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Exploring Businesses' Justifications for Sustaining and Developing Value through Climate Risk

Adaptation and Mitigation

A Norwegian Savings Bank Case Study

Sofie Skauvold Hansen

Main-supervisor: Kjetil Rommetveit (University of Bergen)

Co-supervisor: Christopher Wright (University of Sydney)

Abstract (English)

Climate change increases climate risks for businesses. This sustainability issue is a global societal challenge, as businesses' response matters for developing and sustaining value through adaptation and mitigation of climate risk. In this master's thesis, a Norwegian savings bank case study is utilized to explore the main strategies and instruments through which businesses develop and sustain (societal, environmental, and economic) value in climate risk adaptation and mitigation, and how businesses justify their response to climate risk. Previous research illustrates that different justifications can be applied to sustainability issues. However, market justifications dominate, highlighting the need for further research into the justifications for corporate environmentalism. This internship-based master's thesis takes an intensive approach combining participatory observation, document analysis, and interviews to study Sparebanken Vest's (SPV) work with climate risk. The research finds that large goals such as net zero and products like sustainability-linked loans can be considered main strategies and instruments. There appears to be a compromise between market, industrial, and green values, but mainly in terms of the market order. This indicates that businesses' climate risk adaptation and mitigation measures are dependent on competitiveness and efficiency, and that the sustainability argument is not sufficient in isolation.

Abstrakt (Norsk/Norwegian abstract)

Klimaendringer øker klimarisiko for næringslivet. Dette bærekraftsproblemet er en global samfunnsutfordring, da næringslivets klimatiltak er vesentlig for å utvikle og bevare verdi gjennom tilpasning og skadebegrensning av klimarisiko. I denne masteroppgaven brukes en norsk sparebank case studie til å forstå hovedstrategiene og instrumentene som næringslivet utvikler og bevarer (sosial, miljømessig, økonomisk) verdi i klimatilpasning og utslippsreduksjon, og utforske hvordan næringslivet rettferdiggjør deres respons til klimarisiko. Tidligere studier illustrerer at ulike rettferdiggjørelser kan bli brukt i sammenheng med bærekraftsutfordringer. Rettferdiggjøring fra markedets verdiorden dominerer, som fremhever behovet for ytterligere forskning på rettferdiggjørelser for bedrifters miljøvern. Denne praksisbaserte masteroppgaven tar en intensiv tilnærming som kombinerer deltakende observasjon, dokumentanalyse, og intervjuer for å studere Sparebanken Vest sitt arbeid med klimarisiko. Avhandlingen viser at store mål som netto nullutslipp og produkter som bærekraftslinkede lån er hovedstrategier og instrumenter. Analysen synliggjør et kompromiss mellom marked, industrielle og grønne verdier, men hovedsakelig på marked-verdiordenens betingelser. Dette indikerer at næringslivets klimatilpasning og utslippsreduksjon er avhengig av konkurransedyktighet og effektivitet, og at bærekraft argumentet ikke er tilstrekkelig i isolasjon.

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Abbreviations

Boltanski & Thevenot = B&T

Climate Risk = CR

Corporate Social Responsibility = CSR

Environmental, Social, and Governance = ESG

Nyberg & Wright = N&W

Orders of Worth = OW

Sustainability Linked Loans = SLL

Sparebanken Vest = SPV

Sustainability Risk = SR

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Chapter 1 – Introduction

This is an internship-based master's thesis written as part of the global societal challenges specialization of the master's program in sustainability at the University of Bergen. Through the course *SDG349 Internship* I had an internship at Sparebanken Vest (SPV), a Norwegian savings bank.

The topic of this master's thesis is climate risk for business. The following section provides some background on the topic and frames it as a sustainability issue. Next, I present the research objective, research question, and the structure of this master's thesis.

1.1 Climate Risk for Business

Climate change is one of global society's most pressing sustainability challenges. The effects of climate change pose risks to the environment, society, and the economy. Moreover, potential outcomes are difficult to forecast because of complexity and uncertainty. As described in Pattberg and Zelli (2016a, p. 231), climate change, with its complexity and responsibilities, is contested, and:

...more often than not, we only sense the urgency to act in light of repeated disasters and accidents, not due to new concepts or buzzwords. The challenge then remains how humanity can be convinced to take action before experiencing disasters and reaching critical tipping points. (Pattberg & Zelli, 2016a, p. 238)

Even though it should be scientifically possible to mitigate the consequences of climate change by transitioning to a low-carbon society, the economic and societal political dimensions create the perception of climate change as a wicked problem with no immediate solution (Grundmann, 2016, p. 562; Nyberg et al., 2022, p. 166; Rittel & Webber, 1973). Different institutions will find various ways to manage these challenges. For businesses, some of these strategies and instruments are based on climate risk.

The Intergovernmental Panel on Climate Change (IPCC) assesses the science related to climate change and defines the concept of risk as “the potential for adverse consequences for

human or ecological systems, recognising the diversity of values and objectives associated with such systems” (Reisinger et al., 2020, p. 4). Risk management is defined as the “plans, actions, strategies or policies to reduce the likelihood and/or magnitude of adverse potential consequences, based on assessed or perceived risks” (Reisinger et al., 2020, p. 5) According to the United Nations Global Compact (UNGC), the world’s largest corporate sustainability initiative, corporate sustainability is about “a company’s value system and a principles-based approach to doing business” (United Nations Global Compact, n.d.). Hence, business risk management is linked to corporate sustainability, where businesses assess how climate change is potentially affecting their economic value creation as a risk or opportunity, as well as their business's role in ecological and social matters (Nyberg et al., 2022, p. 95; Vildåsen et al., 2017, p. 40).

Climate risk for businesses can be distinguished into different forms of risks. Wright and Nyberg (2015, p. 53) differentiate between four kinds of climate risk for corporations: physical risk, regulatory risk, market risk, and reputational risk. Utilizing climate risk is one way in which businesses understand and frame their position on climate change, as well as justify their actions or lack thereof in disputes (Wright & Nyberg, 2015, p. 48). There appears to be tension between seeing climate change as a dangerous threat or an opportunity for further value creation (Wright & Nyberg, 2015, p. 71). Furthermore, there are differences between adaptation to climate risk and mitigation of climate gas emissions. Businesses must consider regulatory and reputational risks related to climate mitigation and reducing carbon emissions, and also consider their ability to adapt to climate impacts from exposure to physical and market risks (Nyberg et al., 2022, p. 95).

The future and effects of climate change are uncertain, as there are many unknowns. Climate risk management is a way for businesses to manage this uncertainty (Wright & Nyberg, 2015, p. 51). Nevertheless, there may be “unknown unknowns”, potential aspects of which one is unaware, that may be identified and explored through advanced methods and scenario analysis (Eriksson et al., 2022, p. 6; Wright & Nyberg, 2015, p. 55). Reflection and open-mindedness are necessary considering the uncertainty and complexity of climate outcomes, as the way we understand climate risk today may change in the future.

1.2 Research Objective

The main research objective of this master's thesis is to use SPV as a case study to explore how businesses approach climate risk and justify their response. This corresponds with the objective of the internship-based master's, which is to “develop knowledge of and first-hand experience with interdisciplinary problem-solving related to sustainability” (Centre for the Study of the Sciences and the Humanities, n.d.).

1.2.1 Practical Relevance

The choice of topic and research objective was inspired by how SPV works with and implements climate risk as a part of its daily operations through strategic goals and instruments related to sustainability. Banking activities are increasingly affected by “non-financial factors”, such as the environmental, social, and governance (ESG) factors, which require banks to adjust their activities related to risk management to meet the new conditions (Ziolo et al., 2021, p. 1). Hence, further investigation of the banking and financial industries' management of climate risk is interesting, as climate risk is highly relevant to their business activities. To narrow down the scope of this master's thesis, SPV is used as a qualitative case study of a Norwegian business, and the results are therefore not necessarily generalizable to other businesses in different sectors, sizes, or areas. However, the case study gives valuable insight and a deeper understanding of how climate risk can be understood in the specific context of a large Norwegian savings bank.

1.2.2 Academic Relevance

To understand how businesses justify their response to climate risk, I apply the “orders of worth” framework developed by Boltanski and Thévenot (Boltanski & Thévenot, 2006). Wright and Nyberg (2015, p. 103) argue that the framework is useful for understanding critique and justification in social disputes, where “each of these justifications is based on different principles for evaluating worth in a social situation of dispute or uncertainty”. Following Wright and Nyberg (2015, p. 105), “the appeal to different orders of worth as sources of justification is manifest in how corporations and their managers have responded to the climate crisis”.

Moreover, there appears to be an opportunity to add to the existing literature by utilizing the orders of worth framework to understand sustainability issues in various areas and sectors. Nyberg and Wright (2012, p. 1833) suggest “further areas for exploring the role of justification and legitimacy in corporate environmentalism”, where for instance “other managerial functions and geographic contexts, may well reveal different patterns of justification”. Moreover, Nyberg and Wright have applied the orders of worth framework to understand several sustainability issues, for instance, coral reef bleaching in Australia (Wright & Nyberg, 2022, p. 1) and the political debate over shale gas fracking in the United Kingdom (Nyberg et al., 2017). There are also some applications of the framework in the Norwegian research literature related to sustainability, for instance, to understand the valuation of nature in parliamentary debates (Andersen, 2017), sustainable tourism (Lindberg, 2020), and small power plants (Yttri, 2019). The ethnographic and cases study elements of this internship-based master’s thesis add to the existing literature, where participating in the SPV sustainability team over a longer period of time enables description and interpretation of the cultural behavior related to climate risk (Creswell, 2007, p. 103).

1.3 Research Question

To meet the research objective of this master thesis, I seek to answer the following research question:

What are some main strategies and instruments through which businesses develop and sustain (societal, environmental, and economic) value in climate risk adaptation and mitigation, and how do businesses justify their response to climate risk?

The research question can be considered as consisting of two interconnected parts. The first part of the question calls for a description of what SPV does, while the second part deals with how they justify it. Hence, the purpose of the case study is to use SPV, as an illustration, to first describe some ways businesses approach climate risk, and then discover how they justify it. This case study is interesting to explore, as the way climate risk is perceived by the organization affects the way it is justified, and the strategies and instruments accompanying it.

To answer the research question, I analyze collected data from participatory observation during my internship at SPV, including document analysis, as well as supplementary qualitative interviews, further described in Chapter 3.

1.4 Structure

This master's thesis is structured in six main parts. First, this introduction is intended to give an overview of the research objective, research question, and the background and scope of the chosen topic. The second chapter includes the theoretical framework and some previous research, placing the thesis in the context of sustainability, climate risk, and the Orders of Worth framework. In chapter three, I elaborate on the research design, including methods and ethical reflections. Chapter four consists of the results and my analysis of the case study. In the fifth chapter, I discuss the findings, linking the results and analysis to the research question. Finally, I provide a conclusion that restates the research question, briefly summarizes the main findings, and points to some areas of further research.

Chapter 2 – Theoretical Framework

2.1 Sustainability

This part of the theoretical framework chapter presents relevant terms and definitions for the research objective, such as sustainable development, climate change, and risk. There is a large amount of literature on the concepts, which means they could be presented in different ways depending on literature and discipline. Hence, in this master's thesis, a selection of literature is utilized to briefly introduce the relevant sustainability concepts in the context of global societal challenges.

2.1.1. Sustainable Development and Business

Across the humanities, social, and natural sciences, sustainability is a contested and complex field that does not necessarily have a universally accepted definition (Rosen, 2020, p. 16). Hence, as many scholars, this thesis refers to the recognized definition of “sustainable development” by the United Nations Commission on Environment and Development, also

referred to as the Brundtland Commission: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987). Moreover, sustainability is commonly divided into three interconnected categories: social, economic, and environmental (Rosen, 2020, p. 17). As stated in *The Limits to Growth* report by Meadows et al. (1972, p. 11), complex, global societal problems interact and it is important to understand “that the whole is more than the sum of its parts, that change in one element means change in the others”. Moreover, as described by Rosen (2020, p. 25), “coupled human-environment systems have interactions among different systems that lead to trade-offs, e.g. reducing costs may cause a process to have higher emissions or lower efficiency”. Hence, it is important to consider the complexity related to the dimensions of sustainability.

In 2015, the “2030 Agenda for Sustainable Development” resolution was adopted by the United Nations General Assembly. This included 17 Sustainable Development Goals (SDGs) and 169 targets to “stimulate action over the next 15 years in areas of critical importance for humanity and the planet” (United Nations General Assembly, 2015, p. 1). The SDGs addressed several of the shortcomings of the Millennium Development Goals (MDGs) by setting universal goals and targets for all countries (Fukuda-Parr, 2016, p. 44). Moreover, the resolution recognizes the role and potential of businesses to use their creativity and innovation to solve sustainable development issues (United Nations General Assembly, 2015, p. 29). Financial institutions are considered to be a significant stakeholder contributing to reaching the SDGs because of their resources and capital (Ziolo et al., 2021, p. 10).

Cooperation between governments, businesses, and society to meet these goals is part of reducing sustainability risks. Sustainability risks (SR) for business are often referred to as ESG risk (Ziolo et al., 2021, p. 10). Regulations supporting the management of these risks are important for businesses to reduce the risk of non-financial factors, for instance, the EU taxonomy (Ziolo et al., 2021, p. 54). The EU’s strategy for sustainable finance consists of initiatives to tackle climate change and other environmental challenges (Ahlström & Sjøfjell, 2022, p. 23). Nevertheless, climate change is not the only SR for the corporate sector, and the EU Commission also supports companies with corporate governance, such as ensuring social and human rights in their own operations and value chains (Ahlström & Sjøfjell, 2022, p. 25). The following paragraphs introduce some concepts that are relevant to the role of business in sustainability.

Coexistence

There are different viewpoints on handling sustainability issues and how businesses can sustainably “coexist” with society and the environment. Lynch and Veland (2018, p. 6) describe coexistence as acknowledging different policy approaches to persist side by side, where various strategies to reach desired outcomes can proceed without reconciliation or win-win outcomes. For instance, Blindheim (2015, p. 56) argues that there are two very different, coexisting ideas of the role and responsibility of business in Norwegian society. Traditionally, the state has taken the collective responsibility to address social issues, but today businesses are also expected to consider their Corporate Social Responsibility (CSR) (Blindheim, 2015, p. 65).

(Inter)disciplinary Boundaries

This master’s thesis is interdisciplinary, drawing on concepts from social studies of risk, sociology, and business literature and integrating the knowledge from these disciplines in the analysis of climate risk. The core disciplines of the case study of SPV are finance and economics. In addition, the thesis is based on several research methods that belong to different social sciences such as sociology, social anthropology, and political science. Sustainability issues are often considered interdisciplinary because of the environmental, economic, and social dimensions, and linkages to diverse fields (Rosen, 2020, p. 19; Öberg, 2011, p. 7). Öberg (2011, p. 32) claims that conscious reflection on boundaries between different disciplines is important, as ignoring disciplinary boundaries for theories and methods does not erase them. Hence, disciplinary boundaries are considered when integrating knowledge from different fields and disciplines in the results, analysis, and discussion of climate risk as a sustainability issue. Moreover, the concepts of “boundary objects” that inhabit several intersecting worlds (Star & Griesemer, 1989, p. 393), “boundary work” that defines distinctive social boundaries (Gieryn, 1983, p. 782), “boundary arrangements” that mediate boundaries (Hoppe & Wesselink, 2014, p. 76), and “boundary organizations” positioned between social worlds (Guston, 2001; Miller, 2001, p. 480) can be useful to identify differences and common grounds, providing stability “through the consent of actors on both sides of the boundary” (Guston, 2001, p. 400). Being aware of the differences and utilizing these consciously provides an opportunity for interdisciplinary research (Öberg, 2011, p. 32).

Moreover, disciplines may frame sustainability issues in different manners. Dahl (2017, p. 14) explains that disciplines may have different conceptualizations of framing. A widely used definition of framing is the one by Entman (1993, p. 52): “to frame is to select some aspects of a perceived reality and make them more salient in a communicating text, in such a way as to promote a particular problem definition, causal interpretation, moral evaluation, and/or treatment recommendation for the item described”. It can therefore be useful to consider that the “reality” of sustainability issues can be perceived differently and that economic, environmental, and social dimensions can be promoted from particular viewpoints.

