Sustainable Entrepreneurship Project

Advancing Sustainable Finance: Strategies for Financial Institutions to Support Companies in EU Taxonomy-aligned Investments

Sebastian Weinberger, S5751187

University of Groningen, Campus Fryslân

Wirdumerdijk 34, 8911 CE Leeuwarden

05.06.2024

Academic Supervisor: Dr. Niels Faber

Co-Assessor: Dr. Sven Kilian

Abstract

This study explores strategies for financial institutions to support companies in EU Taxonomy-aligned investments, focusing on an Austrian Bank. Through qualitative interviews with six corporate customers who have experience in sustainable finance products, the research examines motivations, challenges, and opportunities related to the EU Taxonomy. The findings highlight the interplay of intrinsic and extrinsic motivations in driving sustainable investments, key challenges associated with the EU Taxonomy framework and implementation, and opportunities in regulatory foresight, market dynamics, and the quality of advisory support. The study proposes four strategic recommendations for financial institutions: proactive engagement and advisory support, flexible and incremental alignment progression, financial incentives, and collaboration with regulatory bodies. These strategies provide valuable insights for financial institutions in supporting companies' transitions towards sustainable investments and contribute to a deeper understanding of the factors influencing the adoption of EU Taxonomy-aligned investments.

Keywords: Sustainable Finance, Sustainable Investments, EU Taxonomy, Financial Institutions

Table of Contents

Introduction

The financial sector is crucial for a sustainable transition of the entire economy as it provides the necessary capital and support for sustainable practices and innovations (Ryszawska, 2016). In recent years, the development of a sustainable finance market has progressed rapidly (Coleton et al., 2020). As the sustainable performance of companies gains increasing attention, more complex and detailed benchmarking methods and reporting standards for sustainable practices have been developed. This increases the responsibility of financial institutions, such as commercial banks and investment firms, for their corporate customers' sustainability (Rebai et al., 2012). The fiscal year 2023 marks the first mandatory reporting of the Green Asset Ratio[1] as part of the Non-Financial Reporting Directive (Brühl, 2023).

The introduction of the Green Asset Ratio as a Key Performance Indicator (KPI) has created a symbiotic dependency between financial institutions and their corporate customers. This incentivizes financial institutions to actively engage and involve their corporate clients in sustainable investments, ultimately improving both parties' sustainable performance. Having this reliance on customer sustainability reveals new challenges in the topic of sustainable finance, but also offers the possibility to enhance the level of collaboration and support with financial institutions' customers towards a sustainable transition. The evolving landscape demands a thorough examination of practical strategies and measures taken by financial institutions to encourage customer compliance with sustainability standards. Financial institutions can address concerns and promote stronger customer engagement by relying on customer sustainability. This will contribute to facilitating a more stable transition toward sustainability (Brühl, 2023).

[1] The Green Asset Ratio is an EU metric for financial institutions that measures the share of their assets financing sustainable activities, including the capital granted to corporate customers, in relation to their total assets invested, as defined by the EU Taxonomy (Brühl, 2023).

The European Commission developed the EU Taxonomy as a classification system to identify ecologically sustainable investments. It aims to direct companies and investors towards sustainable practices by outlining specific criteria for what qualifies as a green investment. The taxonomy fosters coherence and transparency in sustainable financing by addressing six environmental objectives across several economic sectors (Lucarelli et al., 2020). Currently, these sectors include Energy, Building, Real Estate, and Transport. As highlighted by Schütze et al. (2020), the EU taxonomy is a crucial tool to prevent greenwashing in both public and private investments and to promote openness in sustainable economic activities. A practical example of an EU taxonomy-aligned investment is a transportation company that invests in a fleet of electric vehicles that meet the sustainable transport standards outlined in the EU Taxonomy.

The existing literature on the EU Taxonomy and financial institutions primarily focuses on conceptual frameworks and theoretical analyses (Brühl, 2023; Lucarelli et al., 2020; Schütze et al., 2020). While these studies provide valuable insights into the potential of the EU Taxonomy and the role financial institutions can play, there is a significant gap in understanding practical implementation strategies. Existing research has not yet fully explored the specific methods and tools used by financial institutions to support corporate customers in aligning their investments with the EU Taxonomy. Furthermore, the literature primarily emphasizes broad categories of support, such as advisory services to guide companies in meeting their sustainable requirements regarding their asset investments (Brühl, 2023). A deeper understanding is needed regarding the specific actions and interventions that are most effective in influencing corporate decision-making toward sustainable investments, as also identified as a future research avenue by Lucarelli et al. (2020).

