Corporate social responsibility in risk assessment processes undertaken in Swedish export transactions

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by

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Corporate social responsibility i riskbedömningsprocesser som görs i svenska exportaffärer

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**Abstract**

As many other advanced economies, Sweden is dependent on trade with other countries. Trade transactions are often supported by export credit agencies (ECAs), who offer financing guarantees in exchange for a pre-determined risk premium. The Swedish ECA equivalent is Exportkreditnämnden (EKN), who supports Swedish export companies with financing guarantees in trade transactions. In the context of these offerings, EKN undertakes a comprehensive risk assessment process which begins with the company’s guarantee application and concludes with an offered premium. This risk premium is at the center of this study, where a thorough analysis of its components has been made with a key focus on risks related to corporate social responsibility (CSR). Today, CSR-related risks are not integrated in EKNs risk premium, which may indicate that the full risk profile of a company is not as fairly assessed as possible. The lack of integration of CSR factors in financial risk assessments is a highly debated and current topic and serves as the basis for the broader perspective of this study.

This study was conducted through interviews with representatives from EKN, as well as other experts within the field of CSR and export transactions. The interview results were then combined and matched with data analysis and varied research.

The first and broader finding of the study is that the overall impression shows a need for CSR-related risks to become more systematically integrated into financial risk assessment processes. The action that is needed in this context must come from organizations such as the UN and the OECD, who today set the principles and guidelines for companies and ECAs to follow. For the second finding more specifically applied to EKN and its risk premium matrix, the two components of which the matrix is based on, commercial risk and country risk respectively, have been thoroughly analyzed. Although interview results demonstrated otherwise, the country risk component showed a significant correlation to CSR-related factors. This indicates there is a mismatch between the facts and the given information. The commercial component on the other hand has no CSR-relation whatsoever. However, with CSR-related risks constituting 35% of the total business risk that a company is potentially exposed to, the implication is that at least 35% of a company’s total risk profile is not accounted for in EKN’s current risk premium. Because it is in the interest of both companies and ECAs such as EKN, the concluding point of the study is that risk premiums should reflect the entire risk profile of a company; hence it is recommended that existing processes are revised accordingly.
Sammanfattning


Den här studien genomfördes med stöd från intervjuer med representanter från EKN och även andra experter inom området för CSR och exporttransaktioner. Intervjuresultaten kombinerades sedan och matchades mot dataanalys och tidigare forskning.

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**Abbreviations**

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<tr>
<td>EKN</td>
<td>Exportkreditnämnden, The Swedish Exports Credit Guarantee Board</td>
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<td>SEK</td>
<td>Svensk Exportkredit, The Swedish Export Credit Corporation</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>IFC</td>
<td>International Finance Corporation (member of the World Bank Group)</td>
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<td>UN</td>
<td>United Nations</td>
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<td>EU</td>
<td>European Union</td>
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<td>GRI</td>
<td>Global Reporting Initiatives</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>NCP</td>
<td>National Contact Person</td>
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<td>SDG</td>
<td>Sustainable Development Goals</td>
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<td>COP</td>
<td>Communication of Progress</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<td>ECA</td>
<td>Export Credit Agency</td>
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<td>MQ</td>
<td>Main Research Question</td>
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<td>SQ</td>
<td>Sub-Research Question</td>
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<tr>
<td>MPR</td>
<td>Minimum Premium Rate</td>
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<td>β</td>
<td>Beta</td>
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<td>PPP</td>
<td>Purchasing Power Parity</td>
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**Glossary**

**Developed market**
A developed market is a country with a highly industrialized economy, typically with a large service sector and built out infrastructure compared to a developing country. A developed market will also tend to have a high GDP per capita income.

**Emerging market**
An emerging market is a country that is quickly moving towards becoming developed. This also includes countries that may turn into developed countries in the future or have been in the past.

**Developing market**
A developing market is typically a country with an underdeveloped industrialization and, in comparison to other countries, a low Human Development Index (HDI). Developing markets are used to described countries less developed than emerging markets, placing them further...
away from industrialization and both economic and social development

**OECD**

An organization to promote policies that will improve the economic and social well-being of people around the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems. The OECD also commonly sets international standards on a wide range of areas, for example agriculture, tax, et cetera

**EKN’s Take on CSR**

EKN follows international principles and guidelines as above stated and there take on sustainable business in their risk assessment process is divided in five categories: environment, human rights and labour right, anti-corruption, tax and the promotion of sustainable lending to poor countries

**CSR**

CSR is a business approach that was coined by John Elkington in 1994 essentially to give corporates a name for their contributions of sustainable development in their business projects. This includes taking into consideration different factors that benefit all stakeholders in a corporation, including economic, social and environmental. In this study CSR is defined as a business in-line with the international principles and guidelines followed by EKN. These are the UN Global Compact and Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises and its Common Approaches

**Sustainability**

Sustainability is meeting the needs of the present without compromising the ability of future generations to meet their needs. Sustainability as a concept is comprised of three pillars 1) economic 2) environmental and 3) social

**Beta (β)**

Beta is a measurement of systematic risk, or volatility, of a certain financial security or of a portfolio compared to the market. Beta, also known as the beta coefficient, can be recognized from the use in the capital asset pricing model (CAPM), where the expected return of an asset is calculated based on its beta and the expected returns from the market
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1 Introduction

The introduction includes a background to the study and the definition of the research problem. This chapter also covers the purpose and aim of the study, followed by the research questions, delimitations as well as notes on how this study contributes to science.

1.1 Background

Developing countries and emerging markets are fast becoming the drivers of global economic growth (Forbes, 2016). According to the International Monetary Fund (IMF), emerging markets and developing economies accounted for one third of the total global economic output (Ben-Ami, 2014). Today, the IMF predicts that emerging economies in particular are expected to grow two to three times faster than major developed economies such as the United States of America (IMF, 2016a). The rapid development of emerging economies is shown in the graph below, illustrating their annual economic growth.

Both emerging markets and developing countries have gained substantially larger prominence in terms of global economic output. However, the influence from advanced economies and their economic health still weigh heavy on emerging markets and developing countries. Given that many emerging markets and developing countries often have complex characteristics when it comes to politics and socio-economic factors and thus can be seen as complex markets, advanced countries tend to set examples for how the global economy is shaped. When advanced economies experience volatility, both emerging markets and developing countries are affected in one way or another due to the amount of trade transactions in circulation between the different markets. (Ben-Ami, 2014)

Sweden is a small open market economy heavily dependent on trade. In 2016, Swedish exports amounted to 200 billion Swedish kronor with more than 70% of the export constituting manufactured goods (SCB, 2016b).
Export credit agencies, ECAs, are either private companies or governmental bodies that offer financing and financing guarantees for export companies in their trade transactions and business operations in international markets (Investopedia, 2016e). ECAs are structured differently for each country, where most of them offer financing in the form of loans as well as insurances in order for companies to minimize the risk of uncertainty in trade. Essentially, this means that ECAs connect a nation’s government with a domestic company involved in exporting goods and services in order to provide either credit insurance or financing guarantees. The different ECAs can have dissimilar processes when financing or guarantees are granted, but they all have the same guidelines to follow when addressing CSR in transactions. The Swedish Exports Credit Guarantee Board (EKN) is Sweden’s equivalent to an export credit agency that provides support for Swedish companies in export transactions. The Swedish government has given EKN the mission to promote Swedish export through guarantees of financing.

EKN’s guarantees of payments for invoices give export companies a critical type of insurance against the risk of non-payments in transactions. The capacity for risk taking increases when payments are secured this way, which in turn increases the qualification of financing for different business projects. (EKN, 2016a) For Swedish export companies especially operating in complex markets, this could be crucial for even considering the deal. EKN therefore plays a vital role in many international procurements for Swedish export companies.

From a corporate perspective, trade transactions are often a vital part of the business operations. This means that any type of support, particularly when it comes to dealing with complex markets or any external parties, it naturally becomes helpful to ensure that business continues in a sustainable way. (IMF, 2016b). By applying for a financing guarantee from EKN, a company can therefore hedge themselves from a potential non-payment, which essentially gives the company financial insurance against these risks. In the end this encourages more trade activity due to the fact that having a credit guarantee from EKN mitigates many risks specifically in terms of non-payments (Global Policy Journal, 2014).

1.2 Problem formulation
This study will mainly attend to the concept of risk assessment when financing and financing guarantees are provided by the export credit agency EKN to Swedish companies exporting goods and services. Risk assessment in these situations is critical since it essentially determines whether financing is given or not, as well as what characteristics the required risk premium would have as an insurance compensation from the company to EKN (Svenskt Näringsliv, 2016).

Today, there is already a well-established system for risk assessment in these types of situations in order to determine an appropriate risk premium. The risk assessment process at EKN is divided into three main parts; country risk assessment, commercial risk assessment and sustainability risk assessment (EKN, 2016e). However, the risk premium itself is not based on any numerical parameters from the latter risk assessment process, i.e. sustainability risks – it is only based on a matrix considering country risk and commercial risk.
Sustainability risk assessment is nonetheless considered important in every transaction. However, these factors work as binary factors, meaning that if sustainability requirements are not met, the transaction will not go through. (EKN, 2016d)

There is a wide consensus that factors connected to corporate social responsibility (CSR) are complex and difficult to measure in terms of risk. However, many of the risks that are associated with CSR may have a direct impact on the financial health of a company. (Du, S., Bhattacharya, C. B. & Sen, 2010) CSR has for some time gained ground in the corporate world, but in more recent years there have been initiatives and discussions pointing to further elaboration of what CSR practically means for a company’s performance. There has been a debate for many years as to whether or not business risk for a company in fact is connected to CSR in various risk areas. (Luo, X., & Bhattacharya, C. B., 2006)

Rather than just viewing CSR as a “punishment tool” to point fingers at companies with, a view of it as a rewarding system instead could prove to be more effective. By investigating further into what role in the overall business risk that CSR might have, the direct connection between financial risk and CSR risk can hopefully be shown. Furthermore, if this topic gains even more ground in the future, this might potentially lead to CSR being integrated in EKN’s risk premium matrix. If CSR is taken into account when calculating the risk premium, the overall risk could potentially be more accurately reflected in the final determination of the premium price.

1.3 Purpose and aim
The purpose of this study will be to investigate what the role of CSR is in risk assessment processes undertaken in Swedish export transactions today. In many transactions, CSR is a topic where risk assessment is said to have profound significance, however there is often a lack of direct connection between CSR and business risk due diligence in these assessment processes. Part of the aim of this study will therefore be to recognize to what extent CSR is integrated in the risk premium offered by the Swedish export credit agency EKN today. Thus, the aim will also be to validate whether or not there is a lack of CSR integration in the risk premium, and if so, to identify what the implications and potential areas of improvement are. This will in the end contribute with knowledge to both export credit agencies and export companies concerning risk management particularly focused on CSR parameters, and how this links with the overall risk assessment processes.

1.4 Research questions
This study attends to one main research question with a broader perspective on CSR and risk assessment in exports, followed by a sub-research question with a more in-depth focus on EKN. These are as follows:

MQ: What is the role of CSR in risk assessment processes undertaken in Swedish export transactions today, and how will it change in the future?
**SQ:** Can the lack of CSR in EKN’s current risk premium matrix be validated, and if so, what are the implications and potential areas of improvement?

**MQ**

What is the role of CSR in risk assessment processes undertaken in Swedish export transactions today, and how will it change in the future?

**SQ**

Can the lack of CSR in EKN's current risk premium matrix be validated, and if so, what are the implications and potential areas of improvement?

*Figure 1. This study’s main research question and its connecting sub-research question*

### 1.5 Delimitations

This study will be limited to assessing the Swedish export market. Therefore, the results will only be applicable for Sweden and will also be limited to the Swedish export credit agency EKN. Furthermore, this study defines CSR-oriented companies as businesses in-line with the well-known international principles and guidelines from the UN and the OECD. This is due to the fact that the same principles and guidelines are followed by the Swedish export credit agency EKN. The terms sustainability and CSR are used in the study interchangeably, as it is used as such in the aforementioned guidelines and principles. Worth noting is that the two terms in this study refer to the same concept as explained above. Furthermore, the results are based on EKN’s risk assessment process, their take on sustainability and their specific risk premium. Hence, the results from this study are not ideally suited to be seen as general results and used on a global scale. Instead, the results can be useful as inspiration and a basis for further research for actors involved in export transactions, i.e. exporting companies and their partners, ECAs as well as banks and other supporting institutions. More specifically, the results will hopefully bring attention to the actual implications of CSR particularly in export transactions and the complexity of their corresponding risk assessment processes.

### 1.6 Contribution to science

Many previous studies have been conducted within the different areas that this study attends to. In terms of trade transactions, studies have covered important global as well as regional economic aspects that export entails (European Commission, 2016). Moreover, CSR is a research area where previous studies have been made with regards to e.g. whether or not CSR is beneficial for a company’s performance, what specific financial impact these concepts may or may not have on the company’s daily operations, and more. Studies have also been done in the area of CSR specifically in terms of its connection to the cost of capital for a company. (Chava, 2014) (Luo, X., & Bhattacharya, C. B., 2006) Moreover, studies have been done investigating how CSR could improve different risk profiles and in areas such as reputational risks, compliance risks, and operational risks, CSR holds clear present value. (Filene Research Institute, 2016)

In summary, numerous studies have been conducted within the sub-categories that this study covers. However, this study focuses on a more specific area, where the risk assessment process is looked at with a different point of view. The process of assessing a company’s financial health and business risk profile constitutes an area which is already profoundly
researched on, however researching this in correlation with CSR factors means the study will have a more analytical contribution to science (Blomkvist & Hallin, 2015). More specifically, the connection between CSR, business performance and risk premiums offered by ECAs is as a whole much less researched on, which this study hopefully can shed more light on. Given that part of the aim of this study is to contribute with knowledge on risk management with a focus on CSR, companies might in the end benefit from more fairly adjusted risk premiums due to higher transparency in their transactions supported by EKN. By acknowledging the existing problem that companies have today with high premiums leading to high costs, this study can also be considered to have a methodological contribution on science (Blomkvist & Hallin, 2015).