Weak and Strong Sustainability

When considering businesses' sustainability actions, there is an important distinction between weak and strong sustainability. According to Rosen (2020, p. 21), a weak sustainability perspective allows natural capital to substitute for human capital, and vice versa, while in a strong sustainability perspective, natural and human capital are not substitutable. Following the definition by Ahlström and Sjøfjell (2022, p. 18), weak sustainability approaches are characterized by “a business-as-usual action agenda with a strong belief in technological solutions” and emphasize trade-offs, reporting, and transparency. The idea is that an increase in human capital can mitigate or balance a reduction in natural resources (Rosen, 2020, p. 21). In contrast, strong sustainability approaches, “...integrate corporate action - including financial market activities – with their patterns of production and consumption to be limited to levels that are within the capacity of the planet” (Ahlström & Sjøfjell, 2022, p. 18). This perspective considers capital and humans as complementary rather than interchangeable (Rosen, 2020, p. 22).

Corporate Environmentalism

Sustainable business is a broad field that may be approached by corporations in several different manners and there is a debate between different perspectives on corporate environmentalism. Corporate environmentalism is the rhetoric for businesses' role in achieving both economic growth and ecological rationality (Jermier et al., 2006, p. 618). While corporate environmentalists believe in a win-win scenario with increased efficiency and green developments that will benefit everyone, critics consider this a legitimization process or greenwashing to gain business interests (Nyberg & Wright, 2012, p. 1819). Nyberg and Wright (2012, p. 1820) argue that the distinction between authentic corporate initiatives and greenwashing is a simplification of reality and that there is a broad range of justifications

behind businesses' responses to sustainability matters. For instance, Dahl and Fløttum (2019, p. 14) investigate how climate change can be approached by energy companies as “a business responsibility” (Total), “a business risk” (Suncor), and “a business opportunity” (Statoil/Equinor). Moreover, risk appears to be strongly emphasized in corporate disclosures, where the word “risk” is used more frequently in companies' strategy reports than both “opportunity” and “responsibility” (Dahl & Fløttum, 2019, p. 8).

2.1.2 Climate Change as a Societal Challenge

Climate change is considered one of the greatest global societal and environmental sustainability challenges today and in the future, but the negative effects of climate change can be avoided by reducing atmospheric greenhouse gases (Rosen, 2020, p. 20). There is a “sense of urgency” to take action to reduce the risks of climate change, which could have irreversible impacts (Pattberg & Zelli, 2016b, p. 5). Climate risk (CR) are the risks associated with climate change. For instance, in Norway, CR can have physical impacts on the environment, such as flooding and rising sea levels, and also implications for policy and technology that affect society and the economy (NOU 2018: 17, pp. 16-17). The IPCC Sixth Assessment Report finds “human activities, principally through emissions of greenhouse gases, have unequivocally caused global warming...” and that “some future changes are unavoidable and/or irreversible but can be limited by deep, rapid, and sustained global greenhouse gas emissions reduction” (IPCC, 2023, pp. 4, 18). Nevertheless, there are several existing explanations for why there is a lack of action towards mitigating the consequences of climate change. Norgaard (2011, p. 16) describes a lack of information and lack of concern as existing explanations, yet she stresses that climate change should not be a complicated phenomenon for most people to understand:

...only two simple facts are essential to understanding climate change. If significant global warming occurs, it will be the result primarily of an increase in the concentration of carbon dioxide in the earth's atmosphere. And the single most important source of carbon dioxide is the combustion of fossil fuels, most notably coal and oil. How can it be that people don't know these basic facts? (Norgaard, 2011, p. 16)

Moreover, Norgaard (2011, p. 17) points to studies that show that “increased levels of information about global warming have a negative effect on concern and sense of personal

responsibility” (Kellstedt et al., 2008), and that “people stopped paying attention to global climate change when they realized that there is no easy solution for it” (Krosnick et al., 2006). Hence, the phenomenon of climate skepticism and information deficit is not the only factors that hinders solutions to climate change (Norgaard, 2011, p. 17).

There are varying perspectives on how businesses, government, society, and individuals should tackle the climate crisis and who is responsible. For instance, Fløttum (2017, p. 126), finds that Norwegian citizens want to take climate action and that there is a great variation in the suggestions of measures based on conceptions of the issue. Contrary to many scholars, Norgaard (2011, p. 22), highlights the role of emotions in climate change and explains the phenomenon of knowing what is right to do, but not doing it, as “socially organized denial”, which is “the process by which individuals collectively distance themselves from information because of norms of emotion, conversation, and attention and by which they use an existing cultural repertoire of strategies in the process”. Emotions such as powerlessness, guilt, and worry, may create cognitive dissonance and distorted views of reality to sustain the illusions of control and good self-image (Vetlesen & Henriksen, 2022, pp. 34-35). Moreover, Norgaard (2011, p. 23) describes this as “implicatory denial”, where it “is not in most cases a rejection of information per se, but the failure to integrate this knowledge into everyday life or to transform it into social action”. Fløttum (2017, p. 127) states that there is a need for more research to clarify possibilities for individual action and on distributing responsibilities. Moreover, Dahl and Fløttum (2019, p. 17) suggest that risk as a strategic approach will dominate corporate perceptions of climate change in the future.

2.1.3 (Inter)disciplinary Understanding of Risk

The concept of risk has developed throughout history, and it can be defined in different terms depending on the discipline, where “risk has different ontological and epistemological status, and is researched and understood accordingly in different ways, using different tools, methods and frameworks of analysis” (Lupton, 2013, pp. 20-21). This thesis takes an interdisciplinary approach to CR by using, combining, and integrating knowledge from different disciplines (Öberg, 2011, p. 44). Similar to Lupton (2013, p. 21), the purpose of this master’s thesis “is not to engage in discussion about the relative claims to truth of competing arguments about which phenomena should be considered ‘real risks’ or not, or how serious these risks are”. Instead, this thesis draws on social, sociological, and anthropological perspectives, where the focus is on ways in which risk is provided with meaning and dealt with (Lupton, 2013, p. 21).

Hence, acknowledging different “ways of knowing” risk can strengthen the study of CR as a sustainability issue, as well as “analysing the problems that arise from the way the problem is studied, understood and described by the disciplines” (Öberg, 2011, p. 39). For instance, recognizing that economics and philosophy may have different conceptions of risk is part of researching how different actors can understand risk:

The discipline of economics draws upon mathematical models, viewing risk as a resource that forms part of decision-making, a means of securing wealth and avoiding loss. Risk in economic terms is a phenomenon used to control the unknown by rendering it in terms of calculations and probability...while philosophers occupy themselves with analysing the ontologies, epistemologies and ethical dimensions of risk. (Lupton, 2013, p. 20)

In the business context, risk is a concept that is highly used in finance, especially related to investing and insurance, and may have positive and negative associations related to climate. For instance, the development of the insurance industry contributed to the calculative aspects of risk, where one gets insurance to mitigate loss and damage considering the probability of something happening (Lupton, 2013, pp. 8-9). Moreover, Lupton (2013, p. 9) describes positive risk related to making a profit, where higher risks can lead to a higher reward. As mentioned in the introduction (1.1 Climate Risk for Business), climate change can be considered a risk or an opportunity for businesses, and the categories of CR are referred to as physical risk, regulatory risk, market risk, and reputational risk (Wright & Nyberg, 2015, p. 53).

Risk as a Future Possibility

Risk can be considered a dynamic concept of future possibilities. As emphasized by Lupton (2013, p. 10), risk has a transitory nature, as “a risk is not a phenomenon that already exists; it is a phenomenon that may happen sometime in the future”. This notion is particularly relevant for CR, as the outcomes have not yet materialized, and the extent of the consequences is highly uncertain. To better understand the dynamic nature of risks, models, and scenarios can be utilized as tools to determine probabilities and the potential implications if the risk materializes. This can be helpful to maintain a sense of urgency and to not hinder action. As described by Meadows et al. (1972, p. 22), decisions that affect the physical, economic, and social aspects of the world for many years must be made without exact models or complete

understanding. Moreover, risk is not necessarily something that can be controlled as long as it is identified. For instance, Wynne (1992, pp. 117-118) makes a distinction between uncertainty and indeterminacy, where uncertainty entails that inadequate control of environmental risks is because of inadequate scientific knowledge, while indeterminacy acknowledges that outcomes depend on how actors behave.

Risk as Danger

Risk can be understood as a system in which society develops to handle danger by providing a sense of control (Lupton, 2013, p. 3). Contemporary understanding of risk is generally perceived as negative outcomes, nearly synonymous with “danger” (Lupton, 2013, p. 9). Global society faces many risks, some of them increased by high-risk technologies that increase risks for people today and in the future (Perrow, 1999, p. 3). Acknowledging that threats from these risks exist is one thing, but society also wants to believe that something can be done to deal with or prevent them (Lupton, 2013, pp. 3-4). In pre-modern times, the concept of risk did not include human responsibility, as risk was perceived as a natural event, such as a storm or flood out of human control (Lupton, 2013, p. 6). This changing conception of risk is interesting when it comes to CR, as the consensus today is that climate change is human-made and hence therefore can and should be managed and mitigated, while some would still argue that climate change is rather a series of natural events that cannot be managed or avoided. Hence, there is a distinction between perceiving “risk” as unknown uncertainties and knowable probabilities (Lupton, 2013, pp. 7-8).

Risk Analysis and Assessment

Risk analysis is part of assessing sustainability and especially CR management has become a central part of sustainable business and finance. According to Shrader-Frechette (1991, p. 5), risk analysis is a relatively new tool for societal decision-making. The modern concern for environmental risks stems from the latter half of the 20th century when environmental concern grew from publications such as *Silent Spring* by Carson (1962), and *The Limits to Growth* report by Meadows et al. (1972) (Shrader-Frechette, 1991, p. 5). Sustainability assessment consists of various methods, often quantitative indicators, that help to operationalize, measure, and monitor progress (Rosen, 2020, p. 24). Since risk has an uncertain nature, it is considered useful to assess them to consider the probability and implications if the risk materializes. Shrader-Frechette (1991, p. 5) identifies three stages of risk assessment: “(1) identification of some public or societal hazard; (2) estimation of the level and extent of potential harm

associated with it; and (3) evaluation of the acceptability of the danger, relative to other hazards”. Moreover, risk management can be understood as meanings and strategies to reduce future risks and an attempt to find solutions to them, but it can also increase the “anxiety” about risk because of the increased awareness (Lupton, 2013, pp. 19-20). After risks have been assessed, one can “determine the best way to accomplish risk management of a particular public threat” (Shrader-Frechette, 1991, p. 5). In that way, businesses can manage an uncertain future by making it into calculable probabilities.

Risk assessment is also associated with different types of value. According to Shrader-Frechette (1991, p. 7), value can have an effect on the acceptability and judgments associated with different risks. Moreover, risk analyses of the same hazard may not always correspond because there are several ways to evaluate the harm and different perceptions of how much risk is socially, politically, economically, or ethically acceptable (Shrader-Frechette, 1991, p. 7). For instance, in 2018, an Official Norwegian report (NOU 2018: 17, p. 7) to assess climate-related risk factors and their significance for the Norwegian economy was published. The Norwegian economy is and has been reliant on the fossil fuel industry, and has benefited from the generated wealth. Norgaard (2011, pp. 22-23) argues that this in combination with high levels of education, idealism, and environmental values highlights the contradiction between knowledge and action. Hence, CR is complex to manage because of its many dimensions and underlying values. Moreover, according to the NOU 2018: 17 (2018, p. 39), “climate risk is challenging to manage because there is much we do not know, at the same time as a very long-term and broad perspective is needed”.

Risk Management: Adaptation and Mitigation

Adaptation and mitigation can be considered two interconnected, but different approaches for businesses to handle climate change and associated risks. Nyberg et al. (2022, p. 94) make a distinction between adaptation in terms of reactive measures, responding to changes already experienced, and proactive measures, attempting to anticipate future or projected changes. There exists a wide range of adaptation interventions, for instance, heat-proofing, fire-proofing, adjusting infrastructure, etc. Moreover, it is important to consider that communities have varying exposure and ability to avoid or recover from potential harm or risks associated with climate change, considering their “physical and social vulnerability, its adaptive capacity and its resilience” (Nyberg et al., 2022, p. 94). Mitigation is the strategy of decarbonization,

which necessitates emissions reduction in energy production, transportation, manufacturing, industrial processes, agriculture, and food production (Nyberg et al., 2022, p. 42).

Nyberg et al. (2022, p. 15) argues that even though businesses often claim to be supportive of measures to mitigate climate change, some businesses frequently use their political power to limit climate action instead. The research by Fløttum (2017, p. 126) on Norwegian's suggestions for climate action finds that respondents emphasize mitigation measures to a larger extent than adaptation. Moreover, citizens may have more willingness to accept stronger mitigation actions if authorities and politicians "facilitate low-carbon choices and thus contribute to bridging policy and individual action" (Fløttum, 2017, p. 127).

2.2 Orders of Worth Framework

In this master's thesis, the theoretical focus is on the Orders of Worth (OW) framework and is applied inspired by the work of Christopher Wright and Daniel Nyberg (N&W), especially, *Climate Change, Capitalism and Corporations* (2015), "Corporate corruption of the environment: sustainability as a process of compromise" (2013), and "Justifying business responses to climate change: discursive strategies of similarity and difference" (2012). As described by Nyberg and Wright (2012), this thesis utilize the framework to explore issues such as:

...what are the different justifications that corporations use in defending their environmental actions from critics; what discursive strategies are involved in resolving conflicts and tensions between different justifications; and how do these justifications contribute to the legitimation of corporate engagement with climate change? (Nyberg & Wright, 2012, p. 1820)

To understand these types of issues, N&W have been inspired by the work of Boltanski and Thévenot (B&T). The OW framework can be used to research "the way in which arguments are mobilized through engagement with plural common goods, such as, profit, welfare, inspiration, and the environment, that are used to criticize, justify, or legitimate an argument" (Nyberg & Wright, 2012, p. 1820). In moments of crisis, conflict or dispute, referred to as "momentes critiques" by B&T, "actors provide justifications based on some kind of general interest in responding to criticism and seeking agreement" (Nyberg & Wright, 2013, p. 407).

Hence, the framework appears to be useful to apply to sustainability issues, such as climate change and CR, where different viewpoints supported by a range of arguments exist.

Nevertheless, this section does not provide a complete literature review, as that is not the intention of this internship-based master's thesis. The focus is on the practical implications of how the framework can be used to understand the complexity of justifications discovered from the fieldwork at SPV. Moreover, the sociological literature on B&T is large and comprehensive, and not feasible to cover in this thesis. However, it has been useful to explore examples of how the framework has been applied in the field of sustainability in Norway to be able to place this thesis in the context of the existing academic literature and to see what this thesis can add.

2.3.1 Sociological Context

The OW framework was developed by sociologist Luc Boltanski and economist Laurent Thévenot, and belongs to the discipline of sociology. Their work can be considered a part of French pragmatism, referred to as moral and political sociology or the sociology of critique (Blok, 2020, p. 806). The OW framework intends to understand social disputes by mapping justifications for action based on different moral evaluations (orders of worth) (Boltanski & Thévenot, 1999, p. 359). By studying political theory, philosophy texts, and how ordinary people in conflict over right and wrong justify their actions, six regimes of justification were identified and can be traced to different political philosophies (Latour, 1998, p. 5).

2.3.2 Application in the Field of Sustainability in Norway

Norwegian scholarly applications of the framework have helped to recognize the significance of the Norwegian societal context. For instance, Yttri (2019, p. 326), applies the theory to understand how the Norwegian government justifies and legitimizes the wide use of small power plants. Another example is Lindberg (2020, p. 93), who uses the framework to understand the tensions between interests of sustainable tourism in Norway. Blindheim (2020, p. 174) applies the framework to organizations and develops three dimensions for the organization as a collective order with elements from different worlds. Andersen (2017, p. 9) applies the framework to analyze developments in how nature and the environment are valued in parliamentary debates. Moreover, the framework is used to answer questions like:

When and how is nature made relevant for parliament? How is nature valued in these debates? How are decisions on environmental- and petroleum policy legitimated? What kind of knowledge is made relevant? In what ways have parliamentary debates changed over time and how can we understand these changes? (Andersen, 2017, p. 9)

Andersen (2017, p. 46) argues that the OW framework can be fruitfully applied in Norwegian cases. Considering the Norwegian applications, the OW framework can be applied to the banking and finance sector's response to sustainability issues such as CR. Moreover, as argued by Blindheim (2020, p. 182), there is a need for new perspectives to understand what organizations are and the circumstances for collective action. Limitations of the framework will be addressed in Chapter 3 (3.2.3 Limitations of Qualitative Research and Analysis).