This research aims to bridge this gap between theoretical understanding and practical implications by exploring the empirical experiences of corporate customers in the context of the EU Taxonomy and financial institutions. Therefore, the research question states: How can financial institutions support companies in EU Taxonomy-aligned investments?

A qualitative approach using semi-structured interviews was employed to answer this research question. This approach allows for an in-depth exploration of the set of strategies necessary for financial institutions (Kitto et al., 2008). Six semi-structured interviews were conducted with corporate customers of an Austrian Bank, which is active in the CEE region (Central and Eastern Europe) and is one of the leading banks for sustainable finance products. The interviews explored themes such as the types of support offered by the bank, the challenges faced by companies in aligning with the EU Taxonomy, and the factors influencing their decision-making processes. Interviews were conducted with both corporate customers, who have invested with the bank under the EU Taxonomy, and those, who initially planned on investing aligned, but then opted out of it due to different reasons (Müller et al., 2021). This allows for a comprehensive exploration of the factors influencing customers' decisions regarding sustainable investments (Magaldi & Berler, 2020). To ensure a responsible and ethical research process, the research ethics of the University of Groningen were strictly adhered to throughout all stages of data collection.

The paper is structured into six more chapters collectively addressing the research question and objectives: The Literature Review explores the existing framework and products regarding sustainable finance, and existing concepts surrounding the motivation of companies to be sustainable. The Methodology chapter describes the methods used in this research to conduct the interviews and how the data was analyzed. The findings identify three key patterns, which include: Motivations, Challenges, and Opportunities. The Discussion chapter then puts the findings into context and highlights the limitations of the study. The Recommendations chapter proposes four applicable strategies for financial institutions. Finally, the Conclusion chapter provides a comprehensive summary of the key insights gained from this study, its value for practice and theory, and suggestions for future research.

Literature Review

This section addresses the critical issues and aspects surrounding the Corporate Sustainable Reporting Directive (CSRD) and the EU Taxonomy. The necessity of complying with these frameworks is predominant, as they will become more demanding over time (Brühl, 2023). This Literature Review explores existing research and knowledge regarding such regulatory frameworks, sustainable finance, the motivations for companies to engage with sustainability, and the role of financial institutions in supporting companies to align their asset investments with the EU Taxonomy.

EU Sustainability Reporting

Non-Financial Reporting Directive

Transparent reporting on environmental and social impact is essential for a sustainable financial system. The Non-Financial Reporting Directive (NFRD), developed by the European Union and adopted in 2014, indicated a major step towards business transparency and responsibility regarding sustainable and social topics. Before that, companies were mainly obliged to report on their financial performance. The directive made it mandatory for certain large companies to disclose non-financial information alongside their annual reports. A more holistic picture of environmental, social, and governance (ESG) factors provided an overview of a company’s impact and performance (Hahnkamper-Vandenbulcke & European Parliamentary Research Service, 2021; Primec & Belak, 2022).

Companies falling under the NFRD, which included large listed companies and public interest entities (such as banks and insurance companies) with more than 500 employees, were required to report their non-financial performance for the fiscal year 2018 in the year 2019. The framework left companies with a lot of flexibility regarding its implementations, without a requirement to use a specific reporting standard. This gave companies the possibility to disclose relevant sustainability information according to their individual interpretation. Still, this framework provided a first unified step towards a non-financial reporting regulation in the European Union (Hahnkamper-Vandenbulcke & European Parliamentary Research Service, 2021).

Corporate Sustainability Reporting Directive

In 2023 the successor of the NFRD was finalized. Aiming to strengthen and expand upon the NFRD’s framework significantly, the Corporate Sustainability Reporting Directive expanded the scope and requirements of the existing sustainability reporting. Specifically, a set of reporting standards was introduced and all information provided by the companies must be audited in order to increase credibility. Additionally, the requirements for a company to fall under the CSRD have been broadened by lowering the thresholds, such as the number of employees, annual turnover, or total assets. (European Union, 2024).

With the European Sustainability Reporting Standards (ESRS), the European Financial Reporting Advisory Group (EFRAG) created a set of reporting standards, with which companies falling under the CSRD must comply. This includes a total of 12 standards covering a broad spectrum of sustainability topics. This also includes sector, company size-specific standards, and standards for non-EU companies. The topical sector standards are divided between Environment, Social, and Governance, to cover the whole ESG spectrum (EY, 2024).

