin's Q ratio
Independent variable				
CO2		-0,06***	0,00	0,00
		[0,01]	[0,1]	[0,40]
Women		111,9	0,21	0,00
		[0,17]	[0,27]	[0,88]
Women share of board		70,71	-0,06	0,02
		[0,08]	[0,55]	[0,09]
Employee turnover		127,8	0,11	-0,05
		[0,17]	[0,61]	[0,11]
Tax		0,91	0,01***	0,00
		[0,5]	[0,01]	[0,34]
Personnel cost		-0,1	-0,003***	-0,00***
		[0,85]	[0,01]	[0,02]
Donations		-352,02	0,09	0,07
		[0,10]	[0,85]	[0,28]

***High statistical significance (p-value<0.05)
[p-value]

As the p-value shows the probability of the corresponding independent variable affecting the dependent variable, the p-values of the regression test will be analyzed. The significance level is determined to be 5% and there is a linear relationship between the variables, if the p-value is $< 5\%$. This shows the statistical significance of each independent variable.

According to the p-value of $0.01 < 0.05$, there is a linear relationship between CO2 (ton) and EBIT. This result is in line with Porter and Kramer's article Creating Shared Value (2011), where they claim that it is possible for the companies to be financially effective and at the same time being environmentally and socially aware. The negative linear relationship between the variables means that the banks could reach higher EBITS with the help of reducing their CO2 emissions. Many of the banks have already reduced their emissions with

significant amounts and created emission policies in order to achieve their goals continuously to decrease their CO_2 emissions. One of these mentioned goals is SEB's reduction of CO_2 emissions by 54% between 2008 and 2015, and the new goal to reduce the CO_2 emissions by 20% between 2015 and 2020 and Nordea's goal to reduce their CO_2 emissions by 18,000 tonnes by 2016.

The p-value 0,01 shows that there is a linear relationship between tax (million) and ROE, which endorses the assumption that the banks' support the society even though it's not financially profitable for them. Although the tax payments are regulated by law and the companies can not avoid paying the taxes while operating in a legal manner, the tax payments are a part of the economic dimension of corporate social responsibility. The tax payments profit many countries, as all of the banks have operations in multiple countries and the taxes are according to several countries' tax laws paid directly to the all of the countries where the company makes profit in (EY, 2016). The banks' tax payments include corporate tax, social security fees and bank levy (Nordea Sustainability report 2015, 2016).

Personnel costs are defined to include salaries paid from the employer to the employee, taxes, social security costs and the employer's additional actions in order to benefit the employee, and the p-value of 0.01 between personnel costs (millions) and ROE, and 0,02 between personnel costs and Tobin's Q shows that there are most likely voluntary actions that, for example, support the employees' engagement and well-being in the workplace, without any positive result in the financial performance. These contributions can partly be seen as employers' attempt to improve their relationship with the customers, as the employees' are the most important way to interact with them. Although this according to the regression analysis did not affect the ROE positively, the personnel cost investments can still be partially aimed to increase the annual revenues of the banks in the logn term. Many of the banks' aim to reach gender equality, offer jobs for young people and reach a more diversified working environment, and all of these are also included in the personnel costs.

So far only statistically significant variables have been observed. In order to study economic significance, the concentration will be turned to coefficients and the signs of the coeffients of the explanatory variables. In this research the limit for economic signifincance will be set to

10%, i.e economic significance of 10% or higher is interpreted as siginicant. A look at the table 5 tells that there are three values that can be interpreted as economic significant, namely donations to EBIT, share of women in the company to ROE and employee turnover to ROE. The coefficient sign for donations to EBIT is negative, -352.02, which means that one unit's increase in donations will decrease the EBIT with 352 units. 352 compared to the original mean of EBIT, 2 607, is approximately 14 percent, which can be seen as significant. This result can be seen as that the banks that donate do it without the goal of having any financial profit. The second economic significant explanatory variable is women's share in the company to return on equity. One unit's increase in women in the company leads to a 0,21 increase in ROE, this relationship is positive. An additional woman in the company will benefit the firm economically. A third economic significant variable is employee turnover to return on equity. The more the employees change in the banks, the better economic profit will the banks get.