2.3.3 Regimes of Justification

The framework distinguishes between seven orders of worth or "worlds": market, industrial, civic, domestic, inspired, opinion, and green. Originally there were six worlds, as the green world was added later, and these worlds were considered "sufficient to describe justifications performed in the majority of ordinary situations" (Boltanski & Thévenot, 1999, p. 369). What is meant by different "worlds" is that the relations and objects of value in one world can have less or no value in another world (Andersen, 2017, p. 34). They each have their mode of evaluation, test, form of proof, qualified objects, qualified human beings, and elementary relation. The worlds can be understood as different understandings of the "common good" (Wright & Nyberg, 2015, p. 103). The concept is that actors apply justifications in disputes, where what is considered the "common good" varies on different sets of values or "orders of worth" (Andersen, 2017, p. 27).

There exists a complexity of justifications for businesses' approach to sustainability matters. For instance, increased efficiency, societal responsibility, and environmental concern (Nyberg & Wright, 2012, p. 1820). These types of justifications stem from a set of values that can be attributed to the different orders of worth. To justify and legitimate business activities, businesses can utilize features of different and competing worlds, and to counter incompatibilities and criticism, strategies are implemented (Nyberg & Wright, 2012, p. 1820). Nevertheless, the different worlds can be combined and coexist through compromise. In response to criticism, conflicts between different goods can lead to compromise in practice

(Nyberg & Wright, 2013, p. 406). What is valued in different worlds differs. However, the goods transcend people and groups, which means that they can coexist in the same social space or situation (Boltanski & Thévenot, 2006; Nyberg & Wright, 2013, p. 407). That means that the worlds are not neatly separated in disputes and that justifications can point to several goods (Nyberg & Wright, 2013, p. 408).

Table 1 (p. 26) summarizes the seven orders of worth as described in Wright and Nyberg (2015) based on Boltanski and Thévenot (1999), Boltanski and Thévenot (2006), and Thévenot et al. (2000). Each world has its belonging mode of evaluation, form of proof, qualified objects, qualified human beings, and elementary relation. The following paragraphs provide a brief summary of the worlds described in Boltanski and Thévenot (1999). In their article, the green world was only mentioned as a worth “being set up at the moment” (Boltanski & Thévenot, 1999, p. 369). There is also a “project” world that was added to the framework later (Boltanski & Chiapello, 2005), but is not included in this thesis which follows the framework as it is set up by N&W with the original six worlds and additional green world. Thus, for this summary, the presentation by Thévenot et al. (2000, p. 241) of the indication of a possible new green world is utilized.

Moreover, the green order of worth is commonly used in combination with other types of justifications (Thévenot et al., 2000, p. 237). There are different perspectives on the green order in the literature and whether “nature” and “ecology” should constitute a value order in itself or if the relevant “green” values should be connected to different orders of worth (Andersen, 2017, p. 43; Latour, 1998, p. 6). For instance, Latour (1998, p. 9) questions if there is an ecological regime if the issues that it raises can all seemingly be resolved in the domestic, industrial, and civic regimes.

The Market World

Valued qualities in the market world are “to be opportunistic in spotting and seizing the opportunities of the market, to be unhampered by any personal link and to be emotionally under control” (Boltanski & Thévenot, 1999, p. 372). Thus, important people are “buyers and sellers” in “competitive relationships”, that are worthy when they are “rich”. Note that “market” is not synonymous with “economic”, as economic actions also can be based on the industrial world (Boltanski & Thévenot, 1999, p. 372).

	Market	Industrial	Civic	Domestic	Inspired	Opinion	Green
<i>Mode of evaluation</i>	Price, cost	Productivity, efficiency	Collective, welfare	Reputation, loyalty, tradition, locality	Inspiration, creativity, grace	Renown, fame	Environmental well-being
<i>Test</i>	Competitiveness	Reliability, planning	Equality, solidarity	Trustworthiness	Passion, enthusiasm	Popularity, recognition	Sustainability, renewability
<i>Form of proof</i>	Monetary	Statistical measurement	Demonstration of a just cause	Anecdotal, oral	Emotional involvement, myths	Public support	Ecological
<i>Qualified objects</i>	Market goods and services	Projects, methods, plans, investments	Rules, regulations, rights, policies	Rank, title, manner	The sublime	Media, brand, interviews	Environment
<i>Qualified human beings</i>	Customer, consumer, trader, seller	Engineers, professional, experts	Collective persons and officials	Authority, boss, leader	Visionaries, creative beings	Celebrity, spokespersons, PR agents	Environmentalist
<i>Elementary relation</i>	Exchange	Functional	Solidarity	Trust	Passion	Recognition	Ecological

Table 1: “Empirically grounded orders of worth” framework provided by Wright and Nyberg (2015, p. 104)

The Industrial World

In the industrial world, worth is dependent on measurable “efficiency” and is “upheld by way of organizational devices directed towards future planning and investment” (Boltanski & Thévenot, 1999, p. 372). Hence, those worthy are “experts” or professionals that are “efficient, productive, operational” using “tools, methods, criteria, plans, figures, graphs” to be “organized, measurable, functional, standardized” (Boltanski & Thévenot, 1999, p. 373).

The Civic World

Following the civic world, “citizens give up their particular interests and direct themselves exclusively towards the common good” (Boltanski & Thévenot, 1999, p. 371). Moreover, compared to the other worlds, the civic world counteracts the personal dependencies and opinions of others that are of value in the domestic world and opinion world. Therefore, the worthy are working for the “general interest”, where individuals ought to be seen as part of a group (Boltanski & Thévenot, 1999, p. 372). Hence, those significant are “federations, public communities, representatives, or delegates” that are “official or statutory”, and immaterial objects such as “rules” and “procedures” are relevant. Furthermore, it is worthy to “involve or mobilize people for a collective action” (Boltanski & Thévenot, 1999, p. 372).

The Domestic World

For the domestic world, “people’s worth depends on a hierarchy of trust based on a chain of personal dependencies” (Boltanski & Thévenot, 1999, p. 370). “Relationships”, “respect for tradition”, and “authority” are founding principles, where “worthy persons are chiefs, bosses, or even relatives”. Respectable qualities are to be “distinguished, straightforward, faithful and to have character”. “Estates” and “titles” may be of importance, and actions associated with invitations, recommendations, or creating a family are relevant (Boltanski & Thévenot, 1999, p. 371)

The World of Inspiration

In the inspired world, “worth is viewed as an immediate relationship to an external source from which all possible worth flows” (Boltanski & Thévenot, 1999, p. 370). Moreover, “grace” and “emotion” are important factors and not the recognition by others. The inspired world can be expressed in several different manners with elements such as “holiness”, “creativity”, and “imagination”. Relevant figures can be anything from “spirits” to “artists”.

The “odd, wonderful, emotional” are valued, and ways to act can be “to dream, to imagine, to rebel, or to have living experiences” (Boltanski & Thévenot, 1999, p. 370).

The World of Renown/Opinion,

In the world of renown, also referred to as the world of opinion, “worth has value only in a hierarchical chain of beings, worth is nothing but the result of other people’s opinion” (Boltanski & Thévenot, 1999, p. 371). Hence, worthy people are such as “well-known personalities, stars, opinion leaders, journalists”, because they are “famous, recognized, successful, or convincing”. Significant actions are therefore “to influence, to identify oneself to somebody, to appeal to or to speak about somebody, or to gossip and spread rumors” (Boltanski & Thévenot, 1999, p. 371).

The Green World

For the green world, actions or entities are worthy when supporting or reflecting on environmentalist principles or “green-ness”, such as “clean/non-polluting, renewable, recyclable, sustainable, and in harmony with nature” (Thévenot et al., 2000, p. 257). Qualified objects are such as “pristine wilderness, healthy environment, natural habitat” and the time and space include “future generations” and the whole “planet ecosystem” (Thévenot et al., 2000, p. 241). Hence, justifications are related to the environment and protection of wilderness, resources, nature, land, and the wild (Thévenot et al., 2000, p. 257).

It is worth noting that the green order may have different dimensions in the Norwegian societal context. Blok (2013, p. 494) argues that there are several common ecological worlds. Yttri (2019, p. 332) describes a conflict in the Norwegian context between protection of nature resources of local esthetic or ecological concerns and global climate considerations of the development of clean, renewable energy. Therefore, there may be different meanings of the green order, hereby referred to as either local or global. Moreover, Andersen (2017, p. 10) identifies a significant change in the valuing of nature in Norway from the 1990s, where “what is valued is not nature “itself” but the function that nature has for humans”.

Chapter 3 – Research Design

3.1 Internship-Based Master Thesis: Assumptions, Paradigms, and Approach

The internship at SPV serves as a basis and case study for this master's thesis, which allowed me to get in-depth knowledge and first-hand experience within an organization. A student internship can be considered similar to a social anthropological approach, supplementing academic lectures and material to understand what is happening within a business (Gripsrud et al., 2016, p. 17). There is no universal standard for structuring a qualitative research design (Creswell, 2007, p. 41). Nevertheless, as described by Creswell (2007, p. 15), good research requires making assumptions, paradigms, and frameworks explicit and being aware of how they may influence the conduct of inquiry. Moreover, it is therefore necessary to be conscious that decisions made about the research design affect the direction of the study.

3.1.1 Epistemological and Ontological Assumptions

Considering the choice of research, this master's thesis primarily follows an epistemological assumption, where staying in the field is important for understanding what the participants are saying and doing, and learning what they know from firsthand information (Creswell, 2007, p. 18). The research was conducted in the “field” at SPV during the internship period of three months and I got to take part in the daily management of sustainability. Moreover, using the vocabulary by Öberg (2011, pp. 39-40), the research question combines epistemological and ontological elements in that it is interested in “the knowledge itself, how it structured and how this way of structuring the issue is problematic”, as well as “our understanding of the world”. Thus, the first part of the research question can be considered more epistemological, (*what are some main strategies and instruments through which businesses develop and sustain (societal, environmental, and economic) value in climate risk adaptation and mitigation*), while the second part can be considered more ontological (*how do businesses justify their response to climate risk*).

The epistemological and ontological assumptions should be suitable for the OW framework applied in this master's thesis. Similar to the epistemological example in Öberg (2011, p. 39), the different worlds and their belonging characteristics can be compared with diverse disciplines' “different ways to structure knowledge, and differences among disciplines in what

they consider to be of value”. Thus, the OW framework is useful for analyzing how different actors perceive the issue of CR from different worldviews based on their own set of values.

3.1.2 Constructivist paradigm

The research in the thesis follows a social constructivist paradigm. Creswell (2007, p. 21) describes that the researcher’s intent is to make sense of or interpret the meanings actors have about the world. Moreover, this aligns with the intent of applying the OW framework, which may be utilized to understand how different values or worldviews determine justifications and critiques in conflict and social problems. Hence, the qualitative methods utilized seek to identify the complexity of meanings about different subjects' experiences (Creswell, 2007, p. 20).

3.1.3 Case Study and Ethnographic Research Approaches

This thesis follows a combination of an ethnographic and a case study approach. Creswell (2007, p. 73) states that the difference between an ethnographic approach and a case study approach is that “the entire culture-sharing group in ethnography may be considered a case, but the intent in ethnography is to determine how the culture works rather than to understand an issue or problem using the case as a specific illustration”. The structure of the internship-based master’s calls for a mixture of the two approaches. Initially, the internship makes a case-study approach suitable in that one gets to study in-depth how one specific organization works with sustainability. Using SPV as a case study for this master’s thesis can be considered an intensive case study approach because only one specific instance of the phenomenon is studied in depth, in its specific context, and in greater detail than in extensive research (Swanborn, 2010, p. 2). Moreover, a large part of the internship is doing research in the field and taking part in the working environment. Hence, the interest is in how an organization can work with CR, which can be considered an ethnographic approach, and I also use this information of the specific case to illustrate and understand the matters of the thesis question, a case study approach.

3.2 Qualitative Methods and Analysis

To meet the research objective and to understand the complexity of the issue, a qualitative research design is considered appropriate (Creswell, 2007, p. 40). A combination of several

qualitative methods was utilized, as using multiple sources of data through a multi-method approach is common in qualitative research and fieldwork (Creswell, 2007, p. 38; Grønmo, 2020, p. 147; Swanborn, 2010, p. 2).

3.2.1 Data Selection and Multi-Method Approach

Throughout the internship period, I collected a considerable amount of different types of data that is included in the results and analysis chapter. The data material consists of different forms of text units: field notes from participatory observation, transcriptions of interviews, and selected texts for document analysis. Put together, the different types of data contributed to forming a holistic picture of the case study. Table 2 provides the total overview of the data types and main text units that are included in the results and analysis.

Data type	Text Unit
<i>Interview transcription</i>	SPV (SPV1 and SPV2)
	BDO (BDO3)
	Finance Norway (Finans Norge) (FN4)
	The Norwegian Environmental Directorate (Miljødirektoratet) (MD5)
	Zero (Z6)
<i>Document (publicly available)</i>	Annual report (2023) by SPV
	Climate Risk Reporting Guidelines by Finance Norway
<i>Media article</i>	“Sparebanken Vest linked to deforestation in Borneo” (Sparebanken Vest knyttes til avskoging på Borneo) (2017) published in <i>Bergens Tidende</i>
	“Sparebanken Vest is still amongst the worst in «class»” (Sparebanken Vest er fremdeles blant de dårligste i «klassen») (2017) published in <i>Bergens Tidende</i>
	“Sparebanken Vest in close on sustainability” (Sparebanken Vest i tet på bærekraft) (2021) published in <i>Finansavisen</i>

Table 2: Overview of data types and text units included in the results and analysis

The data selection can be considered strategic and pragmatic. Firstly, the data selection was based on pragmatic considerations of what data was available and accessible. Secondly, the data was selected following a strategic selection process, for instance, selecting subjects for

the interviews based on which subjects were considered relevant and interesting for the study (Grønmo, 2020, p. 103). The following paragraphs explain the data selection and methods.

Case Study and Participatory Observation

The selection of case was a combination of feasibility and interest, where the internship allowed for direct access to the field, which is valuable for understanding the context and practical implications of the studied issue. Using a singular case or unit was considered appropriate to explore the relatively broad research question of how businesses can approach and justify their sustainability work related to CR, by gaining deep insight and knowledge about the dynamics in the case organization (Swanborn, 2010, p. 3). The field notes and experiences from the participatory observation have mainly been utilized for context and knowledge development about the topic. Throughout the internship, I collected information by studying the characteristics of the organization and the people working there and their relationships, as “it is the people who act and react to each another within the given case” (Swanborn, 2010, p. 3). The case study research aims to understand the complexity of the case and interpret the meaning it has, and not to generalize beyond the specific case (Creswell, 2007, p. 75).

My role as a researcher and trainee during the internship was both participant and observer (Grønmo, 2020, p. 155). As argued by Grønmo (2020, p. 155), the researcher taking part in the actors' organization may be the most fruitful way to be present and able to observe actors act or express opinions. Öberg (2011, p. 40) describes that a research aim can be to analyze knowledge structures and how the way an issue is understood guides our perceptions. Ethnographic research is about exploring the meaning of a cultural group's interactions through their shared patterns of behavior, beliefs, and language (Creswell, 2007, pp. 68-69). For this thesis, the cultural group is SPV, and I have explored their interactions through participatory observation over several months. The behavior, beliefs, and language of interest relate to their work with climate risk. Moreover, through the participant observation, I was “immersed in the day-to-day lives” of the employees, and also did interviews with the group members (Creswell, 2007, p. 68).

Interviews

There were several aims of conducting interviews for this master's thesis. Primarily, the aim of interviews with SPV was to strengthen the observations I made during the internship period

by providing specific quotes for the OW analysis. Qualitative research interviews aim to create an understanding of a topic, where the researcher talks to subjects to learn how they describe their experiences and articulate their choice of actions (Kvale & Brinkman, 2015, p. 20). Hence, this is considered a fruitful way to gain insight into actors' justifications when the analyst is interested in the arguments they use. Secondly, the aim of supplementary interviews with other organizations was to provide a greater context and perspectives on the practical implications of climate risk for business and gather additional quotes for the OW analysis.

In total, I conducted five interviews, one interview with the sustainability team at SPV and four interviews with different businesses and organizations. The interview with SPV was a starting point for concrete data material that could be utilized for applying the OW framework in the results and analysis. As described by Andersen (2017, p. 28), the analysis can take basis in what the actors say and use this to identify the values that are mobilized. To access an assortment within the field of climate risk for business, I decided on one consulting company (BDO), one interest organization (Finance Norway), one public authority institution (The Norwegian Environmental Agency), and one non-profit organization (Zero). These specific organizations were chosen because they all provide publicly available, relevant material on climate risk, on their websites. Figure 1 provides an illustrating overview of the relationship between the strategically selected interviews.

