



UNIVERSITY OF GOTHENBURG

School of Global Studies

The Relationship Between a Governmental Investment Organization and the Concept of Sustainability

The Operationalization of Sustainability
in the Case of the Swedish Pension System

Master Thesis in Global Studies

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Abstract

This thesis aims to contribute to the understanding of how the relationship between a governmental investment organization and the concept of sustainability has effects on both national and global scales. The thesis discusses the first four funds within the Swedish Pension System, which secures Sweden's pensions through investing money retrieved from citizens' income. The thesis has one overarching research question, and three sub-research questions: *How do the first four funds within the Swedish Pension System utilize the concept of sustainability throughout their management? What definitions do the first four funds of the Swedish Pension System operate with regarding sustainability throughout their annual reports? How does the definition of sustainability provided in the Agenda 2030 correspond with the one provided in the Swedish pension system's first four funds' annual reports? What implications does the Swedish Pension System's first four funds' implementation of policies regarding sustainability have for the funds' sustainability-related goals?* Through the framework of legitimacy theory, the thesis analyzes the funds' annual reports from 2016-2019. They manage the pensions' financial aspects through elaborated strategies and investments, simultaneously as they invest in hazardous industries. Thus, along with previous research, the analysis notes a perceived contradiction within the funds where their acclaimed behavior does not instinctively match their investments. The thesis concludes that the perceived inherent contradiction, in fact, is no contradiction and that they, as governmental investment organizations, are inseparable from Swedish society. The funds arguably both are and are not sustainable while having effects on both national and global scales.

Keywords: *The Swedish Pension System, The First Four Funds Within the Swedish Pension System, Governmental Investment Organizations, Legitimacy Theory, Sustainability, Ownership Control.*

List of Abbreviations

AP – Allmänna Pensionssystemet (The Swedish Pension System)

CA – Content Analysis

CS – Corporate Sustainability

CSR – Corporate Social Responsibility

DA – Discourse Analysis

ECA – Ethnographic Content Analysis

NGO – Non-governmental Organization

SDGs – Sustainable Development Goals

SSNC – Swedish Society for Nature Conservation

UN – United Nations

WCED – World Commission on Environment and Development

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1. Introduction

Organizations are part of the economy, which in turn is part of society. How sustainable an organization is, thus, potentially affects how sustainable the surrounding society is (Diesendorf, 2000, p. 5). The individual consumer can influence societal sustainability, through day-to-day choices of how to act, what to buy, and where to travel. However, the individual consumer can only be as sustainable as the organization that provides the consumed products. Therefore, studying how organizations utilize the concept of sustainability, and how this affects their products, becomes crucial for understanding how sustainable the consumers' choice, and society as a whole, are.

When evaluating organizations' sustainability, tangible factors, such as the materials of a product, production chains, and the logistics of manufacturing, are often measured (e.g., Shen, 2014). However, organizations can be engaged in everything from selling products to investing money. Therefore, to get a comprehensive picture of different organizations' utilization of the concept of sustainability, it is just as important to investigate investment companies without tangible factors (Branco & Rodrigues, 2006, p. 233). Even though financial organizations typically are not thought of as affecting environmental sustainability, they have the potential to facilitate other industries, which, in turn, could cause environmental degradation (Thompson & Cowton, 2004, p. 199). In fact, since organizations engaging in financial investments have the potential to affect the world in an array of ways (e.g., Östergren, 2020, pp. 32-48), it is crucial to study their utilization of the concept of sustainability.

An example of such an organization is the Swedish pension system, *Allmänna Pensionssystemet AP*. The Swedish Pension system constitutes a governmental authority and investment organization that distinguishes itself from other organizations in many ways. The authority, with its seven funds, *The AP-funds*¹, does not provide any tangible products that the consumer can choose whether to buy or not. Instead, the funds invest money in corporations and industries worldwide to secure the Swedish pensions (AP-fonderna, 2020).

Everyone living and working in Sweden automatically contributes to the funds, but each funds' respective board decides where and when to invest. Consequently, the consumer cannot influence funds' decisions, but cannot pass being a contributing part of them either. So, the funds constitute an organization that the individual consumer cannot influence or affect, but at the same time, an organization that the individual both funnels money into and withdraws

¹ For clarity and legibility, the term *the funds* henceforth refers to the *first four AP-funds*. Subchapter 1.2, along with the second chapter of this thesis, elaborates on the reasons behind the demarcation and selected funds.

money from. The funds are, therefore, entangled in Swedish society, and the way they operationalize and understand sustainability is arguably an indicator of how the Swedish society does the same.

However, as pointed out by Thomas and Lamm (2012, p. 192), “while 83 % of the Global 250 companies publish annual reports on their social or environmental responsibility performance, only 64 % have actually implemented performance measurement and management systems capable of credibly tracking such performance”. Thus, there seems to be a discrepancy between organizations’ sustainability-claims and organization’s behaviors related to said claims. The discrepancy potentially problematizes the understanding of how organizations operationalize sustainability.

1.1. Aim and Research Questions

Consequently, it is crucial to clarify how governmental investment organizations, such as the funds, defines and operationalizes the term sustainability since their investments carry both environmental and social consequences (e.g., Östergren, 2020, pp. 32-48). Following that line of reasoning, along with the fact that the funds manage 1 350 billions of SEK (Ibid., p. 4), it is evident that said organizations have the potential to affect sustainability on both national and global scales in vast ways. For example, when the investments have financial implications that affect social sustainability on a national scale or environmental implications on a global scale following investments in hazardous industries.

The potential implications following the billions of SEK invested by the funds, and how the funds’ implementation and practices regarding sustainability guides these implications, are what makes a study about the funds’ sustainability relevant. Since organizations’ survival depends on societal acceptance, the sustainability of organizations potentially reveals how sustainable their surrounding societies are (Farache & Perks, 2010). The pension system here constitutes the exemplary organizational case because of its unique position as an authority through which the individual citizen indirectly supports and takes advantage of but directly cannot influence. Understanding how the funds behave and manage their assets, and what that entails, contributes to the understanding of how Swedish society regards and operates with sustainability.

As elaborated further in chapter 2, the funds are praised and acclaimed for their work on sustainability. Throughout their annual reports, the funds highlight successful examples of social (e.g., AP1, 2019, p. 31), economic (e.g., AP2, 2019, p. 34), and environmental (e.g., AP3, 2019, p. 19) sustainability. Furthermore, the funds collaborate in the Council on Ethics,

which aims at encouraging companies the funds invest in to act more sustainable. Nevertheless, these acclaims seem contradictory alongside reports such as *Fossilfria pensioner* by the *Swedish Society for Nature Conservation*, SSNC, (Östergren, 2020), which is elaborated further in chapter 4. The report brings up examples of how the funds invest in industries that are degrading to the environment as well as the surrounding societies and economies (Östergren, 2020, pp. 32-48).

The previous paragraph, along with the mentioned discrepancy highlighted by Thomas and Lamm (2012, p. 192), points to a gap and inherent contradiction between the funds' account for their behavior on the one hand, and the funds' investments on the other. It seems unclear what the term sustainability means for the funds, despite internal annual reports and external praises² that account for and recognize the funds' sustainability. Thus, this thesis gives an analytical account of the AP-funds' both theoretical definition and practical operationalization of the term sustainability.

This thesis aims to, through understanding the funds' definition and operationalization of sustainability, contribute to the understanding of how the relationship between a governmental investment organization and the concept of sustainability has effects on both national and global scales. This thesis' overarching research question is: *How do the first four funds within the Swedish Pension System utilize the concept of sustainability throughout their management?* The following three sub-research questions follow the first overarching one, and guide the analysis into answering the aim:

RQ1. What definitions do the first four funds of the Swedish Pension System operate with regarding sustainability throughout their annual reports?

RQ2. How does the definition of sustainability provided in the Agenda 2030 correspond with the one provided in the Swedish pension system's first four funds' annual reports?

RQ3. What implications does the Swedish Pension System's first four funds' implementation of policies regarding sustainability have for the funds' sustainability-related goals?

1.2. Delimitations

Before continuing with this thesis' background, presentation of data, and analysis, some aspects of delimitation are important to point out. As discussed by Harrysson and Werner (2014, p. 33), a well-functioning well-fare system's primary task is to perform what it sets out to do,

² Chapter two presents examples of the funds' external praise.

and not to question or change it. The funds, which are part of the Swedish well-fare system, have as a primary goal to get high returns on their investments to secure the Swedish pensions (AP-fonderna, 2020; Regeringskansliet, 2000), and not to make sustainable investments. To critique the AP-funds on not fulfilling their aim by not living up to certain sustainability criteria would, thus, sidestep their function.

Another concern regarding the evaluation of the AP-funds' sustainability, is that there is little attention to the fact that not everyone necessarily cares about their investments' sustainability as long as the pensions are secured. However, this thesis aims to contribute to the understanding of how the relationship between a governmental investment organization and the concept of sustainability has effects on both national and global scales by evaluating how the funds utilize the term sustainability. The level of involvement and attention given by individual Swedish citizens is, thus, irrelevant to the aim of the thesis even though it in itself would be an interesting aspect to examine in another study.

As discussed further in chapter 2, the first four AP-funds³ which this thesis revolves around are only a part of the Swedish pension system. There are two additional funds that this thesis does not discuss, and the reasons behind the demarcation are threefold. First, the first four AP-funds have the same relationship to the Swedish citizens, in the sense that they all are funded by the Swedish citizens' income while at the same time acting independently from the citizens (AP-fonderna, 2020). AP7 acts in contrast to this since the individual citizen can influence the funds' investments (AP7, n.d.). Secondly, the first four AP-funds invest in the same kinds of industries, in contrast to AP6, that only invest in unlisted assets (AP6, n.d.). Thirdly, the first four AP-funds cooperate in the Council on Ethics, and themselves distinguish themselves from the other two funds (Council on Ethics, 2020).

The last aspect of delimitation essential to point out before continuing with this thesis concern the language of one of the central concepts. The Swedish translation and equivalent to the noun sustainability is *hållbarhet*. The Swedish Academy defines the Swedish version of the adjective sustainable, *hållbar*, as "som inte går sönder el. förstörs" (Svenska Akademien, 2020), which translates into that which is unbreakable or indestructible. As the funds are Swedish authorities, Swedish is the language that the funds use in their annual reports. Therefore, this thesis uses the term sustainability synonymous with *hållbarhet*.

³ Chapter three consist of an elaborate description of all of the funds within the Swedish Pension System.

1.3. Relevance to Global Studies

The relevance of analyzing the AP-funds' sustainability is high within the field of Global Studies. The funds invest money all over the world, for example in coal industries in Secunda, South Africa (Östergren, 2020, p. 32), in mining industries in Cererjon, Colombia (Ibid., p. 40), and oil industries in Karachaganak, Kazakhstan (Ibid., p. 50). Thus, the funds' investments have global implications and consequences, even though the organization, system, and finances are highly national. Understanding how the relationship between a governmental investment organization and the concept of sustainability has effects on both national and global scales is, thus, of global relevance.

To keep the thesis within the field of Global Studies and not the field of, for example, Human Resources, an additional important delimitation concern the type of sustainability that the thesis aims at capturing. The AP-funds, as organizations, have internal policies devoted to sustainability within the individual organizations. If this thesis aimed to cover every possible aspect of sustainability or to investigate internal company policies regarding workplace environment or personnel, the internal policies would be of interest to analyze. However, since this thesis does not concern business or work-related questions, the subject is not discussed further.

The United Nations presented *Agenda 2030* in 2015, which contains 17 *Sustainable Development Goals, SDGs*⁴ (United Nations, 2020). The SDGs are “an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests” (Ibid.). Sustainability is the term underlying all of these goals, whether social, environmental, or economic.

For global collective action on an international scale concerning the SDGs, the individual countries on a national scale must know how to position themselves towards sustainability. Therefore, it is relevant to see how a developed country such as Sweden, which itself states that it is sustainable (Swedish Institute, 2018), operates regarding sustainability. A

⁴ This footnote constitutes a list of the Sustainable Development Goals since a further elaboration about them follows in chapter six: 1. No poverty, 2. Zero hunger, 3. Good health and well-being, 4. Quality education, 5. Gender equality, 6. Clean water and sanitation, 7. Affordable and clean energy, 8. Decent work and economic growth, 9. Industry, innovation, and infrastructure, 10. Reduced inequalities, 11. Sustainable cities and communities, 12. Responsible consumption and production, 13. Climate action, 14. Life below water, 15. Life on land, 16. Peace, justice, and strong institutions, 17. Partnerships for the goals (United Nations, 2020).

study about how a governmental investment organization highly entangled in Swedish society tackles this balancing is, thus, of global relevance.

1.4. Outline of the Thesis

The remainder of this thesis is structured as follows: the second chapter covers the necessary background information about the Swedish Pension System and the AP-funds. The third chapter situates the thesis within its theoretical framework, legitimacy theory, and key concept, sustainability. The fourth chapter presents an overview of the previous research. The fifth chapter describes the methodology, with the research design, the method of analysis, an account of the research process, and some ethical considerations. The sixth chapter contains the results along with the theoretical analysis. The seventh chapter discusses and contextualizes the results before the eighth chapter presents the thesis' concluding remarks, along with suggested further research.