Table 6 Correlation matrix

	CO2 (ton)	Women (%)	Women on board (%)	Employee turnover (%)	Tax (million)	Personnel costs (million)	Donations (million)	EBIT (million)	ROE (%)	Tobin's Q
CO2 (ton)	1									
Women (%)	0,56	1								
Women on board (%)	0,19	0,39	1							
Employee turnover (%)	0,67	0,47	0,35	1						
Tax (million)	0,22	-0,16	0,48	-0,13	1					
Personnel costs (million)	0,11	-0,21	0,19	-0,31	0,78	1				
Donations (million)	0,45	0,64	0,49	0,36	0,11	-0,27	1			
EBIT (million)	-0,28*	0,07	0,40	0,05	0,10	0,04	-0,12	1		
ROE (%)	-0,14	0,12	0,18	0,08	0,06*	-0,40*	0,37	0,34	1	
Tobin's Q	-0,25	0,12	0,31	-0,15	0,00	-0,40*	0,43	0,25	0,71	1

From the correlation matrix it can be seen that the financial performance measures are relatively strongly and positively correlated. It shows that the financial performance measures move in the same direction. There is a strong positive relationship between the variables share

of women in the company and share of women of board of directors. This can imply that women on board prefer to hire female employees, or that women on lower level in the companies support women directors, or both. Other strongly correlated variables that are worth mentioning from the correlation matrix are CO_2 emissions to share of women in the company, employee turnover to share of women in the company and donations to share of women in the company. It would seem like that when the majority workers in a company are women, more socially and environmentally good deeds are performed, but also that the turnover rate is high. High turnover rate can be explained by women leaving work to build a family.

From the regression results greenhouse gas emission is statistically significant in earnings before interests. The matrix shows that CO_2 is negatively correlated to this financial measure, which means that the more the banks decrease their greenhouse gas emissions the better financial result they will make. This result is in line with Porter and Kramer's article "Creating Shared Value" (2011).

Another significant variable found with the regression analysis is the personnel cost (million) to Tobin's Q ratio and to ROE. As can be observed from the correlation matrix, personnel cost is relatively strongly and negatively correlated with both of the financial measures. The negative effect the personnel costs have on Tobin's Q means that the more the banks invest in their personnel, the more undervalued will they be on the market. This outcome from the tests can be explained by that when a company spends more on its human resources, the value of its human capital increases. It is difficult to evaluate exactly the increase in the value as it is not concrete and can only been estimated. Thus the more a firm invests in its human resources, the more the gap between its market value and the real value will grow. The negative effect personnel costs have on return on equity can imply that the companies are overinvesting in their employees, and that the employees' achievements do not correspond to the value the companies have invested in them.

To conclude the analysis, based on the regression and the correlation results the relationship between the CSR performance measures and the financial performance measures vary. A regular pattern could not be found, both a negative and a positive relationship existed among the variables and in some cases there was even no relationship at all. Some relation could be

found with the statistical model used in this study, but no generalization can be done based on these results. The regression analysis does not take into account any practical scenarious that happens in reality. For example, from the results it can be seen that there is a negative linear relationship between personnel costs and return on equity, which in theory means that the less a firm spend on its employees, the more financial gain it gets. Yet in the reality, if personnel costs are reduced to zero, a firm would have no employees and thus no business.

Based on these argumentations the initial hypothesis is accepted, i.e there is no relationship between CSR performance measures and financial measures. The database collected from the banks was not large enough since the CSR reports have been quite recent addition to the banks' annual reporting. No conclusion can be drawn based on the results since they vary too much and the sample was too small not taken account into possible measuring mistakes.

All of the banks have accounted numerous activities and initiatives considering CSR in their sustainability and annual reports. These activities can directly be seen to explain CSR performance measurements in this study, and the banks' CSR performance between 2011 and 2015 (Table 7) will additionally be analysed with the help of these activities.

Table 7 CSR performance measures by banks and years

Year	CO2 (ton)	Women (%)	Women on board (%)	Employee turnover (%)	Tax (million)	Personnel costs (million)	Donations (million)
HAND11	10863	51,8	25	3	479,57	1079,05	0
SEB11	34590	57	27	9,3	331,70	1242,54	0,01
SWE11	74123	63	40	17,8	399,90	1080,90	0
NOR11	42580	59	37,5	5,8	709	3113	1
DAN11	52511	56	31	7	333,56	1873,56	0
HAND12	14607	52	25	3,6	326,98	1220,74	0
SEB12	28497	56	27	9,3	228,12	1286,14	0,14
SWE12	67487	55	40	13,8	989,56	989,56	4,03
NOR12	41280	58	37,5	6,4	1000	3048	1
DAN12	42795	56	31	10	512,57	1979,05	0,73
HAND13	18077	52	27	2,9	425,08	1242,54	0
SEB13	28501	57	42	11,1	363,82	1234,91	0,32
SWE13	58983	65	40	11,4	430,96	838,71	4,57
NOR13	41500	57	37,5	3,95	927	2900	0,688
DAN13	39168	54	31	9	395,65	1953,79	0,64
HAND14	15654	51	20	3,2	446,88	1286,14	0
SEB14	24600	56	43	8,9	450,04	1219,54	0,10
SWE14	41715	62	46	10	544,10	1044,82	4,68
NOR14	38498	58	44	4	1507	3159	0,69
DAN14	37807	54	25	9	536,09	1907,29	0,63
HAND15	13231	50,1	33	3	468,67	1373,33	0
SEB15	19118	58	47	9	466,93	1296,06	0,79
SWE15	35444	66	46	9,4	503,12	986,95	4,68
NOR15	37790	47	50	8,3	1523	3263	0,38
DAN15	18836	51	25	11	623,44	1873,15	0,16