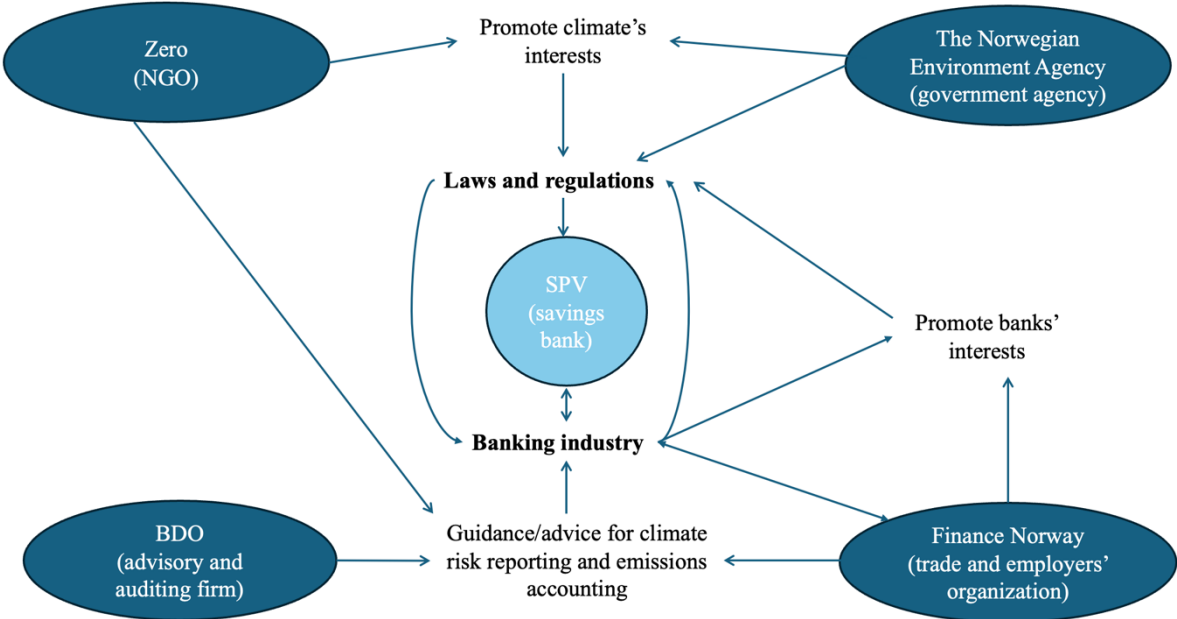


Figure 1: Illustration of the relationship between the interviews.

The relationships between the selected interviews are visible through the banking industry and laws and regulations. SPV is a part of the banking industry and is affected by the laws and regulations in this sector. Finance Norway is connected to SPV through this industry and has collaborations with them and provides guidelines for climate risk reporting. BDO is a company that offers services to advise banks on sustainability work, while Zero is an NGO that provides information and guidance, for instance on climate neutrality. Zero's main role is to promote climate interests into laws and regulations, while Finance Norway promotes banks' interests. The Norwegian Environment Agency has a more direct authority on laws and regulations as they are a governmental agency, and being the environment agency, they provide information that considers climate interests. These relationships are complex and interrelated, and a different choice of interviews may have provided different relations and results, which is examined closer in the limitations section.

Document Analysis

The document analysis provided additional material for the OW analysis. During the internship, several of the tasks included reading and understanding documents and going through them systemically, which was productive to gain insight into SPV's sustainability work and to get an overview of existing documents. The documents included in this master's thesis are SPV's annual report for 2023 and Finance Norway's guidance for climate risk. SPV's annual report for 2023 has been studied for detailed information about the bank's work as seen through the lens of CR, including their own climate risk analysis, referred to as TCFD-analysis. Finance Norway's guidance document on CR for financial institutions has been useful for learning about the industry's standards and recommendations. There are numerous publicly available documents on SPV's website under their sustainability library, yet it was not feasible to include more documents in the analysis. Their sustainability library is designated to provide documents where interested parties can easily access additional information on certain sustainability topics, such as their work with CSR, risk management, climate and environment, equality and diversity, and more (Sparebanken Vest, n.d.-e). A lot of this information is also included in the annual report. During the internship, I also worked with internal documents with confidential business information that will not be included in this thesis due to business secrets and competitive advantage.

In addition, to get an overview of the history of SPV's sustainability work, I decided to include three media articles in the document analysis. The articles were chosen because they provided context for SPV's sustainability work and were published in reputable and relevant newspapers, *Bergens Tidende* and *Finansavisen*. Moreover, the articles included quotes from SPV representatives, which could be specifically used for the OW analysis.

3.2.2 Coding of Qualitative Data

Considering the amount and diversity of the qualitative data in text format, coding is useful to get an overview and to discover patterns (Grønmo, 2020, p. 266). For the analysis, the worlds from the OW framework were utilized as codes. Using the OW vocabulary provided in the literature, the language in the texts can be used to identify the different worlds (Andersen, 2017, p. 44). The framework was color-coded as presented in the theoretical framework section, where each world was designated a color for the process of going through the data material and highlighting text. These codes can be considered interpretive codes, in that they depict my understanding and analysis of the content in the text, in a theoretical and larger context (Grønmo, 2020, p. 267). The results and analysis are presented simultaneously, as qualitative data usually are analyzed throughout the data collection and then the analysis is continued after the data collection (Grønmo, 2020, p. 265).

The analysis of the case includes different data collected from multiple methods, resulting in various aspects and perspectives on climate risk for businesses, where the intention is similar to Thévenot et al. (2000) analysis of French and American environmental disputes that:

...investigates not only the dynamics of argumentation, but also the institutional, technical, legal, and material arguments which support or complement the argumentation. Through this multi-level approach, we get a detailed picture of what the disputants in each country consider valuable or worthy (e.g. "untouched wilderness" versus "productive use of resources"), and the cultural models governing how they go about expressing and implementing these criteria of worth and shared models of evaluation. (Thévenot et al., 2000, p. 229)

Throughout the entire data collection process, studying the subjects' meanings and views on the issue was a central part of the ongoing interpretive inquiry (Creswell, 2007, p. 39).

3.2.3 Limitations of Qualitative Research and Analysis

Methodological and Data Limitations

Since this master's thesis is based on an intensive case approach, the results may not be generalizable beyond the given context. The research can only indicate how a business can approach climate risk based on this specific case. According to Swanborn (2010, p. 3), whether the results from the case study can be generalized to other contexts remains uncertain and can be answered by complementary case studies or an extensive approach. Exploring different types of cases might provide a larger picture of the topic, as different industries may uncover different aspects of climate risk, for instance, the finance industry and the insurance industry. Geographical location might also affect the results, where the effects of climate risk vary depending on regional circumstances. Hence, the results of a savings bank on the west coast of Norway might not apply to eastern Norway or northern areas with differing climates.

The data selection can potentially affect the reliability of the study as a different data selection process may have provided additional or different results. For instance, supplementary interviews with SPV outside of the sustainability team, choosing different organizations and businesses, or additional documents for the analysis might have given different perspectives on climate risk. The interviews were not randomly selected, and hence the researcher's biases can unintentionally affect the results.

It is important to reflect on the context of the research for this master's thesis, within and outside of the internship host organization. Being integrated into the organization as a trainee and taking part in the sustainability team might affect the ability to perform a critical analysis and hence weaken the reliability. For instance, a regular challenge with interviews is wrongful or misleading answers because actors or organizations want to put themselves in a good light, and it is therefore important for the researcher to ask for concretization and elaborations (Grønmo, 2020, p. 173). Moreover, there may be misinterpretations related to sustainability because of disciplinary boundaries. The banking and finance field may have different vocabularies for sustainability that can be mistaken if one does not have sufficient acquaintance with the discipline.

Limitations of Analysis

A potential limitation of the theoretical framework is the application of the OW framework in a Norwegian case. As explained by Andersen (2017, p. 46), the OW and belonging vocabulary in Norway can be different than the ones in France in the 1980s when the framework was developed by B&T. There has been a lot of development in sustainability in the last decades. If the framework is not suitable for the data material, this could weaken the validity in that it affects the possibility of answering the research question. The vocabulary will naturally be different considering the French language of origin and the English and Norwegian applications and data, as the same words can have different meanings in different languages (Andersen, 2017, p. 46). Therefore, when applying the OW framework, one does not only look for the specific words to identify the worlds, whereas the meaning and context must be understood and analyzed (Andersen, 2017, p. 49). Hence, the qualitative coding is highly interpretive. This is also important to be able to identify “unstable” compromises between worlds, which are specific practices or discourses seeking to accommodate multiple worlds without the agreement of only one common good (Boltanski & Thévenot, 2006; Nyberg & Wright, 2013, p. 409; Wright & Nyberg, 2022, p. 1812).

Another limitation can be that the analysis is narrowed down to focus on CR and that it is not possible to cover all the SR that are relevant to the case. As described by Rosen (2020, pp. 24-25), sustainability assessment methods often focus on just one dimension of sustainability instead of considering how the environment, the economy, and society interact together, lacking a systems approach that considers the system holistically. Hence, a systems dynamic approach to climate risk together with other SR might complement the type of qualitative research that is performed in this thesis.

3.3 Ethical Reflections and Research Guidelines

Guidelines for ethical research were reflected before starting the internship at SPV. According to The National Ethical Research Committee for Social Studies and Humanities, private corporations and organizations should facilitate research on their business and data (NESH, 2021, p. 32). Furthermore, these guidelines argue that businesses ought to make their data available for research even if it exceeds the institution’s interests because the public may have a rightful interest in understanding how private corporations work, as “businesses and

organizations have considerable power and possibility to affect individuals lives and societal development in both positive and negative direction” (NESH, 2021, p. 32).

There are different ethical dilemmas related to the different methods utilized. According to Kvale and Brinkman (2015, pp. 96-97), there is a tension while conducting qualitative interviews, between attaining knowledge and ethical considerations, for instance, related to analysis, consent, and confidentiality. For instance, ethical guidelines and questions similar to those suggested by Kvale and Brinkman (2015, p. 103) were considered before, during, and after the interviews. Before the interviews, the interviewees provided informed consent for being recorded and that the transcription may be used in this master’s thesis. Some of the interviewees asked for quotation checks for direct quotes and these were sent for supplementary approval. The interviewees’ identity is confidential and hence their answers are anonymous, however, the organization or business to which they belong is not confidential. Moreover, businesses may have legitimate explanations for restricting insight into their business, such as competitive advantage (NESH, 2021, p. 32).

Before the internship period at SPV started, I registered the research project in UIB’s system for research ethics and processing of personal data, called System for Risk and Compliance (System for Risiko og ETTERlevelse, RETTE). As recommended by Kvale and Brinkman (2015, p. 98), it was useful to develop an ethical protocol before the research started, which demands the researcher to think through the value questions and ethical dilemmas that may occur.

Chapter 4 – Results and Analysis

The first section of the results and analysis presents the case study, SPV. Then the results are presented in three parts as a dynamic analysis of the past, present, and future: development of climate risk, working with climate risk, and the future of climate risk. The aim of the historical perspective in the analysis is to discover the evolution of how climate risk is understood and justified over time. This type of analysis has proven to be fruitful in other applications, such as Andersen (2017, p. 8) historical analysis of how the understanding, valuation, and justification of the environment has changed over time.

4.1 Case Study: Sparebanken Vest (SPV)

SPV is a Norwegian savings bank. According to SPV, a savings bank means being owned by its customers and sharing the profits with them as well as with local projects (Sparebanken Vest, n.d.-b).

4.1.1 Business Context: Size and Area

SPV's business is mainly on the West Coast of Norway, where its main office is in Bergen. Their offices are located in Vestland, Rogaland, and Møre og Romsdal (Sparebanken Vest, n.d.-a). According to SPV, essential industries in this region of Norway are aquaculture and fisheries, public services, shipping, and oil and gas (Sparebanken Vest, 2023, p. 3). As of 2023, the bank has approximately 325.000 private customers and 14.200 corporate customers, 36 offices, and 795 full-time employees (Sparebanken Vest, 2023, p. 3). 76% of the bank's loans are personal customers with security in housing (Sparebanken Vest, 2023, p. 3). Being located on the West Coast of Norway may have implications for CR, as the region can be exposed to changing weather and environment over time. For instance, a recently published report commissioned by the Norwegian Environmental Agency stated that the global sea-level rise is accelerating, representing a growing risk that Norway must adapt as a coastal country (Simpson et al., 2024, p. 11)

4.1.2 History and Role of Norwegian Savings Bank

Sparebanken Vest was established in 1823 as Norway's second savings bank shortly after Christiania Sparebank in 1822. The funders were rich officials, and the idea was that personal savings would be the solution to reduce poverty (Øksendal, 2022, p. 18). Sparebanken Vest was created for societal purposes, such as reducing poverty and getting control over alcoholism (Sparebanken Vest, n.d.-d). Moreover, savings banks developed a key role in Norwegian society by contributing gifts and funds to develop cities and local communities (Øksendal, 2022, p. 15). Initially, the purposes of savings banks was socio-political, however, the motive developed with the increased demand for credit (Øksendal, 2022, p. 19). In other countries, savings banks have traditionally been more clearly distinctive from other types of banks, such as commercial banks, yet in Norway the main difference has been the ownership (Øksendal, 2022, p. 19), which I describe in the next section.

4.1.3 Business Structure as a Savings Bank

According to SPV, the bank's value creation through counseling, accessing savings, and offering finance, should benefit people, businesses, and society (Sparebanken Vest, 2023, p. 12). Accordingly, the bank donates parts of its profits to fund various CSR projects, such as initiatives that promote inclusion, the local environment, and the green transition (Sparebanken Vest, n.d.-c).

Contrary to a commercial bank which is owned by its shareholders, a savings bank has historically been an independent institution without external owners (Sparebanken Vest, n.d.-d). SPV says that they are "owned" by their customers (Sparebanken Vest, n.d.-b). The lack of ownership is a key characteristic of a savings bank, where there are no shareholders who expect returns on their investment, as a savings bank owns itself (Øksendal, 2022, p. 18). In 1987, the Norwegian parliament introduced primary capital certificates as an equity instrument for savings banks, that could be traded on the Norwegian stock exchange (Øksendal, 2022, p. 240). As of 2023, SPV is 59.3% owned by the region and 40.7% owned by equity certificate holders (Sparebanken Vest, 2023, p. 12). The savings bank's business structure is relevant because it says something about its stakeholders. Instead of the traditional business perspective of shareholders' interests, the savings bank's structure essentially makes society a main investor.

4.2 Progression of Climate Risk for Business

4.2.1 From Worst to Best in Class

In April of 2017, the local newspaper in Bergen, *Bergens Tidende*, wrote that SPV is connected to "deforestation in Borneo" and that they are "amongst the banks that fail in a new ethical bank guide" (Indrebø-Langlo, 2017). Ethical bank guide (Etisk bankguide) is part of the international initiative Fair Finance International and was developed as a collaboration between Norway's largest environment organization, The Future in Our Hands, and the Norwegian Consumer Council, to "give consumers, organizations, and authorities insight to how banks relate to important themes within ethics and sustainability" (Etisk Bankguide, n.d.-a). Nonetheless, SPV rejected the claims that they do not take ethics and the environment seriously and stated: "We can never guarantee that customers' money does not contribute to

objectionable investments abroad. But if we get information about such conditions, we of course take these up with our vendors” (Indrebø-Langlo, 2017).

Nevertheless, in November of 2017, *Bergens Tidende* publishes another article about SPV “still amongst the “worst in class”” (Indrebø-Langlo & Fondenes, 2017). SPV’s spokesperson justifies its low score on climate:

We probably naturally finance many companies that operate within the oil- and gas industry. We would look at it as unethical if we were to withdraw from such an industry overnight. But therefore we also get a lower score on climate...Both we and the customers see that developments are moving towards less oil and gas, and more renewable energy. It is a gradual transition that we will be contributors to. It is thus not said that it exempts us from an ethical responsibility, but we cannot look at it as black and white either. (Indrebø-Langlo & Fondenes, 2017)

In this instance, SPV is critiqued from the perspective of the green world as they score low on climate, where SPV responds with a justification from the domestic and civic worlds, protecting the economy, jobs, and industries in the region. This may be considered a form of “loyalty”, “locality”, and “trustworthiness”.

Moving to June of 2021, a large Norwegian finance newspaper, *Finansavisen*, published an article about “Sparebanken Vest taking the lead in developing the western region as leading on sustainability”, describing how “the bank has now set themselves an ambitious goal of net zero emissions by 2040” (Nilssen, 2021). This review of SPV’s sustainability work is in stark contrast to the articles by *Bergens Tidende* 4 years prior. SPV’s CEO states that “it is a lot of preaching in the sustainability area, but we are concerned with turning preach into practice and set ourselves completely concrete goals. That is the reason that we are now amongst the nine best banks in the world on sustainability” (Nilssen, 2021).