Moreover, the CSRD will be affecting a wider scope of entities. Companies that are already subject to the NFRD will need to report according to CSRD for the first time in the fiscal year 2024. The fiscal year 2025, with the reports being published in 2026, will include large entities. Listed SMEs will need to report for the fiscal year 2026, with the possibility to opt-out for two additional years until 2028 including a disclosure on why they do not provide the sustainability disclosure. Finally, non-EU companies with subsidiaries or branches within the EU and falling under the CSRD will have to report for the fiscal year 2028 (EY, 2024).

In conclusion, the CSRD marks a significant progression in corporate sustainability reporting within the EU. By expanding the scope and introducing standardized reporting, the directive aims to provide a more comprehensive and reliable picture of a company’s impact on society and its environment. Increasing the relevancy of the framework to a broader range of entities in the future, the CSRD enhances transparency and allows stakeholders to make informed decisions (European Union, 2024).

EU Taxonomy for Sustainable Activities

The EU Taxonomy for Sustainable Activities (EU Taxonomy), published by the European Commission in 2020, is a classification system to identify environmentally sustainable economic activities. It aims to guide investors and businesses towards sustainable practices by providing clear criteria for what constitutes a green investment. The taxonomy currently covers six environmental objectives (climate change mitigation; climate change adaptation; sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems) and four economic sectors (energy; transportation; construction; and real estate) (Lucarelli et al., 2020). For an economic activity to be EU Taxonomy-aligned, four overarching conditions have to be met. (1) It has to make a substantial contribution to one of the six environmental objectives, (2) do no significant harm (DNSH) to the other five environmental objectives mentioned previously, (3) comply with minimum safeguards, and (4) comply with the technical screening criteria (European Commission, n.d.).

Entities subject to the NFRD and CSRD need to disclose how and to which extent their activities and investments are considered sustainable according to the EU taxonomy. This includes the proportion of turnover derived from EU taxonomy activities and the proportion of capital and operating expenditure associated with EU taxonomy activities (S&P Global, 2021).

Green Asset Ratio

Financial institutions play a crucial role in the implementation and success of the EU Taxonomy, as they serve as the connection between capital and sustainable investments. The Green Asset Ratio (GAR) is a key metric in this context, an additional KPI introduced to measure the alignment of banks' and other financial institutions' assets with the EU Taxonomy. The Green Asset Ratio indicates the proportion of a financial institution's assets and capital granted to their customers invested in EU Taxonomy-aligned activities. This provides additional transparency and accountability regarding the contribution to sustainability goals and the transformation of financial institutions (Brühl, 2023).

Sustainable Finance Products

In order to achieve sustainability objectives in the financial sector, numerous types of sustainable finance products have been enforced. These instruments provide companies and investors with the tools to align their financial goals with sustainable principles, by integrating ESG criteria into financial decision-making. According to the Harvard Business School (2022), those sustainable finance products can be divided into two main categories: Activity-based instruments (EU taxonomy-aligned and green/social/sustainable) and behavior-based instruments (Sustainability-linked and ESG Rating-linked). These instruments can be utilized as either bonds, which can be traded to raise capital, or loans, which are agreements between creditors and the repaying debtor.

EU Taxonomy-aligned

The EU Taxonomy as an indicator for sustainable investments serves as a crucial tool for financial institutions to increase their own Green Asset Ratio. By aligning investments according to the EU Taxonomy, companies ensure they invest according to the clear guidance of the European Commission on which economic activities can be considered environmentally sustainable. Given the level of detail of the framework for defining environmentally sustainable activities, this use of proceeds must fully align with the activities mentioned and can therefore be considered best in class in the sectors covered by the EU Taxonomy (Lucarelli et al., 2020; RBI, 2021a)

Green/Social/Sustainability

Similar to EU Taxonomy-aligned investments, Green, Social, or Sustainable investments directly allocate capital towards projects with a positive environmental or social impact. The principles and guidelines according to which a project is sustainable are defined by the Loan Market Association for loans and by the International Capital Market Association for bonds. Both organizations have individual principles for green, social, and sustainable financial investments. Compared to EU Taxonomy-aligned investments, such investments can be considered more flexible in defining their sustainable purpose, are mainly market-driven, and rely on issuer self-assessment (Driessen, 2021; Lucarelli et al., 2020).