1.7 Disposition
The study is divided into six sections, and each of them are structured as follows:

**Introduction:** The introduction chapter includes the background to the study and defines the scope of the research problem. The introduction also covers the purpose and aim of the study, followed by research questions, delimitations and the contribution to science that the study is expected to have.

**Institutional setting:** The institutional setting chapter gives an overview of the international principles and guidelines which EKN follows particularly in terms of CSR. The chapter also focuses on the role of an export credit agency and the uniqueness of financing through ECAs. Furthermore, this chapter also presents EKN, the Swedish ECA, as well as a description of the procedure for receiving financing guarantees from EKN.

**Literature review:** The literature review chapter presents the main risks associated with an export transaction and highlights the areas in which CSR is related to these risks. Furthermore, this chapter also briefly presents CSR as a research area and existing frameworks for measuring CSR. The chapter is concluded with a description of a multi-level perspective model which is applicable to this study.

**Methodology:** The methodology chapter presents the research approach and process of this study. Additionally, the chosen methods for collecting and analyzing data are presented. The chapter ends with a reflective section on the quality of the research design.

**Results and discussion:** The result and discussion chapter present the empirical findings from the main research question to the sub-research question, as well as an analysis of the data collected of this study.

**Conclusion:** The conclusion chapter is the final chapter where the research questions are presented and therefore concludes the research. In this chapter, final discussions as well as recommendations are presented, along with the study’s contribution to knowledge and suggestions on further research are given.
2 Institutional setting
This chapter describes the actors who set guidelines and frameworks for companies working with CSR issues, both globally and domestically. Furthermore, the chapter describes ECAs from a general perspective, followed by an elaboration of what offerings in terms of financial services that ECAs often have. Finally, the chapter will narrow down to a thorough description of EKN.

2.1 Parties who set guidelines for CSR
The following section highlights a background to the OECD and the UN, which are the two main actors setting CSR guidelines. The section also describes the Swedish government’s role in encouraging companies to work in-line with CSR guidelines and principles.

2.1.1 The Organization for Economic Co-operation and Development
The Organization for Economic Co-operation and Development (OECD) has 35 member countries, including many of the world’s most advanced economies. Members also include emerging countries such as Turkey, Mexico and Chile. Aside from their 35 members, the OECD also works closely with emerging economies like China, India and Brazil and developing economies in Africa and Latin America. As a result, the OECD brings around its table countries that account for 80% of world trade and investment, giving it a crucial role in tackling the challenges facing the world economy. (OECD, 2016a)

The organization origins date back to 1960, with the mission of promoting policies that will improve the economic and social well-being of people around the world. The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems. (OECD, 2016b) Dialogues at the OECD committee-level sometimes turn into discussions where the OECD member countries decide on rules for worldwide collaboration. They can conclude in formal contracts, e.g. on combating bribery, on arrangements for export credits or result in guidelines for governance or environmental practices (OECD, 2016c).

The OECD Guidelines for Multinational Enterprises
The OECD Guidelines for Multinational Enterprises are joint recommendations from numerous governments to multinational companies on how business is conducted in a responsible manner. The guidelines were updated in 2011 for the fifth time since they were first adopted in 1976. Moreover, the guidelines are part of the OECD declaration on international investment and multinational enterprises. Divided into ten chapters, the guidelines contain among other areas human rights, labor and employment, environment, corruption, consumer interests, science and technology, competition and taxation. The countries that have joined the OECD guidelines have also pledged to establish a National Contact Point (NCP), where reports can be made of companies that are believed to violate the guidelines. (Regeringskansliet, 2017)
Common Approaches
Members of the OECD Working Party and export credit agencies have since the mid-1990s been sharing information on their guidelines. They contribute with knowledge with regards to how they tackle environmental and social issues, leading to discussions to form common approaches for taking these issues into account when offering export credits. The consequence of these discussions has been a chain of arrangements and OECD recommendations. The current agreements were revised in 2016 by the OECD council. These agreements set common approaches for coping with environmental and social risks and impacts concerning applications supported by export credits. The recommendations express the common view of all OECD members; however, they are not legally binding. In the figure below, a short version of what members should do to achieve these common approaches are presented. (OECD, 2016d)

| 1) | Encourage the prevention and the mitigation of adverse environmental and social impacts of projects and the consideration of environmental and social risks associated with existing operations and take into account the benefits of any projects and existing operations supported, thereby enhancing the overall financial risk assessment process |
| 2) | Undertake appropriate environmental and social reviews and assessments for projects and existing operations respectively, as part of their due diligence relating to applications for officially supported export credits |
| 3) | Identify the potential positive and negative environmental and social impacts relating to the applications to be classified from A-C: |
| | • CATEGORY A: If a project has the potential to have significant adverse environmental and/or social impacts, which are diverse, irreversible and/or unprecedented. |
| | • CATEGORY B: If a project's potential environmental and/or social impacts are less adverse than those of Category A projects |
| | • CATEGORY C: If a project is classified as Category C if it has minimal or no potentially adverse environmental and/or social impacts |
| 4) | Evaluate the information resulting from screening and review of a project, and decide whether to request further information, decline or provide official support |

*Figure 2. A short version of what members should do to achieve OECD’s common approaches*

### 2.1.2 United Nations
The United Nations (UN) is an international organization founded in 1945 and is currently made up of 193 member states. With its unique international character, the organization can take action on the issues confronting humanity such as peace and security, climate change, sustainable development, human rights, health emergencies, gender equality, governance, food production, and more. (UN, 2017a)

**Global Compact**
The UN Global Compact is comprised of a network of companies and organizations. The initiative primarily targets companies to take active responsibility for ten principles
in the areas of human rights, labor, environment and fighting corruption as illustrated in the figure below. (UN Global Compact, 2017a)

The Global Compact has about 13,000 participants of which about 8,000 are companies, where Sweden had nearly 200 affiliated organizations in 2015. Several countries have local networks of the global compact, which consist of both companies and other organizations. The networks can be of great help to companies that seek to gain a better understanding of specific local challenges. Companies interested in participating in the global compact are in that case obliged to write a letter to the UN secretary general and pledge to work actively with the ten principles.

UN Guiding Principles on Business and Human Rights
The UN Guiding Principles on Business and Human Rights comprises of pillars that are addressed to all states and companies of the world. These pillars are as follows:

1) A state’s obligation to protect human rights;
2) The corporate responsibility to respect human rights; and
3) The possibility of redress if rights are not respected.

The corporate responsibility to respect human rights means that a company’s operations should not contribute to human rights violations, and that a company should actively prevent this from happening. The principles work as support for companies seeking to adapt their activities and work on issues related to human rights. Below, the figure describes appropriate corporate actions in accordance with this. (UN Global Compact, 2017c)
Figure 4. Appropriate corporate actions according to the UN Guiding Principles on Business and Human Rights

* Have a public policy commitment to respect human rights and the realization and anchoring this commitment in the internal policies and processes,
* Carry out impact assessments to identify, address, and account for how they manage the risks of a negative impact on human rights, and have processes that make it possible to make good the negative impact on human rights that the company caused or contributed to. (UN Human Rights, 2011)

The UN 2030 Agenda for Sustainable Development
In September 2015, the world’s governments agreed on an agenda for sustainable development, including 17 new global objectives for 2030 (Agenda 2030). The agenda relates to all areas of sustainability such as peace, justice, equality, gender equality, poverty eradication, economic development, climate and environment. The agenda is universal and must be implemented by all countries, both nationally and internationally. Actors in civil society, academia, business and the trade union movement have all been involved in the development of Agenda 2030 (UN Global Compact, 2017c)

The business sector has a central role in the implementation of Agenda 2030, and businesses are encouraged to analyze the agenda and its goals and use their creativity and innovation to help achieve the objectives while developing their own businesses. The Sustainable Development goals (SDG) compass tool has been developed to help companies connect their business with the objectives of Agenda 2030 and thereby identify business opportunities. (UN Global Compact, 2017c) The SDG compass focuses on three areas as shown in the figure below.

[Figure 5. The three focus areas of the sustainable development goals compass tool]

2.1.3 The Swedish government’s role
The government’s definition of CSR is based on the principles of the UN Global Compact. The economic policy of the government focuses on strengthening Sweden’s competitiveness and creating conditions for more jobs and growing businesses. A modern industrial policy creates conditions that encourages companies develop, to expand in the world’s emerging markets and to be attractive to employees and investors. Therefore, CSR is a natural part of government policy. (Regeringskansliet, 2017)
The government seeks to increase transparency, which can be recognized in fairly recent laws on the reporting of sustainability information. This benefits consumers and investors as well as other stakeholders. This way, the government expects companies operating in Sweden or abroad to follow international guidelines for CSR as a starting point for their work. As an example, this may mean that the company is developing a code of conduct, an anti-corruption policy or other tools in order to address specific challenges. Furthermore, the government also expects Swedish companies to respect human rights in all their activities, which among other things require special attention when doing business in countries where these rights are not as fully respected. Among the guidelines to provide guidance to companies to act responsibly is the OECD Guidelines for Multinational Enterprises, the UN Global Compact, the UN Guiding Principles for Business and Human Rights and Agenda 2030. (Regeringskansliet, 2017)

The governance of state-owned companies is an area where the government wants to continue to show leadership with an increased focus on integrating sustainability into corporate governance. State-owned companies should under the government’s ownership policy set a good example by acting transparently, working strategically, collaborating with stakeholders and basing their work on international guidelines. Moreover, the state also supports a number of organizations in the business world, for example EKN as mentioned earlier. According to the government, EKN shall in its risk assessment process take into account environmental factors, human rights, working conditions and anti-corruption. EKN is therefore expected to follow international guidelines when financing export transactions. (Regeringskansliet, 2017)

2.2 ECAs and their offerings
Export credit agencies, ECAs, are either private companies or governmental bodies that offer financing and financing guarantees for export companies in their trade transactions and business operations in international markets. ECAs are structured differently in each country, however most of them offer financing in the form of loans as well as insurances in order for companies to minimize the risk of uncertainty in trade. Essentially, this means that ECAs connect a nation’s government with a domestic company involved in exports in order to provide either credit insurance or financial guarantees (Investopedia, 2016e).

Financial services offered by ECAs come with a certain pre-determined premium that the company in question is charged with. During 2016, ECAs financed or underwrote more than 400 billion US dollars’ worth of trade transactions globally. In most cases, ECAs offer different types of insurances, for example insurances against any potential non-payments in a trade. These different services are either offered on a medium-term (2-5 years) or a long-term (5-10 years) basis. Often when financing guarantees are offered by ECAs, the financing terms can differ from traditional financing through for example a bond issuance, as they are often given with a longer maturity or at a different interest rate. ECAs are widely considered to fill an important gap in the financial markets as an actor able to lower the private lending risk through the offering of export credit guarantees (Investopedia, 2016e).
2.3 EKN and SEK – The Swedish ECAs

Exportkreditnämnden, EKN is Sweden’s national export credit agency since 1933 and has a wide network that includes banks, other countries’ equivalent of EKN as well as other export promotion organizations. EKN has been commissioned by the government to promote Swedish exports and the internationalization of Swedish companies. This is done by insuring export companies and banks against the risk of potential non-payment in trade transactions. The premium that the guarantee holders then pay reflects the risk in the transaction and constitutes EKN’s provision for potential damages. Thus, EKN’s activities are financed by the premiums paid by the guarantee holder. EKN’s projects constitute of transactions ranging from small businesses to large groups of export transactions in some 115 countries (EKN, 2016c). Small and midsized enterprises, SMEs, are critical for EKN’s operations, but among the most loyal customers are also larger export companies such as Volvo and Saab (Dagens Industri, 2016). During 2016, EKN guaranteed as much as 1,821 export transactions, which sets a record-high level (See Appendix A for “EKN: 2016 at a glance”) (EKN, 2016c).

The additional export credit agency closely related to EKN is Svensk Exportkredit, SEK, who acts as a governmental bank that offers the actual financing in many export transactions where Swedish companies are involved. SEK can offer different types of financing depending on the characteristics of each individual transaction, and they finance medium-sized companies primarily with a turnover ranging from 500 million up to 5 billion Swedish kronor. In 2015, SEK financed 5.5 billion Swedish kronor to strengthen Swedish export companies’ international competitiveness (SEK, 2016c). EKN and SEK work closely together in many transactions; however, the financing guarantees and thus the determined risk premiums are only part of the internal risk assessment process specifically at EKN.

![Figure 6. Ecosystem of the Swedish export market and the relevant actors to the study](image-url)

Figure 6. Ecosystem of the Swedish export market and the relevant actors to the study
2.3.1 EKN's risk assessment process

Before going through with any transaction, EKN undertakes an extensive risk assessment process in order to ensure the credibility of a deal. When EKN receives a guarantee application, the initial review first requires an identification of what type of guarantee it involves. For example, if the application concerns export credits, contract guarantees or working capital guarantees, the application is sent to the correct department for further review. The overall steps in the risk assessment and guarantee application process that EKN undertakes are illustrated in the steps below.