All of the companies in the study aim to reach gender equality and have goals in order to reach this goal, for example, Swedbank aims to eliminate the unjustifiable wage differences between genders in 2017 and Danske Bank proposed gender targets for 2017. Women have represented over 50% proportion of the bank's employees the whole time span of the study, from 2011 to 2015, apart from Nordea in year 2015 with the women population of 47% percent.

This shows that women, in general, are not underrepresented in the five chosen banks but in order to see if the gender distribution differs in the higher levels of the companies, has the percentage of women in the Board of Directors taken into consideration. Nordea's Board of Directors consisted of 50% of women in 2015, representing equal opportunities and gender diversity, which Nordea names to be a part of their diversity section in their sustainability strategy (Nordea Sustainability Report 2015, 2016). Swedbank's and SEB's proportion of women on the board was also high in 2015, 46% and 47% respectively. These proportions represent the banks' gender equality values and show, that successful gender diversity is possible also in the higher levels of the company.

The environmental part of CSR is well-represented in all of the sustainability and annual reports, and big steps have been done in order to minimize the environmental impact of the banks' operations. One of these is the consideration to reduce the CO_2 emissions, which are directly connected to the banks operations, and this how rather easily controllable.

To control the total CO_2 emissions, the banks have e.g. purchased renewable energy and carbon credits, reduced the amount of business trips and electricity usage in overall, digitalized their services and built environmentally friendly offices. Although these actions have mainly resulted in reductions, has there also been occasions, where the total CO_2 emissions have raised regardless the banks' claimed intentions. One of these occasions happened in 2013, when Handelsbanken's total CO_2 emissions increased by 51% compared with 2012 ans was explained to result from the expansion of the bank. This shows that although the banks claim to actively reduce their CO_2 emissions, there are occasions where the emissions are not effectively reduced. Danske Bank seems to be the only of the five banks

that has been carbon neutral in five years (Statement of Carbon Neutrality 2015 - Danske Bank, 2016) and this can be seen as a proof that a large organization can with competent planning reach the state where its operations do not influence the amount of carbon in the atmosphere.

The employee turnover rate, which shows in which amount an employee is replaced with a new employee in a chosen period of time, gives a good picture of the banks' relationship with their employees. According to Smith and Rutigliano (2002), the desirable emplolyee turnover rate is 10%, as long as the employees leaving are from the lower levels of the company hierarchy. This is why the employees leaving can be easily replaced with another compatible employee, without excessive knowledge outflow from the company. While the U.S. total employee turnover rate in banking and finance sector was 17,2 % in 2013 (Bares, 2014), had all the chosen banks an employee turnover rate under 12 % the same year. This shows, that these large banks in Scandinavia do not change employees as largely as the U.S. banks in general and it can be seen that the banks have this how a better chance to create longer lasting and mutually satisfying relationships with their employees. The employees loyalty and engagement are trengthened with the help of activities as career days and personal dialogues (Corporate Sustainability Report 2015 - SEB, 2016, Nordea Sustainability Report 2015, 2016).

The employee turnover rate is also most likely to be affected by the advancement potential that the banks' offer to their employees, and e.g. the very low employee turnover mean in Handelsbanken 3,14 can be a result of efficient development opportunities afforded by the bank, as 93 % of the bank's managers were recruited internally in 2015 (Sustainability Report - Extract from Handelsbanken's Annual Report 2015, 2016). Another example of effective employee engagement planning is SEB's equity-based compensation, which reward long-term emloyees with shares of the company (SEB, Equity-based compensation, 2014).