Sustainability-linked

In contrast to the previously mentioned instruments, Sustainability-linked loans (SLL) and bonds (SLB) are not directly linked to the financed investment, but rather to the sustainability performance of a company. Both the LMA and IMCA have developed a set of principles defining this sustainable finance product. By predetermined Key Performance Indicators of the borrower, the interest rate of the loans and bond agreement can change depending on whether the borrower meets the sustainability targets (Driessen, 2021). The amount of KPIs usually ranges from one to four and includes detailed indicators from multiple areas, such as emissions, waste, or diversity, including a predetermined level of improvement. This is highly dependent on the sector and best-practice benchmarks of the market (Auzepy et al., 2023; Environmental Finance Data, 2022).

ESG Rating-linked

The final sustainable finance product covered is ESG Rating-linked financing, a special form of SLL/SLB, where the overall ESG Rating of a company is used as a KPI. Similarly, the margin is tied to an improvement or decline in the ESG Rating. This instrument is attached to the general ESG performance of a company and gives the borrower the possibility to improve their sustainable performance across a broad range of environmental, social, and governance factors. However, this instrument also presents challenges for the companies, such as the subjectivity inherent in ESG ratings and the variations in methodology used by different ESG rating agencies (Auzepy et al., 2023; RBI, 2021b).

Motivation for Companies to be more sustainable

Whilst a transparent sustainability reporting framework and a broad range of sustainable finance products are crucial in laying the foundation for a sustainable transition, the change itself must occur within the companies. There are multiple factors for enterprises to be more sustainable, which can be differentiated between intrinsic and extrinsic motivation. Both have their unique characteristics and advantages to incentivize sustainable change in companies and the economy (George et al., 2021).

Intrinsic Motivation

This type of motivation stems from internal factors in an organization and pushes it to adopt sustainable practices beyond external pressure. Such motivation can arise from personal values, beliefs, and a sense of purpose. George et al. (2021) describe this type of purpose as a duty-based purpose, as it is driven by a company's vision and mission, its moral values, and a sense of responsibility towards society and the environment. Having long-term sustainability as a core element of its identity, a company driven by its intrinsic motivation leads to sustainable growth and success in the long run (Kulkarni, 2015).

Similarly, Carroll (1979) discusses the idea of the social responsibility of organizations. According to his model, both ethical and discretionary responsibility fall under the scope of intrinsic motivation. Ethical responsibility describes the drive of a company by a genuine desire to do what is right, prioritizing sustainable practices because they are seen as morally correct and beneficial to society, even if they are not required by law. Discretionary responsibility even goes a step further to engage in sustainable practices out of a desire to contribute positively to society and the environment. This course of thought overlaps with the research of both George et al (2021) and Kulkarni (2015), highlighting the importance and value of intrinsic motivation for an entity to be sustainable successfully.

Another crucial aspect of intrinsic motivation is the leadership of an organization. According to Metcalf and Benn (2012), effective leadership is essential for utilizing intrinsic motivation toward sustainability within a company. Leaders, who possess the ability to navigate through the complexities of sustainability and engage their teams in adaptive change are pivotal for the implementation of sustainable practices. A special emphasis is put on transformational leadership, a leadership style that empowers the characteristics mentioned. Similarly, the paper by Groves and LaRocca (2011) highlights the importance of self-awareness and moral reasoning as key components in leadership for organizations to successfully implement sustainable practices.

Extrinsic Motivation

Extrinsic motivation refers to external factors that compel organizations to adopt sustainable practices. Contrary to intrinsic motivation, extrinsic motivation is driven by external rewards, pressures, and obligations. These external factors can be regulatory requirements, stakeholder pressure, reputational considerations, or financial incentives (George et al. 2021).

One of the most significant extrinsic motivators for companies to improve their sustainable performance is regulatory compliance. The introduction of sustainability frameworks, such as the NFRD and CSRD, exemplifies this growing regulatory landscape. As discussed by Carroll (1979), this aspect falls under the scope of legal responsibilities. Having this external pressure from the government and regulatory bodies ensures that companies at least comply with minimum sustainability standards.