SPV’s CEO further explains that they “want to finance the best sustainable companies within all industries”, where they do not want to exclude certain businesses today, but that they are going to be thorough with new lending engagements (Nilssen, 2021). Setting a goal of net zero in 2040 is an ambitious goal, 10 years ahead of most businesses, yet the CEO’s statement is optimistic:

We believe that most companies see that we don't have a choice connected to managing the globe's climate targets...the companies must have ambitions of reaching the goal somewhat earlier than what we as a nation and society must manage...I am an optimist and believe therefore that the lion's share of our companies will be well on their way or have reached the target in 2040. In the speed that the capital market has on sustainability now, then I think it will be very demanding to be far away from the target in 2040. This happens in a time where the consequences of climate change are much clearer, and we have had 18 new years with global warming. (Nilssen, 2021)

This justification is based on the market world being left with no choice but to adapt to the necessary changes, because of the development of the climate crisis and potential critique from the green world if there is a lack of response and mitigating emissions. The CEO of SPV further explains that sustainability is important for their reputation:

...we enjoy great trust from the investors, and...we are experienced as assertive and future-oriented on the sustainability area. Sustainability is a competitive advantage and we experience that financing and funding and the capital market are extremely concerned with sustainability and that one has concrete and practical oriented goals of how one will contribute in the transformation to a low emissions society. (Nilssen, 2021)

In this justification, there are elements from the opinion world, where "recognition" and "public support" for sustainability work is considered valuable. In contrast with a few years ago, SPV is now recognized for its stances and work on sustainability.

4.1.2 Forming a Sustainability Strategy

There has been significant development in the bank's sustainability work. In 2019 SPV started reporting in accordance with the widely used sustainability reporting initiative GRI (Global Reporting Initiative) and conducted its first materiality analysis to identify and prioritize sustainability issues (GRI, n.d.; Sparebanken Vest, 2023, p. 42). Furthermore, the bank conducted a double materiality analysis in 2022, "to ensure that the bank is working on the right and most material sustainability issues" (Sparebanken Vest, 2023, p. 42). The analysis shows where the bank has "the greatest impact on the economic, climate and environmental

and social aspects of sustainable development”. The materiality analysis forms the base for the sustainability strategy that was reviewed in 2023, with the material topics linked to strategic building blocks (Sparebanken Vest, 2023, p. 43). Moreover, the severity and likelihood of material topics are assessed following the materiality analysis method and terms:

The sustainability topics’ actual and potential impact on the surroundings, and risks and opportunities for the bank, are assessed based on their severity and likelihood. The assessment of severity is based on the topic’s scale, scope and irremediability.

Likelihood is based on a scale from very unlikely to very likely... ‘Scale’ refers to the severity of a potential or actual negative impact, ‘scope’ to how widespread the impact is, while ‘irremediability’ is about the capacity to mitigate the harm caused by a negative impact. (Sparebanken Vest, 2023, p. 44)

SPV has committed to its sustainability strategy in several ways. For instance, according to SPV’s annual report for 2023, “the bank met the emission targets set in 2018 for its internal operations already in 2020” and “since then, the bank has set specific targets per industry for the corporate market and for the mortgage portfolio” (Sparebanken Vest, 2023, p. 56). The bank has also undertaken to comply with several recognized sustainability initiatives such as the Science-Based Targets Initiative (SBTi) and the UN Global Compact (SBTi, n.d.; Sparebanken Vest, 2023, pp. 80-81). Moreover, SPV writes in its annual report that the risk management strategy is that “risk is best and most effectively managed by those closest to the risk”, where “all of the bank’s employees must manage sustainability risks” with the support and expertise from the Sustainability Department and Risk Management that provide expert assessments (Sparebanken Vest, 2023, p. 61). In 2023, the bank scored second best out of the banks in the ethical bank guide with an overall score of 85% (Etisk Bankguide, n.d.-b). SPV scores relatively high in all the categories, except on “transparency and responsibility” where it only gets a score of 37% (Etisk Bankguide, n.d.-c).

4.2.3 Why Climate Risk?

Previously it may have been unclear why CR was relevant for a bank as the bank itself may not be considered exposed to considerable CR nor is a large direct contributor to climate gas emissions. However, the banks’ business is lending money to their customers, who may be exposed to CR and contribute to substantial emissions. Hence, through their customers, the bank is exposed to risk and contributes to emissions by financing loans. Their customers are

dependent on loans from the bank, and hence the bank can play an active part in a greener and more sustainable capital flow. There are elements from different orders of worth in SPV's justification of climate risk:

The bank is exposed to considerable climate risk through its loan book. Physical climate risk can lead to substantial financial losses, devaluation of assets, reduced creditworthiness for customers and a negative impact on value chains. At the same time, customers will be exposed to significant transition risk if they are not prepared for new technology, changed regulatory framework conditions and a shift in the market towards low-emission products and services. Transition risk can lead to outdated business models or stranded assets. The risk for the bank's customers will affect its risk of loss, and is considered to be most prominent in the long term. The bank can help customers with the transition to a low-emission society to secure its future operations and, at the same time, help to ensure the future of Western Norway. It is important for the bank that this work is done in the short term, to ensure room for manoeuvre in the future. (Sparebanken Vest, 2023, p. 49)

Primarily, the most apparent order of worth here is the market world, where it is the price of CR and changes in the market that are most central. Nevertheless, elements from other OW are mentioned, such as the importance of "technology" which is valued in the industrial world, and "regulatory framework conditions" evident in the civic world. Moreover, the perspective that the bank's role is to be an expert in helping their customers to transition, fits with an industrial world perspective on sustainability. Finally, there are values from the domestic world and the green world, where the argument to "ensure the future of Western Norway" is about the local environment. Thus, there are numerous reasons why CR is important for SPV and that working with CR is part of their sustainability strategy.

4.3 Working with Climate Risk

4.3.1 Defining Climate Risks and Opportunities

CR and financed emissions are one of SPV's material topics linked to the bank's strategy through strategic building blocks titled "from insight to motivational solutions" and "actively select and develop customers":

Climate risk is risk relating to climate change that can entail increased credit risk, financial losses or reduced access to capital. Climate risk can manifest as physical risk or transition risk, where physical risk is the risk of physical damage, while transition risk is risk associated with the transition to a low-carbon society. (Sparebanken Vest, 2023, pp. 48-49)

Businesses should define the terminology and frameworks they use related to CR management (Finans Norge, n.d.-a, p. 8). SPV follows and takes part in Finance Norway's (Finans Norge) work and guidance for CR reporting (Sparebanken Vest, 2023, p. 60). Finance Norway is the employer and business organization for the finance industry in Norway, working to promote and represent their members' interests (Finans Norge, n.d.-b). The interviewee from Finance Norway explains that sustainability is important for them because their "members are exposed to climate risk" and there is a "strong regulatory development within the field", and hence it may be useful for their members "to gain competence on climate risk to be able to this into account" (FN4). Finance Norway defines and divides CR into three categories:

1. Physical risk

Risk from climate and weather-related incidents, for instance, heatwaves, drought, flood, storm, etc. Such incidents can potentially lead to great financial loss and reduce the value of assets and customers' creditworthiness.

2. Transition risk

Risk which follows from the transition to a low emissions society. Changes in politics, technology, and community sentiment may lead to changes in the value of many assets. An example is increased carbon pricing, or a marked decrease in the demand for goods and services with a clear negative climate effect (for instance flight travel, meat, petrol- and diesel cars, etc.)

3. Responsibility risk

Claims for compensation attached to decisions or lack of decisions that in one way or another can be connected to climate politics or climate change.

(Finans Norge, n.d.-a, p. 1)

This categorization of risks may not be automatically connected to a particular OW, yet the overall focus of all three risks appears to stem from a market world perspective on CR, such as, “financial loss”, “reduce the value of assets”, “marked decrease”, and “claims for compensation”. However, the physical risk is related to extreme weather events and their effects on nature and hence has elements of the green world. Moreover, transition risks are about societal changes leading to changes in rules and regulations, which are valued by the civic world. Responsibility risk, also referred to as reputational risk, is about reputation, where public support and recognition of importance, as in the opinion world.

The definitions of CR stem from the Task Force on Climate-related Financial Disclosures (TCFD), an internationally recognized framework for CR reporting (TCFD, n.d.). Finance Norway’s guidance document consists of advice for how companies can start the process of CR reporting, including an overview of TCFD (Finans Norge, n.d.-a, p. 1). Nonetheless, Finance Norway states that there is no concrete right and wrong in working with and reporting CR, and that transparency about methods and processes is important (Finans Norge, n.d.-a, p. 2). SPV writes in its annual report that they use TCFD because the “framework effectively illustrates the risks, impacts and opportunities associated with the material topics” (Sparebanken Vest, 2023, p. 41). When starting the work with CR reporting, Finance Norway advises to start by mapping the risks and possibilities that may be relevant and that are affected by different factors within the categories:

- i. Physical risk: divided into acute (what can happen suddenly, for example, flood) and chronic (what can happen over time, for example, sea level rise)
- ii. Transition risk: these are risks of going towards a zero emissions society. Factors you must think about are for instance what can happen regulatory, technological changes, changes in the market, and how the reputation of your company may be affected
- iii. Responsibility risk: companies may be held financially accountable for damages as a result of climate change

(Finans Norge, n.d.-a, p. 2)

The opportunities that come with climate change that Finance Norway mentions are “energy- and resource efficiency, energy sources with low emissions, green products and services, new markets that can arise, and possibilities attached to climate adaptation” (Finans Norge, n.d.-a,

pp. 2-3). Potential risks and opportunities should be categorized as physical risk or transition risk, where sector and geography may also be considered (Finans Norge, n.d.-a, p. 6). After mapping the risks and opportunities, how climate change affects the business strategy should be considered:

Based on the findings in the risk mapping exercise there has to be a consideration of how this affects the strategy of the business, whether it is possible for the company to adapt its business, and possibly how the company wants to make changes to adapt to the climate changes that may arise (Finans Norge, n.d.-a, p. 3)

4.3.2 Implementing Climate Risk in the Organization

Based on the observations, interviews, and annual report of SPV, it is evident that the sustainability team has a substantial framework for assessing CR. In addition to the sustainability team, the board and executive management consider and report on CR. SPV explains that assessing SR is also part of large strategic processes in the bank:

...in the ICAAP and ILAAP processes that are the biggest strategic processes that we do annually in the bank, so that's how we assess our capital requirements and how we are going to steer our liquidity in the bank. As part of that, we do a lot of stress-testing to see different types of scenarios, and how the bank can overcome them, and how we should use our financial planning for this. This is the second year now, that in those stress-tests, we have also included climate related scenarios (SPV1)

Yet, SPV is a relatively large organization with over 700 employees and the sustainability team only consists of a few employees. When asked about the rest of the organization's conception of CR, SPV answers that your "perception is going to be based on your day-to-day work", where there is a learning curve for employees that work more closely with sustainability and therefore are more "mature" on the topic than others (SPV1). Perspectives may also vary between divisions working with different industries:

...if you're working in shipping, for instance, you are going to see that you have regulatory changes, you have technology changes, there is so much happening. So you kind of feel the changes in your day-to-day work, so I think that team probably has the same perception that we do. But then you have people working maybe far removed

from the customers and they are not involved in reporting, so they're not seeing this or experiencing it every day, and it's not going to be top of their mind. And if it's not top of mind, you are probably not necessarily going to have the same perception. (SPV1)

A large part of the sustainability team's work is exactly guiding and supporting the advisors on how to understand and evaluate CR. Reviewing through advisors' credit cases SR assessment is a part of this process:

So as part of being in risk management, we also go through credit cases that have already been paid out to the customer to see how they've assessed the sustainability risks. So we see that there is a variation in the advisors' understanding. And here as well, I think it is linked to both industries they work in, but also their own personal interests. (SPV1)

Moreover, SPV explains that they have training courses for their advisors, some mandatory and some that are not, where often "the people that are most interested in this topic actually signing up for it" (SPV1). Hence, SPV explains that it is "important to keep talking about it, keep doing the training courses, and doing what we think is necessary for everyone mandatory, and also just continuing to build an organization that wants to learn continuously" (SPV1).

4.3.3 Physical Risk

When it comes to physical risk, SPV explains that physical climate-related risks have previously not been that much considered in banking, because of the insurance schemes in Norway:

...if something happens, we have these insurance pools, where you know you will be compensated. So, for a bank, when we are lending to, for instance, for a mortgage, the risk for us is that your house is going to have a lesser value than what we think or that you are not going to be able to repay the loan. But, if we know that if something happens to your house, we are still going to get the money, we don't have any incentives to do anything about it. (SPV1)

This explanation of why physical risk has not been prioritized by banks belongs to the market world, where the risk is based on potentially losing material and monetary value. However, SPV explains that the insurance schemes may be changing and then also the incentives to consider physical climate risks:

...now we see that we have climate-related issues happening that aren't covered by the insurance pools and then the insurance companies are starting to see well, how are we going to handle this, are we going to have to change these types of policies, is it going to be more expensive to get insurance in this type of area. And for many banks, we have shares in insurance companies, so it is going to affect our profitability as well, so I think we need to work closer together...(SPV1)

From the market world, assessing CR and working together with insurance companies appears to be important to ultimately benefit both the banks' and the insurance companies' profitability. Part of CR for business is considering the financial costs associated with the risks. Finance Norway's guidelines suggest to "do an estimate of both how much it will cost if the different incidents take place, but also of the financial possibilities climate changes may give" (Finans Norge, n.d.-a, p. 4). Hence, making financial estimates of potential costs associated with climate change is essential in the insurance industry and may become critical for banks if the insurance schemes change. SPV explains that they look into physical climate-related risks, especially for real estate and mortgages, and also for their corporate customers "case by case to see what type of business it is and then the corporate advisor is doing an assessment of the customer or the project" (SPV1).

For comparison with other banks, in BDO's sustainability examination report for 2023, only 20% of the respondents consider climate change as a "considerable risk" for their own business strategy, that being the highest risk factor (BDO, 2023, p. 9). The interviewee from BDO says that they were "a little bit surprised by that" answer (BDO3). Yet, BDO explains that there may be several reasons for the respondents' answers. Firstly, the banks in the examination are small and medium-sized banks, and therefore the capacity may be limited. These banks may focus on "the other imminent risk, like credit risk, and compliance", and they also have "new regulations coming", resulting in the banks "trying to just maintain the level that they are required to" (BDO3). Here, SPV might have an advantage being a larger savings bank with the capacity to have a dedicated sustainability team.

The other explanation may be that “especially related to physical climate risk, hasn’t materialized yet, so you haven’t kind of seen the evidence to the extent that you would kind of mark in the examination” (BDO3). Finance Norway’s guidance states that the time horizon of CR is important, as the consequences of climate change usually manifest in the medium to long term, which means that there may be different financial outcomes for different time horizons (Finans Norge, n.d.-a, p. 6).

The first explanations draw evidence from the civic world, where required regulations and rules set the focus, while the second explanation looks for monetary proof. From the market world perspective, the evidence of monetary damage from climate change has not yet materialized, resulting in a lack of proof, which may explain why climate change is not considered a considerable risk for some banks’ business strategy.

Even though the physical risk have not yet fully materialized, it can be valuable to adapt and prevent damages. The interviewee from Finance Norway gives the example that there can be a significant decline in the value creation in areas exposed to flooding even many years later, and that “some studies imply a decline in value creation even after everything has been built up again” (FN4). A report ordered by Finance Norway investigates the socioeconomic value of preventing consequences of climate change and says that the most profitable prevention measures in adapting to physical risk can have positive welfare outcomes and save costs for the Norwegian society (Pedersen et al., 2022, p. 60). Moreover, Finance Norway recommends that the government increase the grants to the Norwegian Water Resources and Energy Directorate (Norges vassdrag- og energidirektorat, NVE), so that they can perform important flooding and landslide security measures (Finans Norge, 2024b, p. 27).

Nevertheless, SPV explains that a lot of value is connected to property and that therefore adapting to physical risk is not only important for the bank but also for society:

I would say it would be positive for, for instance retail customers, to have their homes adapted to climate changes, especially those who are situated in areas with heavy rainfall and expected increased heavy rainfall like the western part of Norway. Property is a big part of Norwegian society’s value pooling, and where people are incentivized to place their money. So, a lot of people’s savings are connected to their

properties. Therefore, there is a value in knowing that your assets are adapted and more robust and ready for the climate changes that we expect to see. Also taking into account future energy prices, upgrading the Norwegian property mass would create more stability and predictability (SPV2)

This justification is based on values from the civic world, where climate change can affect people's and societies' savings. Moreover, values such as “stability” and “predictability” are mentioned, which are more familiar in the industrial world. There are also elements of the domestic world, concerning people's homes in regions exposed to changing weather conditions.