The tax payments the companies make have a big financial impact on the areas they operate in, and for example, in Sweden the corporate tax is 22 percent of the companies' annual revenue and because of the relatively big revenues the banks are making in Sweden, the

corporate tax payed by the all of the banks operating in Sweden is approximately 10% of the corporate tax paid in the country (Swedbank Annual Report 2015, 2016). The banks' tax payments are a significant tax income to the government, and this is supported by the actions of Handelsbanken, which is historically the biggest investor to the Swedish stability fund, which supports the Swedish financial system (Sustainability Report - Extract from Handelsbanken's Annual Report 2015, 2016).

The personnel costs include numerous activities considering the employees, and for example, Swedbank has two programs, ''Young Jobs'' and ''A Job At Last'', which are aimed to young and foreign-born citizens, respectively, and Nordea offers jobs for students starting university or college in order to help the students to get into the labor markets. It can also be seen as a smart investment, as some of the students are offered a steady job from the bank after they graduate and this way the work force is already a part of the company and no bigger resources are needed to train the former students. As it comes to the salaries of the employees, e.g. Handelsbanken (Sustainability Report - Extract from Handelsbanken's Annual Report 2015, 2016), claims that they have individual salaries that result from the personal salary dialogues. This can be seen to affect the personal costs but it is rather hard to see whether the personnel costs would be higher or lower, if all the employees in the same position would get as much salary. It can although be argued that the banks offer the employees fare chance to earn as much as they are worth without limiting the salaries with strict rules.

All of the banks, except for Handelsbanken as there is no data available, have accounted their donations during the years, and these donations have been made for numerous causes, as education, children and environment. The education program SEB, Nordea and Swedbank created together for the Stockholm School of Economics in Riga is one example of this, as banks are big actors in Nordic and Baltic area and these kinds of donations help them to keep up their good reputation, while at the same time helping the communities.

With the help of the analysis of the different CSR activities of the banks, it can be stated that the banks invest in CSR and these activities do have an impact on the CSR measurements used in the study. Furthermore, it is hard to prove that there is a relationship between CSR

and financial performance with the help of qualitative data, resulting in an unclear relationship between the different CSR activities and the banks' financial performance.

Conclusions

In this thesis the impacts of different CSR activities on the financial results have been examined. A multiple linear regression analysis has been made with the help of a correlation matrix to test the different relationships. The data tested includes different CSR activities and financial results from five major banks that are based in Scandinavia and the data is collected between the years 2011 and 2015. In order to create a comprehensive analysis factors have been chosen from every CSR area i.e. economic, environmental and social responsibility. Altogether seven different CSR performance measures and three different financial performance measures have been chosen to be analyzed.

The results from the regression model show that the relationship between CSR performance and financial performance depends strongly on the independent factors. The regression results gave four different variables that are statistically significant: greenhouse gas emissions for EBIT, tax for ROE, personnel costs for ROE and personnel costs for Tobin's Q ratio. Economically significant variables were only three, namely personnel costs over EBIT, share of women in the company over ROE and employee turnover over ROE. The relationship varied a lot between positive, negative and neutral.

The qualitative data that are collected from each bank and year of the study period separately helps to make further analysis of the CSR activities performed in each bank. The qualitative data shows which activities have had an influence on which CSR performance measure and how much every bank has invested in the name of CSR. For many banks gender equality as well as environmental issues has been a large part of the CSR strategies. Even though it is clear that banks have intentions to improve their CSR performance, the qualitative data does not help in finding the connection between CSR performance measures and financial performance measures.

All in all, the initial hypothesis that there is no relationship between CSR performance and financial performance is accepted. The reason for this conclusion is that the regression results did not give a strong enough evidence to prove that a relationship existed. Neither did the qualitative data support the acceptance of the hypothesis as the different individual CSR

activities could not been proven to directly have an impact on the financial performance. The data sample used in this thesis was not large enough to make any generalizations, which is why it is too early to tell the long term effects. This is supported by Ullman (1985), who claims that there is a neutral relationship between CSR and financial performance, as the relationship is highly impacted by the CSR variables chosen to be applied in the study.

Future research

The results from this thesis did not give any significant information. Due to lack of the records of CSR reporting in Scandinavia this study is maybe done little too early. To gain more knowledge of the CSR activities' impact on financial performance in the banking sector in Scandinavia, larger data sample is needed to be collected. Thus a study like this after 5 years may show better results and a clearer pattern between CSR activities and financial results. Also CSR is generally seen as a long term investment, the outomes from CSR activities are not expected to be seen right away, which is why the study would have given a better understanding of the connection if it is done later in the future. After making this research a suggestion can be made that a similar kind of study done after 5 years will give a more accurate understanding of the connection between CSR and the financial result in banking sector in Scandinavia.

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