Employing a goal-driven purpose also aligns with this extrinsic motivation of complying with regulations, satisfying market expectations, and increasing a company's reputation (George et al. 2021). Embracing this reputation management involves actively shaping and communicating a positive image of an organization to the stakeholders. Using this as external motivation can initially drive organizations to take more sustainable actions, but research suggests that it is less effective in fostering long-term sustainable engagement compared to intrinsic motivation. As a result, also the risk of greenwashing is increased and potentially leads to an even negative effect in the long run (Berrone et al., 2015).

The final major extrinsic motivation are financial incentives for organizations to adopt sustainable practices. This factor is deeply embedded in the concepts already discussed regarding motivation. The model presented by Carroll (1979) depicts economic responsibilities as the most basic social responsibility of companies. Performance-based compensation, such as illustrated in Sustainability-linked loans and bonds, can lead to a purpose-driven achievement of sustainable goals of organizations (George et al. 2021). The “best practice” concept of sustainable finance products can be interpreted as a financial incentive, to guarantee the most efficient deal with the financing investors (Lucarelli et al., 2020).

Overall, the motivation for companies to improve their sustainable performance and adopt sustainable practices involves both intrinsic and extrinsic factors, each playing a critical role in driving corporate behavior towards sustainability. While extrinsic motivators can initiate sustainable change, intrinsic motivators are more effective in sustaining those efforts over longer periods. The interplay of both motivational types is essential for creating a holistic path to a sustainable transition within organizations (Berrone et al., 2015).

Role of Financial Institutions

Financial institutions play a pivotal role in facilitating companies’ adoption of sustainable finance initiatives. As key providers of capital, they can influence and drive the implementation of sustainable practices by structuring and granting resources in alignment with frameworks such as the EU taxonomy. In the literature, there are multiple approaches proposed for financial institutions to improve their sustainability portfolio and support their corporate customers in investing in more sustainable assets (Brühl, 2023).

One of the primary strategies financial institutions can employ is the development and promotion of sustainable finance products. These include the sustainable finance products mentioned above, such as EU Taxonomy-aligned or Sustainability-linked loans and bonds. By offering favorable terms and conditions for these products, financial institutions incentivize companies to allocate capital towards more sustainable projects and investments (Brühl, 2023; Lucarelli et al., 2020).

As covered as an extrinsic motivator, providing a financial incentive for companies to invest EU Taxonomy-aligned can be a potent strategy to increase companies' sustainable investments and the Green Asset Ratio of financial institutions. This can include a reduction in interest rates or transaction costs for loans and bonds that meet the sustainability criteria outlined in the EU Taxonomy (Brühl, 2023; Lucarelli et al., 2020).

Lastly, financial institutions can leverage their advisory roles to promote sustainability. By providing expertise and guidance on sustainable finance options, regulatory compliance and outlook, and best practices, they can support their clients to navigate through the complexities of sustainable investment processes. This advisory can be instrumental in enabling companies to develop and implement effective sustainability strategies and in-house knowledge, creating a more experienced and sophisticated sustainable ecosystem (Brühl, 2023; Lucarelli et al., 2020).

In summary, the Literature Review highlights sustainable finance's growing importance and complexity within the regulatory frameworks of the CSRD and EU Taxonomy. Compliance with such directives is not just a regulatory obligation but a strategic decision of companies to achieve long-term sustainable growth. The reviewed literature emphasizes the critical role of financial institutions in facilitating this transition by offering advisory support, flexible financing options, and financial incentives. These insights provide a baseline to discuss the findings, which delve deeper into how financial institutions can support companies in investment EU Taxonomy-aligned.

Methodology

Research Context

This research project was conducted in collaboration with an Austrian Bank (from here called the Collaboration Bank), which is active in the CEE region (Central and Eastern Europe) and one of the leading banks for sustainable finance products. Therefore, the study centered on exploring strategies for financial institutions to support their corporate customers in investing sustainably from the beginning. The primary focus was to identify strategies that enable financial institutions to address the evolving needs of the customers, ensuring that they are well-prepared to navigate through future sustainable investment frameworks and facilitate a supportive and seamless transition towards sustainability. Leveraging the EU Taxonomy as the defining sustainable framework embodies an evolving and highly relevant framework in the field of sustainable finance and provides a clear definition of this research's meaning of sustainable investments for both readers and participants in the study. Additionally, the high relevance of the Green Asset Ratio for financial institutions underscores the importance of their ability to effectively integrate sustainability criteria into their investment decisions and practices.