When the application is received at the correct department, the risk assessment process is formally initiated. This process is divided into three main parts as earlier mentioned; the commercial part, the country part and the sustainability part. The sustainability assessment involves evaluating factors connected to the transaction that involve CSR. It is not until the process of assessing these three areas of potential risk that the matter is taken further to when the risk premium for the transaction is determined. Therefore, the risk assessment process pre-premium essentially determines the issue of whether or not to proceed in every transaction. It is thus not until these three areas are checked and approved that a risk premium is even relevant in the process of approving the guarantee application. Below, the three areas of the risk assessment process are further elaborated.

**Commercial risk assessment**

When EKN performs the commercial risk assessment, they conduct an analysis of the buying company’s credit health. The credit analysis involves not only the buying company itself but also any group that this company is potentially a member of. This involves getting a better understanding of the company’s future operations in terms of the development and/or any potential expansion of the company, the management of payment commitments as well as the default risk. When EKN can build a clear picture as to how strong it is financially, EKN can then finally make a stronger case for whether or not the guarantee is approved, as well as what percentage coverage EKN would take.
on if proceeded. In order to do this, the first stage of the commercial risk assessment is to analyze the sector in which the company operates. This includes understanding the company’s market position, the competitiveness of the business as well as the characteristics of the market as a whole, for example in terms of growth, potential challenges and barriers. It is also essential to assess the company not only from a historical point of view, but also taking into account for example forecasted budget figures for different scenarios. Therefore, it lies in the hands of the exporter to be as transparent and cooperative as possible in providing the required documentations related to these matters in order for EKN to be able to make a sound assessment of the commercial risk. When EKN has finalized its commercial assessment of a company, it has essentially done a thorough credit check of the company by checking all relevant financial information. (EKN, 2016d)

**Country risk assessment**

The assessment of the country risk, also known as the political risk, involves understanding how able a country is in terms of currency transfers for foreign payments. This assessment considers several factors, including political, economic and financial, before determining a country’s payment abilities. In every transaction where political risk is assessed, there is also a vital part of the assessment that covers understanding risks of action by regulators or public authorities. With the support from substantial research materials from actors such as the IMF, the World Bank, credit rating agencies and others, EKN can make comprehensive country analyses. (EKN, 2016d)

The country risk classification is based on a scale as shown in the figure above. The scale, which has been developed by the OECD, ranges between classes 0-7, where 0 denotes low or no risk and 7 denotes extremely high risk.
**Example of EKN’s country policy – Laos case study**

As mentioned above, EKN has developed a country risk classification depending on the time horizon of the credit. An example of EKN’s country policy can be shown applied to Laos, which has a country risk class of seven out of seven possible both for short and long term credits. Below is a table showing the different risk classes per category for Laos, including state risk, other public risks, bank and corporate risk.

<table>
<thead>
<tr>
<th>Laos country risk profile</th>
<th>Short term credit (0-12 months)</th>
<th>Long term credit (12+ months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State risk</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>Other public risks</td>
<td>★★★</td>
<td>★★★</td>
</tr>
<tr>
<td>Bank risk</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>Corporate risk</td>
<td>★★★</td>
<td>★★★</td>
</tr>
</tbody>
</table>

**Table 1. Laos country risk profile as an example of EKN’s country risk assessment**

**Sustainability risk assessment**

As earlier mentioned, EKN works comprehensively with sustainability issues in order to assess whether or not a transaction is appropriate. This is to mitigate any potential risk that might be connected to sustainability and thus CSR factors. Therefore, the sustainability risk assessment is an important part of the whole risk assessment process. This part of the process entails assessing the impact any counterpart in a transaction has on the environment, as well as on human rights and working conditions. EKN supports sustainable lending to developing countries, and has a zero tolerance for corruption.

![Figure 9. The four parts of EKN’s sustainability risk assessment](image)

The process of assessing each of these four areas involves going through five steps: initial screening, examination, classification, decision and reporting. Specifically in terms of environmental and social responsibility issues, the classification of each transaction is made based on a scale derived from the OECD. The classifications determine the level of environmental and social risk that a transaction has, and enables EKN to better assess the transaction if it is taken further into the risk assessment process. The classification system is graded on a scale from A to C, where A denotes high level of environmental and social risk, and C denotes a low level (See Appendix B for different classification case studies). After having classified each transaction on this scale, there are different underlying processes for further investigation that are initiated
depending on how large the transaction is, and whether it involves project financing or regular business financing. For example, the highest risk classification a transaction can get in this aspect is firstly an A-level classification; secondly to entail project financing; and finally if the financing amounts to more than 100 million Swedish kronor with a credit time exceeding 2 years. In the end, the determination of sustainability risks associated with a transaction essentially leads to the question of whether or not to proceed at all with the deal.

2.3.2 EKN’s risk premium
When the risk assessment process as described above is undertaken and the decision is to proceed with a transaction after clearance in all areas, the next step is finally to determine the appropriate risk premium. The risk premium that EKN determines is based on two main components; commercial risk and country risk. Hence, the sustainability risk assessment does not follow in to the risk premium process. When assessing the risk in each of these areas, there are numerous analysts and underwriters that work in detail with every transaction individually. The two components determining the risk premium are each made up on scales, which is what creates the so called risk premium matrix. For country risk, the scale ranges from 0 to 7 and is derived from OECD, as earlier mentioned. The scale for commercial risk instead categorizes the debtor from A+ to F, where A+ denotes the same low risk correspondent to e.g. a sovereign debtor, and F is a high risk debtor. Thus the commercial risk scale essentially determines the financial risk of a debtor. These two scales create the risk premium matrix as shown below.

![Table 2. EKN’s risk premium matrix](image-url)
In the risk premium matrix, the abbreviation MPR can be found. This is the minimum premium rate set as a standard by the OECD that all ECAs must incorporate in their premium assessment. The MPR sets a floor for the premium rate that can be given, and is naturally mostly found on the left side of the risk matrix. The intervals that are given indicate that there is some room for adjustment. This is essentially a result of every transaction being unique, and thus if there is documentation required or other means by which a company in a transaction can show higher transparency towards EKN, there is room to adjust the premium.

**Lowering the risk premium today**

Today, there are several ways to lower the risk premium as a guarantee holder. For example, if EKN is provided with additional security in the transaction in question, the uncertainty level can be reduced and therefore EKN might be willing to lower the risk premium. These additional securities can for example be title reservations or pledged assets. Another way of potentially lowering the risk premium is to amend the initial contract by adding on or changing existing contractual conditions. These conditions can be any that give EKN more security in the transaction, for example higher advance payments or shorter credit periods. In other words, there are ways in which a guarantee holder can lower their risk premium, in particular by giving more financial security to EKN in order to ensure that the risk is not as high as initially determined.

**2.4 Summary of the institutional setting**

There are many organizations working with frameworks and principles for CSR where the OECD and the UN are among the more renowned. All ECAs globally are to follow and work closely with these guidelines and principles on a high-level basis despite the fact that they are not legally binding. The different ECAs can have dissimilar processes when financing export transactions or granting a guarantee, but they all have the aforementioned guidelines as guidance when addressing CSR.

EKN has a significantly well-established risk assessment process. In many cases, EKN can be viewed as an ECA in the forefront in terms of considering CSR factors in a profoundly. The principles and guidelines provided by OECD and the UN are essentially recommendations and in some aspects mandatory to follow, but they also leave large parts in the responsibility of each ECA. This implicates that many aspects in the assessment processes can vary significantly. In summary, it is clear that in EKN’s case, sustainability is one of the main pillars of the initial risk assessment process, as it is key in determining whether or not to pursue a certain transaction. In order to gather as much information as possible and thus be able to determine where on the A-C scale a certain company in a transaction should be classified, EKN asks many questions and seeks to finalize the classification by getting answers and documentation for further transparency. However, sustainability as a whole is not reflected in the actual determination of the risk premium, whereas the commercial and country parts are integrated throughout, and thus the CSR aspect only goes as far as the initial risk assessment process goes (see below).
Figure 10. Illustration of EKN’s the risk assessment process
3 Literature review

This chapter starts with presenting the most common risks that are generally associated with export transactions. These risks can typically be divided into the areas of business risk and country risk, which is further elaborated below. Following this, the second part of this chapter will involve describing CSR, as well as the perspectives on CSR of different stakeholders and the ways in which CSR can be measured today.

3.1 Risks associated with export transactions

This part of the literature review will explain the general ways of viewing risks that can be directly connected more or less to any export transaction. The main risks associated with export transactions are connected to the evaluation of the country in question, as well as the company and any counterpart that the transaction involves. Therefore, the most straightforward way of dividing the risks is through the areas business risk and country risk.

3.1.1 Business risk

Business risk mainly involves certain risk areas that specifically pose a threat to the company’s performance in terms of anticipated profits. However, these risks are, as will be shown in this section, not only directly tied to financial metrics such as sales volume or costs. Risks concerning regulations and social conditions are some other examples of what might directly affect the risk of a business. Business risk can be broken down into four categories as illustrated in the figure below. (Investopedia, 2016d)

<table>
<thead>
<tr>
<th>Business risks</th>
<th>Strategic risks</th>
<th>Operational risks</th>
<th>Reputational risks</th>
<th>Compliance risks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Errors</td>
<td></td>
<td></td>
<td></td>
<td>Geographical Expansion</td>
</tr>
<tr>
<td>Systems Failures</td>
<td></td>
<td></td>
<td></td>
<td>Product Line Expansion</td>
</tr>
<tr>
<td>Expected cash outflow</td>
<td></td>
<td></td>
<td></td>
<td>Ongoing Compliance</td>
</tr>
<tr>
<td>Lost revenue</td>
<td></td>
<td></td>
<td></td>
<td>Regulatory</td>
</tr>
<tr>
<td>Credit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3. Breakdown of the areas of business risks

For each of these risks, studies have investigated how CSR can improve different risk profiles. In the context of reputational risks (internal), compliance risks (regulatory) and operational risks (credit and liquidity), CSR holds clear present value. In other risk areas, such as strategic risks, studies agree about the potential, though the connections are less obvious. (Filene Research Institute, 2016).
**Strategic risk**
Strategic risks are connected to a company’s stated business plan. Depending on the particular industry that a company operates in, the strategic risk can be either higher or lower. These risks can arise from various scenarios, and can be either associated with internal or external factors. One of the scenarios in which strategic risk can arise is when the overall business environment is compromised. This can happen due to changes in supply and demand, or changes in the competitive environment. It can also be due to the introduction of new technologies, making older production processes less efficient and thus less competitive. Another scenario in which strategic risk is common is when a company decides to go through with a transaction. This often entails the relocation of assets when it involves any merger or acquisition of a company, as well as spin-offs and joint ventures. All of these scenarios are part of the strategy of a company’s business plan, in the hopes of success, but they also naturally bear a risk of proving to be unsuccessful. Lastly, strategic risks might also arise from the communications between management and the investors of a certain business if any kind of friction occurs. (Miles, 2011)

**Operational risk**
Operational risks are directly associated with a company’s day-to-day operations. These risks are typically recognized from internal failures or inadequacies that might lead to a loss for the company. Operational risks are often closely tied to the organizational structure of a company, and not always to the actual production of a certain product. While these risks sometimes do occur in production processes in the form of system failures, organizational failures such as employee errors, fraud and other criminal activity as well as any potential mistaken management decision also pose operational risks. Furthermore, operational risks can also arise from unanticipated cash outflows, loss arising from the inability or failure of a borrower or counterparty to meet its obligations. For example, if 60% of company’s revenues come from one single customer, the operational risk of total lost revenue will be devastating if this specific relationship is damaged (Miles, 2011).

**Reputational risk**
Reputational risk involves any type of risk that can threaten or damage the image or the brand of a company. The most common types of risks associated with business reputation are either internal or external. The internal risks arise from within the company’s organization, which for example might happen when an employee or the company as a whole takes any inappropriate action. The external risks on the other hand come from relationships that the company has with e.g. suppliers, partners or joint ventures that in some way can prove to damage the company’s reputation. Whether the risks are internal or external, the effect will be that the company is badly damaged in its image towards the external business world, in worst cases leading to a company losing customers (Investopedia, 2017a). Reputational risk is highly associated with CSR factors, and more so specifically in terms of the external reputational risks. For example, if a company proceeds in a transaction with a partner who turns out to be a violator of
human or labor rights, this will naturally reflect negatively on the company itself. (Blackman, 2014).

**Compliance risk**
Compliance risks involve threats imposed to a company in terms of obedience of law and regulation. These risks are often hard for companies to work with, as laws and regulations often change and develop into new forms. This requires companies to work actively with compliance risk in order to keep up with any new developments and to minimize the threat towards the business. Compliance risks can be divided into three main parts; geographical expansion risks, product line expansion risks as well as ongoing compliance risks. Ongoing compliance risks are mainly the risks associated with the developments of laws and regulations as stated above. Geographical and product line expansion risks instead involve risks that are associated with the development of the company’s own business. For example, when a company expands geographically, it is exposed to risks of having to comply with new rules and regulations that might not be familiar to the company’s geographical base. Similarly, if a company expands its product line, there might be compliance risks associated with the specific product that it expands its portfolio with, for example when it comes to tobacco or alcohol (Blackman, 2014). Overall, compliance risks are, similarly to reputational risks, closely tied to CSR factors and especially that in terms of geographical and product line expansion.