2. Background – The AP-funds

This chapter presents the Swedish Pension system, which consists of two parts: the income pension and the premium pension. The income pension consists of five, from each other and towards the government, independent state authorities called the AP-funds: AP1, AP2, AP3, AP4, and AP6 (Regeringskansliet, 2000). The reason for the first four funds' division, despite their similarities, is to spread the potential risks that their investments bring (AP1, 2017, p. 10). There is no AP5, and AP6 only invest in unlisted assets and does not have any financial out- or inflows to the rest of the pension system (AP6, n.d.). The premium pension consists of AP7, which is the part of the pension that the individual citizen can influence (AP7, n.d.).

Each of the first four AP-funds consists of a board with nine members responsible for the respective funds' management and organization (Regeringskansliet, 2000). The members have to be Swedish citizens and are appointed by the government based on competence. The choice of members aims at representing perspectives from both employers and employees. Since this thesis revolves around the first four AP-funds, which all have the same mentioned function, structure, and organization, the thesis does not discuss the remaining two funds, AP6 and AP7, further.

The ultimate goal of the four first AP-funds is to secure the buffer capital and to distribute current and future pensions. If the sum collected from the income of current workers is less than the current pension demand, the system withdraws money from the funds' buffer capital. Likewise, if the sum required for the pensions is less than what is collected by the

workers, money is funneled back into the funds. Financial exchanges with the funds follow, for example, demographic factors such as many people retiring at the same time.

In 2000, *Finansdepartementet*, Ministry of Finance, issued a law regarding the funds: *Lag (2000:192) om allmänna pensionsfonder (AP-fonder)*. The law constitutes and declares the framework from which the AP-funds within the income pension work. Apart from the law containing general provisions of behavior, paragraph 1 a § in Chapter 4 explicitly includes a passage stating that the funds should have a sustainability-perspective.

“Första–Fjärde AP-fonderna ska förvalta fondmedlen på ett föredömligt sätt genom ansvarsfulla investeringar och ansvarsfullt ägande. Vid förvaltningen ska särskild vikt fästas vid hur en hållbar utveckling kan främjas utan att det görs avkall på målet”

paragraph 1 a § in Chapter 4 (Regeringskansliet, 2000)

“The First–Fourth AP-Funds must manage the assets in a representative way through responsible investments and responsible ownership. In the management, special emphasis should be placed on how sustainable development can be promoted without compromising the goal.”

(authors’ translation)

The paragraph above is an addition to the law, which took effect on the first of January 2019, intending to increase the funds’ work regarding sustainability. However, the law does not specify what *föredömligt*, representative, entails, and leaves this up to each fund to interpret (AP1, 2018, p. 18).

Along with the law cited above, the first four AP-funds collaborate in what is called *The Council on Ethics* (Council on Ethics, 2020). The collaboration started in 2007 with the aim to improve the funds’ work concerning ethics and the environment. Amongst other things, the council encourages companies to have guidelines and strategies in place to address sustainability. The council’s proclaimed advantage is both that it enables the funds to become more cost- and time-efficient, and that the potential influence from the funds’ are enhanced if their assets are combined.

There are many examples of the first four AP-funds efforts and strives towards economic, social, and environmental sustainability. The AP1 is included in the “Hall of Fame” by the *International Campaign to Abolish Nuclear Weapons* and the Dutch organization *Pax* as an example of an organization that avoids investments in nuclear weapons industries (AP1, 2019, p. 31). The UN organ *Principles for Responsible Investments* have a *Leaders Group*, where the selected members promote exemplary behavior concerning different themes. Both

AP1 and AP2 are selected members for 2019 when the theme was “investors’ choices and follow-up of external managers in venture capital and listed shares” (Ibid.; AP2, 2019, p. 6). AP3 strives to work according to the guidelines provided by the *Task Force on Climate-related Financial Disclosures*, which includes the management of climate-related opportunities and risks (AP3, 2019). AP4 is, along with other investors, working actively to advocate globally-listed companies to act according to *Women’s Empowerment Principles*, which aims to give men and women equal conditions and opportunities in the workplace (AP4, 2019, p. 43).

However, despite the Council on Ethics and the fact that the funds both cooperate and work independently on sustainability-policies, they invest millions of SEK in harmful industries (Östergren, 2020, pp. 4-5). Two examples are the previously mentioned coal power plant Sasol in Secunda, South Africa, and the coal mine Cerrejón in La Guajira, Colombia. Sasol emits more greenhouse gases than the whole of Sweden combined and is harmful to the environment and the people working there (Ibid., pp. 32-39). Cerrejón produces over 33 million tons of coal per year, which in production alone omits over 1,1 tons of greenhouse gases and has caused unusable soil, and sickness (Ibid., pp. 40-48).

Thus, there seems to exist an inherent contradiction within the funds: they acclaim and get praises for their work regarding sustainability but simultaneously invest in industries regarded as contributing to the opposite of sustainability. Even though the funds have both individual and collaborative strategies of how to be sustainable, sustainability as a concept remains ambiguous, and even though the funds proclaim that they strive towards sustainability, it is not as evident what this entails.

3. Theoretical Framework

This chapter presents the theoretical framework of this thesis, which is grounded in *legitimacy theory* and the concept of *sustainability*. According to the reasoning by Gray, Kouhy, and Lavers (1995, p. 49), there are no such things as descriptions free from values or theories, and the argumentation in this thesis is no exception. It is, thus, essential to remember that the analysis and subsequent conclusions in this thesis spring from the theoretical framework that I judged suitable for its aim.

Legitimacy theory constitutes a suitable theoretical framework for this thesis because of the theory’s emphasis on perception. Legitimized perception is relevant due to the previously mentioned gap between the funds’ account of sustainability and the funds’ behavior since this arguably is *perceived* as a gap. Sustainability constitutes a suitable concept for this thesis as a heuristic that indicates and points out the normative goals of the funds. Legitimacy theory

potentially reveals how the funds use sustainability-parameters to legitimize behaviors, as they are organizations depending on society's approval for survival. In extension, analyzing the reports through the framework of legitimacy theory leads into meeting the thesis' aim of contributing to the understanding of how the relationship between a governmental investment organization and the concept of sustainability has effects on both national and global scales.

This thesis' use of theory has an inductive approach, where the collected data determines its analytical outcomes. However, the thesis' starting point is deductive, and the thesis does not aim at generating any new theory. In other words, the theoretical concepts constitute the framework through which the thesis' is approached and discussed, but does not limit the findings' interpretation.

3.1. Legitimacy Theory

Like many other concepts, researchers often use *legitimacy theory* with an inadequate definition (Suchman, 1995, p. 572), and this subchapter tries to give some clarity to how this thesis defines and uses the theory. As Deegan (2018, p. 161) describes the use, legitimacy theory “[...] has been used to explain voluntary disclosures that are made within corporate annual reports or other stand-alone reports such as corporate sustainability reports”. Organizations ensure their existence through operating within, or at least through being perceived as operating within, society's contemporary norms and values (Branco & Rodrigues, 2006, p. 236; Farache & Perks, 2010, p. 236). Legitimacy theory is a *positive theory* (Deegan, 2018, p. 165), which means that it, in an as value-free way as possible, strives to explain facts about organizational behavior. Positive theories stand in opposition to *normative theories*, which, in a more value-laden way, strives to state how organizational behavior should be: what is versus what should be.

In other words, within legitimacy theory, norms and values guide the relationship between society and corporations. Society contains various resources up for allocation between and among different instances. In order for organizations to utilize the society's systems and resources, organizations need legitimacy (Dowling & Pfeffer, 1975, p. 123). As Deegan (2018, p. 167) points out, organizations do not have an inherent right to any resources at all. The survival of organizations depends on their behavior and what that behavior signals in terms of norms and values. Thus, the focal point for organizations becomes the perceived legitimacy (Deegan, 2018, p. 163), which does not necessarily correspond to how they act.

If the perceived behavior from an organization does not correspond with how the society believes that the organization *should* act, the situation results in a *legitimacy gap* (Deegan, 2018,

p. 163). If society questions the organizations' behavior and thereby its legitimacy, the organizations risk losing their allocated resources. In order to avoid or fill the gap, legitimacy theory suggests that organizations would change if the community the organization is a part of changed their expectations (Ibid.).

Legitimacy theory is sensitive to time and perceptions of truth, so what is legitimate can shift between one time and another (Deegan, 2018, p. 163). Organizations can, thus, lose their standard as legitimate if, for example, society changes quicker than the organization manages to adjust, or if media reveals previously unknown information about the organization. Since legitimacy depends on perceptions, these revelations do not have to be true to have a potential effect on legitimacy. Thus, external factors can threaten an organization's legitimacy even though the organization acts according to the contemporary norms and values of society.

There are three main legitimacy categories: "*pragmatic*, based on audience self-interest; *moral*, based on normative approval; and *cognitive*, based on comprehensibility and interpretability" (Suchman, 1995, pp. 571-572). These categories are often sought-after by all organizations, even though not all of them obtain and/or maintain them (Ibid., p. 586), which is why it is a useful categorization for this thesis.

Organizations deal with these three categories in three stages. The first one is *gaining* legitimacy, and concerns either new organizations creating new objectives and fields, or new organizations making their way through previously existing fields (Suchman, 1995, p. 586). The second one is *maintaining* legitimacy and is arguably the easiest of the three steps (Ibid., p. 593). It concerns organizations' both safeguarding of previous endeavors and identifying of potential changes. The third one is *repairing/regaining* legitimacy, which has some parallels to the first step of gaining (Ibid., p. 597). However, regaining is reactive rather than proactive and is often a result of unforeseen changes or crises which have shifted the society's perceptions.

This thesis' arguments and structure springs from the perception of the funds, in many regards, as already being legitimate. The funds' focus is, therefore, not to regain legitimacy, resulting in a lesser focus on that category throughout this thesis. The assumption that the funds' maintain legitimacy rather than gaining or regaining stems from the fact that they are organizations that currently work within society. They are neither trying to become a part of society nor is the notion of removing the Swedish pension system currently on the public agenda.

The sociologist Mark Suchman (1995, p. 600) puts forth a scheme, *Figure 1*, demonstrating the main categories and stages of legitimacy theory. The scheme in Figure 1

(Ibid.), presents the three categories of *pragmatic*, *moral*, and *cognitive* legitimacy, along with the summarizing and overarching *general* category.

Figure 1: The Categories of Legitimacy

	Gain	Maintain	Retain
General	-Conform to environment -Select environment -Manipulate environment	-Perceive change -Protect accomplishments	-Normalize -Restructure -Don't panic
Pragmatic	-Conform to demands -Select markets -Advertise	-Monitor tastes -Protect exchanges	-Deny -Create monitors
Moral	-Conform to ideals -Select domain -Persuade	-Monitor ethics -Protect propriety	-Explain/justify -Disassociate
Cognitive	-Conform to models -Select labels -Institutionalize	-Monitor outlooks -Protect assumptions	-Explain

(Suchman, 1995, p. 600)

3.2. Sustainability

The concept of sustainability is increasingly getting included in organizations’ decision-making processes and strategies (Thomas & Lamm, 2012, p. 192). Organizations are accordingly diligent on their sustainability reporting (e.g., Ball, Grubnic, & Birchall, 2014; Farache & Perks, 2010), a trend the funds follow. However, the question of how organizations’ should reach sustainability is contentious (e.g., Dumay, Guthrie, & Farneti, 2010). Even though organizations report their sustainability, there is much academic literature published about the ambiguous definitions of sustainability as a concept (e.g., Banerjee, 2003; Basiago, 1995; Howarth, 2007).

Sustainable development and *sustainability* are not synonymous concepts, even though the use of the terms often are intertwined and without clear delimitations. It is not the same to sustain and to develop something (Ramsey, 2015, p. 1084), so even though sustainability is a central part of sustainable development (e.g., WCED, 1987), sustainability does not necessarily include development. With this in mind, discussing existing literature using both, or either, concepts potentially contributes to the definition of them both separately. So, in order to define and delineate what sustainability entails, the concept of sustainable development is also relevant. This thesis does, however, deliberately avoid focus on the development part of sustainable development since that aspect does not correspond with funds core activity.

The so-called *Brundtland Report* by the *World Commission of Environment and Development* (1987) remains the most cited source regarding sustainability and sustainable development throughout most of the existing literature regarding sustainability (e.g., Ball et al., 2014, p. 1010; Howarth, 2007, p. 657; Ramsey, 2015, p. 1078). The Brundtland Report defines *sustainable development* as “[...] a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development; and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.” (WCED, 1987). The *needs* that the report refers to as factors such as a well-functioning economy, a fair society, and a thriving environment (Diesendorf, 2000, p. 3).