Qualitative Research Approach

Given the exploratory nature of this research and the complexity of the interactions between financial institutions and their corporate customers in sustainable finance, a qualitative research approach was applied. Qualitative methods enable the exploration of contextualized and rich data, allowing for a deeper understanding of the intricate dynamics at play and the multifaceted strategies employed by financial institutions to support sustainable investments. This methodological choice aligns with the aim of capturing the unique perspectives and experiences of participants, providing valuable insights into the practical strategies necessary to be utilized in the field of sustainable finance (Kitto et al., 2008). Interviews were conducted in a semi-structured format, providing a balance between predefined questions and the flexibility to explore emerging themes and topics during the conversations (Adeoye‐Olatunde & Olenik, 2021).

Participant Selection

The participants in these interviews were corporate customers of the Collaboration Bank, all located in Austria. The six corporate customers represented a diverse range of industries, including two in construction and real estate, two in manufacturing, one in energy, and one in transportation. Moreover, all had experience with various sustainable finance products. The main criterion for inclusion was some form of past engagement with EU Taxonomy-aligned investments facilitated by the bank. This included customers who have successfully invested according to the EU Taxonomy with the bank as the lead structure and those who considered such investments but opted out for various reasons. Having participants familiar with the EU Taxonomy was advantageous for the research, as it minimized the need for extensive explanations of the framework, allowing for more in-depth discussions and higher-quality responses (Ericsson & Lehmann, 1996). Additionally, the diverse range of perspectives and experiences regarding the EU Taxonomy provided invaluable insights into the different decision-making processes and a comprehensive understanding of the complexities and requirements surrounding sustainable finance initiatives for both customers and financial institutions alike (Müller et al., 2021). This facilitated a thorough exploration of the factors influencing customers’ decisions regarding sustainable investments (Magaldi & Berler, 2020).

Data Collection

Primary data for this study was gathered through semi-structured interviews, lasting between 30 to 60 minutes, which allowed for a dynamic exchange of thoughts and ideas. Predefined questions provided a framework for discussion while maintaining flexibility to delve into emerging themes and topics. This allowed for an in-depth exploration of their experiences and viewpoints on sustainable finance and investment frameworks, with a special focus on the EU Taxonomy, the role of financial institutions in sustainable finance, and the strengths & weaknesses of the Collaboration Bank in their past investment endeavors.

None of the information provided by the participants was shared with the Collaboration Bank outside of this research paper, ensuring that the customers could speak freely without concerns about their feedback affecting their relationship with the bank or being used for marketing or other purposes. Moreover, the research ethics of the University of Groningen was applied at all steps of the data collection to guarantee a responsible and ethical research process. An informed consent form was provided to and signed by the participants, which addressed ethical considerations, such as participant anonymity, voluntary participation, and the possibility to withdraw within one week after the interviews were conducted.

Data Analysis

Following the interviews, the recordings were transcribed verbatim to ensure full accuracy and completeness of the gathered data. These transcripts were then analyzed using qualitative data analysis techniques, utilizing the content analysis approach. Through systematic coding, recurring themes and patterns were identified in the participants' responses. Building upon this initial content analysis, a thematic analysis was conducted to extract key insights relevant to the research question. The content analysis offered a versatile approach to analyzing data without a predetermined hypothesis. This flexibility allowed the study to adjust coding categories dynamically while engaging with the data, facilitating a more detailed exploration of emerging concepts and implications. Furthermore, the thematic analysis involved careful consideration of contextual nuances and individual perspectives, refining the participants' narratives, and informing proposed strategies for financial institutions to support their customers in sustainable investments in the future (Bell et al., 2022; Palić et al., 2015).

Ensuring Research Quality

To maintain the quality of this research, several measures have been implemented throughout both the data collection and data analysis stages. During the data collection, participants were carefully selected to represent a wide range of industries and experiences with sustainable finance products. A structured interview guide with open-ended questions was developed to maintain consistency across interviews while allowing for in-depth exploration. All interviews were recorded and transcribed verbatim to ensure the accuracy and completeness of the data. For data analysis, a systematic coding process was followed, iterative reviews to ensure consistency and reliability. A reflective practice was maintained, documenting potential biases and their impacts, thereby ensuring transparency and integrity (Treharne & Riggs, 2015).