3.1.2 Country risk
Country risks are mainly risks that are directly associated with foreign investment in a company. The most common types of risks that are referred to as country risks include political, exchange rate, economic, sovereign and transfer risk, meaning the risk of locked in capital due to a governmental action. If any of aforementioned risks are considered as high, any potential investment in that country will most likely be discouraged. For any investment, country risk is a very important factor to consider, as it might lead to a reduction in expected returns for that investment. (Investopedia, 2016a) There are numerous different scales for evaluating the risk that each country in the world has. One of the more common ones is the OECD Country Risk Index, but there are also other indices that unlike OECD’s index include more CSR-related factors in the overall risk profile of a country.

**The OECD Country Risk Index**
The OECD Country Risk Index is one of the most common indices that are used when determining the risks associated with countries globally. As mentioned in the chapter on export credit agencies and EKN, it is the most renowned country risk index used by ECAs around the world as it makes up for one of the most important building blocks of the rules and regulations concerning export credits. The OECD Country Risk Index is a scale ranging from 0 to 7, where 0 denotes the lowest or no risk and 7 denotes very high risk. This index mainly focuses on the transfer and convertibility risk, meaning any type of risk that may involve governmental control of capital for example. Therefore, the OECD index is mainly focused on the financial health of a country and its government,
although to some extent it is also said to take into consideration other factors such as civil disturbances, flooding and earthquakes (OECD, 2016).

**Other indices**
As mentioned above, the OECD Country Risk Index is mainly an index for evaluating the financial risks connected to a government in a certain country. However, there are several other indices measuring the risks in a country, but taking more into account factors that are not directly connected to the financial status. For example, the Human Development Index, (HDI), measures the average achievement for a country in different aspects involving human development. Examples of these aspects are long and healthy lives, education and living standard (UN Development Program, 2016). Another index example involving more CSR-related factors is the Child Labor Index, measuring the most extreme countries in the world in terms of child labor (Maplecroft, 2016). Other examples of indices for country risk evaluation include Corruption Perception Index, Regulatory Quality Index, Rule of Law and Global Gender Gap Index (Investopedia, 2017a). Some of the most renowned indices are summarized in the table below, where the ones involving CSR-related parameters are highlighted in red.

<table>
<thead>
<tr>
<th>Global country indices</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human Development</strong></td>
</tr>
<tr>
<td><strong>Associational and Organizational Rights</strong></td>
</tr>
<tr>
<td><strong>Regulatory Quality</strong></td>
</tr>
<tr>
<td><strong>Functioning of Government</strong></td>
</tr>
</tbody>
</table>

*Table 4. Overview of some of the global country indices, where CSR-related are highlighted in red*

### 3.2 The CSR concept
This part of the literature review will focus on the CSR definition, the perspective of different stakeholders on CSR and the concept in financial terms. Moreover, a multi-level perspective model will be presented as a framework suitable for understanding transitions in a large-scale system. This will finally prove to be valuable for the scope of this study.

#### 3.2.1 CSR definition
CSR is a business approach that was coined by John Elkington in 1994 to give corporates a name for their contributions of sustainable development in their business projects. This
includes taking into consideration different factors that benefit all stakeholders in a corporation, including economic, social and environmental. Today, CSR is a business approach that is used in a broad manner and that is interpreted individually by every corporate. Essentially, it is an approach that corporates take in order to drive the corporate change towards a more sustainable one in the future (Elkington, 2014). Historically, CSR has been seen as a way to both take responsibility and minimize the risk of fraud in the company. Today, CSR is seen increasingly as something that contributes to increased profitability, as it can be a way to reduce unnecessary consumption of human, physical and financial resources, while still optimizing the use of the resources at its disposal. (Brejning, 2012)

3.2.2 Links between CSR and financial performance

Weber (2008) is one among many authors that has systematized scientific research on the links between a company’s financial performance and its CSR activities. Weber (2008) proposes five areas of valuable effects from CSR actions, which include the following:

1) Better company image and reputation on a more long-term basis;
2) Higher employee motivation, retention and recruitment;
3) Cost savings;
4) Revenue increase from higher sale and market share; and
5) CSR-related risk reduction such as negative publicity and/or financial effects from avoiding fines

According to Weber (2008), these benefits of CSR can be both monetary (primary value drivers) and non-monetary (secondary value drivers). In the figure below, the author’s findings are illustrated in the so-called CSR impact model.

![Graph 2. Illustration of Weber’s CSR impact model showing business benefits from CSR](image-url)

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Weber, 2008
Many studies claim that CSR has a direct connection to the operations of a business. By dividing these factors into financial and reputational, the connections are clearly outlined as to what impact each might have on a business and its operations.

**Financial factors**
Studies have shown many connections between financial performance of a company and their CSR engagement. While there have been various studies conducted on this topic already, this section outlines some key findings that are relevant to this study.

**Company market performance and CSR profile**
Studies show that companies that are strong CSR leaders have the potential to outdo their competitors with weaker CSR operations by 4%-6% in market performance. An example of this has been shown for a large company with a market value of ~48 billion US dollars, a single unit increase in any standard CSR rating system could potentially result in an increase of profits over the following years by 17 million US dollars. This corresponds to a 4% increase in financial returns (Luo & Bhattacharya, 2009). Another study shows that an increase of one-standard deviation in a company’s CSR rating can correspond to a 5.08% increase in mean equity value (Koh, Qian, & Wang, 2014).

**CSR performance and cost of capital**
CSR is shown to have many connections to how cost of capital for a company is affected. A study of equity investors has shown that the required rate of return on equity can be reduced by up to 1% if the company in question shows good corporate governance and strong CSR performance (Derwall & Verwijmeren, 2007). This indicates that investors who bear the equity risk see potential and positive value in strong governance and CSR operations. However, what is interesting is that investors tend to expect higher returns on any stocks that are more connected to environmental issues compared to its peers – corresponding to as much as 1.4% per year (Chava, 2011). According to El Ghoul, Guedhami, Kwok, & Mishra (2011), companies that show stronger performance in CSR overall tend to have a lower cost of equity. In terms of cost of debt, Schneider (2011) points to the fact that specifically a strong superior environmental governance compared to peers can yield an up to 40-45 basis points lower cost of debt. Furthermore, bond yield spreads are shown to have a rewarding effect for companies with strong CSR performance, specifically in terms of community involvement as well as product safety and quality (Oikonomou, Brooks, & Pavelin, 2011). Finally, companies that are connected with significant environmental issues are shown to often pay higher interest on their regular bank loans (Bauer & Hann, 2010).

**Share price risk and volatility reduction can be driven by a company’s CSR profile**
According to Luo & Battacharya (2009), share price risk can be reduced by up to 10% if a company increases its CSR performance with a one-standard deviation compared to its industry peers. Interestingly, there is also a trend comparing companies within the same industry having different CSR approaches as to how they perform during financial crises. If a company is shown to have a strong reputational presence in terms of CSR,
studies show that this company experiences no significant decline in share price. This is to compare with firms that instead have a weak CSR reputation who experience a decline in share price by 2.4%-3%, corresponding to a market value loss of nearly 400 million US dollars (Schnietz & Epstein, 2005). In terms of volatility, studies have also shown that superior environmental governance and a strong overall CSR profile can reduce the average β (“Beta”) for the company in question (Albuquerque, Durnev, & Koskinen, 2014) (Sharfman & Fernando, 2008).

**Investor tend to have positive response to the integration of CSR and intangible assets**

Companies who invest in intangible assets such as talent, innovation, IT-systems and brand and reputation can integrate their CSR profile to these assets to see a positive reaction from investors (Luo & Bhattacharya, 2006). This is likely to due to the fact that investors tend to treat CSR operations as an intangible asset themselves, as well as a proxy for determining if a company has strong and bright future prospects. Investors also tend to view CSR operations as an indicator of strong current performance in terms of management, employee engagement, organizational culture, innovation and differentiation from its peers (Surroca, Tribó, & Waddock, 2010). In summary, these studies all show that a continuously overall strong, genuine, and properly communicated CSR approach that a company has can act as a driver for company value and can protect the company from share price reduction and volatility.

**Reputational factors**

Several studies have shown connections between reputational risk and a company’s CSR engagement. As mentioned earlier, reputation and brand are in fact two areas that can be seen as intangible assets. According to Lacey, Kennett-Hensel, & Manolis (2014), 7-11% of a company’s value comes from the company’s brand and/or reputation. Furthermore, a well-managed CSR program in particular with focus on reputation can deliver a risk protection estimated at 4-7% of the firm’s total value. According to earlier work from Frederick (1995) and King (1995), CSR irresponsible companies are exposed to higher levels of risk. Furthermore, Waddock and Graves (1997) claim that CSR irresponsible companies may face unclear future explicit claims. This is, according to Hong and Kacperczyk (2009), due to the fact that companies directly involved with activities widely considered being unprincipled face higher litigation risks. Moreover, Zadek (2000) argues that a company should pursue a CSR strategy not only to defend their reputation but also in order to manage and reduce risks. Gidwani (2015) qualifies factors related to CSR as risk-increasing or risk-reducing. Human rights and supply chain programs or resource management programs are viewed as risk-reducing CSR factors. However, extensive community development and philanthropy may instead be connected with increased risk, because these companies may be perceived as trying to offset risky activities that are already underway. According to Gidwani (2015), companies with extensive and well-managed CSR performance can therefore protect the company against negative publicity. Hence, a company’s CSR program can become its reputation insurance for corporate risk.
3.2.3 CSR – the perspectives of different stakeholders

Svenskt Näringsliv, the organization representing Swedish enterprises, endorses the fundamental values enshrined in the United Nation Principles and the OECD Guidelines for Multinational Enterprises and assumes that Swedish companies respect human rights and fundamental environmental standards when they operate in foreign markets. (Svenskt Näringsliv, 2016). Today, there is therefore an increasing pressure on companies to respect human rights, core labour principles and basic environmental standards wherever in the world they operate. However, a company’s stakeholders often have different perspectives and take on the value of implementing CSR activities in the company.

The corporate perspective

According to Rochlin, Bliss, Jordan, and Kiser (2015), it is important for companies to, as soon as possible, move away from the debate of whether or not investments in CSR activities are well-spent monies. As any investment, some CSR practices and initiatives can be done successfully and thereby create value whilst others may not. As stated by Nunn (2011), a company should develop integrated CSR strategies that are in-line with its business in order to increase the potential of success.

There are many studies that imply that CSR activities can deliver competitive advantages and thus industry benefits, but also deliver financial returns on investment. Worth noticing, however, is that many of these studies point out that only engaging in CSR practices is not sufficient. A company must both manage and own their CSR activities. Companies should therefore view their CSR activities as value-creating assets, since it can support returns related to human resources, sales and revenue as well as share price and market value (Choi, J., & Wang, H., 2009), as will be further mentioned below. CSR engagement for large, publicly traded companies can increase market value by up to 4-6% and avoid market losses from crises up to the potential return on investment by 378 million US dollars (Choi, J., & Wang, H. 2009).

Although many studies confirm CSR activities as value creating for a company, it is worth mentioning that these CSR programs or practices are not independent on the overall corporate context. A CSR program cannot make up for or replace the characteristics and the demand for a certain product of service. Furthermore, CSR activities cannot amend finance, marketing, R&D or manufacturing, et cetera. Nonetheless, several researchers suggest that value can be created in a number of ways by having a well-managed and tailor-designed CSR program. Companies should therefore take into account that CSR practices can be valuable for the company’s business performance. (Rochlin, S., Bliss, R., Jordan, S. and Yaffe Kiser, C., 2015)

The perspective of employees

According to Rochlin, Bliss, Jordan, and Kiser (2015), CSR activities can generate positive employee-related outcomes such as satisfying employees’ working ideology and therefore increasing their job satisfaction. The authors states that employees value CSR activities in helping them achieve and fulfill the following four needs:
1. Creating opportunities for self-enhancement;
2. Improving work-life balance integration;
3. Building a bridge to the company; and
4. Creating a reputational shield

A company's CSR activities may increase employees' productivity by up to 13% and increase employee engagement by up to 7.5% (Ipsos, 2008). Furthermore, companies with well-managed CSR programs are perceived as more appealing compared to companies with lower engagement.

**The perspective of customers**

Studies show that CSR commitment is both necessary and sufficient when looking to create stronger customer relationships. Customers value CSR highly, and therefore companies should not only engage in it because of moral ground but also for strategic reasons (Rochlin, S., Bliss, R., Jordan, S. and Yaffe Kiser, C., 2015). According to Sen, Bhattacharya and Korschun (2006), CSR activities can affect variations in customer satisfaction by 10% and stimulate the purchasing behavior for up to 60% of the customers. Furthermore, companies that involve their customers in their CSR activities are proven to be perceived as more trustworthy.

As stated by Lacey, Kennett-Hensel, & Manolis (2014), customers have anticipations for CSR-related issues and they respond differently to different issues. Historically, customers have responded more positively towards human-related CSR commitments compared to environment-related CSR practices. However, Sen, Bhattacharya and Korschun (2006) argue that context is a key matter. For example, environmental commitments will matter more for customers if the company is viewed to have a large environmental impact. Consequently, companies should learn which CSR activities are valued highest by its own customers.

**The perspective of investors**

A company's market value can be affected by its management, business integration and CSR activities. Therefore, jointly these can potentially influence the way an investor evaluates contextual factors and premium companies for having a good CSR management or not. (Rochlin, S., Bliss, R., Jordan, S. And Yaffe Kiser, C., 2015) Studies find growing evidence that a company’s CSR performance has a causal relationship to its financial performance and is not only to be viewed as a correlation. According to Rochlin, Bliss, Jordan, and Kiser (2015), investors value companies with steady stakeholder’s relationships 50-90% higher than companies with weaker relationships. However, Cheng, Ioannou and Serafeim (2014) argue that investors seldom ask companies about their CSR practices. Moreover, Cheng, Ioannou and Serafeim (2014) claim that investors tend to never have follow-up questions or comments when companies brief them on their CSR activities. Nevertheless, recent research implies this may change since there are often analysts today that are to judge
and give advice partly on the basis of a company’s CSR performance (Choi, J., & Wang, H., 2009).