The ambiguity of the concept of sustainability and its inherent both scientific and ethical qualities allows the user to angle the use of the term to whatever favor desired. That exact reason also makes the use of sustainability available for the funds, and any other organization, without further specification. Even though there are no unambiguous definitions about what exact criteria sustainability entails, there is a consensus about these social, economic, and environmental aspects. A seemingly central principle of sustainable development is the combination of economic development and environmental protection (Banerjee, 2003, p. 169; Basiago, 1995, p. 110; Gibbs, Longhurst, & Braithwaite, 1998, p. 1352).

The SDGs and Agenda 2030 (United Nations, 2020), mentioned in subchapter 1.3., does not provide an explicitly stated definition of the word sustainability. However, the Agenda 2030 states that the SDGs “[...] are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental.” (United Nations, n.d.-b). Furthermore, the SDGs “[...] recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests” (United Nations, 2020). Thus, their definition highlights social and economic well-being as important aspects while tackling environmental challenges and strives.

The SDGs are part of all the first four funds’ frameworks regarding sustainability, and the definition of sustainability, which this thesis compares the results to, thus, stems from the Agenda 2030. The UN, and its Agenda 2030, is a collaboration between countries on an international level (United Nations, 2020), which makes their definition of sustainability relevant on both a global and a national scale. Since the thesis aims at contributing to the understanding of how the relationship between a governmental investment organization and the concept of sustainability has effects on both national and global scales, it is essential to evaluate sustainability through definitions applicable even outside of Sweden. Already in the title of the

Sustainable Development Goals, it becomes apparent that the goals and the Agenda 2030 revolve around sustainable development rather than general sustainability. Thus, the definition that the thesis refers and relates to is primarily concerned with sustainable development. However, as explained previously in this subchapter, their focus on sustainable development does not deteriorate the use of the definition regarding sustainability.

4. Previous Research

This chapter presents a selection of arguments from the wide array of published previous research regarding organizational accounting, legitimacy theory, and sustainability, and concludes with this thesis' associated contribution. This chapter does not intend to critique or discourage the arguments from the previous research. Instead, the intention behind the presentation of previous research is to support and give consistency to the arguments in the subsequent analysis. Thus, each study mentioned in this chapter contributes valuable insights to subjects touched upon throughout the thesis, and the previous research inspires some of the thesis' prominent arguments.

In a study about local authority policies on sustainable development in England and Wales, Gibbs et al. (1998) conclude that the combination of economic development and environmental protection becomes contradictions in practice. Even though this thesis does not concern local authority policies, the funds' management constitutes an example of that proposed contradiction since the funds' economic objectives not indistinctively corresponding to certain environmental concerns.

Gibbs et al. (1998, p. 1352) argue that defining and operationalizing sustainability is crucial since it arranges the integration of the environment and the economy. Based on a survey followed by case-study interviews, Gibbs et al. (1998, p. 1352) conclude that there are substantial contradictions between the policies for the environment and economic development. The explanation provided is that the term *the environment* has various interpretations, which affect its implementation. The previous reasoning is also applicable to the funds since their interpretation of sustainability determines how they act, which, in turn, can affect the integration between the environment and the economy.

When the internal communication regarding questions about environmental and economic policies is lacking, it results in ambiguous implementation (Gibbs et al., 1998, p. 1362). In other words, the study shows that traditional structures of when and where to implement sustainability limit sustainability's broader use and interpretation since people talk past each other in the definition. Although the article does not focus on specific organizations

or investments, the conclusions about the importance of unambiguous definitions of terminology are crucial for this thesis. The study highlights the importance of clarifying concepts before use and emphasizes the potential problems of combining economic aspects with social and environmental ones.

In a study about Corporate Sustainability (CS), van Marrewijk (2003, p. 99) argues that organizations use CS practices for one of three reasons: they want to, feel forced to, or are obligated to. The three reasons that van Marrewijk (2003) present is what makes the study relevant for this thesis since the funds arguably tick all of these three boxes, even though the specific criteria are vague. Arguably, the funds feel forced to report their behavior if they want to act transparently and according to the law. The funds probably also feel obligated to do so by society and to be perceived as an ethical organization with a high level of legitimacy, they probably also want to.

Both van Marrewijk (2003, p. 96) and a study by Farache and Perks (2010, p. 235) discuss how organizations often use Corporate Social Responsibility (CSR) aligned with preexisting interests and objectives. For example, Farache and Perks (2010) argue that organizations increasingly use CSR advertisements to gain legitimacy, which means that organizations respond and adapt to public opinions and pressures and report accordingly. Organizations advertise messages that are both denoted with explicit aspects and connoted with symbolic aspects (Ibid., p. 239). Farache and Perks (2010) show that the categories and framework provided by legitimacy theory enables an evaluation of if organizations advertise denoted or connoted messages. Even though this thesis does not concern CSR, the discussions about how organizations advertise CSR to gain legitimacy is relevant since it concerns organizations advertise and promote behavior.

Central for Farache and Perks (2010) and their study's main contributions to this thesis are the emphases on how organizations depend on society's acceptance to survive and how the advertisement is implicit and explicit. The way the funds report their behavior concerning sustainability, as presented in chapter six, is arguably also a sort of advertisement. Thus, discussions about how organizations advertise and account for behaviors are relevant for the thesis since they provide insights into how to evaluate the funds' behavior and perceived legitimacy. The thesis revolves around the funds' published reports and, thus, includes the dynamic and reflexive aspect of how the funds arguably want to be perceived.

In a study elaborating on the relationship between CSR and transparency, Dubbink, Graafland, and Liedekerke (2008) reflect on how to design and create transparency policies to enhance CSR policies. In a transparent organization, the involved stakeholders have access to

relevant insights with easily accessed information. Transparency is, thus, a prerequisite for successful CSR, but rather than changing facts to achieve transparency, companies sometimes try to change the surrounding's perceptions (Ibid., p. 391). Along that line of reasoning, the funds' accounted behavior does not necessarily cover every aspect of their management. Therefore, the crucial notion put forth in the study by Dubbink et al. (2008) is that transparency is not always what it is perceived to be and that transparency and perception are closely related.

Branco and Rodrigues (2006) conducted a study concerning Portuguese banks, CSR, and accounted behavior. The authors analyzed how the banks report social responsibility through their websites and how this reporting corresponds with the banks' annual reports. Similar to van Marrewijk (2003, p. 96) and Farache and Perks (2010, p. 235), Branco and Rodrigues (2006, p. 237) found that organizations tend to report those issues that are closest related to their area of focus. In the case of the funds, that finding suggests that the funds would angle their account of behavior aligned with their objectives. Even though the funds are not banks, they constitute financial organizations, and the findings from Branco and Rodrigues' study, therefore, constitute another useful comparison to the funds' accounting.

Even though the financial sector does not explicitly focus on environmental aspects, which, for example, manufacturing companies do, Branco and Rodrigues (2006) argue that it can have equally grave consequences on the environment. The authors refer to legitimacy theory and conclude that banks with more visibility concern themselves more with their public image than those with lesser visibility. The study's method is limited to a small sample, the Portuguese banks' annual reports. The study by Branco and Rodrigues (2006) has a similar sample as this thesis, which suggests that the material is sufficient for the upcoming analysis.

In a study examining environmental disclosures through webpages, Patten and Crampton (2003) argue that the view that the Internet would increase corporate accountability is an overly optimistic one. The study argues that the Internet is used more and more as a medium to disclose accountability in varying forms and analyzes environmental disclosures in annual reports and webpages from 62 organizations in the US.

The analyzed organizations devoted less space to environmental disclosure in their annual reports than on their websites, and the information provided in the latter often excluded negative aspects (Patten & Crampton, 2003, p. 51). Thus, the easily accessed websites contained more information regarding the banks' environmental management, and also presented the information in a way downplaying negative aspects. This thesis is as local to Sweden as Patten and Crampton's study is to the US. However, the study offers valuable

insights into how annual reports can disclose information inconsistent with what the organization chose to account for in other channels.

The study by Patten and Crampton (2003) finds that organizations use the Internet to achieve legitimacy rather than striving for accountability. With the results, the authors imply that organizations sometimes account for their behavior intending to strive for legitimacy rather than accountability. Even though this thesis does not analyze information published through other channels than the funds' annual reports, the questioning regarding the objectives behind the accounted behavior is interesting concerning the funds. In the case of the funds, however, their main objective is neither legitimacy nor accountability, but to secure long-term high returns.

In January 2020, *Naturskyddsföreningen*, the Swedish Society for Nature Conservation (SSNC), published a report where the author analyzed the AP-funds' investments from an environmental sustainability perspective (Östergren, 2020). The report investigates how compatible the funds are to the *UN Paris Agreement*, which the funds all explicitly support, and questions the realization of the funds' adaptation to the law (2000:192). The Paris Agreement is an agreement by the United Nations recognizing "the need for an effective and progressive response to the urgent threat of climate change based on the best available scientific knowledge" (United Nations, n.d.-a). In the SSNC report, the author states several examples of the funds' investments in harmful industries, and since the SSNC is the largest environmental NGO in Sweden, the primary sustainability-focus of the report concern environmental aspects. However, the report exposes problematic areas concerning the funds' investments. It also raises questions concerning how to interpret the funds' behavior and is valuable to this thesis through its reliability of the SSNC being the publisher.

4.1. This Thesis' Contribution

The focus on environmental aspects in the SSNC report (Östergren, 2020), results in a lesser focus on other sustainability aspects, even though the report also mentions social aspects such as human suffering. Depending on objective and agenda, the funds' behavior is up for various aspects of interpretation, and this thesis complements the report from SSNC with a view of the funds' operationalization of sustainability that is not limited to environmental aspects.

The potential discrepancy that arises when combining economic development with environmental protection showed by Gibbs et al. (1998, p. 1352) supports this thesis' initial argument about the seeming inherent contradiction between the funds' accounted behavior on the one hand, and their investments on the other. The study by Gibbs et al. (1998) shows that

since sustainability arranges the combination of economic and environmental aspects, it is crucial to define the sustainability concept. This thesis aims to contribute to the understanding of how the relationship between a governmental investment organization and the concept of sustainability has effects on both national and global scales. The arguments put forth by Gibbs et al. (1998) about defining sustainability to understand its implications are, thus, highly relevant for the thesis.

Additionally, as shown by the studies by Patten and Crampton (2003) and Branco and Rodrigues (2006), organizations tend to report and advertise important behaviors through annual reports and documents available on the Internet due to the easily accessed medium it is. However, the study by Patten and Crampton (2003) emphasizes the potential shortcoming with having self-accounted behavior as a foundation for evaluating their legitimacy since, as concluded by Dubbink et al. (2008), accountability is not the same as legitimacy, which gives reason to evaluate the funds' accounted for behavior.

Following the funds' perceived gap and inherent contradiction mentioned above, another crucial aspect that this thesis discusses concerns the transparency of how funds account for their behavior. Dubbink et al. (2008) provide valuable arguments to the thesis about how it may not always be evident what transparency entails. The arguments put forth by Farache and Perks (2010, p. 235), van Marrewijk (2003, p. 96), and Branco and Rodrigues (2006, p. 237), suggest that *what* organizations choose to report on and account for, seems to be the topics that the organizations themselves regard as focus areas. Thus, this thesis discusses whether or not the funds change their *behavior* in order for the public to perceive them as transparent or change the way they *account* for their behavior in order for the public to perceive them as transparent.

This thesis refers to the definition of sustainability that Agenda 2030 provides, and relates this to how the funds themselves utilize the concept of sustainability. To bridge the previously mentioned gap and inherent contradiction between how the funds account for their behavior on the one hand, and their investments on the other, this thesis complements the previous research with an analytical account over the AP-funds' utilization of the sustainability concept throughout their annual reports. This thesis aims to contribute to the understanding of how the relationship between a governmental investment organization and the concept of sustainability has effects on both national and global scales, and the findings from the previous research situate the thesis between the discussions about sustainability research and sustainability reporting.

5. Methodology and Research Design

This chapter elaborates on this thesis' research design, selection and collection of data, and subsequent method of analysis. The chapter ends with an account of the research process, together with ethical considerations and positionality. This thesis constitutes a *case study* of the Swedish Pension System, which means that the thesis' study aims to "generate an intensive examination of a single case" (Bryman, 2016, p. 64). The case is not an event or a single actor, but the Swedish Pension System's first four AP-funds.

5.1. Documents

This thesis' data comes from the first four AP-funds' annual reports⁵, retrieved from the funds' respective websites, and constitute of 16 reports, four from each fund. Annual reports constitute the primary tool through which companies interact with their stakeholders (Branco & Rodrigues, 2006, p. 232), and hold a higher degree of credibility than other documents (Ibid., p. 235). Since this thesis aims at contributing to the understanding of how the relationship between a governmental investment organization and the concept of sustainability has effects on both national and global scales, through understanding the funds' definition and operationalization of sustainability, it is valuable to investigate how the funds themselves report on sustainability. Other sources of information or reports published by other institutions or people would run the risk of the material misrepresenting the funds' intentions and are, thus, not included.