However, upgrading homes in response to both physical risk and transition risk may not necessarily lead to value creation:

...in terms of the economics, it's definitely value creation. But then I think for the bank and for individual households, not necessarily. I think especially for more rural parts of Norway, you can do upgrades on your home, that in the bigger cities, such as Bergen, you would be able to sell your home for say a million more, but then in the rural parts of Norway, you know that no matter how good your house is, there is a limit to how much you can sell it for. So then per definition, it is not value creation, because you are spending money, but you are not getting it back when you are selling the house (SPV1)

Therefore, SPV says that geographic and societal considerations should be taken into account in future regulations:

...with the building directive and Norway getting more or less our own say in how we are going to upgrade the building stock, it is important to consider the social aspects and the fact that the policy in Norway is that we are going to be living in all parts of Norway, and then you might have to give compensation to the more rural parts (SPV1)

This can be considered a critique of the civic world, where regulations should consider the value of “locality” which is valued in the domestic world.

4.3.4 Transition Risk

According to the sustainability team at SPV, transition risk may be an “easier concept for banks than the physical risk”, as “that is to do with the valuation of an asset”, which “go into the core of what we do” (SPV1). One way SPV assesses transition risk is by looking into energy performance certificates (EPC) labels/ratings, as 75% of their lending portfolio is mortgages. SPV considers EPC labels “the best way of assessing the transitional risk of mortgages” (SPV1). In their annual report, SPV writes that it has “updated its credit policies to manage risks, for example by making different equity and profile requirements of buildings with high and low energy rating that thus represent different transition risks” (Sparebanken Vest, 2023, p. 59).

Moreover, SPV says that they consider stranded assets, which for them is mostly relevant within the shipping and offshore industries. SPV explains that they specifically investigate activities that disqualify for the EU taxonomy, put stricter requirements for these types of loans, and also report them in their annual report (SPV1). According to the annual report, these commitments are disqualified in accordance with criteria relating to “environmental targets” and the “do no significant harm’ principle”, where for instance “the bank has some shipping commitments relating to the transport of fossil fuels, and that are therefore not eligible under the EU taxonomy” (Sparebanken Vest, 2023, p. 59).

The strategies and instruments for assessing transition risk appear to be based on the industrial world, using specific methods and measurements to consider the risk. However, the market world is still the core of the risk assessment, as it all comes down to valuing assets.

When asked about which of the risks SPV considers most important, they explain that it is based on the scenario analysis, where the outcome of the transition risk appears to be especially dependent on the speed and degree of regulations:

...so it all depends on everything happening around us, because if we are going to be as lax with the regulation that we have been, then obviously it is going to be the physical risks, but if we now see that something is happening, we’re getting more regulations, that will actually affect for instance our retail customers as well, then it is going to be the transition risk that will have the highest impact on our business model and our possibility of being here for the next 200 years as well. (SPV1)

Transition risk for retail customers could be related to different building directives. SPV explains that the European building directive has “had very strict regulations, saying, for instance, that for a personal home, you have to do specific upgrades within the next 5 or 7 years” (SPV1). However, moving forward, “it is more up to the specific country”. Hence, there is uncertainty about how this transition risk will play out in Norway:

So, Norway will make its own regulations and see how we’re going to, yeah, change the houses and buildings in Norway. And then, that’s a transition risk. Both because there is a lot of uncertainty, we don’t know how the retail market is going to be affected, but we know that well, there could be a regulation saying that if your EPC label is below a D, you are not going to be able to sell your house. And almost, well, at least half of all buildings in Norway have an EPC label lower than D. (SPV1)

The uncertainty of transition risk can be challenging for both SPV as a business and their customers. SPV describes that “the coming legislation will lead to very rapid changes in the market, however, as long as the legislation is not concretized sufficiently, it is difficult for us to follow” (SPV2). Therefore, legislation plays an important part in the management of transition risk. SPV says that they “just have to wait and see what the government will implement, and we don’t know how long that will take” (SPV2).

Transition risk is also affecting private customers, which can become a social problem: “...it’s going to affect private customers, because if you have to upgrade your house in order to sell it, then you have to have the money to do the upgrade, and that’s a social issue, if only rich people can sell houses” (SPV1). This will also affect some customers loaning and lending terms: “A win-win for them, because they get a better upgraded house at better lending rates and then you have a large group of people who are maybe stuck with houses that can’t sell or that lose value, at a higher price” (SPV2). This perspective on transition risk can be considered close to the civic world, as these statements depict values of the collective good, welfare, and equality.

4.3.5 Responsibility/Reputational Risk

When it comes to responsibility risk or reputational risk, SPV says they consider it to be linked with physical risk and transition risk. SPV explains that they have a process for assessing their customers:

We believe that by being a regional bank, we know our customers and we prioritize actually talking to and advising our customers. And that means that we have a deeper understanding of their business model and how they operate. And as a part of this, you also assess their efforts and thinking around sustainability and their own risks. And based on this, it's easier for the advisor to write up in a credit evaluation. (SPV1)

Here we see elements from the industrial world, where SPV wants to be recognized as serious professionals or experts in the sustainability field. Nevertheless, reputational risk is also important for SPV's own business and how they are perceived by their customers and society:

And it is also important for us the other way around, because we have set this ambitious goal, so if we don't act on it, the customers will not feel like we are actually walking the walk. So, that could backfire on us, if we don't take it seriously and we are not perceived as taking it seriously. (SPV2)

In this statement, the world of opinion is the most apparent. As SPV has grown its sustainability reputation over the years, reaching the ambitious goals they have set is important to the media, public support, and recognition. Moreover, in the annual report, SPV states that "the credibility of the bank's climate targets is important to securing its business model also in the future" (Sparebanken Vest, 2023, p. 56).

Considering their internal and external sustainability commitments, SPV says that "everything we do internally is most important because that is how we are driving change" (SPV1). At the same time, SPV describes that to validate what they are saying and doing, "it is important that we have a link to the external commitments as well because that gives us an incentive. It shows that the incentives are not coming just from us, but from society as a whole and from the governmental side. This supports us when communicating our ambitions internally" (SPV2).

SPV also mentions the increasing reputational risk for Norway:

“We say one thing, yet we do quite different things. We need to be careful that we don’t lose our credibility on the international stage, since Norway historically has taken the role of international mediator and an advocate for promoting ethical environmental conduct, while we still have a big part in the oil and fossil energy industry” (SPV2)

4.3.6 Sustainable loans

SPV offers a range of loans intended to be more sustainable, incentivizing reducing CR, both for SPV and the customer. This is justified as both sustaining and developing the value of financed properties:

Climate risk can lead to depreciation of the bank’s financed properties. There is also a risk that properties used as collateral cannot be insured. The sale of property may also become more difficult due to requirements and instructions from the regulatory authorities. This means that the bank takes a greater risk when it finances buildings that are not green or property that is particularly exposed to physical or transition risk. The effects of these risks are expected to materialise in the medium to long term. The bank has therefore tightened credit policies to clearly differentiate between requirements for customers with high, medium and low sustainability risk. The bank also works systematically on transition products for the retail market and tailored sustainability-linked products for the corporate market. (Sparebanken Vest, 2023, p. 49)

Moreover, the sustainable products are an important instrument in reaching the net zero goal. SPV explains that “working with their customers is the most important area” to achieve its goal of net zero, where “lending products for corporate customers that are sustainability linked loans are the most important tool, and for the retail market is the green upgrade loans” (SPV1). Moreover, SPV says that it “gives the bank’s customers an opportunity to make conscious choices that benefit the climate and environment” (Sparebanken Vest, 2023, p. 56). Sustainability Linked Loans (SLL) have a carrot-and-stick structure, where terms of the agreement are bettered or tightened according to meeting certain Key Performance Indicators (KPIs) (Sparebanken Vest, 2023, p. 57). As a part of SPV’s risk management, “corporate

customers are asked specific questions about how they factor in climate risk, both physical and transition risk, when a loan is granted” and “the bank requires all new and existing customers to prepare an action plan with stipulated deadlines for how they actively aim to reduce their GHG emissions” (Sparebanken Vest, 2023, p. 59). The green upgrade loans for retail customers aim “to help further mitigate climate risk in the retail market”, where “this is a loan that aims to improve energy efficiency and upgrade older housing, which constitutes the largest share of housing in Western Norway” (Sparebanken Vest, 2023, p. 56).

SPV writes in its annual report that “the bank considers customers’ risk to be the bank’s risk and therefore works to make it attractive for customers to make sustainable choices”, where “the bank has identified lending as the area with the highest exposure to climate risk, but also the area where it has the most leverage to drive change and be a powerhouse that helps build lasting value for Western Norway” (Sparebanken Vest, 2023, p. 54). This justification is mainly based on a market world perspective but also has elements of the civic world and domestic world considering the aim to drive change in the region. Incentivizing customers to make sustainable choices is portrayed as a win-win for the bank, its customers, and society.

That ESG factors can or should influence pricing was also discussed with the other interviewees. For instance, the BDO interviewee explained that ESG risks can affect the pricing of loans, where companies with lower ESG risk may get more favorable interest rates, as “part of how banks are going to transition, instead of kind of kicking out all the brown clients, and getting green, you kind of try to change your existing ones” (BDO3).

4.3.7 Emissions

Various parameters and methods can be used to measure and evaluate CR, one of them being climate gas emissions. Company’s emissions are related to risks in that “activities that entail large emissions in the company may lead to climate risks and possibilities” (Finans Norge, n.d.-a, p. 4). When asked whether SPV’s work is mostly about adapting to CR or reducing climate gas emissions, the interviewee answered that the bank’s focus has been on reducing emissions as part of its long-term goal to net zero emissions in 2040 (SPV1). However, SPV does not believe that the bank’s work to reduce climate gas emissions is sufficient: “Right now, no. Not at all. But, we are at a starting point and we need to build good systems, good products, and the right competence to speed up the rate at which we are reducing emissions” (SPV1).

Finance Norway suggests starting with emissions accounting of direct and indirect emissions, referring to TCFD which recommends that businesses report on scope 1 (the business's own emissions), scope 2 (includes emissions connected to purchased energy), and scope 3 (indirect emissions connected to purchased goods and services) if that is relevant" (Finans Norge, n.d.-a, p. 3). As SPV is a bank, their "financed emissions (GHG Protocol scope 3, category 15) constitute the largest share of the bank's emissions, and reducing these emissions will thus be its biggest and most important job going forward" (Sparebanken Vest, 2023, p. 49). Hence, reducing emissions is justified by constituting a risk for the bank:

High emissions related to the bank's emissions portfolio constitute a climate risk. The bank must therefore be a driving force in reducing climate risk in its portfolio by advising customers and supporting the financing of upgrades, energy efficiency projects and the use of new technologies. The bank can facilitate emission cuts through financing solutions, such as sustainability-linked loans. (Sparebanken Vest, 2023, p. 49)

This justification for reducing emissions belongs to the market world and industrial world. The first point is to gain expertise and advise customers with solutions and technology. Then the second is that these solutions are based on financing loans. Hence, here we see that the justification from the market world and industrial worlds are not mutually exclusive and may complement each other.

SPV writes in its annual report that reliable and consistent emissions data from the bank's lending portfolio can be challenging to obtain (Sparebanken Vest, 2023, p. 65). Finance Norway has together with its members, including SPV, developed a standard for reporting financed emissions, sharing information about calculation methods and data sources (Finans Norge, 2023, p. 4). SPV also joined Partnership for Carbon Accounting Financials (PCAF) in 2022, which is a "global initiative for standardizing the measurement and reporting of financed emissions in the financial sector" (PCAF, n.d.; Sparebanken Vest, 2023, p. 65).

Moreover, Finance Norway's guidance suggests that other relevant reporting parameters could be water, energy, land use, waste management, internal carbon price, and products and

services adjusted to a low-carbon economy (Finans Norge, n.d.-a, p. 9). SPV keeps track of their emissions to reduce their carbon footprint:

Sparebanken Vest is committed to climate change action, which means that the bank annually prepares climate accounts for its internal banking operations, draws up an action plan to reduce its climate footprint as much as possible, and compensates for the residual footprint by purchasing certified carbon credits (Sparebanken Vest, 2023, p. 63)

SPV compensates for its emissions by purchasing carbon credits in line with the “Pursuit of Climate Neutrality and Responsible Use of Carbon Credits” by Zero and PwC (Sparebanken Vest, 2023, p. 63; Zero & PwC, 2022). Zero describes that the tools and methods for evaluating climate risk in the financial sector are advanced and require a lot of data (Z6).

4.3.8 Interests, Transparency, and Comparability

Different interests may have an interest in understanding a business’s CR work, making transparency in sustainability reporting important. The guidelines by Finance Norway explains that “investors and other affected stakeholders need to understand how climate change, and society’s adaption to these, may affect the corporation's businesses, strategy, and financial planning on short, medium, and long-term” (Finans Norge, n.d.-a, p. 6). Investors and stakeholders also have an interest in understanding how CR is identified, considered, and handled, compared to other risks, to be able to evaluate the businesses’ holistic risk management (Finans Norge, n.d.-a, p. 8). SPV mentions the western region, their employees, owners, customers, suppliers, connected companies, capital market, and the government as stakeholders in the bank’s sustainability work (SPV1).

SPV says that they are very transparent, even though banking is a heavily regulated industry where everything can’t be disclosed:

...the core of our work is with our customers and we are not allowed to disclose anything about our customers. But I think everything else, and the processes we do, we are very transparent, yeah. Some things for competition, but that’s also regulated, so as long as regulation doesn’t say that we can’t disclose, we will disclose (SPV1)

Comparability is an argument for transparency about methods and parameters in sustainability reporting. According to Finance Norway's guidelines, this is important for investors and other interests to evaluate the business' potential yield, but also their "ability to meet financial commitments and exposure towards climate related challenges", "progress and adaptability", and "to compare businesses within a sector or industry" (Finans Norge, n.d.-a, p. 9). The interviewee from Finance Norway explains that to make the reporting comparable, "it has to be material, available, and verifiable" (FN4). For instance, Finance Norway's guidelines assert that "climate gas emissions should be calculated in line with the recognized GHG-protocol-methodology, to enable comparisons between businesses and across jurisdictions" (Finans Norge, n.d.-a, p. 9).

Businesses work on CR should be accessible and understandable, such as in the annual report. As stated in the guidelines by Finance Norway, businesses should deliver a holistic picture of how climate risks can affect their value creation over time, for instance, products and services, vendors and value chains, activities within adaptation and emissions mitigation, investments in science and development, operating costs and revenues, investments and capital allocation, acquisition and sales, and access to capital (Finans Norge, n.d.-a, p. 7). Moreover, businesses should report on "how they make decisions to prevent, adapt, accept, and control these risk factors" (Finans Norge, n.d.-a, p. 8). In SPV's annual report, there is a comprehensive section on sustainability which includes the most material sustainability topics for the bank, the bank's governance, strategy, risk management and goals and methods in the area of sustainability, the bank's climate accounts, and transition plans (Sparebanken Vest, 2023, p. 41). The bank's sustainability information is accessible and gives a holistic picture of the business's sustainability work, including CR.

4.4 The Future of Climate Risk

4.4.1 Reporting Demands

There are increasing demands for banks and finance institutions' sustainability reporting, including assessment of CR, which may require guidance and support from other institutions. Zero explains that the topic of climate neutrality is moving fast, where for instance the EU is part of making the reporting stricter (Z6). Businesses should inform about existing and expected regulations related to climate change, such as emissions limitations (Finans Norge,

n.d.-a, p. 8). When working with sustainable finance, the Norwegian Environmental Agency does not work with corporate CR management directly and hence does not evaluate how CR affects corporations. However, they have an undertaking from the Ministry of Finance and the Ministry of Climate and Environment to uncover some of the potential overlaps that lead to double reporting demands (MD5). Moreover, the Norwegian Ministry of Climate and Environment has asked the Environmental Agency to provide “informational material about methods and emission factors for climate gas accounting that can be relevant for companies and governmental sustainability reporting” (MD5). On the Environmental Agency’s website, there is information material that can be relevant for businesses' work related to sustainability and CR, such as guidelines for materiality analysis and setting goals (Miljødirektoratet, 2024). Finance Norway writes on its website that they are “very positive to the Environmental Agency’s guiding page for emissions accounting, that among other things includes examples of numerous emissions intensities” (Finans Norge, 2024a).

The EU taxonomy is an important aspect of banks' reporting. SPV writes in its annual report that it is “a classification tool that provides a common definition of what is considered sustainable economic activities” and that it is an important tool because “it aims to ensure financing in line with the European climate goals and that defined activities are aligned with net zero by 2050” (Sparebanken Vest, 2023, p. 82). Moreover, the Corporate Sustainability Reporting Directive (CSRD) is in progress and the changes may affect future reporting demands for SPV (Sparebanken Vest, 2023, p. 42). One way SPV has worked to prepare for the changes in reporting demands was to map and link material topics to topics in the CSRD’s reporting standards ESRS (European Sustainability Reporting Standards) (Sparebanken Vest, 2023, p. 43).