3.2.4 Multi-level perspective model

A multi-level perspective model (MLP) can be used as a theoretical framework when understanding transitions in a large-scale system. Frank Geels among others has developed a theory used when trying to understand transitions in a large-scale system. The theory is called multi-level perspective (MLP) and it focuses on transitions in socio-technical systems. MLP follows socio-technical innovations from their origin to their adoption and implementation. The theory tries to identify what kinds of changes in economic, environment, political or cultural context could potentially generate openings for innovations to swap central regimes and become standardized. (Geels, 2011) There are three layers in the MLP; the niche or innovation level, the regime level and the landscape level.

The MLP identifies transitions, also known as regime changes, which occur through practises that interact across these levels. These transitions or regime changes do not come easily as dominating regimes are characterized by lock-in effects and path dependence. Innovations appear in the niche regime, where devoted actors try to create some configurations that work. Usually the innovations have better success if the landscape puts pressure on the regime, leading to frictions, fractures and windows of opportunity. (Geels, 2011)

It is clear that the MLP model is applicable when addressing issues such as the integration of CSR in financial risk assessment processes. The transition in this view of CSR and who will be responsible for the transition, what kind of changes in the context that may generate openings for seeing CSR in financial terms in risk assessment processes, are all factors that are suitable to view from an MLP theory perspective.

Graph 3. Illustration of Frank Geels multi-level perspective model on a large-scale system
3.3 Summary of literature review

The first part of this chapter concerning business and country risk mainly attends to the general view of risk that is relatively well-known. Many research studies have been made where risks associated with foreign investment have been investigated and there is an underlying understanding of the most common and important risks that pose a threat in an investment both in terms of the country and the company in question. Interestingly, both the areas of business risk and country risk can be closely tied to CSR factors, which indicates that many of the risks in foreign investments tend to focus on whether or not CSR is taken into consideration or not. Therefore, CSR proves to be a critical area of risk assessment and risk management in any type of foreign investment.

The vast varieties of studies that have been made in the area where connections between CSR factors and financial performance are investigated clearly show several important aspects. First of all, there are various studies showing that there is a positive correlation between financial performance and many CSR activities that a firm can engage in. However, as this study has shown in the previous sections, CSR is a concept that very seldom determines an actual quantitative outcome in a risk assessment process, meaning that in the end, it is not reflected in for example a risk premium given by an ECA. This has been clearly outlined in the example of EKN, who spends significant time on assessing CSR issues in each transaction in the initial phase of the risk assessment process, but as the transaction progresses to determining the risk premium, these factors are in the end not reflected in the final price. The direct integration is however theoretically possible and in fact highly relevant due to the fact that there is such heavy weight on financial performance and forecasts when determining the risk premium today. The MLP theory could be used when trying to understand if and when in time CSR-related factors will be taken into account in risk assessment processes. Furthermore, the MLP model can identify lock-in effects, path dependence and what kind of pressure from the external landscape that will create tension in the existing regime, making it possible for a change.
4 Method

This chapter presents the research approach and process of this study. Additionally, the chosen methods for collecting and analyzing data are presented. The chapter ends with a reflection section on the quality of the research design and the ethics of the methods used.

4.1 Research approach

In order to fulfill the purpose and aim of this study there was firstly a need to understand what role CSR has in EKN’s risk assessment process today and how it will come to change in the future. Secondly, an investigation was needed concerning whether or not the lack of CSR in the current risk premium matrix can be validated, and if so, what the implications are.

The first step was done by writing a chapter concerning EKN and their offerings, as well as a chapter covering parties who work closely with ECAs setting frameworks and guidelines for CSR globally. Meanwhile, interviews with different actors and experts related to financing Swedish export transactions have been held. The second step has been to write a literature review divided in two parts. The first part covers research done in the area of business risk and country risk, while the second part covers research done in the area of valuing CSR in financial terms and different stakeholders’ perspectives on CSR. The results compiled from the literature review and the interviews are based on the research questions mentioned earlier. Furthermore, we have been able to recommend actions that are beneficial to both EKN and Swedish export companies in the final part of the study. This way, the study’s findings are based on a solid foundation as to how things are done today in these situations and in what areas actors can choose to improve their work for the future.

4.2 Research process

The study’s research questions state that creating an understanding of the existing risk premium needs to be done as a first step in order to understand how it will change in the future and if the lack of CSR in the current risk premium matrix can be validated. Furthermore, in parallel to understanding how ECAs and parties who set guidelines for CSR work together, the literature review was conducted by gathering existing research related to risks in export transactions and valuing CSR. By holding interviews with actors and experts related to financing Swedish export transactions, a better understanding of the role of CSR in the risk assessment processes today has been established, as well as a view of how CSR will be considered in the future. Moreover, by holding interviews in parallel to conducting a literature review, we were able to recognize to what extent CSR is integrated in the risk premium offered by EKN. The study process has therefore been iterated along the way as new materials from interviews and the literature review consequently has been revealed.

![Figure 11. Illustration of the research process for this study](image-url)
4.2.1 Data collection
In the section below, the two different ways of collecting data for this study are presented.

**Interviews**
The most important ways of collecting data have been to conduct both unstructured and semi-structured interviews with relevant parties with expertise in the areas of CSR, compliance, complex markets and export transactions, as illustrated in the table below. The interview as a data collection method has been suitable for our study as we have been interested in developing a deeper understanding of the phenomenon and in being open towards discovering new dimensions of the topic (Blomkvist & Hallin, 2015).

<table>
<thead>
<tr>
<th>Date</th>
<th>Appointment</th>
<th>Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-01-30</td>
<td>Executive Director</td>
<td>CSR Sweden</td>
</tr>
<tr>
<td>2017-01-22</td>
<td>Research Expert</td>
<td>Actagon</td>
</tr>
<tr>
<td>2017-01-23</td>
<td>Former Director General</td>
<td>Prev. EKN</td>
</tr>
<tr>
<td>2017-01-25</td>
<td>Strategy Expert in Complex Markets</td>
<td>Actagon</td>
</tr>
<tr>
<td>2017-01-25</td>
<td>CEO</td>
<td>Actagon</td>
</tr>
<tr>
<td>2017-01-30</td>
<td>Corruption &amp; Compliance Expert</td>
<td>Edge Development</td>
</tr>
<tr>
<td>2017-02-08</td>
<td>Senior Legal Counsel</td>
<td>EKN</td>
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<td>2017-02-08</td>
<td>Senior Compliance Officer</td>
<td>EKN</td>
</tr>
<tr>
<td>2017-02-08</td>
<td>Regional Director - Group Legal Affairs</td>
<td>SAAB</td>
</tr>
<tr>
<td>2017-02-14</td>
<td>Chief of Sustainability</td>
<td>SEK</td>
</tr>
<tr>
<td>2017-02-15</td>
<td>Africa Representative</td>
<td>EKN</td>
</tr>
<tr>
<td>2017-02-15</td>
<td>Sustainability Analyst</td>
<td>Nordea</td>
</tr>
<tr>
<td>2017-02-15</td>
<td>Director - Export &amp; Project Finance</td>
<td>Nordea</td>
</tr>
<tr>
<td>2017-02-16</td>
<td>Ambassador for business sustainability</td>
<td>UD</td>
</tr>
<tr>
<td>2017-02-21</td>
<td>Deputy Director</td>
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<tr>
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<td>Senior Underwriter</td>
<td>EKN</td>
</tr>
<tr>
<td>2017-03-23</td>
<td>Senior Sustainability Analyst</td>
<td>EKN</td>
</tr>
</tbody>
</table>

Table 5. Summary of the study’s interviewees

In order to obtain as much information as possible in the beginning, the interviews were held in an unstructured way (Collis & Hussey, 2014). The study’s research questions served as the basis for the open questions during these interviews. It was not until when the problem structure became well-defined that the actual set-up of the interviews changed into to semi-structured interviews. Multiple interviews were held with several people as new results along the way were revealed (see Appendix C for a summary of all interviews).
Literature review
A literature review was conducted in two major parts, where the first one involved risk in export transactions (defined as business risk and country risk). The second part involved CSR connected to financial terms and how the MLP theory can be used to understand the transition towards integrating CSR in EKN’s risk premium. The literature review has been important since it has enabled us to analyze, evaluate and improve EKN’s risk assessment process during our study process (Collis & Hussey, 2014).

The literature review identifies business risk and country risk as the two major risk aspects when addressing risk in export transactions. These identified risks and their impacts on export transactions combined with knowledge about CSR related to financial and reputational factors is the fundamental work of evaluating and improving EKN’s risk premium. The aim in conducting the literature review has been to use it as a reference frame along the study process (Collis & Hussey, 2014). Furthermore, the literature review has been established based on an analysis of a wide range of literature and only the most suitable literature from trustworthy sources has been used, which ensures higher validity and reliability of the study (Collis & Hussey, 2014).

4.2.2 Data analysis
After data and research has been collected, our own analysis and revision of the data has been done on a rolling basis, in order to ensure that important details are not overlooked. Therefore, we have had several stops along the way when working on the study where we have discussed certain details from interviews, earlier research in the field or documents handed to us from interviewees.

Approach to answering MQ
1. Interviews held with actors and experts related to financing Swedish export transactions to understand how they view CSR risks today since they are not viewed as financial risks

   Main focus during these interviews: Where are we today in the process of viewing CSR linked to financials? Who or which parties are responsible for pushing these transitions through?

2. Integrating the results from the interviews with the MLP theory to identify where in the transition we are today

Approach to answering SQ – part 1
1. Interviews held with expert at EKN to understand what the X-axis in their risk premium are based on in more detail (the commercial part)

   Main focus during these interviews: The X-axis representing commercial risk

2. Analysis of the literature review concerning business risk (evaluating how many % of total business risk that is affected by CSR related risks)

3. Evaluating how much of the total business risk EKN is taking into consideration today
Approach to answering SQ – part 2

1. Interviews held with experts at EKN to understand specifically what the Y-axis in their risk premium is based on in more detail (the country part)

Main focus during these interviews: The Y-axis representing country risk

2. Analysis of the literature review concerning country risk (evaluating how many % of total country risk that is connected to CSR related risks and creating our own CSR Total Grade Index)

3. Correlate countries from the OECD Country Risk Index with our CSR Total Grade Index

4.3 Quality of the chosen research design

To establish high quality from the beginning to the end of this study, it has been crucial to retain reliability and validity throughout the whole research process. The validity of the study describes whether the researchers are studying the right thing, while reliability is about whether the research is conducted in the right way (Blomkvist & Hallin, 2015). If the study has a good reliability, the research result would be the same as if someone else would replicate the study (Collis & Hussey, 2014).

As earlier mentioned, a significant part of the data collection has been based on interviews. These interviews had the risk of becoming misleading and thus affecting the study’s reliability, referring to the absence of random error. The study’s interviews were held with actors with relevant knowledge of the study area and situation, which ensured that reliability was continuously maintained (Gibbert et al., 2008). The reliability can also be further raised by increasing the number of interviews, thereby also enabling the possibility to identify outliers and eliminate them. This was also done by us along the process and as the focus become deeper. It is also important to always follow the study’s primary path throughout the interviews (Gibbert et al., 2008). By consistently staying conscious about not letting different interview outcomes influence one another, the reliability of the study has increased further. This has enabled us to successfully stick to the study’s primary path. Furthermore, unstructured and semi-structured interview questions do not guarantee that all interviewees get the same follow-up questions. The reliability of the interviews is therefore reduced, hence, we determined that at least all pre-designed interview questions were asked to all interviewees (see Appendix C).

When interviewing people there is always a risk that the interviewees misunderstand the questions, resulting in them answering questions that were not of interest. Therefore, when collecting data through interviews, there often tends to be problems with validity. To avoid this problem, we have during the interviews tried to ask as simple questions as possible and always confirmed with the interviewees if they understood our questions.

The literature review in this study has enabled us to analyze and evaluate EKN’s risk assessment during our study process. The aim of conducting the literature review has been to use it as a reference frame along the study process (Easterby-Smith, Thorpe, & Jackson, 2012). The literature review has been established based on an analysis of a wide range of
literature and only the most suitable literature from trustworthy sources has been used, which ensures higher validity and reliability of the study (Collis & Hussey, 2014). The calculations in the study have been well-documented and reported with sources in the reference list. However, the reliability of the study must be regarded as relatively low, given that the largest part of the study is based on unstructured and semi-structured interviews.

Generalizability is the extent to which a study’s findings can be extended to another context (Collis & Hussey, 2014). Due to the fact that this study is focused on a specific subject, the method will be hard to replicate in other contexts. For that reason, our research has low generalizability. Even so, by having a structured method throughout the study, other researchers will have the opportunity to use our study in a comparable or related context (Gibbert et al., 2008). Moreover, we have followed the below listed ethical codes mentioned in Blomkvist & Hallin (2015).

1. All respondents were informed of the purpose of the study
2. All respondents had their chance to give their consent
3. All gathered data have been treated with confidentiality
4. The gathered data have only been used as intended purpose of use

Throughout our interviews we have said to the interviewees that their answers will be treated anonymously, and if not, we would ask for their permission to state their name. However, it was crucial for us to use the company names in the study since it gives a clear view of what kind of stakeholders this study’ interview responses have been based on.
5 Results and discussion
This chapter firstly presents the empirical findings and analysis of the data collected in this study. The findings are presented by reconnecting to the initially introduced research questions.