In order to ensure that the material is relevant and up-to-date, this thesis studies the annual reports published during the four years of 2016, 2017, 2018, and 2019. The funds published one report per year, which made the total number of documents analyzed for this thesis 16. The time frame of four years puts natural restraints on the number of collected annual reports. However, even though the funds only publish one annual report per year, the reports published are lengthy and informative. Additionally, since what is considered legitimate is context- and time-dependent (Deegan, 2018, p. 163), having a too broad time frame for the documents would risk the analysis concerning legitimacy to be deceptive. Another reason for deeming four years as an appropriate time frame is the repetitive nature of these reports. Analyzing more of the same is not likely to contribute with any new conclusions related to the thesis' purpose. The appendix at the end of the thesis contains information about the funds' 16 annual reports, and where to find them.

⁵ The term *the report/s* henceforth refers to the funds' *annual reports*.

The funds present their reports differently, and in addition to their annual reports, some of the funds have separate reports on, for example, the climate and human rights. For example, AP2 publishes several reports each year, whose content often overlaps where they discuss many of the same aspects (AP2, 2016, p. 29). I, thus, had to delimitate what documents to use, and why. The advantage of including every document from each fund during this period would be the extensive amount of data. However, this would also result in some funds getting more extensive representation and accounting than the others, which I deemed inappropriate. The only report that the funds all had in common was the annual reports, which is why I chose to limit the data to those. The choice to only include the annual reports are relevant and comprehensive for their purpose, and this thesis, thus, overcomes the critiques of temporal and selective limitation through keeping to the proposed aim.

5.2. Discourse Analysis

Many of the studies mentioned in the previous research have methodology combining coding and content analysis (e.g., Branco & Rodrigues, 2006; Patten & Crampton, 2003). The regular *content analysis (CA)* aims at quantifying data, and the *ethnographic content analysis (ECA)* focuses on the meaning behind the data (Bryman, 2016, p. 285). A prominent advantage of both CA and ECA is identifying patterns and themes in the collected and coded data. The ECA would have been a suitable method of analysis if the thesis aimed at analyzing the written text regardless of its context (Altheide & Schneider, 2013, p. 24; Bryman, 2016, pp. 563-567). However, this thesis' aim demands a more dynamic approach, which analyzes both the written text and the surrounding context.

In order to meet the aim, the thesis has to investigate both the funds' linguistic reading of sustainability and said readings' practical implications in society. Even though part of the analysis consists of evaluating patterns and themes, the more significant part consists of discussing the material in its context. Therefore, this thesis uses the *discourse analysis (DA)* (Bryman, 2016, p. 532) for the analysis, and not CA. Bryman (2016, p. 531) refers to the philosopher Michel Foucault (1926-1984) and the notion that a discourse is a denotation of how an object is related to certain linguistic categories, and what connotations this implies. The advantage of the DA is, in line with Foucault's reasoning, that it is tentative to linguistic aspects of the texts, and focuses on the relationship between the text and the context.

5.2.1. Coding

Coding (Bryman, 2016, p. 245) is the method through which this thesis sorts out the collected data to perform the discourse analysis. *Nvivo* (Ibid., p. 604) is the program used to conduct the coding since it enables the classification of the data into main- and subcategories. The advantage of using *Nvivo* despite the thesis' qualitative character, is how easy it is to divide the material into codes, and how easily accessible these codes and categories are for analytical purposes.

I formulated the main categories through the legitimacy theory's three primary factors of evaluation. The first category, *cognitive legitimacy*, concerns sustainability in terms of operationalization and objectives. The second category, *pragmatic legitimacy*, concerns sustainability in terms of benefit and profit. The third category, *moral legitimacy*, concerns sustainability in terms of norms and values. The use of legitimacy theory, thus, guides the initial and deductive approach to the coding and subsequent analysis. These three categories are part of the *pre-coding* approach (Bryman, 2016, p. 244) since their formulation occurred before the start of the analysis. The advantage of pre-coding is that it gives the analysis a structured starting point that outlines the research.

To perform a more in-depth analysis of the coded material, I combined these pre-coded overarching categories with *post-coded* (Bryman, 2016, p. 244) subcategories, which means that I created new categories along the way. Thus, the material in each of the three main categories was post-coded and classified into subcategories to identify deeper structures. The advantage of combining the post-coding with the pre-coding is that it prohibits preconceived ideas and presumptions to decide what categories the analysis, in the end, consists of, and instead lets the collected data decide.

Only using pre-coded categories would run the risk of losing interesting aspects of the subject that the initial main categories do not include. Conversely, adding post-coded categories to the data runs the risk of irregularly interpreting the data when introducing some codes later than others. However, to comply with the aim of this study, the risk of the latter is of lesser importance than the first one. In order to achieve an enhanced understanding, the research demands a dynamic approach that allows the analysis to go further than its initial framework. To only use the pre-coded categories would risk preventing the thesis of fulfilling the aim.

5.3. Account of the Research Process

I started this thesis' research process by reading the SSNC report, *Fossilfria pensioner* (Östergren, 2020), which inspired my research problem and subsequent research questions.

After formulating the aim of the thesis, I created the and background chapter that outlines necessary information about the Swedish Pension System and the AP-funds. The funds' websites and annual reports provided the necessary information to give an adequate account of what I deemed valuable for the reader to know before reading the analysis.

After the introduction and background, it was time to decide on a theoretical framework. Simultaneously as I read previously published works on the subject, I identified the concepts and theories which were frequently occurring throughout the literature. Thus, after the literature review, I decided on what theoretical framework and methods of analysis were appropriate for the thesis to reach its aim. After outlining the first four chapters, it was time to gather the data needed to start with the presentation of results and the following analytical discussion. I downloaded the funds' 16 annual reports from the funds' respective websites, which all were clear and simple with easy access.

After collecting the 16 annual reports, I began with the coding simultaneously as I conducted the interviews. The text under subheading 5.3.1., gives an account of the interview process, and is not elaborated further here since the interviews did not result in any material presented in the thesis. The software program Nvivo enabled me to collect and sort all of the 16 reports in one place. As mentioned under subheading 5.2.1., I began the coding by inserting the overarching categories of cognitive, pragmatic, and moral legitimacy into Nvivo. Nvivo enabled me to code the annual reports into suitable subcategories, and I created a new category every time a thought or notion specific to a particular category appeared. To avoid giving one fund more attention than another, I read the reports one year at a time, and not one fund at a time. I started with the reports from 2016 to enable the codes to adjust to the funds' assumed development and, thus, read the reports from 2019 last.

The next step in the research process concerned this thesis' presentation of results. I arranged the results in chapter six, according to the three research questions presented in subchapter 1.1., and chose those most prominent categories identified through the coding as subheadings to each research question. Due to the reports' extensively informative nature, the results and coded categories I present in chapter six, thus, constitute a selection based on what I perceived relevant. After noting the aspects from the codes I deemed necessary to include in the thesis, it was time to connect the results and analysis to the contextualizing discussion.

The discussion contextualizes the results and connects the findings to this thesis' overarching research question and aim. After that, the eighth and final chapter ends the thesis with some concluding remarks, along with proposed future research. The last step of the

research process constituted creating chapter five, and this subchapter, which accounts for the thesis' methodology.

5.3.1. Interviews

To complement the data collected through the annual reports, I conducted three interviews with representatives from the first four AP-funds. After looking through the funds' websites, I contacted the people I wanted to interview based on their perceived competence regarding sustainability. The interviewees were from different funds, and the reason for not interviewing someone from each fund is because the people I contacted from one of the funds were unable to participate. However, the fact that one fund was unable to contribute with an interview does not raise concerns regarding the validity of the material since the interviews functioned as a complement to the annual reports, and not as sources for quotes or statements. The interviews' purpose was to clarify and develop the information from the 16 reports that I already had gathered. It is possible to argue that this makes the account of the interviews unnecessary. However, the interviews were a central part of the research process, although they were complementary and did not result in explicit data presented in the analysis.

The interviews were *semi-structured* (Bryman, 2016, p. 201), which means that the interviewees were asked open-ended questions from an interview guide, which urged the interviewees to elaborate further. The selected method for the interviews is suitable for clarifying the information since it enabled the interviewees to elaborate on what they thought appropriate. If the interviews would have been the primary source of data, a structured interview guide that would not allow the interviewee to leave the topic had been better for credibility.

The offices of the first four AP-funds have their offices located in different cities, which puts natural restraints on the availability to conduct traditional face-to-face interviews. The Corona-virus, which demands that people avoid unnecessary contact, also limits the opportunities to conduct traditional interviews. Interviews face-to-face would have been preferable since non-verbal communication is valuable for transparency and harder to perceive through telephone. However, since interviews can be carried out over the phone in isolation and regardless of location, all of the interviews were carried out by telephone.

5.4. Ontological and Epistemological Approaches

The *ontological* approach to research concerns "the nature of social entities" (Bryman, 2016, p. 28). The *epistemological* approach concerns "what is (or should be) regarded as acceptable knowledge in a discipline" (Ibid., p. 24). This thesis' ontological approach aims at

analyzing the construction and perception of a particular aspect of society. The thesis' epistemological approach aims at understanding what this knowledge entails and implies.

The DA gives this thesis an epistemological *anti-realist* approach (Bryman, 2016, p. 531), which rejects the possibility of a definitive depiction of an external reality. The DA has the ontologically *constructionist* approach (Ibid., p. 29), which acknowledges that both interpretation and construction of reality is subjective. The funds' utilization of the sustainability concept is, in itself, highly subjective since it concerns the funds' interpretation and implementation. The thesis, thus, rejects notions such as ontological *objectivism* (Ibid.), which affirms a phenomenon's independent and objective existence, since it is possible to evaluate the funds' behavior differently depending on perspective. For the same reason, the thesis also rejects notions such as epistemological *positivism* (Ibid., p. 24), which argue that the world is as it is perceived to be.

5.5. Ethical Considerations

Validity, reliability, and replication are the three most prominent features to ensure the quality of social research (e.g., Bryman, 2016, p. 41; Swedish Research Council, 2017, p. 28). When research has a high degree of validity, it is evident that the material and research result in the presented conclusions. When research has a high degree of reliability, it is possible to repeat and replicate the research and end up with corresponding results. Regardless of how detailed the account of the research process is, it is hard to replicate qualitative research since "it is impossible to 'freeze' a social setting and the circumstances of an initial study to make it replicable in the sense in which the term is usually employed" (Bryman, 2016, p. 283).

Another problematic aspect regarding the validity of this thesis concerns inadequately defined concepts. Sustainability as a concept frequently occurs in academia and research, but often with varying, and in some cases lacking definition (e.g., Basiago, 1995; Suchman, 1995). Indeed, ambiguous definitions are one of this thesis' core aspects, since the purpose of the thesis' research questions is to contribute to particular understandings of sustainability. Not explaining the concepts enough risks making the arguments lack validity, even though the ambiguous terminology is a postulate for the argument itself. Sustainability, and the ideas used to enable the analysis of sustainability, thus, need a thorough definition. Chapter six and seven of this thesis accounts for the funds' definition of sustainability concept and what implications this has for society.

However, this thesis strives for validity, reliability, and opportunity for replication by giving a detailed and transparent account of the whole research process, from the beginning to

the end. The only way for a researcher to make informed and appropriate choices about research and methodology is to be aware of questions regarding involved ethical concerns (Bryman, 2016, p. 123). The next subheadings discuss this thesis' positionality concerning my relationship to the topic, followed by a brief presentation of the thesis' approach to ethical concerns regarding the interviews.

5.5.1. The Author

As a Swedish citizen, my relationship to the Swedish Pension System and the AP-funds is multifaceted. My future pension relies on the system's continued existence. Furthermore, I live and work in Sweden and, thus, contribute to the funds' continuous investments. So, no matter the active involvement with one another, the funds and I have a mutual dependence with each other. Nevertheless, this is the same relationship that more or less every other Swedish citizen has as long as they work and get a salary. So, the fact that I am a Swedish citizen does not limit or reduce the validity or reliability of the thesis. Since this thesis does not aim at critiquing or changing the funds' behavior, there is no conflict of interest.

5.5.2. The Interviewees

A central aspect of research ethics concerns the treatment of involved participants (Swedish Research Council, 2017, p. 12), and there are four main areas regarding this within social research (Bryman, 2016, p. 125). The first one declares that *potential harm is to participants* (Ibid., p. 126) is unacceptable, whether physical or psychological. Since there is a limited amount of people working within each fund, it would not be hard for anyone interested to figure out who within each fund said what if the interviewees were specified or presented. In the strive towards making sure no harm comes to the interviewees of this thesis, who they are, what position within the organizations they hold, or which fund they represent is not specified further throughout this thesis.

Keeping the interviewees anonymous gives rise to concerns about the validity of the interviews. However, the interviews only function as a complement to the discourse analysis for enhancing my understanding of the information retrieved from the annual reports. The thesis does not contain any information from the interviews that the analyzed reports cannot account for. Thus, the use of interviews in this thesis does not give rise to questions regarding the thesis' validity.