This development of stricter reporting demands may be challenging. Finance Norway explains that bearing in mind the business structure in Norway consisting of many SMEs, “it is important to consider how small and medium enterprises will be affected by new regulations and make measures that preserve the competitive powers of SMEs” (FN4). This may not hit SPV directly, as their number of employees suggests that they can meet the reporting demands, yet their customers may face challenges.

Reporting may also get easier or more standardized in the future. For instance, the Finance Norway interviewee explains that sustainability reporting could become more effective by

going from every company reporting in their annual reports to developing a reporting loop (FN4). For instance, there is a parliamentary proposition for sustainability reporting to be incorporated into Brønnøysundregisterene where companies' annual accounting is registered (Prop. 57 L (2023-2024)). Nevertheless, Finance Norway says that it is also important to collect voluntary sustainability reporting, as not all companies are covered by the sustainability reporting directive and the taxonomy (FN4).

SPV mentions the benefits of the CSRD reporting directive as it “put everyone kind of on the same page in terms of what to report and how to do it” and “makes it easier for us to push that narrative in a kind of ecosystem that has to relate to the same regulations” (SPV2). Moreover, SPV says that this has “been a maturing process that is starting to materialize to something that is concrete enough to start getting some actual impact” (SPV2). SPV explains that the changes that come with the CSRD matter for increasing the sense of urgency for Norwegian businesses:

So for most of the regulations in the EU, because so many of them are directives, we have to incorporate them into Norwegian law word-by-word. So I think that's good, but then we see issues when, because Norway is not in the EU, we have different processes with the EEA. So for instance with the EU-taxonomy, then we are lagging behind the European Union by one year. So that's an issue for us, because we still have to report according to European law, because we have investors that require these inputs from us. But in Norwegian law, we are not required to do that. And there we see a change with the CSRD, because then that will be implemented in Norway at the same time as in the EU. And of course, that's stressful for a lot of businesses because it is a lot of work, but I think that is going in the right direction. But, politically in Norway, there is not enough sense of urgency (SPV1)

4.4.2 Scenarios and Uncertainty

As the future of CR is uncertain, scenario analysis may be a useful tool in CR analysis. Finance Norway suggests doing risk analysis for different scenarios, and if possible, analyzing the probability of the risks and the possible consequences (Finans Norge, n.d.-a, p. 3). Their guidance document presents three scenarios developed by the Network for Greening the Financial System (NGFS) (NGFS, n.d.):

Orderly: Climate politics is introduced early and becomes gradually stricter. Net zero is achieved by year 2070, which gives 67% chance to limit the global warming to 2 degrees. Both physical risk and transition risk are relatively low in this scenario.

Disorderly: Climate politics is not introduced before 2030. Since measures are initiated relatively late and there will be limited offers of technology, there is a need for more powerful emissions reductions to reach the temperature target of 2 degrees. This scenario contributes to higher transition risk.

“Hot house”: This scenario assumes that no new climate politics are introduced and that national climate targets are not met. Emissions increase until 2080 and contribute to a temperature increase of 3 degrees or more and with large physical risk. This scenario includes irreversible changes like sea level rise. (Finans Norge, n.d.-a, p. 10).

In the different scenarios, objects of value in the civic world weigh heavily, where the outcome of climate politics is determining the outcome. Developing technology and reaching sustainability goals are dependent on regulations and policies.

These scenarios and the terminology developed by the network of central banks and supervisors are useful for financial actors as they provide a common ground for CR analysis (Finans Norge, n.d.-a, p. 10). SPV uses different sets of scenarios from NGFS yet expresses some limitations due to being a regional bank located on the west coast of Norway:

The scenarios are based on what we call the macro-banks. So that is typically a larger bank, than what we are, and also a bank that operates across all of Norway. And for us being a regional bank, it is not going to be completely representative, because we are smaller, and our market area is also restricted to the west coast of Norway. So, we still use the macro-bank scenarios because that's the best available data that we have, but we add on with what we know about our portfolio. And also the fact that it is going to be more heavy rain on the west coast, so we are probably going to be hit harder than a typical macro-bank. (SPV1)

Moreover, SPV writes in its annual report for 2023 that the assessment of the material topics' "severity and likelihood in the long and medium term has required discretion due to the uncertainty of the scenario analyses that form the basis for the bank's financial planning and risk assessments" (Sparebanken Vest, 2023, p. 44).

SPV describes the road to net zero as uncertain, where the future may look different than we can imagine today. Consequently, SPV says that “the mindset of working together with our customers to find solutions will be the key” (SPV1). Moreover, SPV hopes that societal changes will be positive for driving change in the right direction: “Hopefully, we will reach a point where more aspects in society are working towards this as well, so that our customers get help finding the best solutions” (SPV1).

Furthermore, as there are many unknowns, SPV says that it is important to have a good learning culture and that uncertainty does not stop one from acting (SPV1). SPV describes that “we want to always act on what we know today, and then we just adapt and change and do things differently when we have more certainty of how things actually are” (SPV1). In that sense, the mindset of working with risk is changing:

...I think that the core business of a bank is calculating risks going forward. But, how we have been doing that traditionally, is that we are basing our forecasts on what has already happened. And with sustainability, that is not possible. You have to change it around and say well, this is what we think will happen and how then are our forecasts going to be. So, you have to shift the mindset. And I think that is a challenge internally, because then you have other issues that are more the traditional challenges that we have in a bank, we know how to solve them, and we can see that the risk is materializing now (SPV1)

This perception can be linked to a certain sense of urgency which SPV believes is present in their organization: “I think compared to other organizations there’s definitely a sense of urgency here. That’s reflected in the efforts that we are taking everyday and the targets that we’ve set, but I think for a global issue like this, it is definitely not enough sense of urgency (SPV1). This can be considered a critique from the point of view of the civic world, where there is not enough collective sense of urgency for a global issue. SPV says that the general lack of sense of urgency can be “linked to the bigger picture of what feels most urgent right now versus what feels most urgent in the long term, and it’s easy for the short-term urgency to win out in that competition” (SPV2). In the annual report, SPV writes that “time is not on our side to halt climate change” and that “tough emissions cuts must be implemented

immediately, while methodology can be adjusted along the way” (Sparebanken Vest, 2023, p. 71)

Considering the high degree of uncertainty and the continuous development in the sustainability field, SPV writes in its annual report that its “transition plans must be adaptable” (Sparebanken Vest, 2023, p. 71). For instance, following the 8.5 high-emission scenario from the Representative Concentrations Pathways (RCPs) scenarios by the IPCC, the bank’s lending portfolio will be exposed to risk and loss from floods, storm surges, landslides, and quicksand avalanches (Sparebanken Vest, 2023, p. 55). Hence, different scenarios depend on the actions taken to stop climate change and the emissions outcome will change the conditions for everyone. In its annual report, SPV recognizes that “external factors beyond the bank’s control may affect its ability to achieve the sustainability targets”, mentioning “future technological developments”, “changes in regulations”, and “guidelines from authorities” (Sparebanken Vest, 2023, p. 71).

Moreover, it can be a challenge to obtain adequate data for the analyses, for instance for calculating financed emissions, where for SPV, “the most climate-sensitive industries are property/construction, shipping/offshore, fisheries/fish processing, aquaculture and agriculture (Sparebanken Vest, 2023, p. 55). Moreover, SPV writes in its annual report that SBTi “will launch guidance specifically aimed at helping banks to devise targets and action plans to achieve net zero emissions” (Sparebanken Vest, 2023, p. 71). According to SPV, the commitment to SBTi “ensures that the bank’s goal of reducing GHG emissions is in line with the Paris Agreement, which aims to keep the global temperature below 1.5C” (Sparebanken Vest, 2023, p. 63).

4.4.3 Sustainability Goals

Companies set various sustainability goals to meet CR. According to Finance Norway, companies should have both short-term and long-term goals, and perhaps a bold goal further in the future to set out a wanted direction (Finans Norge, n.d.-a, p. 4). SPV’s aim for net zero by 2040 can be considered such a goal. It is more than a few years in the future, and it is rather ambitious compared to most companies’ goal of net zero 2050. SPV describes the goal in their annual report:

The goal of net zero emissions is achieved when there is a balance between the amount of man-made greenhouse gasses produced and removed. This means that the bank must remove the same amount of CO₂ that it releases into the atmosphere. This commitment entails major changes to our mindset and will impact many of the banks decisions. (Sparebanken Vest, 2023, p. 63)

Nevertheless, as stated in the guidelines by Finance Norway, “to secure real changes it is most important with goals in the short term” (Finans Norge, n.d.-a, p. 4). SPV has several short-term goals for the different industries. Finance Norway’s guidance suggests setting goals related to climate gas emissions, water and energy use in line with regulations and market changes, efficiency or financial results, tolerance for financial loss, mitigated climate gas emissions through a product life cycle, or income targets for products and services designed for a low-carbon-economy (Finans Norge, n.d.-a, p. 10).

The interviewee from Zero explains that the banks’ sustainability plans and goals are dependent on the transition of the Norwegian business structure:

...if we look at the financial institutions, and especially the banks in Norway, they have their transition plans and their net zero plans, and you know, aligning with 1,5 degrees and all of that. But in the end, they are really depending on what happens with the business structure in Norway, and we are a country with a lot of oil and gas companies. The bank's transition plans will, maybe it's a bit over-simplification, but to some extent, the banks won't transition any faster than the business industry in Norway. Because their portfolio and everything they do will be in collaboration with the business and industry they serve. So they can try and push and they can try to sort of ask the right questions, they can try to diversify their portfolios, but in the end, they will have to transition more or less in the same pace as the industry in Norway... (Z6)

When asked about their most important sustainability goals, SPV states that their most important goal is the long-term goal of net zero emissions by 2040. This goal is considered the most important because it “decides how we work today and how we are incentivizing customers” (SPV1). This perspective can be considered a combination of the industrial world and market world, where there is a focus on the long-term plan (industrial world), but also incentives for customers (market world).

Moreover, SPV explains that they utilize their “business model as a Norwegian savings bank where we are partly owned by society to drive changes in our region” (SPV1). This can be considered a domestic world perspective, where the role of a savings bank in the Western Norway region is valued. There is also an element of the civic world, as it is the collective good of the society that is valuable in being “owned by society”.

However, SPV says that reaching net zero in 2040 is challenging due to several external circumstances:

That is 10 years before basically everyone else, and that means that the society around us, the regulations, the market practices, are not going to be adapted to the situation that we are aiming for. That’s going to be based on ten years after. So, I don’t think we are going to get the pull effect from society as much as we need. So that means that we need to be an even stronger driving force in our region (SPV1)

This can be considered a critique from the point of view of the civic world, where society is not contributing as much as possible to the green transition. Moreover, SPV holds a domestic world perspective of being a “driving force in our region”. Moreover, SPV states that “lack of action from the people setting the rules and regulations, that’s going to affect everyone” (SPV1). There appears to be a critique connected to the civic world in the call for more action from politics and society to reach sustainability goals. The Norwegian Environmental Agency explains that it is the Norwegian government and parliament that decide the national climate and environment goals and their work in the means to reach them:

All of the Norwegian Environmental Agency’s areas concern sustainability. It is the government and parliament that decide the national climate and environment goals, how they are going to be managed and the means used to reach these goals. Our role as the agency is to ensure a good knowledge foundation for politics and set politics into life. You can say that sustainability is important for the Environmental Agency because the government has decided that it is important for the Environmental Agency. In a way that is the nature of an underlying agency that we in a way have a leeway in how we choose to do our function, but it is not us that define what our task is going to be. That we get from the Ministry of Climate and Environment (MD5)

Moreover, there are different perspectives on businesses' sustainability goals and whether these goals are in conflict with other aspects of the financial industry. The interviewee from Finance Norway explains that profitability is important and uses carbon capture and storage (CCS) as an example to illustrate:

It is clearly possible to do both, but it will also be places where there obviously is conflict. There exists a whole lot of stuff that would have been good for the world, but that is not realized because it doesn't make money. Like CCS, the reason why one does not do more of CCS is that is very expensive compared to how much they are able to capture. Everyone thinks CCS is great, but per now price is a limiting factor. There are many economic obstacles for people to do what the planet wants and what society would like. But, if one can have a conscious relationship to what an organization can affect both positively and negatively, and how one mitigates the negative measures, then one gets much further. Also, it is important to point out that it is not the finance industry's role to finance unprofitable projects, because that is philanthropy. It's important to make political decisions that make sustainable choices profitable for consumers and businesses (FN4)

The financial sector plays an important role on the road to net zero and a low-carbon society. According to the interviewee from Zero, meeting the climate goals is a question about finance and there is a need for investments, which points to the private sector driving the transition (Z6). However, the interviewee from Zero also points to potential conflicts between financial business and a rapid transition, where the financial sector will only respond to policy:

The financial business is there to make money. That is what they are doing essentially. And that is in many ways a conflict with a fast transition. Again, if you look at the financial sector in Norway, it is obvious that there is plenty of money to be made in the oil and gas industry, and that will be the case for many, many years. And that is of course to some extent in conflict with a fast transition. So yeah, there is an inherent conflict I think in the financial sector, because their primary aim will always be to make money. That is why they are there... So if policy is pointing towards really dealing with this problem, the financial sector will have a lot of investment opportunities. If you turn it around and say that the financial sector should be in the

driving seat and channel the money towards the right investments, I'm not sure that they will do that, because you know, that is sort of the trade-off for them (Z6)

These perspectives belong to the market world, where it is the market and monetary value that enables sustainable projects. The interviewee from Zero explains that “if the transition is faster, it is probably harder for the financial sector to keep up and to value risk and to take that into account” (Z6).

SPV does not believe that there is a conflict between their sustainability goals and other aspects of financial business:

...if you know banking, you should think of this as a competitive advantage, and you should be able to calculate risk going forward, and I think that is essentially what a bank does. You are going to assess risk going forward and put a price on it today. So, I think going forward, the sustainability-related risks are some of the most important risks that we are going to handle. I think it needs to go hand-in-hand with the financial aspect of say of the usual banking business. So, no, I think it is a challenge to get everyone to see it in this way, but I think in the big picture, there is not really a conflict between the two. (SPV1)

This perspective on sustainability belongs to the market world, where sustainability is considered a competitive advantage and where the focus is on monetary value. SPV elaborates that “hopefully we will be ahead of the market, because we have set an ambitious goal, so as the market is changing, the demand for these sorts of products will rise, we will be ready to take on those customers and be better prepared than our competitors” (SPV2). The aim is to be ahead of the market and prepared to meet the changing demand that comes with sustainable development.

Moreover, SPV values the primary intentions of the bank as a savings bank, and this affects their sustainability work today:

...it was started by the people for the people of the west coast, and I think we have the same idea of what we want to be today. So, our business model is that we are partly owned by society. And that means that we, if we make a profit, parts of this goes back

to society. And, we have a strategy on the profit and how it's going to be spent. So we have goals, for instance, that it should be used for green transition, so I think that's important. And then I think the idea for the bank was also that it should be there for the west coast to tackle the biggest problem of the day, and that was poverty when the bank first started 200 years ago, and today I want to say that it is climate change. So, therefore, for us and our business model, it is important to be there and do what we can do to tackle that issue (SPV1)

SPV says that they definitely see a value in giving back to the community, and that “it means that we are an important part of society and that is important for us” (SPV1).

Chapter 5 – Discussion

5.1 Developing and Sustaining Value in Climate Risk Adaptation and Mitigation

5.1.1 Ambitious Goals as Main Strategy

Setting ambitious sustainability goals appears to be the main strategy for developing and sustaining value in CR adaptation and mitigation. SPV has set the ambitious goal of net zero in 2040, which is 10 years before many other businesses. This goal may be doable for a regional savings bank that contributes to relatively low direct emissions but may be challenging to reach as the business environment and society around them and their customers might not be as far along on the transition pathway to a low-carbon society. At the same time, it can be useful with such an ambitious goal to steer future business in the right direction. In the beginning, this can entail letting go of business opportunities that may be economically beneficial and low risk in the short term. Nevertheless, focusing on medium to long-term business opportunities may give even more returns depending on the outcome of the different climate scenarios.