5.1 Empirical findings connected to the main research question (MQ)
Re-connecting to the main research question this study attends, the formulation is as follows:

![MQ]

What is the role of CSR in risk assessment processes undertaken in Swedish export transactions today, and how will it change in the future?

Figure 12. The main research question for this study

The results connected to the main question have mainly been found through the conducted interviews with experts in the area. These results have then been strengthened and validated through further research with regards to what role CSR plays in risk assessment processes undertaken today in export transactions involving Swedish companies.

From a government perspective, the responsibility for CSR mainly lies in the hands of consumers and employees of the firms in question. The Swedish government has clearly stated in many public documents the different ways in which company can follow guidelines for their daily operations, as well as how to report according to different principles of CSR. Therefore, the responsibility for needed change in terms of CSR becoming more integrated in society belongs, from a governmental point of view, to corporations, not the lawmakers. Furthermore, the general perception of CSR being more or less vague is in-line with the governmental point of view as well.

An overall result from interviews with experts has shown a clear underlying view of CSR as something very often overlooked or not taken as seriously as other compliance issues, and that changes must take place in the near future. Today, there is no profound compliance process that companies engage themselves in when it comes to CSR issues, although some companies have started to realize and implement some changes accordingly. Connecting back to compliance and its corresponding department that larger corporations now have, corruption was earlier not part of this business area. This is something that however has changed over recent years, and the interviews with CSR experts point to the fact that this specific change has to happen within the CSR field as well.

Furthermore, results also show that in export transactions, the financial risk assessment of a company is set aside from the CSR risk assessment of a company. Often, as is the case with EKN, the sustainability due diligence is done in the early stages of the risk assessment process, but importantly, sustainability and therefore CSR does not have a direct impact on the risk premium. The perception from both interviewees and researchers within the area is
that CSR must quantitatively be integrated into the financial assessment of a company, due to the fact that there indeed is a clear direct impact on a company’s commercial soundness. As earlier mentioned, the risk premium in EKN’s case is only based on two components: country risk and commercial risk. The summary of these results point to EKN taking responsibility in doing significant due diligence concerning CSR; however, it is only done in the initial stage of the risk assessment process. This means that the conscious sustainability work from EKN’s part is followed through in the entire process, meaning that the risk premium is not considered from a sustainability standpoint. It is therefore treated more as a “go/no-go” matter rather than a matter having direct impact on a varying parameter.

Connecting to the previously mentioned result, another evident result from interviews and research in this study is that CSR-related work is more a form of punishment towards a company that has failed in these regards. This way, the whole concept of CSR becomes perceived as a way of penalty for any misfortune a company experiences, rather than a way of rewarding a company for actually doing significant CSR work and engaging themselves in important matters. This is strengthened by the fact that in EKN’s case, as earlier mentioned, CSR factors are not consciously incorporated in the final premium determination, meaning that it simply is not viewed as a way for a company to prove more or less of itself. The overall perception among interviewees for this study also points to this specific fact as another aspect that needs immediate action to adapt to the future.

Overall, there are clearly different perceptions that come across based on the conducted interviews in the study. These sentiments are connected to two main points of reasoning with concerns to CSR. The first point is that there is a clear difference in what the reasoning behind the actual urgency of CSR is in terms of integrating it into risk assessment processes. As earlier mentioned, one of the main findings of this study is that there is an evident need for this to change in the future. Below these views are summarized in a pie chart:

**Point 1: Do you believe that the integration of CSR into financial parameters in risk assessment processes will happen, and if so, how urgent is the matter?**

- **Category X:** It may or may not happen, but it is not at all urgent
- **Category Y:** It will happen, but it is not very urgent
- **Category Z:** It will happen, and it is very urgent

![Graph 4. Graph showing the interviewees opinion on if integration of CSR into financial parameters in risk assessment processes will happen in the future](Graph 4.png)
As seen in the pie chart above, there is a clear division as to how urgent the matter actually is. In order for CSR to be considered as something just as important as any other risk assessment area, CSR also needs to be evaluated in terms of the risks themselves that they can potentially impose on a company. However, this requires a sense of urgency in the matter, meaning that priority needs to be set when it comes to working with the CSR integration into compliance departments and day-to-day business management processes. The interviewees’ perceptions summarized show that the majority have accepted and in most cases even promote this development. This essentially means that the sooner CSR is integrated into financial parameters in risk assessment processes the better, as it then more fairly reflects the total business risk of a company.

The second point of reasoning when it comes to CSR is regarding the responsibility of the aforementioned CSR integration process. Having stated the above regarding the urgency of integrating CSR into risk assessment processes, there are evident differences in the opinions of who should actually bear the main responsibility for this integration. The selection of interviewees was based on the fact that everyone had more or less insight into CSR, but aside from that similarity the interviewees were, as seen earlier, from various different professional backgrounds. Interestingly, the interviews showed that no one considered themselves as belonging to a category of actors whom the main responsibility belonged to. Below the results from this specific point are shown with three different interviewee category:

Point 2: Who bears the responsibility of CSR becoming integrated into risk assessment processes and thereby raising awareness of CSR factors as having a direct impact on financial parameters?

*Category A: Companies and its employees*
*Category B: International organizations and governments*
*Category C: Consumers and customers*

![Graph showing the interviewees opinion on who bears the responsibility of CSR becoming integrated into risk assessment processes](image-url)

Evidently, there is a majority considering governments and organizations such as the UN or the OECD as the main responsibility holders for this matter. Indeed, these actors are the ones that in general have the most influence when it comes to setting guidelines for companies and others to follow. Interviewees from EKN are here considered as companies given that they see
themselves as any company obliged to follow certain guidelines and principles that are set from the government. However, the mindset of all actors involved needs to change in conjunction with new guidelines and principles emerging, as it is not until the bigger picture of CSR integration is accepted that change can take place on a wider scale. In summary, the two pie charts above indicated that the interviewees that considered CSR as an urgent matter in the question of integrating it into financial parameters in risk assessment processes were the ones with most knowledge of the subject. The majority of the same interviewees also responded that they believe that international organizations and governments are the actors bearing the biggest responsibility of this integration.

To visualize the different categories above, the multi-level perspective (MLP) model can be used to identify where in the system the current state of the issue is. It therefore essentially maps out where the question of CSR integration in risk assessment processes is in this system. Connecting back to the interview results, there is a division in the views of how urgent the matter of incorporating CSR in risk assessments processes actually is. This is a very common result when an idea or innovation is in an early stage since the dominated and existing regime has created lock-in effects and path dependence. Given that CSR is not viewed in a broader financial perspective today, the existing regime is full of path dependence considering CSR as something non-financial. These lock-in effects in existing regimes and path dependence make it even harder for a change. Furthermore, according to the majority of our interviewees, the devoted actors in the niche regime that are trying to incorporate CSR in risk assessment processes are not sufficient. The external landscape needs to put even more pressure on the dominated regime for anything to happen. This is to some extent happening today in discussions between the OECD and governments but more action is needed in order to create frictions and windows of opportunity in the regime level.

**Graph 6. Illustration of the direct connections between financial risk and CSR risk in a multi-level perspective**
5.2 Empirical findings connected to the sub-research question (SQ)

The sub-research question of this study is repeated below as the following:

![Diagram showing the sub-research question](image)

*Figure 13. The sub-research question for this study*

The results connected to the sub-research question come as a more in-depth analysis after having presented the findings from the main question. While the results from the main research question were mainly based on the conducted interviews, the results from the sub-research question instead mainly stem from thorough research in the area of CSR and how it is specifically correlated to financial parameters today. This is then further broken down and applied to EKN’s risk premium matrix, and therefore a clear answer to the sub-research question could be answered.

Connecting back to EKN’s current risk assessment process, one of the main findings for the sub-research question is that there is indeed a lack of CSR in EKN’s current risk premium matrix. As mentioned earlier, there is a clear and conscious division between the sustainability risk assessment and the risk premium assessment. Furthermore, the interviews with EKN proved that there is no conscious involvement of CSR directly in the risk premium matrix, which was somewhat of an anticipated result. The remaining part of the sub-question was then left to determine what implications this might lead to, as well as the potential areas of improvement, which are concluded later in this chapter in the form of recommendations.

With regards to the risk premium matrix, the matrix is made up of two main components. These components, or axes, correspond to a country risk scale (the Y-axis) and a commercial risk scale (the X-axis). While one of the key anticipated results from the conducted interviews was to identify the exact and detailed breakdown of each of these axes, the interviews did not prove to be sufficient for this type of information. Therefore, by conducting the research in the literature review connected to country risk and business risk, this study has instead highlighted the most common and fully covering ways of scaling risks associated with export transactions. By combining the proven fact that EKN’s current risk premium does not consciously integrate CSR in its axes with the research done on business and country risk in the literature review, it becomes clear as to what the implications might potentially lead to.

As mentioned in the literature review, business risks can be divided into four categories; strategic, operational, compliance and reputational risks. After having examined the four categories of business risks, it is clear that compliance, reputational and operational risks are CSR-related, which is shown through earlier studies. By not taking into account these risks and thus only accounting for financial and strategic risks in the risk premium, EKN is clearly not taking into account the entire risk profile of a company throughout the entire risk
assessment process. This can be seen by the confirmation of indeed having a sustainability risk assessment process, but one that is not integrated across the entire process, which means that in the end of the process where the risk premium is determined, sustainability and thus CSR is not taken into account. The three aforementioned business risks that are directly related to CSR can also be divided into sub-categories of risks. One of the sub-risks of compliance is regulatory risks, which bears a direct relation to CSR. Reputational risks on the other hand are considered to be related to CSR to a full extent. Finally, in the operational risk category, the sub-risks of credit, liquidity, unexpected cash outflow and lost revenue are the ones that are CSR-related. All of these sub-risks within the business risk categories that hold a present value in CSR correspond to 35.4% of the total business risk of a company (See Appendix D for detailed methodology). The conclusion that can be drawn from this finding is that EKN at maximum only takes into account 64.6% of the total business risk profile that a company is exposed to, where the remaining 35.4% that is CSR-related is not considered.

The implications of this finding are critical. This means that by only taking into account 64.6% of the total business risk in the risk premium, EKN’s assessment of a fair risk premium does not reflect an as accurately determined risk profile as if it would have if all four risk categories were fully integrated. Therefore, the definition of the risk premium as being fairly determined can certainly be questioned, as there are clear limits to how fully covering the current system is in terms of risk reflectance.

In terms of country risk, EKN has been clear when stating that the classification that they use on their Y-axis is purely based on the OECD 0-7 Country Risk Index. When interviewing professionals at EKN, it was also made clear that similarly to the commercial risk axis, the country risk axis was finance-focused and did not incorporate any parameters involving sustainability. As also seen in the literature review, this index is mainly based on financial factors as to how strong the government in the country in question is in terms of creditworthiness, although it does take into account some factors related to CSR. However, it was clear that more investigation concerning to what extent CSR was related to this index was needed in order to understand the implications for the risk premium matrix. In order to
conduct this investigation, we created our own CSR Total Grade Index as mentioned in the methodology chapter, which includes the four main dimensions of social, governance, financial and environmental factors (See Appendix D for detailed methodology). By combining the CSR Total Grade Index with the OECD Country Risk Index, the aim was to see if there were any clear patterns that could be identified. The findings from this investigation can be shown in the graph below.

Graph 8. Graph showing CSR Total Grade Index and OECD Country Risk Index for each country respectively

The graph above shows an evident correlation between the CSR Total Grade Index and the OECD Country Risk Index. More specifically, the correlation value is 0.87, which shows a high correlation between the two indices. The green indicates the values for each country from the OECD Country Risk Index, whereas the red indicates values from the CSR Total Grade Index. For each country shown in the graph, there is a clear trend where both of the indices follow the same patterns, showing a significant sign of correlation. This correlation is more clearly shown in the graph below.

Graph 9. Correlation graph between CSR Total Grade Index and OECD Country Risk Index

In the graph above, the correlation value of 0.87 between the OECD Country Risk Index and the CSR Total Grade Index can be identified. This high value of correlation is shown throughout the entire scales from the low values to the high values, respectively. The OECD Country Risk Index and the CSR Total Grade Index as well as each of their respective main
dimensions is shown in Appendix E. The highest correlation identified from the analysis with each main dimension is shown between the OECD Country Risk Index and the main dimension of environment, with a correlation value of 0.33.

These findings point to a few key things. First of all, the statement that the country risk axis in the risk premium matrix does not include CSR parameters is clearly not completely accurate. As shown in the two graphs above, there are clearly CSR factors incorporated into the OECD Country Risk Index to an arguably large extent. Secondly, this in turn gives the implication, or rather, the reason to question whether or not EKN is treating sustainability lightly but also in an overlapping manner. The reason for the implication of overlap is that this might point to EKN working with its sustainability risk assessment in the initial phase of the process, but then being unaware of how this follows through in the determination of the risk premium. Nevertheless, a key point here is that there is clearly a lack of structure and knowledge as to how closely the country risk axis in the matrix is correlated to CSR risk parameters.