The second area of ethics urges the importance of *informed consent* (Bryman, 2016, p. 129). For the thesis to not lack informed consent I, as thoroughly as possible, explained the

thesis' aim and ambition to the interviewees at the beginning of each interview. I also declared the purpose of the interviews and the role of the interviewee in the research process. The third area of ethics deals with the *invasion of privacy* (Ibid., p. 131) and is, thus, closely related to two previously named areas. There was an expressed desire amongst the interviewees not to be named or presented in a way where it would be possible to identify who from each fund said what. In order not to invade any of the interviewees' privacy, this was a crucial factor for my choice to keep all the interviewees anonymous.

The fourth, and last, area of ethical concerns stresses the importance of avoiding *deception* (Bryman, 2016, p. 134) of participants. This thesis does not aim at conducting experimental research and would not, in any way, benefit from the interviewees not knowing the full scope of aim and ambition for the research. Thus, I did not leave out any information about the project when explaining it to the interviewees.

6. Results and Theoretical Analysis

This chapter presents and analyzes this thesis' results, gathered from the funds' 16 annual reports, through the legitimacy theory's framework. Due to the interviews' complementary nature, I do not present any data from the interviews as quotes or statements. The three sub-research questions posed in chapter one of this thesis, each constitute a subchapter within this chapter and presents the results according to the most prominent subcategories identified through the coding.

The first category of legitimacy theory from the scheme put forth by Suchman (1995, p. 600), is the *general legitimacy*. This general legitimacy concerns organizations' focus on *perceiving change* and *protecting* accomplishments. As evident through the forthcoming analysis of results, all of the reports acknowledge and adapt to the public's opinions and emphasize accomplishments. Thus, the general legitimacy arguably permeates all of the fund's annual reports, which is why the forthcoming analysis primarily comprises the other categories and aspects of legitimacy theory. The remaining categories are the moral, cognitive, and pragmatic legitimacy (Suchman, 1995, pp. 571-572) and these three along with the legitimacy gap (Deegan, 2018, p. 163), constitute the framework through which the rest of this chapter analyzes the result. This thesis' presentation of results begins with the following paragraph:

“Det svenska pensionssystemet är finansiellt robust, eftersom systemet över tid inte tillåts vara underfinansierat. Om ett underskott uppstår, har systemet en inbyggd mekanism som återställer balansen. Går det bra i ekonomin, med god tillväxt och en högre andel medborgare i arbete, ökar pensionerna i samma takt som den genomsnittliga löneutvecklingen i landet. Går det däremot mindre

bra, med färre i arbete, riskerar den automatiska balanseringen att slå till och pensionstillväxten blir lägre än löne utvecklingen tills systemet åter är i balans.”

(AP2, 2017, p. 10)

“The Swedish Pension System is financially robust, since the system is not allowed to be underfunded over time. If a deficit occurs, the system has a built-in mechanism that restores the balance. If the economy is doing well, with good growth and a higher proportion of citizens in work, pensions will increase at the same rate as the average wage growth in the country. If, on the other hand, things are not going well, with fewer in work, the automatic balancing will risk turning on and pension growth will be lower than the wage development until the system is in balance again.”

(author’s translation)

Throughout the reports, it is, thus, highlighted that the funds cannot fail. The Swedish Pension System’s construction makes sure that it cannot collapse over time (e.g., AP1, 2018, p. 8). Related to the definition of the Swedish translation to sustainability provided by Svenska Akademien (2020) in chapter 1.2., which points to characteristics such as being unbreakable or indestructible, the funds themselves are sustainable just through their construction. Thus, the funds as organizations are arguably sustainable in themselves, irrespective of their behavior.

6.1. What Definitions do the First Four Funds of the Swedish Pension System Operate with Regarding Sustainability Throughout Their Annual Reports?

This subchapter presents the results connected to the first research question and examines how the funds, throughout the reports, accounts for their definitions of sustainability. The remainder of this subchapter presents an array of examples of how the funds use the concept of sustainability. To present the results clearly and comprehensively, the most suitable way to divide the results is to dedicate one subheading to each fund.

The funds’ shared values are *democracy, legality, objectivity, freedom of opinion and transparency, respect, and effectivity* (e.g., AP1, 2019, pp. 6-7; AP2, 2018, pp. 14-15), and the values stem from the Swedish state’s core values (AP1, 2018, p. 19). Although the occurrence of the sustainability concept throughout the report is prominent, the exact criteria for their shared values that explain the funds’ definitions of the sustainability concept are not always clear. However, the reason for the funds not providing any references to definitions of the concept seems self-explanatory since it enables broader use of the term. The funds’ advertisement of certain behaviors suggests that they conform and monitor their behavior according to the Swedish society’s demands and expectations, which result in the pragmatic

legitimacy being the most noticeable category throughout this subchapter, even though the other categories also are prominent.

6.1.1. The First AP-fund

“Grunden för fondens företagskultur är Första AP-fondens värdegrund med dess kärnvärden – professionalism, engagemang, långsiktighet [...]”

(AP1, 2016, p. 47; 2017, p. 52; 2018, p. 48; 2019, p. 60)

“The foundation for the AP-funds’ corporate culture is it’s set of core values – professionalism, commitment, long-term focus [...]”

(author’s translation)

The sentence above occurs in all of AP1’s reports, from 2016 to 2019. However, in the reports from 2017, 2018, and 2019, the fund added the term *sustainability* to the list of core values. The addition of sustainability to the fund’s core values implies that the fund wants to highlight its focus on sustainability, which arguably is a way for the fund to comply with the publics’ values. The addition is, thus, an example of adjustments according to moral legitimacy (Suchman, 1995, pp. 571-572), since the fund adapts to normative notions for approval.

In the report from 2019, AP1 lists six comparable and intertwined *investment beliefs*, that constitute the framework for its management (AP1, 2019, p. 11). The first belief concerns *diversification* that decreases risks and increases returns through diverse investments all over the world (Ibid., p. 14). The second belief concerns *risk premiums*, which manage and evaluate risks in order to get long-term returns (Ibid., p. 15). The third belief concerns *long-term perspectives*, aiming to balance risks, and create long-term returns (Ibid., p. 16). The fourth belief concerns *inefficient markets*, which enable thorough analyses to create returns on markets that, in other instances, are less analyzed (Ibid., p. 18). The fifth belief concerns *cost efficiency*, which states that the fund should maintain low expenses throughout its management (Ibid., p. 20). The last belief concerns *sustainable value creation*, which evaluates decreasing risks and increasing returns (Ibid., p. 21).

In the same report, AP1 also states its *sustainability beliefs*, which concerns aspects of sustainability throughout the investment processes (AP1, 2019, p. 21). The beliefs increase knowledge about potential assets and investments and strive towards improving the possibilities of high returns at minor risk. For example, the fund aims to have a carbon dioxide neutral portfolio by 2050 (AP1, 2019, p. 4) since this suggests both reduced risks and long-term high

returns. The beliefs are also attentive to the modes and different steps of production, from the raw materials to the final product's use.

The fact that AP1 advertises its investment and sustainability beliefs could, apart from enhancing its internal practices, also arguably affect the external perceptions about the fund. The fund's display of these beliefs, therefore, constitutes an example of both pragmatic and cognitive legitimacy (Suchman, 1995, pp. 571-572) since it advertises behaviors and approaches which protect the assumptions about the fund and monitors the fund's outlooks.

Hållbart värdeskapande, sustainable value creation, is a frequently occurring concept throughout all of AP1's reports, which argues that investments in well-managed companies result in lower risks and higher returns (AP1, 2016, p. 21; 2017, p. 12; 2018, p. 10; 2019, p. 21). In the report from 2016, the fund argues that the areas of focus regarding sustainable value creation are how companies treat their workforce, product safety, and environmental consequences following production (AP1, 2016, p. 21). The fund's display of sustainable value creation is, thus, an example of the combination of moral, cognitive and pragmatic legitimacy (Suchman, 1995, pp. 571-572) since it advertises and protects both propriety and assumptions by outlining what the fund regards as acceptable behaviors.

6.1.2. The Second AP-fund

“Fondens definition av hållbarhet: För AP2 utgår hållbarhetsarbetet från fondens uppdrag och innebär ett långsiktigt agerande för att skydda och skapa värden i investeringarna – utifrån ett ekonomiskt, miljömässigt och socialt perspektiv.”

(AP2, 2019, p. 40)

“The fund's definition of sustainability: For AP2, the sustainability-related work springs from the fund's mission and involves long-term action to protect and create value in the investments - from an economic, environmental, and social perspective.”

(authors' translation)

AP2's definition of sustainability, shown in the sentence above, is the only explicit definition of the concept throughout all of the fund's 16 reports. The fund also explicitly states that it uses the term sustainability as a summary-concept for environmental issues, corporate governance, and ethics (AP2, 2017, p. 28; 2018, p. 28). The definition itself is arguably an example of pragmatic legitimacy (Suchman, 1995, pp. 571-572) since it advertises their standpoints to the public.

AP2 argues that exemplary management includes the integration issues regarding the environment, corporate governance, and ethics, resulting in an integration of all of the concepts included in its definition of sustainability (AP2, 2018, p. 13). The fund also have six principles for sustainability (AP2, 2019, p. 42):

1. Integrating sustainability as a concept within every investment process,
2. Actively seeking investments contributing to sustainable development,
3. Working from the fund's areas of focus,
4. Emphasizing dialogues as an active tool,
5. Referring to facts and having a scientific approach,
6. Striving towards being a leader regarding issues of sustainability.

In the same way, as AP1's display of investment and sustainability beliefs serves as examples of both pragmatic and cognitive legitimacy (Suchman, 1995, pp. 571-572), AP2's list is arguably the same. The list advertises behaviors and approaches which protect the assumptions about the fund and monitors the fund's outlooks.

AP2 argues that having a proactive approach towards areas such as ethics, social questions, corporate management, and the environment is a prerequisite for obtaining long-term risk-adjusted returns (AP2, 2018, p. 36; 2019, p. 40). Additionally, AP2 aims its efforts towards companies where the fund have large shares since this increases the fund's ability to act, and to the companies within industries with significant financial risks, since this prioritizes the companies with the highest value (AP2, 2019, p. 43). Thus, what deemed proactive rather than reactive is debatable since corporations with significant influence over the environment already have active processes. When AP2 acts upon it, said behavior becomes reactive in itself. AP2's behavior arguably suggests a potential legitimacy gap (Deegan, 2018, p. 163) since there is a discrepancy between how the fund describes the situation and how it is possible to interpret the situation.

“Andra AP-fonden tog ytterligare ett viktigt steg inom hållbarhetsområdet genom att investera 30 miljoner dollar i Women Entrepreneurs Opportunity Facility (WEOF) [...] Syftet med WEOF är att öka tillgången på kapital för kvinnliga entreprenörer i tillväxtländer.”

(AP2, 2016, p. 29)

“The second AP-fund took another important step within the area of sustainability through investing 30 million dollars in Women Entrepreneurs Opportunity Facility (WEOF) [...] The purpose of WEOF is to increase access to capital for women entrepreneurs in emerging countries.”

(author's translation)

As shown in the sentence above, AP2 emphasizes that a critical area within its focus concerning sustainability is the increase of women entrepreneurs. The fund refers to research arguing that women entrepreneurs are more prominent than men in terms of communal development. They allocate money to families' food security and education and reinvest money into their business (AP2, 2017, p. 24). The fund here arguably provides an example of moral legitimacy (Suchman, 1995, pp. 571-572), where it conforms to its ideas of ideals and propriety.

6.1.3. The Third AP-fund

Just like the other funds, AP3 is a Sweden-based organization with an international arena of investments (AP3, 2019, p. 15). Having national investments arguably result in valuable returns, but the international focus is arguably also beneficial since it spreads Swedish perspectives out in the world (Ibid.). However, as exemplified in the sentence below, AP3 does not always focus on having a big geographical spread of investments.

“AP3 har valt att inte vara en extremt diversifierad investerare”

(AP3, 2019, p. 13)

“AP3 has chosen not to be an extremely diversified investor.”

(author's translation)

AP3 focuses more on the investments themselves and does not go outside of Sweden unless there is an apparent need. The fund's stated selection of where to focus its investments arguably constitutes an example of both pragmatic and moral legitimacy (Suchman, 1995, pp. 571-572) since it selects the funds' markets and domains.

AP3s strategy to limit the consequences brought by climate change is to work according to explicitly expressed goals (AP3, 2019, p. 18). In 2014, the fund formulated four explicit goals which it aimed to reach by 2018 (AP3, 2018, p. 18). The goals were to half the levels of carbon dioxide emissions the fund had in 2014, to double its strategic investments concerning sustainability, to triple its shares in green bonds, and to continue its work on green properties.