Reaching the emissions reduction goals is important to mitigate the different CR. Firstly, reducing emissions is part of mitigating physical risk by contributing to avoiding the worst climate scenarios that can lead to irreversible damage. For SPV, increased physical risk may particularly damage their assets or properties. Secondly, reducing emissions is part of

preparing for the transition risk that is constantly developing with new regulations and policies. In the case of SPV, this can be the EU taxonomy and CSRD, which they are consistently working on and improving. Finally, reaching the ambitious emissions reduction goals is important to limit reputational risk. SPV has built a strong reputation for its sustainability work and aims to be recognized as a driving force in the region.

5.1.2 Sustainable Products as Main Instrument

Working together with customers and offering more sustainable products can be a business opportunity for developing and sustaining value in CR adaptation and mitigation. SPV's portfolio mainly consists of properties and some corporate customers, where both retail and corporate customers are exposed to increased physical risk and transition risk. The role of sustainable products is to both sustain and develop value for SPV and its customers. Value is sustained by making sure the credit policy takes the sustainability of customers into consideration, and value is developed by offering a range of loans in a sustainable direction. The value here is the assets that have a monetary value, even though it may not have materialized yet. Moreover, sustainable loans contribute to sustaining value by making properties and customers more sustainable, such as increasing energy efficiency or safeguarding measures for weather events.

Steering capital flows towards more sustainable business practices is important for driving the green transition. SPV's SLL loans can be considered an example of this, where loans are given and benefits to those businesses that are willing to make sustainable changes. Instead of just financing a company that has low emissions, these types of loans can enable transition for companies that might not be so sustainable and require capital to make the necessary changes. In that sense, finance can contribute to driving change that can have positive outcomes for the climate.

5.2 Justification of Response to Climate Risk

5.2.1 The Dominating Market World and Industrial World Perspectives

The results and analysis portray that the market world and industrial world are the dominant perspectives on CR for business. This is not unexpected, as corporations traditionally are known for having a market or industrial perspective on finding solutions to challenges. For

instance, developing and selling technological solutions to the climate crisis. This is in line with the corporate environmentalism view on sustainability, where win-win outcomes are possible and necessary to drive the green transition. As described in Nyberg and Wright (2013, p. 406), the corporate environmentalism perspective frames the environment as a business opportunity through new types of products, markets, and technology benefiting the environment and business profitability. Moreover, “environmental challenges are thus seen as overcome by attributing a monetary or quantitative value to nature” (Nyberg & Wright, 2013, p. 406).

The dominant market world and industrial world perspectives are important to understand because, as argued by Nyberg and Wright (2012, p. 1819), businesses are large contributors to greenhouse gases and they also have a “potential role in the transition to a low-carbon society through the development of new technologies and business models”. Moreover, the transition to a green economy will demand a considerable amount of capital and investments, which makes the banking and finance industry a key stakeholder in achieving sustainability goals (Ziolo et al., 2021, p. 257). According to Latour (1998, pp. 7-8), it is “business as usual” for ecology in the industrial world, where “...the originality of ecology disappears rapidly in favour of equipment and regulations...using ecology to explore new and profitable business opportunities”, as political ecology issues can be controlled, monitored, and managed. Hence, in the transition to a low-carbon society, the sustainability and ecology values of the green world may struggle in a business context that is dominated by the market world and industrial world perspectives.

Moreover, the values behind the market world and industrial world perspectives and how other worlds can be incorporated into them are important to identify because what is worth or worthy in sustainability cannot always be measured by monetary value. Fourcade (2011, p. 1726) suggests that analyses need to be made of how political, environmental, and ethical justifications for nature influence or get incorporated into the economic valuation of nature. In economics, commodities are worth their market price, where money is the metric for the utility we get from commodities, and what people are willing to pay indicates the value it has (Fourcade, 2011, pp. 1721-1722). Through the market world and industrial world, nature and the environment are assigned a monetary value and considered to be something that can be efficiently utilized for human purposes. Nevertheless, monetary value is only one of the seven modes to evaluate worth. From a green world perspective, nature and the environment have

value in themselves. However, through the market world and industrial world approaches to sustainability issues, nature and the environment that normally stands outside market exchange has become attributed an economic or monetary value (Fourcade, 2011, p. 1723). As described by Nyberg and Wright (2013, p. 409), "...through the cyclical process of criticism and compromise, the environment (in combination with justifications from other spheres) is reconstructed into a tool for profit".

Businesses must justify their stances on CR and SR when there is conflict. Previously, SPV defended its business practices when receiving criticism for operating unethically, which can be considered a specific moment of dispute. For instance, SPV argued that it would be wrong to rapidly withdraw from the oil- and gas industry and that this justified their low score on climate in the ethical bank guide. As described by Andersen (2017, p. 10), "as long as an activity can go on without diminishing the functional utility of nature for humanity; use, change and destruction of nature can be considered legitimate". Hence, the value it has for humans, if it does not destroy further consumption, overrides the value of nature and the climate in itself. This line of thought can be understood as a minimum definition of sustainability (Andersen, 2017, p. 10).

Moreover, the approaches businesses take can be considered as either weak or strong sustainability. The findings suggest that a lot of business approaches can be categorized as weak sustainability, for instance, the focus on reporting and technological solutions, which are considered valuable in the industrial world. Qualifying for a strong sustainability approach would necessitate applying the values and perspectives of the green world that acknowledge planetary boundaries (Steffen, 2015, p. 736). For instance, SPV's goal of net zero in 2040 can be considered integrating specific corporate action by actively changing their financial market activities to not exceed the capacity of the planet.

5.2.2 Compromise with the Green World

It can be discussed if businesses' increased focus on CR belongs to the market world and industrial world, or whether this can be categorized as a compromise or incorporation of the green world. As described in Andersen (2017, p. 43), nature can be made relevant within the market world in that nature can be sold on a market as a commodity that can have monetary value. Moreover, in the industrial world, it is the nature that can be measured and controlled that is the most valuable because that is what is considered usable and exploitable (Andersen,

2017, p. 43). An example of the market world can be emission compensation, where businesses buy carbon credits to make up for their climate gas emissions. In that sense, pollution can be regulated by providing economic compensation (Andersen, 2017, p. 43).

Businesses' sustainability work can be considered belonging to the green world, in that it deals with justifying sustainable action. The findings consist of arguments that value being green, environmental, and sustainable. Nevertheless, the findings illustrate that most of the arguments draw justifications from other worlds in combination or as a compromise with the green world. The market world and industrial world justifications are especially utilized in arguments for climate risk. As Nyberg and Wright (2013, p. 420) explain, corporate compromises can in that sense change the understanding of the different worlds, where “in validating the market solution to environmental disputes, compromises change objects, subjects and concepts with the potential to reframe both the market and the environment”.

This can indicate that the perception of the green world is changing or that the market world and industrial world have incorporated the values belonging to the green world. To preserve their legitimacy, businesses may have to incorporate other social goods into the market world (Boltanski & Chiapello, 2005; Nyberg & Wright, 2013, p. 418). For instance, businesses' interest in the EU taxonomy might increase if they recognize that their activities cannot be classified as sustainable, which may signal that their current business model does not suit the future of a green sustainable economy (Ahlström & Sjøfjell, 2022, p. 27). The traditional market world test of short-term competitiveness may not be sufficient in light of the new reporting demands and long-term sustainability goals, that require significant action to mitigate and adapt to climate risk. At the same time, a solid sustainability strategy is considered a competitive advantage. Nevertheless, some corporations are not interested in being sustainable (Ahlström & Sjøfjell, 2022, p. 27). Yet, for the corporations that do want to or must be considered legitimately sustainable and not greenwashing, values of the green world may be incorporated into existing value systems.

The findings suggest a compromise between the green world and market world. Through the creation of compromise of the different worlds, roles, practices, products, and services, are adjusted to be acceptable for both value systems (Nyberg & Wright, 2013, p. 418). Having a solid sustainability business strategy and instruments is considered a win-win that benefits the environment and the business can avoid monetary value loss from mitigating and adapting to

CR. However, if the sustainability strategy and instruments did not give a competitive advantage and meet the market world test of competitiveness, it is not that likely that corporations would be that attentive to CR. As with the findings in Nyberg and Wright (2013, p. 418), “there was thus no space here for a diminution of profit or reductions in company growth”. Hence, in the business context, it appears that the dominance of the market world arguments makes the green world arguments fragile on their own. This is interesting because compromises are often considered fragile and critique-worthy as they are not truthful to only one value system (Nyberg & Wright, 2013, p. 413). For instance, the compromise can be considered greenwashing. However, it seems that the compromise between the market world, industrial world, and the green world is growing strong in the business sphere.

Whether there is a conflict or incapability between sustainability and business is debatable. SPV does not acknowledge that there is a conflict and perceives sustainability as a competitive advantage. This is in line with the corporate environmentalism perspective, where the market and the environment are considered compatible (Nyberg & Wright, 2013, p. 418). Finance Norway believes that one can have both, but that it must be profitable. If the market world and green world are to compromise, the compromise must be on the market world’s terms. Zero argues that there is a conflict with the rapid transition because of the profitability perspective. Hence, there may be an inherent conflict between the values in the market world and green world, where the green world values are conditioned by the market world. The values of the market world appear to be a premise for a compromise with other worlds, where values from other worlds must be formatted in a way that makes them relevant in the market world (Andersen, 2017, p. 52).

Businesses can utilize the “sustainability concept” and create new reality tests to evaluate their practices in response to criticism (Nyberg & Wright, 2013, p. 418). Tools such as the TCFD analysis, scenarios, and emissions accounting can be considered new tests or even boundary objects that corporations can apply to prove their sustainability values. Hence, the fragile compromise between the market world and green world can be strengthened by investments and sustainability managers (Nyberg & Wright, 2013, p. 418). Moreover, developing compromise between the OW may require boundary work, where for instance the EU can be considered a boundary organization for sustainable finance in bridging the market world with the green world’s sustainability values and the civic world’s policies and regulations through the taxonomy as a boundary arrangement. However, even though the EU

taxonomy appears to be welcomed by the finance industry, some authors such as Ahlström and Sjøfjell (2022, p. 33) are critical of sustainability issues being measured in ESG metrics or fully addressed in a taxonomy because “real” sustainability approaches must recognize and embrace complexity and uncertainty.

5.2.3 Application and Critique of the Civic World

A lot of businesses' CR is dependent on political development over the next 20 to 30 years, and there appears to be a latent critique concerning the civic world in that businesses point to the lack of action and supporting measures from the government and political institutions. In the lack of political measures, the businesses must take responsibility for CR by mitigating consequences by limiting their emissions and adapting by taking climate changes into business consideration. The qualified objects and human beings of the civic world are not doing enough to mitigate the consequences of climate change, and policy development can take many years. In a sense, the civic world's compromise with the green world is considered too weak. Therefore, the market world and industrial world must compromise with the civic world and green world to find a solution.

At the same time, businesses can apply the civic world in their justification for corporate environmentalism. Similar to what Nyberg and Wright (2012, p. 1825) find in their research, the interviewees mention elements from different worlds, mostly competitive advantage (market world) and efficiency (industrial world), but sustainability can also be justified based on other orders of worth, such as creating a better society (civic world). Values of the civic world may prove to be important also in the green world, considering a just and equitable transition. For instance, one of the SPV interviewees mentions valuation differences between cities and rural parts of Norway, which can lead to increased inequality.

5.2.4 The Role of the Domestic World

The domestic world can also play a part in businesses' justifications for adapting to and mitigating CR. As SPV is a regional savings bank, there are naturally regional elements in their business's perspective, which also are visible in their justifications. For instance, taking the role of a driving force for the green transition on the West Coast. Moreover, SPV emphasize its role in the local community and gives social dividends to sustainable local projects. According to Latour (1998, pp. 6-7), many issues of political ecology can be reduced

to the domestic world, where this can be considered a way of defending the territory and traditions of the bank and the western region against the perspective of an economic or technical enterprise. The values of the domestic world can also be combined with an opinion world perspective in that it can be considered valuable to be recognized as a responsible and sustainable savings bank in the region. Hence, the role of the domestic world is mainly that SPV is a regional savings bank that has a societal responsibility to contribute to solving societal issues because of its business structure being partly owned by society.

Chapter 6 – Conclusion

6.1 Summary

In this internship-based master's thesis, a case study of the Norwegian savings bank Sparebanken Vest has been utilized to explore the research question:

What are some main strategies and instruments through which businesses develop and sustain (societal, environmental, and economic) value in climate risk adaptation and mitigation, and how do businesses justify their response to climate risk?

To answer the research question, the Orders of Worth framework has been applied to the case study to understand how businesses justify their response to climate risk. Data material about the case study has been gathered during the internship through participatory observation, document analysis, and interviews.

There has been progress and maturity in business strategy and instruments related to climate risk. The findings illustrate a significant development in Sparebanken Vest's approach to sustainability including climate risk. The results show that the ambitious net zero 2040 goal and products that incentivize sustainable business, such as sustainability linked loans, are the main strategies and instruments to develop and sustain value. This is part of adaptation and mitigation to climate risk, where the focus is on mitigating emissions but also the necessary adaptation to changing conditions.

From the Orders of Worth analysis, the most frequent justifications stem from the market world and industrial world, where market competitiveness appears to be the most essential argument for climate risk adaptation and mitigation. There is a developing compromise between the market world, the industrial world, and the green world, yet, on the premises of the market world. Hence, the sustainability values of the green world are incorporated into the other worlds, but the dominance of the market world can make the values of the green world fragile on their own in the business sphere. Values of the civic world are used as an argument for corporate environmentalism for the collective good. At the same time, there is an underlying critique of the civic world, in that businesses call for stronger political actions to support their transition towards a low-carbon society. Values of the domestic world also play a role in the case of Sparebanken Vest as a regional savings bank driving change in the region.

The findings suggest that identifying the market world and the industrial world and their potential compromise with the green world can contribute to learning the values and perspectives supporting businesses' responses and justification of climate risk. This is important because businesses are key stakeholders in the transition to a sustainable society, where their actions or lack thereof matter for the potential mitigation and adaptation to risks of climate change today and in the future.

6.2 Final remarks and future research

Considering the limitations of this intensive case-study approach, a multiple-case study might be fruitful for further exploration and different perspectives of businesses' justification of climate risk. Industry and geography may be relevant variables to consider for the selection of cases. Also, as suggested by one of the Sparebanken Vest interviewees, there are rural aspects of climate risk related to valuation that can be interesting to research further.

The findings in this thesis suggest that the orders of worth framework can work to identify underlying values in the response to climate risk in the Norwegian business context. Further research in this area contributes to understanding businesses' approach to climate risk and their role in the green transition.

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Appendix: SPV Interview Guide

Introduction to working with sustainability

1. Can you talk about your position at the bank and what you work with?

Sustainability goals

2. Which of the bank's sustainability goals do you believe is most important and why?
 - a) What do you consider to be the most essential tools and/or strategies to improve the bank's sustainability performance and why?
 - b) Following this, which of the bank's sustainability commitments is the most important and why?
3. Are there conflicts with the bank's sustainability goals and other aspects of the bank?

Uncertainty

4. Where do you see the bank in 2040?
 - a) What are uncertainties and unknowns and how are these handled?
 - b) Do you believe the rest of the organization is on board for the changes that need to be made?
5. What do you believe is the biggest challenge or obstacle to reaching the bank's sustainability goals and net zero?
 - a) Do you think this challenge/obstacle applies to other institutions or is it unique to the bank?

Climate risk adaption

6. How does the bank work with and approach climate risk?
 - a) Physical climate risk?
 - b) Transitional risk?
 - c) Reputational risk?
7. Which climate risk do you believe is the most pressing and why?

- a) Do you believe your understanding of climate risk is coherent with the rest of the organization?
 - b) For instance, can you share your thoughts on how well financial counselors at the bank are informed about climate risk?
8. Do you believe there is a connection between climate risk adaptation and value creation? Why/why not?
- a) If yes: Can you think of examples where climate risk adaptation has:
 - i. Economic value?
 - ii. Environmental value?
 - iii. Social/societal value?

Adaptation vs. mitigation

9. Do you feel that your work with sustainability is more about adapting to climate risk or reducing climate gas emissions?
- a) Do you believe the bank's work to reduce climate gas emissions is sufficient? Why/why not?
 - 1. If no: What are areas of improvement?
 - b) Is there a "sense of urgency" in the organization to adapt or mitigate climate risk?

If time:

Transparency

10. Do you believe that the organization's work with sustainability is transparent?
- a) Are there aspects you can't share and why?

Social sustainability and stakeholders

11. Who do you believe are stakeholders in the bank's sustainability work?
- a) Who does the bank affect within the organization?
 - b) Who does the bank affect outside of the organization?
12. Can you explain the origin and primary intentions of the bank, and how is this relatable to the bank's work today?

- a) Is there a value for the bank to give back to the community?

Wrapping up

- 13. Is there anything we haven't talked about that you would like to add?