### 5.3 Summary of empirical findings

The empirical findings are divided into findings related to the main question and those related to the sub question of the study. In terms of the main question, the conclusion that can be drawn is that trends and research show that CSR is taking more and more place on global economic scale. There is an underlying understanding that CSR factors can no longer be seen as unclear, abstract factors simply because it is proven that these factors in fact have a direct impact on a company’s performance. In the relevance of ECAs, this will have a direct impact on their operations because it means that they will have to revise how they undergo their risk assessment process in an export transaction. For EKN specifically, this is naturally also an important finding, although comparably they are in the forefront of sustainability work in some parts of their risk assessment processes. Concluding from the MLP model applied to CSR, it can be confirmed that major changes within the area are underway. Discussions between organizations and governments will potentially push the question of CSR integration in risk management to become a more common, accepted way of thinking.

When concluding the sub-research question with the more in-depth focus on EKN and their risk assessment process, there are a few key points that can be made. First of all and perhaps most importantly, there seems to be a mismatch between the conscious work of CSR and the actual impact that CSR has on the current risk premium matrix. As shown in the country risk findings, there is a clear correlation between the OECD Country Risk Index and the CSR Total Grade Index, meaning that when EKN states that there is no CSR incorporated in the country axis in the matrix, there seems to be a discrepancy. An important implication of this is that there seems to be a lack of facts of how it actually works, as well as a potential overlap in the work being done in the process. Finally, the last key point to be made for the sub-research question is that the findings show that EKN’s commercial risk assessment of a company only at maximum takes into account 64.6% of a company’s overall business risks, which means that important risks, in this case all CSR-related, that have a direct impact on a company’s performance are disregarded. This in turn has implications, since it means that the risk premium itself is not as fairly reflective of a company’s risks that it should be.
6 Conclusion

The conclusion presents the final points from the study’s research questions, as well as a final discussion. Furthermore, this chapter presents the research’s contribution to science, as well as its limitations and suggestions on further development.

The area of CSR is growing to become more and more significant in the way our global economy works. As sustainability is increasingly placed on top of priority lists for world organizations and governments, companies and the society as a whole will also have to adapt to this change. This transformation in which CSR is supposedly gaining more importance in the global economy also means that it needs to be integrated in each transaction being made. By attending to specifically risk assessment processes in export transactions, this study attends to the area of CSR in a time when the issue appears to be relevant and necessary to bring forward. Therefore, the assessment of the processes specifically applied to export credit agencies, and in this case EKN, seems highly relevant and essential in the ongoing development within the area.

6.1 Connection to research questions

The research questions for this study have been presented in the early parts of this study, followed by its findings and results in the previous chapter. This section will conclude what the findings have shown for both research questions.

6.1.1 Main research question

The findings for the main research question can be concluded into a few key points. Firstly, there is a clear underlying view of CSR as something very often overlooked, which has shown from the interviews that have been held for the study. CSR work is today viewed as much more related to a form of punishment towards any potential violator, rather than a form of rewarding if a company actually does its CSR work well. Moreover, the interviews can be concluded to show that 50% of the interviewees believe that the integration of CSR into risk assessment processes will happen for sure, and that the matter is of great importance and urgency. The contrary view, where the belief of this integration as non-crucial and that it might not even happen, is shown from 11% of the interviewees. Clearly, a conclusion that can be drawn is that the majority feel that there is a major development underway within the area of CSR, and if one does not choose to adapt and take part of the journey, one might not be able to keep up in the forefront of global changes in these business contexts. 72% of the same interviewees believe that the responsibility of this integration lies in the hands of governments and organizations, such as the UN and the OECD. This can be concluded as an expected finding, given that these actors are naturally the ones that can act as the early guides in terms of developing principles for others to follow.

Overall, the role of CSR today clearly has a relatively small role in risk assessment processes for export transactions, where sustainability only is part of a few steps of the process rather than being integrated across everything. However, the likely changes to this are many in the future as there are evidently numerous discussions on this specific topic that are being held on different levels and by different actors.
6.1.2 Sub-research question
The findings for the sub-research question have shown some interesting findings, which can be concluded into a few key points. The first part of the question was answered relatively early in the research process, due to the fact that the lack of CSR in the risk premium matrix was confirmed by EKN representatives themselves during multiple interviews. It was then made for us that sustainability is a significant part of EKN’s risk assessment process, but only as a separate part from the risk premium matrix and thus not integrated across all dimensions of the process. With this in mind, the further research that we did on the specific topic showed some interesting further findings for the sub-research question.

After examining business risk as well as country risk separately, we could conclude two interesting points on the respective areas applied to EKN’s case. Firstly, business risk as a whole, which in this study covers the four main areas of risks that a company might be exposed to, is not considered by EKN in the risk premium matrix. The matrix itself has an X-axis, where a debtor is categorized based on its creditworthiness and thus only the financial aspects of the company in question. Secondly, the country risk parameter, which is the Y-axis of the matrix, is directly derived from the OECD Country Risk Index. This index indeed takes into account several CSR factors, which does not match the statement from EKN saying there are no CSR factors incorporated in the matrix whatsoever. This was then confirmed when we examined the OECD Country Risk Index against our CSR Total Grade Index, which showed a clear correlation between the two indices. The conclusion from this was that in the case of the Y-axis, i.e. the country risk parameter, there was an unconscious integration of CSR in EKN’s risk premium matrix. In the X-axis however, i.e. the commercial risk parameter, there were only financial factors considered, meaning that a large part of the total business risk for any company is more or less disregarded. The implications of this essentially points to a potential overlap in sustainability work in terms of the country risk assessment, as well as a disregard for the complete risk profile that a company bears. In the end, this means that a final determination of a risk premium simply does not reflect a fair and reasonable risk.

6.2 Final conclusion
Based on the above presented empirical findings a final discussion is accounted for EKN and for Swedish export companies in the below section.

6.2.1 EKN
Connecting back to the actual reason that the Swedish government has given EKN their mission, EKN creates real value when Swedish export transactions and interests for Sweden as a nation are in the center of attention. Therefore, it lies in EKN’s interest to conduct their business in the best possible way to promote Swedish export and the internationalization of Swedish exports. In the end, as any other export credit agency, EKN acts in order to put Swedish trade in the forefront of globalization and world business. Although this is EKN’s main purpose, it is naturally not possible for EKN to conduct their business by giving away guarantees easily and thereby leveraging the Swedish government with potentially severe and costly risks. EKN seeks to price its products in a suitable manner in order to set a fair and risk-adjusted price, while still not gaining any large profit or surplus from doing so in order to act as appropriately as possible on its governmental mission.
The results from the conducted interviews clearly show a confirmation of the fact that CSR factors are crucial to integrate in risk assessment processes in the future. As CSR is increasingly becoming part of risk assessment processes, the due diligence steps are limited specifically in the sense that they are not financially connected to end results in many cases. This is the exact case of EKN and therefore it is important for EKN to investigate how to best fully integrate CSR across the entire risk assessment process, including in the risk premium determination. By examining the current risk premium matrix and the two axes it is comprised of, i.e. commercial risk and country risk, it is recommended that EKN revises the matrix in a suitable way. As mentioned in the result and discussion chapter, the country risk axis clearly needs reviewing as there seems to be a mismatch between EKN’s own knowledge of the CSR integration in it and the actual direct CSR integration it clearly already has.

Furthermore, in terms of commercial risk, it is apparent that if EKN seeks to give an as fair and risk-reflective premium as possible, it is necessary to integrate all potential risks in the assessment process, meaning that the current commercial axis should take into account all the dimensions of business risk. Whichever way EKN chooses to revise its current system with regards to CSR integration, it is essential that it is done because it means that the premium will be a much more fairly priced product, as well as also transitioning the whole idea of CSR as being a punishment factor towards becoming a rewarding factor instead. Finally, it is not a surprise that the development of a new matrix for the determination of the risk premiums would take time. Therefore, EKN should try to deliver a clear message towards its premium paying companies saying that the higher the provided transparency, the bigger the potential benefits. Perhaps most importantly, this would lead to a just and accurate premium verdict in each transaction.

In summary, the above discussions points have been developed by conducting a thorough analysis of the current situation, as well as examining through reliable and expert sources what the trends within the area point to in the future. As an export credit agency already in the forefront in terms of assessing CSR factors in the initial parts of its risk assessment process, EKN can continue to keep this strong position by re-evaluating and advancing its current systems that arguably soon might become outdated. Aside from this, the benefits of following these recommendations mean that companies will experience a more fairly risk-adjusted premium, potentially leading to more transactions and growing interest from the corporate perspective. Finally, this might therefore potentially lead to more opportunities for Swedish export companies to conduct different business projects and to prove their legitimacy and transparency through a more thorough and fair process. When more opportunities arise, Swedish export will flourish and thus the mission that EKN has will be fulfilled at its maximum.

6.2.2 Swedish export companies
Swedish export companies that do business with EKN must be able to get a fair pricing on its premium based on the guarantee that is issued. Having said that, equally as much responsibility is in the hands of these companies. While EKN can create more incentives for
companies to become more transparent and to work more with CSR issues, it is only effective once the companies actually put this to work. In addition to this, there is increased pressure on companies all over the world to become more aware and active in working with CSR issues continuously. Moreover, as stated in the literature review of this study, there are evident benefits for companies who take these issues seriously both in terms of profits and reputation and brand, which creates an even bigger incentive. While EKN possesses the main responsibility in terms of first steps of the development of a CSR integrated risk premium matrix, companies can prepare for this and work actively with these issues.

Firstly, companies can evaluate how they are working with CSR issues today. Some companies do not even have any CSR-related aspect on its agenda when it comes to strategic planning of its operations, others might have developed some knowledge and shown some activity signs within the area. Whichever is the case, it is important to review CSR and assess what specific issues are the most relevant and important in connection to the company’s own corporate culture. As mentioned in the literature review, it is not sufficient to simply be able to put up an environment diploma on the walls of the headquarters – it is the continuous work that makes the biggest difference. All companies are of different sizes and hence also have differing resources that are available to use for creating a new compliance department or expanding an already existing one. Still, every company must, with respect to their specific situation, consider the many benefits that can come from working consistently and continuously with important issues connected to CSR in the long term. Therefore, companies should simply evaluate what specifically matches with the company’s corporate culture and put forward a strategy that is best suitable and realistic in the situation. In the end, the important issue is to start integrating CSR into compliance departments that most companies now have developed over time.

As seen in the literature review, both employees and customers highly value a workplace and a company who takes its CSR responsibility seriously and who can engage them in these matters. Engaging everyone involved creates a bigger meaning to what is done, and also puts more pressure to having to work with CSR on a rolling basis, which in the end may prove to have a highly positive effect. Finally, in terms of the relationship between Swedish export companies and EKN, it is important to know that the companies have a huge responsibility. As earlier mentioned, transparency comes from the company and EKN acts fairly towards what is being given to them and does not necessarily have a checklist for every situation that the company easily can follow as a guideline. Therefore, it is key for companies to take initiative by bringing forward any documentation or having discussions with EKN that might shed more light on specific issues that EKN otherwise might evaluate as highly risky.

In summary, it is highly important for companies to focus on transparency and legitimacy. Whether it is towards the employees, customers or EKN, it is always important for a company to evaluate what the corporate culture stands for in terms of CSR matters and working with it engagingly and unremittingly. The more successful a company is in its work towards becoming a more sustainable business, i.e. a more CSR-oriented business, the further on the
forefront it will also place itself in relation to its peers. CSR is not only an upcoming trend but an actual necessity for companies to survive in the long term.

6.3 Contribution to science
The study contributes with empirical research findings in terms of CSR and its role in export transactions and risk assessment processes. The thesis highlights CSR in a time when the issue is highly relevant and discussions are increasingly becoming more intense in terms of future developments. In a broad perspective, this study addresses several critical points in terms of the perspectives of different stakeholders that all have their individual take on CSR, as well as, based on interviews and the gathering of expertise, the urgency and responsibility of the matter in future developments.

By addressing the issue with a specific focus on EKN, the findings contribute with a clear application on a certain observed case, which contributes to science in the form of its uniqueness and relevance. Furthermore, by combining an existing framework that EKN as an export credit agency has developed with proven studies and research that have been conducted within the areas of country and business risk, the findings have proven the many ways in which improvement and self-assessment can be of great importance for export credit agencies in general.

6.4 Limitations and further research
As this study highlights an issue that has a relatively specific approach, there are naturally limitations that come with it. As mentioned above, the study contributes to science by attending to a wider issue applied to a specific case, which also gives the study its limitations as well. By only examining EKN’s risk assessment process, the limitations of the study are clearly that some of the findings are not ideally seen as general findings for any ECA. There are also limitations to the extent of how detailed the information given from EKN has been. For understandable reasons, the whole process of their risk assessment has not been described for us in detail, leaving some of the findings to be based on the facts as they are stated in the interviews. Another aspect of limitations for this study is the interviews themselves, which are based on a limited amount of people and their views on the matter. Furthermore, it is worth noting that sustainability and CSR as terms are today used in various settings for various reasons, meaning that there simply is no coherent underlying understanding of the exact definition. This naturally puts limitations to this study because of the fact that sustainability can be viewed in so many different ways. However, by early stating the obvious delimitations and the scope of the study, the findings and the content hopefully can prove to be more of an informative research paper in general terms and thus interesting for a wider audience than only EKN.