By the end of 2018, as a result of the fund fulfilling the previous goals, AP3 set up new goals to meet by 2025 (AP3, 2018, p. 18). The new ones include reducing the risks following continued global warming, double the investments concerning sustainability, and to being a leading company within sustainability-related questions. The funds advertise behaviors and approaches which protect the assumptions about the fund and monitors the fund's outlooks.

Thus, AP3's display of achieved and set goals constitutes an example of pragmatic and cognitive legitimacy (Suchman, 1995, pp. 571-572).

Investments in bonds where the capital, in one way or the other, benefits the environment, are called *green bonds* (AP3, 2019, p. 25). Through investing in green bonds, the fund actively decides in what industries its money supports. During 2016, AP3 more than doubled its investments in green bonds from 4,5 billion SEK to 9,5 billion (AP3, 2016, p. 25). In the report from 2016, the fund states that the reason for its focus on green bonds is a "natural consequence" of its strive towards long-term sustainability (Ibid.). Thus, climate change and the potential risks it brings to both assets and returns are what drive the fund's work regarding sustainability. AP3's explicit advertisement of specific strives and accomplishments is, therefore, also arguably examples of pragmatic and cognitive legitimacy (Suchman, 1995, pp. 571-572).

In the report from 2016, AP3 writes that it does not allow corruption in its investments (AP3, 2016, p. 23). The fund states that strategies concerning anti-corruption are critical factors for the fund since corruption undermines sustainability within the economic system and weakens organizations' legitimacy. Since it is hard to achieve a zero-tolerance throughout all of the companies AP3 invests in, the fund focuses its efforts on anti-corruption on the proactive work pursued by the Council on Ethics (Ibid.). Thus, as along the same lines as with AP2, it is arguably debatable what actions are proactive rather than reactive. The fund deems its work as proactive and refers to the funds' joint efforts through the Council on Ethics. However, these measures are arguably rather reactive since the measures put in place are consequences to the problems they are supposed to tackle. Therefore, just as with the example from AP2, AP3's arguments about its behavior being proactive, and the arguably reactive nature of the same behavior, suggest a potential legitimacy gap (Deegan, 2018, p. 163).

6.1.4. The Fourth AP-fund

"Klimatrisker bedömer AP4 i högsta grad vara finansiella risker och anser att de ska inkluderas och bedömas på samma sätt som andra finansiella risker"

(AP4, 2018, p. 26)

"AP4 judges risks related to the climate to the highest degree to be financial risks and believes that climate-risks should be included and assessed in the same way as financial risks."

(author's translation)

As the sentence above demonstrates, AP4 considers the risk of being too slow with adjusting to policies concerned with climate change and consequential transitions as more substantial than the risks of being too early with the adaptation (AP4, 2019, p. 30). There are many examples of how explicitly stated economic reasons for sustainability also concerns the environment. The fund's advertised approach is arguably an example of pragmatic legitimacy (Suchman, 1995, pp. 571-572) since it displays the protection of exchanges between climate-related risks and financial risks.

In various places throughout its reports, AP4 claims that its focus areas for sustainability are *Klimat & miljö och Ägarstyrning*, the climate & environment, and ownership control (AP4, 2016, p. 5; 2017, p. 28; 2018, p. 18; 2019, p. 28). The overarching goals for AP4's work regarding the climate & environment are consistent throughout all of the reports (AP4, 2016, p. 19; 2017, p. 25; 2018, p. 31; 2019, pp. 34-35):

1. Increase the proportion of low-carbon strategies to reduce the assets' climate risk,
2. Measure and publish both qualitative and quantitative indicators for AP4's carbon footprint for listed shares,
3. Identify the best ways to measure carbon dioxide imprints for other classes of assets,
4. Perform scenario analyses of risks and opportunities related to climate in AP4's assets,
5. Contribute capital and funding for projects concerning sustainability,
6. Contribute knowledge concerning sustainability.

In the definition, AP4 seems to separate the areas of climate & environment from ownership control. However, as will become apparent under subheading 6.3.3., and the discussion about ownership control, ownership control includes aspects of both environment and climate. The fund's focus areas concerning sustainability are arguably examples of both pragmatic and cognitive legitimacy (Suchman, 1995, pp. 571-572) since the fund advertises and monitor tastes and outlooks.

Another area of focus that permeated the reports from AP4 was reducing carbon dioxide emissions (AP4, 2016, p. 4; 2017, p. 22; 2018, p. 6; 2019, p. 32). In different places, the fund writes about carbon dioxide emissions as ways to advertise achieved results (AP4, 2019, p. 53), as a goal to strive towards (AP4, 2016, p. 7), as a means to adjust to and as strategic focus (AP4, 2017, p. 23). AP4 advertises and conforms to demands, ideals, and models according to expectations. Thus, the fund's elaboration about how it tackles carbon dioxide emissions arguably constitute examples of pragmatic, cognitive, and moral legitimacy (Suchman, 1995, pp. 571-572)

Many examples indicate that AP4 primarily treats sustainability as a concept concerning the environment. However, a considerable part of the reports from 2018 and 2019 combined the term sustainability with accounts related to areas within Human Resources (AP4, 2018, p. 32; 2019, p. 45). The term sustainability was not defined or delineated after jumping from the writings about climate-related sustainability approaches presented in the pages before (AP4, 2018, p. 29; 2019, p. 43). AP4's lack of explicit statements about what sustainability-criteria it refers to even though it uses the concept suggests a potential legitimacy gap (Deegan, 2018, p. 163) since the lack of definition problematizes the definition of the fund's statements.

6.2. How Does the Definition of Sustainability Provided in the Agenda 2030 Correspond with the one Provided in the Swedish Pension System's First Four Funds' Annual Reports?

This subchapter presents the results connected to the second research question and examines how the funds' definition of sustainability corresponds to the definition provided in the Agenda 2030. The remainder of this subchapter consists of two subheadings: *Sustainability or Sustainable Development*, and *Explicitly Stated Reasons For Sustainability*. The first subheading discusses the funds' interchangeable use of sustainability and sustainable development paralleled to the definition provided in the Agenda 2030. The second subheading expands this reasoning with an analysis of the funds' stated reasons for using the sustainability concept. The funds' stated use of the sustainability-concept arguably suggests how they interpret the use of the term, which is relevant to the purpose which the Agenda 2030 presents.

All of the funds' reports had specific chapters dedicated to sustainability as an environmental question, wrote about sustainability as a prerequisite for long-term returns, and argued that sustainability-related questions generate financial both risks and opportunities. However, economic, social, and environmental factors of sustainability are seemingly inseparable throughout the funds' reports. The cognitive legitimacy (Suchman, 1995, pp. 571-572) is the overarching and most prominent category within this subchapter even though the other categories also occur. The funds are, through taking a stand on their approach towards sustainability, arguably monitoring and protecting the public's perceptions, outlooks, and assumptions about them.

6.2.1. Sustainability or Sustainable Development

The Agenda 2030 focus on sustainable development rather than general sustainability since the purpose of the SDGs is to enhance sustainable development. The funds never make such clear distinctions about if they strive towards sustainability or sustainable development. For example, AP1 both states that its sustainability-focused investments contribute to sustainable development (AP1, 2016, p. 22), and that the fund's ambition is to contribute to the development of values with long-term sustainability (AP1, 2016, p. 24). AP2 states that its objective with working with sustainability-related questions, aside from protecting and creating value, is to contribute to sustainable development (AP2, 2019, p. 40). AP3 states that development concerning environmental, social, and economic factors are compatible with sustainable societal development (AP3, 2018, p. 17). The funds' somewhat interchangeable use of sustainability and sustainable development suggests a potential legitimacy gap (Deegan, 2018, p. 163) since it problematizes the understanding of what the funds' statements entail.

Regardless of the funds' strive towards either sustainability or sustainable development, they use the two terms with varying frequency. Throughout all of the 16 reports, the funds' mentioned sustainable development, *hållbar utveckling*, a total of 92 times, and mentioned sustainability, *hållbarhet*, 1967 times. Important to note is that the funds' use of the two terms varied. For example, some of the reports included the word sustainability in the title, which they then printed on each page (e.g., AP2, 2017). Therefore, the frequency of the word sustainability was more prominent even though the funds did not say anything explicit about it. However, the fact that sustainability occurs 1875 times more than sustainable development suggest that there is less focus dedicated to the latter, even though it is not possible to draw any absolute parallels or conclusion between the occurrence of the two terms.

When Agenda 2030 describes the SDGs, they state that sustainable development consists of a combination of social, environmental, and economic dimensions (United Nations, n.d.-b). Thus, there is a combination of the strategies for tackling environmental challenges and economic and social strategies (United Nations, 2020). The funds all give examples that arguably are relatable to the Agenda 2030's arguments. For example, they agree that in order to create value, which explained under the next subheading is their prominent sustainability-related reason, they need to include aspects concerning sustainability into the managing of assets (e.g., AP2, 2016, p. 28). In the report form 2018, AP4 states that climate change will affect the value of assets in a way that potentially affects the funds' long-term return (AP4, 2018, p. 24). Thus, in terms of economic sustainability, the funds depend on the world's success in decreasing the consequences following climate change.

The funds agree that sustainability constitutes an increasingly important focus area and that the responsibility to facilitate the transition into a sustainable society lies with everyone, from private actors, businesses, and consumers (e.g., AP4, 2019, p. 6). However, AP4 emphasizes that political agreements on an international level are crucial to enable the transition (Ibid.). AP4 states that the climate creates essential risks concerning the environment, simultaneously as it creates opportunities for profitable investments (AP4, 2017, p. 30).

The Council on Ethics focuses on matters where they can influence sustainability throughout different industries worldwide. After the accident in the Brazilian Brumadinho mine at the beginning of 2019, the Council on Ethics, along with international investors, enhanced their work and demanded higher security within the mining industry (e.g., AP4, 2019, p. 40). The objective behind the funds' work concerning sustainability, thus, seems to be fixing problematic areas with reactive rather than proactive measures.

As elaborated in both chapter four with the previous research and subchapter 5.5., transparency within reporting is a crucial factor for legitimacy. As exemplified with AP3, the funds emphasize that it behaves and manages the assets in a way adjusted to the public's trust and expectations (AP3, 2019, p. 13). The argument about adapting to the public's trust and expectation is an example of moral legitimacy (Suchman, 1995, pp. 571-572) since it conforms its behavior to the ideals of the public. AP1 emphasizes that increased transparency concerning sustainability facilitates investment decisions (AP1, 2019, p. 21). Since the funds adapt to selected markets and monitor outlooks, their behavior becomes examples of a more pragmatic and cognitive legitimacy (Suchman, 1995, pp. 571-572)

6.2.2. Explicitly Stated Reasons for Sustainability

The funds' explicit statements regarding the reason for including the sustainability concept in their management vary. Their arguments arguably constitute an example of cognitive legitimacy (Suchman, 1995, pp. 571-572) due to their explanatory nature and the implications of protecting assumptions. However, the more explicitly stated reasons are arguably also examples of pragmatic legitimacy (Suchman, 1995, pp. 571-572) since the statements advertise the funds' markets and tastes.

In the report from 2019, AP4 argues that no corporation or organization can succeed and generate long-term returns if they do not prioritize sustainability-related aspects throughout their management (AP4, 2019, p. 31). The fund argues that management with a sustainability perspective is a prerequisite for long-term returns (AP4, 2017, p. 23; 2018, p. 3; 2019, p. 19). Ownership control, discussed under subheading 6.3.3., is a stated strategy to increase the

financial return (e.g., AP4, 2016, p. 23; AP4, 2017, p. 34; 2018, p. 30; 2019, p. 21). In the report from 2019, AP4 elaborates:

“Att vara en aktiv, ansvarstagande ägare i förvaltningen av tillgångarna är en uttalad del av AP4:s strategi för att öka avkastningen över tid. Målet är att bolag ska drivas hållbart, ansvarsfullt och så effektivt som möjligt i syfte att vara framgångsrika och leverera långsiktig avkastning.”

(AP4, 2019, p. 21)

“Being an active and responsible owner in asset management is a stated part of AP4’s strategy for increasing returns over time. The goal is for companies to be run as sustainably, responsibly, and efficiently as possible in order to be successful and deliver long-term returns.”

(author’s translation)

Thus, securing long-term returns is arguably an explicitly stated reason for the funds’ sustainability-focus. AP1 explicitly states another and closely related reason for sustainability in its report from 2017. The fund states that a sustainability perspective included in the management contributes to reducing long-term risks (AP1, 2017, p. 28). In the report from 2019, AP3 labels climate change and its consequences as the most considerable risk threatening long-term returns (AP3, 2019, p. 19). Consequently, the explicitly stated reason for sustainability can also concern the reduction of risks, which in the long run contributes to financial returns.

In the report from 2019, AP1 explains that since climate change might affect the industries it invests in, then climate change ultimately affects the funds (AP1, 2019, p. 4). The fund assumes that least risks and highest returns come from investing in corporations which it deems as sustainable (AP1, 2016, p. 9), so in order to secure high returns, the fund integrates sustainability aspects as a main-criteria into its investment decisions (AP1, 2017, p. 8). Along the same lines, AP2 states that the fund both regards sustainability as a means to eliminate risks and as an enabler of opportunities (AP2, 2017, p. 5):

“AP2 beaktar hållbarhet utifrån en övertygelse om att det leder till ett bättre förvaltningsresultat, och därmed att det blir bättre för inkomstpensionssystemet och för pensionärerna. Fondens övergripande inriktning för hållbarhetsarbetet är därför att integrera hållbarhet i förvaltningen.”

(AP2, 2018, p. 21)

“AP2 account for sustainability based on the belief that it will lead to better management results, and, thus, that it will enhance the situation for the income pension system and the pensioners. The

fund's overall focus on sustainability-related work is, therefore, to integrate sustainability into management.”

(author's translation)

The addition to the law mentioned in chapter three explicitly states that the funds should have a sustainability-perspective throughout their management and that they should be models in regards to their sustainability-related work (e.g., AP2, 2017, p. 5). Since the funds are obligated to follow the law, the law constitutes another reason for the funds' sustainability-focus. The funds, therefore, have no choice but to implement perspectives concerning sustainability into their management.

Another, closely related and explicitly stated reason for the funds' strive towards sustainability is encouragements from the Swedish government. The Swedish government encourages sustainability to be an integral aspect of the funds' management to obtain risk-adjusted and long-term returns and keep the public's trust in the pension system (e.g., AP3, 2016, p. 29). In the report from 2016, AP3 emphasizes how the funds, as part of the Swedish Pension System, have an essential role as forerunners being organizations working with sustainability (AP3, 2016, p. 20).

6.3. What Implications Does the Swedish Pension System's First Four Funds' Implementation of Policies Regarding Sustainability Have for the Funds' Sustainability-Related Goals?

This subchapter presents the results connected to the third research question and examines how the funds' implementation of sustainability impact the funds' goals concerning sustainability. Investors can try to influence companies from within, and refrain from investing in industries with a significant impact on the environment. The subchapter consists of three subheadings that build on the most prominent approaches available for the funds' management along with their support for the SDGs: *To Invest or to Refrain From Investments*, *Ownership Control*, and *The Sustainable Development Goals*. The first subheading analyzes the funds' statements regarding whether or not to invest or refrain from investments in different industries. The second subheading builds on the analysis in the previous one, with an analysis of how the funds discuss how they behave after investments. The third subheading presents how the funds approach the SDGs since they constitute the primal focus of the Agenda 2030, which constitute this thesis referential definition.

This subchapter, thus, contains different aspects of how the funds' implementation of sustainability affects their overarching high long-term goals and returns. The arguments posed under each subheading, arguably, presents the funds' approaches to ethics, ideals, and propriety. Therefore, the moral legitimacy (Suchman, 1995, pp. 571-572) is the overarching and most prominent category within this subchapter.

6.3.1. To Invest or to Refrain From Investments

The choices about whether or not to invest in different industries and companies are of constant debate within the funds. The funds' options vary between investing, refraining from investing, and renouncing current investments. For example, in its report from 2019, AP1 highlights the importance of dialogue, stating that no renouncing of industries should occur without thought (AP1, 2019, p. 5). The fund sometimes chose to stay invested in industries that do not live up to their demands, in order to change the industries from within. AP1 also looks at industries' and companies' will to improve with the attentiveness to shifts in opinions before they potentially renounce investments (AP1, 2018, p. 14).

There is arguably a potential legitimacy gap (Deegan, 2018, p. 163) in the previous paragraph's reasoning put forth by AP1. The reasoning is clear, and the funds support their different options with arguments that explain them in depth. However, and this is where the potential gap arises, the different options themselves give rise to questions regarding the funds' legitimacy. The reasoning put forth by AP1 is arguably an example of pragmatic legitimacy (Suchman, 1995, pp. 571-572) since it constitutes the selection of markets and advertises the conforming to demands.

In the report from 2019, AP4 states that selling shares in corporations or industries with, for example, significant carbon dioxide emission are insufficient measures to affect the global emissions (AP4, 2019, p. 5). Along the same lines, AP3 argues that the fund's general approach is to give more attention to ownership control than to refraining from investments since it is a more efficient approach (AP3, 2019, p. 19). It is not until the corporations or industries themselves choose to change, that a real change is obtainable. Thus, it does not seem as refraining from investments are as effective as executing ownership control. However, in what arguably is an example of moral legitimacy (Suchman, 1995, pp. 571-572) due to its adaption to ethical considerations, the funds all state the industries in which they refrain from investments.

AP1 refrain from investments in industries supporting nuclear weapons, oil sand, and coal, non-medical uses of tobacco and cannabis, mines, and cluster weapons (AP1, 2019, p.

28). AP2 revoked its investments in 60 corporations involved in the tobacco industry and lessened its investments in corporations working with the upholding and development of nuclear weapons (AP2, 2019, p. 40). AP3 states that it does not invest in corporations or industries which run a risk of being put out of business as a consequence of climate-related reasons and does not invest in industries active within oil sands or coal production. (AP3, 2018, p. 17). AP4 does not invest in nuclear weapons, cannabis and tobacco, oil sand and thermal coal, mines, and cluster weapons, and companies the Council on Ethics advise against (AP4, 2019, p. 22).

Although the previous paragraph contains statements that arguably are examples of moral legitimacy (Suchman, 1995, pp. 571-572), the funds never explicitly express moral reasons behind said investment-decisions. In the end, the reason stated for each decision regarding investments is, even though the funds say it is due to sustainability, always related to long-term returns. The funds' choices of refraining from investments in harmful industries are, thus, arguably not based on ethical standpoints but rather on avoiding the risk of not getting returns.

6.3.2. Ownership Control

The ultimate factor regarding whether the funds choose to go through with their investments or not concern securing high long-term returns. However, when the industries creating the returns are observed not to be sustainable, it reflects negatively on the funds. For the funds to avoid accusations about not being sustainable, they strive to utilize their ownership control. Ownership control is a tool utilized in an array of ways, and AP1 emphasizes that being a shareholder with the opportunity to exercise ownership control implies both responsibilities and risks (AP1, 2019, p. 4).

For example, in their 2019 reports, both AP2 and AP4 state that they prioritize their utilization of ownership control within the larger industries and companies they have shares in, along with the companies that cooperates with the Council on Ethics (AP2, 2019, p. 43; AP4, 2019, p. 5). They defend this priority with arguments about larger industries and companies being the most financially beneficent ones (AP2, 2019, p. 43). Along the same lines, in its report from 2019, AP1 states that since it has larger shares within Swedish companies, its efforts to influence those are greater than other investments (AP1, 2019, p. 24). Thus, the funds' sustainability-related effect on both global and national scales, in terms of ownership control, seems dependent on both the size and location of the invested companies and industries.

The funds cooperate through the Council on Ethics to influence international companies in desired directions (AP4, 2019, p. 40). Thus, through the Council, ideas and approaches regarding societal and environmental issues on a national scale in Sweden affect international industries on a global scale. The influence occurs through projects, cooperation between international actors, ownership control, and dialogues. Although there is a focus on sustainability, a frequently occurring notion is that sustainability is a prerequisite for financial returns as the end-goal. However, sometimes the funds invest in smaller industries as well.

One concrete example of the funds' utilization of ownership control within smaller industries is put forth in AP1's report from 2017. It got to the fund's attention that sex trafficking with children occurred at one of the hotels the fund invested in, in Costa Rica (AP1, 2017, p. 25). Therefore, the fund utilized its ownership control to force the hotel to make human rights a priority. Through a scandal of sex trafficking, the fund risks losing long-term returns from the investments, which arguably becomes a motivating factor for its utilization of ownership control. The funds' behavior arguably signals a stance of what they allow and not within its investments. Therefore, this case of ownership control constitutes an example of the funds adhering to moral legitimacy (Suchman, 1995, pp. 571-572).

The reasoning in the previous paragraphs suggests that the utilization of ownership control also is concerned with risk management. As demonstrated by AP2 in the sentence below, the funds deem understanding risks as essential when managing markets, and since risks concern sustainability, risks concerning sustainability becomes the focus.

“En framgångsrik förvaltning av tillväxtmarknadsobligationer handlar om att förstå sina risker. I allt större utsträckning handlar de om hållbarhet”

(AP2, 2019, p. 29)

“Successful management of emerging market bonds is about understanding their risks. Increasingly they are about sustainability.”

(authors' translation)

6.3.3. The Sustainable Development Goals

In September 2016, the first four funds signed a statement declaring the importance of financial institutions, such as the funds, managing their assets in a way complying with the SDGs (e.g., AP3, 2016, p. 10). The SDGs are advertised recurrently throughout all of the funds' frameworks regarding sustainability, which, therefore, arguably constitutes examples of

pragmatic legitimacy (Suchman, 1995, pp. 571-572). Even though the funds frequently referred to the SDGs and their support for them, they promoted their support for the goals quite differently.

In the report from 2016, AP1 advertises its support for the SDGs concerning *Good health and well-being*, *Gender equality*, *Clean water and sanitation*, *Decent work and economic growth*, *Industry, innovation and infrastructure*, *Sustainable cities and communities*, and *Life on land* (SDGs 3, 5, 6, 8, 9, 11, and 15) (AP1, 2016, p. 19). In the 2017 report, AP1 does not explicitly state which SDGs they support but emphasize that they strive towards achieving equality, secure health, and create sustainable societies and cities (AP1, 2017, p. 24). AP1 does not explicitly advertise which goals they support in their 2018 report either, even though they state that they support seven of them (AP1, 2018, p. 4). In the 2019 report, AP1 removed the explicit support for *Good health and well-being*, *Clean water and sanitation*, and *Life on land* (AP1, 2019, p. 29). Instead, it advertised support for *Affordable and clean energy*, *Responsible consumption and production*, and *Peace, justice, and Strong institutions* (SDGs 5, 7, 8, 9, 11, 12, and 16) (Ibid.). In 2020, AP1 will present strategies to meet said goal and to keep its investments profitable and in line with the SDGs.

In the 2016 report, AP2 advertises its support for the SDGs without mentioning the goals explicitly (AP2, 2016, p. 29). However, in the 2017 report, AP2 emphasizes its work concerning *Quality education*, *Gender equality*, *Affordable and clean energy*, *Sustainable cities and communities*, and *Climate action* (SDGs 4, 5, 7, 11, and 13) (AP2, 2017, pp. 31-33). In the 2018 report, AP2 removed the explicit support for *Quality education* (AP2, 2018, p. 35). Instead, it advertised support for *Decent work and economic growth*, *Industry, innovation and infrastructure*, *Responsible consumption and production*, *Life below water*, *Life on land*, and *Partnerships for the goals* (SDGs 5, 7, 8, 9, 11, 12, 13, 14, 15, 17) (Ibid.). In the report from 2019, AP2 emphasizes its main contributions to *Affordable and clean energy*, *Industry, innovation and infrastructure*, and *Sustainable cities and communities* (SDGs 7, 9, and 11) concerning green bonds, and *No poverty*, *Gender equality*, and *Sustainable cities and communities* (SDGs 1, 5, and 11) concerning social factors (AP2, 2019, p. 39).

In the reports from 2016, 2017, and 2018, AP3 advertises its support for *Clean water and sanitation*, *Affordable and clean energy*, *Decent work and economic growth*, *Industry innovation and infrastructure*, *Sustainable cities and communities*, and *Climate action* (SDGs 6, 7, 8, 9, 11, and 13) (AP3, 2016, p. 10; 2017, p. 33; 2018, p. 35). In the report from 2019, AP3 adds support for *Responsible consumption and production*, and *Life on land* (SDGs 12 and 15) (AP3, 2019, p. 37).

In the reports from 2016 and 2018, AP4 advertises its support for *Good health and well-being*, *Gender equality*, *Clean water and sanitation*, *Decent work and economic growth*, *Reduced inequalities*, *Sustainable cities and communities*, *Responsible consumption and production*, and *Climate action* (SDGs 3, 5, 6, 8, 10, 11, 12, and 13) (AP4, 2016, p. 25; 2018, p. 19). In the 2017 report, AP4 emphasizes how the SDGs are a part of the funds' framework, although it does not mention the goals specifically (AP4, 2017, p. 29). In the 2019 report, AP4 removed the explicit support for *Clean water and sanitation*, *Reduced inequalities*, and *Responsible consumption and production*, and instead advertised support for *Life on land* (SDGs 3, 5, 8, 11, 13, and 15) (AP4, 2019, p. 32).

Thus, throughout the years, the funds collectively supported the *Decent work and economic growth*, *Sustainable cities and communities*, *Responsible consumption and production*, and *Life on land* (SDGs 8, 11, 12, and 15). AP1 was the only fund explicitly supporting *Peace, justice and strong institutions* (SDG 16), AP2 the only one explicitly supporting *No poverty*, *Quality education*, *Life below water*, and *Partnerships for the goals* (SDGs 1, 4, 14, and 17), and AP4 the only one explicitly supporting *Reduced inequalities* (SDG 10). The only mutually and explicitly stated goal from the four funds in their 2019 reports, was *Sustainable cities and communities* (SDG 11).