There are various areas of this study that can be interesting to follow up in further research. In the case of EKN, a good follow-up area for further research would be to get access to all the specific details of the risk assessment process and how each step is worked through thoroughly. This way, perhaps a more specific quantitative result can emerge from the research that is further done. This follow-up on the study can realistically be done by someone...
who has direct access to EKN’s entire risk assessment process. Furthermore, given that CSR as mentioned is an area where discussions are constantly underway and many developments are emerging, an update depending on the situation is clearly relevant in terms of further research. In time, when CSR becomes a more integrated assessment area within risk processes that take place in business contexts, there will also be more direct and definitive ways of measuring CSR. That way, further research can then be done within this specific area and perhaps result in findings leading to more numerical and exact conclusions.
References

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Articles


Articles on the web


Encyclopedia


Internet websites


Appendix A. EKN: 2016 at a glance

This section highlights some of the key findings in EKN’s annual report for the fiscal year of 2016. The highlights include the most significant results reported for EKN during the fiscal year.

A.1 2016 Key figures for EKN

The year of 2016 for EKN can be summarized on a high level as follows:

- The volume of guarantees amounted to 43.6 billion Swedish kronor, involving transactions to 130 countries
- EKN guaranteed a record amount of transactions – 1,821 to be exact – which exceeds the corresponding number for the previous year by 264
- The transactions involving SMEs increased from 537 to 599 in one year
- The claims payments reached record levels in 2016 – up to 1.53 billion Swedish kronor, which was due to some minor transactions but mainly a few larger ones
- The income from premiums amounted to 1,534 billion Swedish kronor, and the result for the year was a negative 1,057 billion Swedish crowns, due to the massive increase of claims payments in troublesome transactions during the year

Large volume of guarantees and some major damage payments

During 2016, EKN guaranteed 1,821 export transactions amounting to 43.6 billion Swedish kronor to 130 countries. This exceeds the amount of transactions compared to the previous year, although the volume has decreased. This is due to the fact that the major transaction involving Gripen in Brazil during 2015 is not taken into account for 2016. The large amount of export transactions is a positive result of high demand of Swedish export, both from developing countries and high income countries.

During 2016, the amount of damage payments, or claims payments, has reached record levels, as well as the risk for potential further claims payments in the coming years. This results in the significant negative result for EKN this year and has led to EKN taking action by increasing their reserves for future claims payments.
Appendix B. EKN’s Sustainability classification

One of the components of EKN’s risk assessment is, as previously mentioned, the sustainability assessment. In terms of environmental and social responsibility issues, transactions are classified based on a scale derived from the OECD. The classifications determine the level of environmental and social risk involved in a transaction, and thus gives important information on whether or not to proceed and more importantly how to proceed with a transaction. The classification system is based on a scale from A to C, where A denotes high level of environmental and social risk, and C denotes a low level.

Of the new transactions that EKN guaranteed during 2016, 9 of them were A-classified, 763 B-classified and 674 C-classified. Transactions that are A- or B-classified and that exceed 100 million Swedish crowns in transaction value as well as entail credit due in longer than 2 years are generally reported to the OECD. Below are some examples of A- and B-classified transactions during the year that were not reported to the OECD, but that are assessed by EKN themselves to be managed in a responsible way and in accordance with IFC’s Performance Standards.

Pulp and paper mill in Finland – A-classified project
This project involves the development of equipment for a pulp and paper mill. The emissions of sulfur, ground-level ozone, nitrogen oxide, chlorine substances and emissions to the surrounding water are still in line with EU’s environmental laws. Aside from paper mass, the project will also produce renewable energy corresponding 2.5 times the actual needs. The increased traffic will be handled through more efficiently planned traffic systems, and the raw materials in the form of wood will come from existing woods. The transaction is a reinsurance for the Finnish ECA.

Power plant in Israel – B-classified project
This project involves developing equipment for two combined power and heat plants in an industrial area on conflict-free territory. The main fuel used is natural gas, and the emission levels are in line with local and international emission requirements. The project pulls natural gas through to the near surroundings, leading to more actors being able to switch to cleaner fuel with a positive impact on the nearby environment. All actors in the phase of construction and operation are quality secured for environment and working environment issues.
Appendix C. Interview guide

C.1 Interviewees with connections to EKN and SEK

Introduction
- Brief background to the scope of the study as well as the interviewee(s)
- Background of the interviewee(s)
  - Job title, the tasks of their role
  - Connection to EKN/SEK

Risk assessment
- Will CSR be viewed in financial terms? Will CSR be incorporated in risk assessment processes and risk premiums?
- Who has the responsibility of integrating CSR in the risk premium or putting the concept in financial terms?
- How exactly does the risk assessment process work?
- Are the details in the risk assessment process public for anyone to partake in, including the relevant parameters taken into account?
- What are some potential areas of improvement in the current system?
- Have you documented any notes on transactions that have gone less well and what the reasons for that were?
- Are there any patterns that have been recognized in less successful transactions as to what has gone wrong?

OECD and CSR
- How do you incorporate the guidelines provided by OECD in your work?
- How active are you in terms of CSR factors in your collaborations with customers?

C.2 Interviewees with connections to CSR and OECD

Introduction
- Brief background to the scope of the study as well as the interviewee(s)
- Background of the interviewee(s)
  - Job title, the tasks of their role
  - Connection to CSR/OECD

Future guidelines
- How will the guidelines develop in the future?
- How do you work in order to ensure that companies follow the guidelines and principles of OECD?
- Are factors related to CSR gaining importance in risk assessment processes?
- How close are you working with EKN when giving CSR guidelines?
C.3 Interviewees from banks

Introduction
- Brief background to the scope of the study as well as the interviewee(s)
- Background of the interviewee(s)
  - Job title, the tasks of their role
  - Connection to the bank in question

Views on risk assessment and EKN
- Will CSR be viewed in financial terms? Will CSR be incorporated in risk assessment processes and risk premiums?
- Who has the responsibility of integrating CSR in the risk premium or putting the concept in financial terms?
- How do you view risk in international markets in your work? Do you have a capacity for risk?
- How do you work with EKN today?
- Are there any areas in the current risk assessment processes that you believe can be improved?
- Are there any specific examples of cases where things have gone wrong?

C.4 Interviewees from Actagon (consulting firm)

Introduction
- Brief background to the scope of the study as well as the interviewee(s)
- Background of the interviewee(s)
  - Job title, the tasks of their role
  - Connection to Actagon

Risk processes in general
- Will CSR be viewed in financial terms? Will CSR be incorporated in risk assessment processes and risk premiums?
- Who has the responsibility of integrating CSR in the risk premium or putting the concept in financial terms?
- What are some common ways to view risk in complex markets?
- What are the most important factors to take into account when looking at risk in a complex market in different settings?
- Are there any areas in the current risk assessment processes that you believe can be improved?
- Are there any specific examples of cases where things have gone wrong?
Appendix D – Method for answering SQ in detail

Approach to answering SQ – part 1

1. Choosing parameters related to business risk and their sub-parameters (See table 5 and 6 below)
2. Evaluating how many % each parameter and sub-parameters way out of the total business risk (See table 5 and 6 below)
3. Evaluating how much of the total business risk EKN is taking into consideration today

<table>
<thead>
<tr>
<th>Total business risk</th>
<th>Share of business risk</th>
<th>Share of CSR risk</th>
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<tbody>
<tr>
<td>Strategic risk</td>
<td>25%</td>
<td>0%</td>
</tr>
<tr>
<td>Compliance risk</td>
<td>25%</td>
<td>In 1 out of 4 sub-risks CSR holds clear present value 25%</td>
</tr>
<tr>
<td>Operational risk</td>
<td>25%</td>
<td>In 4 out of 6 sub-risks CSR holds clear present value 66.66%</td>
</tr>
<tr>
<td>Reputational risk</td>
<td>25%</td>
<td>In 1 out 2 sub-risks CSR holds clear present value 50%</td>
</tr>
</tbody>
</table>

Table 5. The four parameters of business risk and their respectively share of CSR risk

<table>
<thead>
<tr>
<th>Sub-risks</th>
<th>If GREEN CSR holds clear present value</th>
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<tbody>
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<td>(Filene Research Institute, 2016)</td>
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<td></td>
<td>(Weber, 2008)</td>
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<tr>
<td><strong>Strategic</strong></td>
<td></td>
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<tr>
<td>Business Environment</td>
<td></td>
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<tr>
<td>Transaction</td>
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<tr>
<td>Investor Relations</td>
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<tr>
<td><strong>Compliance</strong></td>
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<tr>
<td>Geographical Expansion</td>
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<td>Regulatory Risk</td>
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<tr>
<td>Product Line Expansion</td>
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<tr>
<td>Ongoing Compliance</td>
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<tr>
<td><strong>Reputational</strong></td>
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<tr>
<td>Internal</td>
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</tr>
<tr>
<td>External</td>
<td></td>
</tr>
<tr>
<td><strong>Operational/Financial</strong></td>
<td></td>
</tr>
<tr>
<td>Employee errors</td>
<td></td>
</tr>
<tr>
<td>Credit Risk</td>
<td></td>
</tr>
</tbody>
</table>
Approach to answering SQ – part 2

4. Choosing index that are related to CSR creating a CSR Total Grade Index (see figure 13 below)
5. Evaluating how many % each sub-index way in the CSR Total Grade Index (see figure 14 below)
6. Correlate countries from OECD Country Risk Index with this study’s CSR Total Grade Index

**CSR Country Classification Index**

<table>
<thead>
<tr>
<th>Index Type</th>
<th>Insert weight</th>
<th>Max score per dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Main Dimensions**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Insert weight</th>
<th>Max score per dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Social</td>
<td>25%</td>
<td>25</td>
</tr>
<tr>
<td>2. Governance</td>
<td>25%</td>
<td>25</td>
</tr>
<tr>
<td>3. Financial</td>
<td>25%</td>
<td>25</td>
</tr>
<tr>
<td>4. Environment</td>
<td>5%</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>75</td>
</tr>
</tbody>
</table>

**Indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Insert weight</th>
<th>Max score per indicator</th>
<th>Max contribution to total score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Social: A. Human Development Index</td>
<td>50%</td>
<td>100</td>
<td>12.5</td>
</tr>
<tr>
<td>B. Human Rights</td>
<td>50%</td>
<td>100</td>
<td>12.5</td>
</tr>
<tr>
<td>LEFT EMPTY</td>
<td>0%</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>LEFT EMPTY</td>
<td>0%</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>25</td>
<td></td>
</tr>
</tbody>
</table>

| 2. Governance: C. Corruption Perception Index  | 25%           | 100                     | 6.25                           |
| D. Legitimacy Of The State                    | 25%           | 100                     | 6.25                           |
| E. Associational and Organizational Rights    | 25%           | 100                     | 6.25                           |
| F. Rule of Law                                | 25%           | 100                     | 6.25                           |
| Total                                          | 100%          | 25                      |

| 3. Financial: G. Ease of Doing Business       | 25%           | 100                     | 6.25                           |
| H. Poverty and Economic Decline              | 25%           | 100                     | 6.25                           |
| I. Credit Rating                             | 50%           | 100                     | 12.5                           |
| LEFT EMPTY                                    | 0%            | 100                     | 0                              |
| Total                                          | 100%          | 25                      |

| 4. Environment: J. Environmental Performance Index | 60% | 100 | 15 |
| K. Government Effectiveness                   | 20%  | 100 | 5  |
| L. Regulatory Quality                         | 20%  | 100 | 5  |
| LEFT EMPTY                                    | 0%   | 100 | 0  |

Figure 14. Sub-indices and parameters in the CSR Total Grade Index
### Results

<table>
<thead>
<tr>
<th>Country / Year</th>
<th>Overall Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>18.8</td>
</tr>
<tr>
<td>Albania</td>
<td>44.2</td>
</tr>
<tr>
<td>Algeria</td>
<td>32.7</td>
</tr>
<tr>
<td>Angola</td>
<td>24.4</td>
</tr>
<tr>
<td>Argentina</td>
<td>43.9</td>
</tr>
<tr>
<td>Armenia</td>
<td>39.3</td>
</tr>
<tr>
<td>Australia</td>
<td>72.4</td>
</tr>
<tr>
<td>Austria</td>
<td>72.5</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>34.1</td>
</tr>
<tr>
<td>Bahrain</td>
<td>37.8</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>28.4</td>
</tr>
<tr>
<td>Belarus</td>
<td>30.6</td>
</tr>
<tr>
<td>Belgium</td>
<td>68.7</td>
</tr>
<tr>
<td>Benin</td>
<td>37.4</td>
</tr>
<tr>
<td>Bhutan</td>
<td>39.1</td>
</tr>
<tr>
<td>Bolivia</td>
<td>36.6</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>38.5</td>
</tr>
<tr>
<td>Botswana</td>
<td>53.2</td>
</tr>
<tr>
<td>Brazil</td>
<td>42.5</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>52.3</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>31.1</td>
</tr>
<tr>
<td>Burundi</td>
<td>19.0</td>
</tr>
<tr>
<td>Cambodia</td>
<td>25.6</td>
</tr>
<tr>
<td>Cameroon</td>
<td>23.4</td>
</tr>
<tr>
<td>Canada</td>
<td>73.5</td>
</tr>
</tbody>
</table>

*Figure 15. An example of different countries total score based on the CSR Total Grade Index*
Appendix E – Correlation between OECD Country Index and main dimensions of the CSR Total Grade Index

Dimension: Social

Graph 10. Correlation graph between OECD Country Index and the social dimension

Correlation value: 0.32

Dimension: Environment

Graph 11. Correlation graph between OECD Country Index and the environmental dimension

Correlation value: 0.33
**Dimension: Governance**

**Correlation between OECD Country Index and the governance dimension**

*Graph 12. Correlation graph between OECD Country Index and the governance dimension*

Correlation value: 0.30

**Dimension: Financial**

**Correlation between OECD Country Index and the finance dimension**

*Graph 13. Correlation graph between OECD Country Index and the financial dimension*

Correlation value: 0.26