7. Discussion

This chapter discusses the findings from the results and theoretical analysis in the previous chapter. However, before discussing the thesis' findings, it is necessary to dedicate some critical reflections to the limitations that this thesis, just like any other study, has. As the theoretical analysis in the previous chapter shows, it is arguably possible to sort the funds' behavior alongside and according to the legitimacy theory's framework. However, since this thesis does not aim to evaluate the funds' legitimacy further, this chapter does not include discussions about whether the funds are legitimate or not. Nevertheless, legitimacy theory was useful in analyzing the results since it facilitated a valuable categorization according to the framework which springs from the perception about the funds.

The aim of a study is inevitably broader than the research questions selected to answer it. Thus, it is crucial to highlight that an array of research questions and ways to approach the thesis was available in order to fulfill its aim. As a researcher, the choices I made in terms of selection of research questions and data, therefore, played a significant role in the thesis' findings. These choices constitute the reason for stating aspects of limitations in this chapter

since they affect the thesis' findings and make some perspectives visible while hiding some others.

For example, the chosen research questions do not demand answers that account for and lists the funds' investments and do not involve other actors, such as the Swedish government. The chosen method does not involve interviews with, for example, the funds' board members to understand the internal dialogues within the funds, nor does it have a statistical approach. The chosen theoretical framework does not, for example, explain organizational or general societal structures and does not enable statistical analysis. The chosen material does not cover other perspectives than the ones the funds advertise and does not provide, for example, external criticism.

However, what does become apparent through the selected research questions, method, theory, and material, is what aspects of sustainability the funds account for in their annual reports, what their definition of sustainability entails, and how they follow their own standards. Thus, I deem the research questions, method, theory, and material chosen for the thesis to provide adequate findings in order to meet the aim. This thesis answers the overarching research question of how the first four funds within the Swedish Pension System utilizes the concept of sustainability throughout their management, by giving answers to the three sub-research questions:

RQ1. What definitions do the first four funds of the Swedish Pension System operate with regarding sustainability throughout their annual reports? The funds both promote exemplary behavior and accomplishments and give examples of their goals and ambitions. For example, the funds report numbers both individually and collectively, that account for their carbon dioxide emissions, which suggest an environmental focus in the funds' sustainability definition. The advantage of the funds' using a concept without narrow criteria or definitions is, arguably, that it facilitates a wide use of the concept. However, the disadvantage is, arguably, that it complicates the opportunity to get an accurate perception of the funds' behavior. Using the term without definition enables people to, at least, get a partial understanding of the argument even though it does not provide criteria, and clarifying what sustainability means, thus, has both advantages and disadvantages.

However, in its report from 2019, AP2 provides the only explicit definition of sustainability and highlights the concept's three aspects of environmental, economic, and social perspectives. A prominent factor of sustainability that implicitly permeates all of the reports is that there, apart from the environmental, economic, and social aspects, also seems to exist a fourth perspective. The fourth perspective concerns the funds' organizational *survival* and is a

combination of the three former. In other words, what is sustainable to the funds does not depend solely on what is environmentally, socially, or economically defensible. Instead, the sustainable option for the funds in the long-run is to get long-term sustainable returns since this is the only way to secure their long term survival.

RQ2. How does the definition of sustainability provided in the Agenda 2030 correspond with the one provided in the Swedish pension system's first four funds' annual reports? The explicitly stated definition provided in AP2's report from 2019 complies with the environmental, economic, and social dimensions of sustainable development provided in the Agenda 2030. However, the differentiation between the concepts of sustainability and sustainable development is not as evident in the funds' reports as in Agenda 2030. Just like the Agenda 2030, the funds do not use the concept of sustainability synonymous with sustainable development, but how the funds differed between the concepts was, arguably, vague. The funds use sustainability as a summary-concept entailing the environment, corporate governance, and ethics. The funds regard both sustainable development and sustainability as prerequisites for long-term sustainable returns, and in many cases, the financial returns depended on industries supporting work concerning sustainable development. Thus, although sustainability is the terminology that the funds most often refer to, sustainable development and sustainability seem to depend on one another.

As stated in subchapter 3.2., the Agenda 2030 suggest that sustainable development is the goal to, amongst other things, end poverty, improve health and education, spur the economy, and preserve the planet. However, the only, and very often, explicitly stated reason for sustainability throughout the funds' reports was the enabling of long-term returns and financial benefits. Thus, the funds do not explicitly state, for example, moral or ethical reasons for acting sustainable. Instead, they use the sustainability concept as a means to enable long-term financial returns. However, the reason behind the funds' sustainability does not oppose or diminish the funds' potential sustainable effects on the world.

RQ3. What implications does the Swedish Pension System's first four funds' implementation of policies regarding sustainability have for the funds' sustainability-related goals? The funds were all explicit on their approaches to ownership control and what industries they avoided investments in, and made sure to often state sustainability-related reasons. Their reports suggest that the funds are transparent in what they disclose, for example, through advertising what SDGs they support. Nevertheless, it is not apparent if what they disclose is representative of all of their activities. However, as far as the reports show, there are

good reasons to believe that the funds comply with their internal goals concerning sustainability.

After looking at the funds' implemented strategies of ownership control and their careful selection of where and when to invest, the funds, arguably, act in accordance with their sustainability-related goals. Thus, at least following their own accounts and definitions, the funds, arguably, are sustainable. According to what the funds account, they seem to be attentive to their possible effect on the world, and what possibilities organizations in their position hold.

8. Concluding Remarks

This chapter presents some concluding and contextualizing remarks concerning this thesis' findings. This thesis analyzed the use of the sustainability concept in the Swedish Pension System's first four funds' 16 annual reports from between 2016 and 2019. Understanding the funds' definition and operationalization of sustainability contributes to the thesis' aim of understanding how the relationship between a governmental investment organization and the concept of sustainability has effects on both national and global scales. Therefore, the thesis' overarching research question was: How do the first four funds within the Swedish Pension System utilize the concept of sustainability throughout their management?

In order to answer the overarching research question, the analysis sorted the results according to the following three sub-research questions: What definitions do the first four funds of the Swedish Pension System operate with regarding sustainability throughout their annual reports? How does the definition of sustainability provided in the Agenda 2030 correspond with the one provided in the Swedish pension system's first four funds' annual reports? What implications does the Swedish Pension System's first four funds' implementation of policies regarding sustainability have for the funds' sustainability-related goals?

The legitimacy theory constituted the framework for the analysis, and the evaluation of the funds' reports provides just as many arguments suggesting that the funds are sustainable organizations, as it provides the opposite. The findings from the analysis suggest that the way in which the funds account for their behavior has the potential to set the perimeters for the public's perception of them. Thus, if the funds depict themselves as sustainable, and account for their behavior in a way corresponding with this notion, the ones reading the reports have good reason to believe that the funds are sustainable.

However, even though the funds account for sustainable behavior, it is arguably also possible to perceive them as the opposite. Thus, after analyzing the funds' reports, what initially appeared to be an inherent contradiction concerning the funds' sustainability-related behavior,

instead, seems to be a question about disclosure. Investing in industries that some would call hazardous is potentially sustainable since it enables ownership control, which facilitates changing the industries into something better. Nevertheless, refraining from investing in industries that some would call hazardous is also potentially sustainable since it limits the industries' capital and the funds' ability to influence them. Regardless of how the funds behave, they can be perceived as both being and not being sustainable with effects on both national and global scales. Thus, how the funds account for their behavior is, arguably, crucial for the readers' perception of their sustainability.

The level of the funds' effect on the world, arguably, corresponds with their financial abilities. Following that argument, along with the arguments put forth throughout the reports, the conclusion about the funds' effects on the world is ambiguous. On the one hand, their effect appears significant, as the funds' choices of where to invest and how to manage and utilize their ownership control seem considerable. On the other hand, the effect appears close to marginal when the funds assert that they primarily utilize their ownership control efforts to their largest assets, which suggests that the funds give less attention to the ownership control in smaller assets.

Since the public's perceptions of the funds spring from how the funds' account for their behavior, the funds are put in a "damned if you do, damned if you do not" position. The funds can invest in industries regarded as sustainable and, thus, be considered sustainable. However, through ownership control, they can also invest in industries that are not sustainable and still be considered sustainable. In the same way, the funds can receive critique for not being sustainable through either investing in industries that are deemed not to be sustainable or through refraining from said investments and losing the ability to change them into a more sustainable direction.

Following the arguments about how organizations survive as long as the surrounding society accepts them, the funds' survival depends on the Swedish society. The funds' operationalization of sustainability depends on what the Swedish society accepts since the funds are governmental, however independent, investment organizations. Consequently, as emphasized in subchapter 1.3., it is of value to see how a developed country such as Sweden, which labels itself as sustainable, utilizes the sustainability concept. This thesis' findings suggests that the question about the funds' sustainability-related effects on both national and global scales, ultimately is a question about Swedish society's sustainability-related effects on both national and global scales. How the "Swedish society" should be defined is ambiguous, but as the funds are governmental organizations, the Swedish government is one interpretation.

Consequently, although the funds' work from time to time gets questioned, Swedish society still allows them to proceed with their work. Another closely related finding is, thus, that the relationship between sustainability and the specific type of organization that the funds constitute does not *affect* sustainability on a national scale as much as it *reflects* the relationship between sustainability and the Swedish society. Following that line of reasoning, the Swedish society, as enablers of the funds' management, arguably accepts and legitimizes the way the funds advertise and account for their behavior. The funds' operationalization and utilization of sustainability could, therefore, indicate how the Swedish society does the same.

Ultimately, this thesis' findings suggest that *the way* the funds account for their behavior matters more than *what* the account entails, in terms of the public's perception. Thus, what at first appears to be an inherent contradiction between the funds' account for their behavior on the one hand, and the funds' investments on the other is, in fact, not necessarily a contradiction. Instead, it is a matter of how the funds account for their behaviors and how the public perceives said accounts. For example, the funds account for utilizing ownership control in the strive towards sustainability. Since their end goal is long-term returns, and not sustainability, the ownership control, despite being accounted for as a tool for sustainability, ultimately is a tool for securing financial returns. Therefore, the concluding finding from this thesis suggests that critiquing the funds for not being sustainable is neither correct nor relevant, due to the ambiguous nature of perceptions and accounts.

8.1. Suggested Further Research

This thesis' findings highlight the close association between the Swedish Pension System's first four funds and the Swedish society, which suggests that it is crucial to further evaluate the Swedish operationalization of the sustainability concept when analyzing the effects of the funds. In order to contextualize the aim and findings from this thesis further, it would be interesting to analyze how the relationship between the Swedish government and the concept of sustainability has effects on both national and global scales. Another interesting aspect of further research would be to analyze the relationship between the public's opinions of the funds and those in charge of the management. For example, to question whether or not the public's perceptions and expectations weigh heavier than the funds' moral convictions in the funds' management.

Appendix

The first AP-fund

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AP1. (2018). *Årsredovisning 2018*. 56 pages. Retrieved from https://www.ap1.se/cdn.triggerfish.cloud/uploads/2019/03/ap1_2018_arsredovisning-1.pdf

AP1. (2017). *Årsredovisning 2017*. 60 pages. Retrieved from https://www.ap1.se/cdn.triggerfish.cloud/uploads/2018/10/ap1_2017_arsredovisning.pdf

AP1. (2016). *Årsredovisning 2016*. 60 pages. Retrieved from https://www.ap1.se/cdn.triggerfish.cloud/uploads/2018/10/ap1_2016_arsredovisning.pdf

The second AP-fund

AP2. (2019). *Årsredovisning 2019*. 102 pages. Retrieved from <https://www.ap2.se/globalassets/nyheter-och-rapporter/arsredovisningar/arsredovisning-2019.pdf>

AP2. (2018). *Årsredovisning 2018*. 110 pages. Retrieved from https://www.ap2.se/globalassets/nyheter-och-rapporter/arsredovisningar/arsredovisning-och-hallbarhetsrapport-2018_se.pdf

AP2. (2017). *Årsredovisning 2017*. 116 pages. Retrieved from <https://www.ap2.se/globalassets/nyheter-och-rapporter/arsredovisningar/arsredovisning-2017.pdf>

AP2. (2016). *Årsredovisning 2016*. 84 pages. Retrieved from <https://www.ap2.se/globalassets/nyheter-och-rapporter/arsredovisningar/arsredovisning-2016.pdf>

The third AP-fund

AP3. (2019). *Årsredovisning 2019*. 82 pages. Retrieved from https://www.ap3.se/wp-content/uploads/2020/03/AP3_%c3%85rsredovisning_2019.pdf

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AP3. (2017). *Årsredovisning 2017*. 76 pages. Retrieved from https://www.ap3.se/wp-content/uploads/2018/02/AP32017_%c3%a5rsredovisning.pdf

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The fourth AP-fund

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