Findings

This section presents the key findings from the qualitative interviews conducted with the corporate customers of the Collaboration Bank regarding their past experiences with sustainable finance products and how they perceived the support from the financial institution. The interviews focused on understanding the experiences and perspectives of these customers, particularly their decision-making process when considering EU Taxonomy-aligned investments. By examining the customer experiences, three main themes emerged: Motivations, Challenges, and Opportunities. These themes are visually represented in Figure 1:

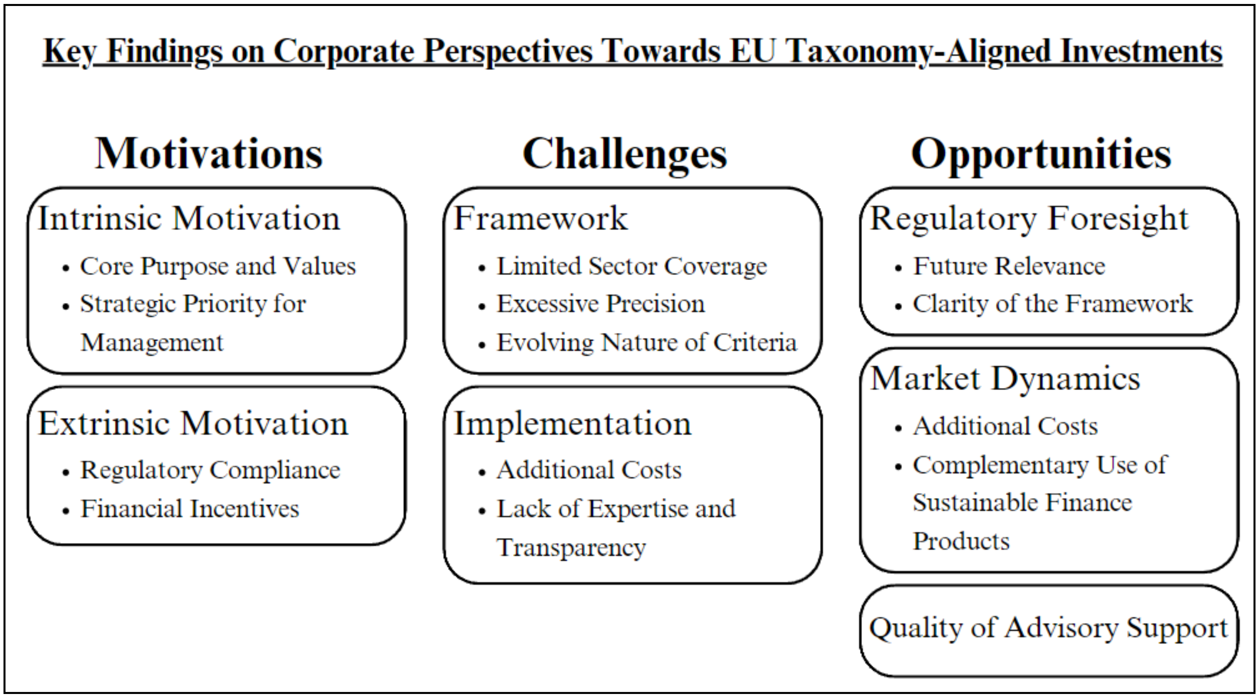

Figure 1: Key Findings on Corporate Perspectives Towards EU Taxonomy-Aligned Investments (own illustration)

Motivations

Understanding the motivations behind participant's adoption of sustainable practices and investments is crucial. Throughout the interviews, companies addressed various reasons for engaging in sustainable finance, which can be categorized into intrinsic and extrinsic motivations.

Intrinsic Motivation

The intrinsic motivation to have sustainability as a core purpose and value was prevalent throughout the interviews. Most companies have fundamentally integrated sustainability into their core operations. Areas such as renewable energy, circular economy, and sustainable resource management are topics closely related to companies' operations and have already been developed due to their intrinsic motivation to be sustainable. This focus on sustainability goes beyond just the environmental concerns of the participants and incorporates a holistic approach to responsible business practices.

Another crucial intrinsic motivator mentioned by some of the participants is the strategic priority for management to be sustainable. Participant 2 described the main motivator to invest EU Taxonomy-aligned was the incentive of their CFO to try this sustainable finance product. Others also mentioned the management as a pivotal reason to shift towards sustainable investments.

Extrinsic Motivation

When considering external motivators, all participants highlighted the importance of complying with regulatory frameworks. Especially the sustainable reporting standard coming with the CSRD, including reporting on their EU Taxonomy-aligned turnover and investments, was a substantial reason to engage in this topic. While for most of the participants, the EU Taxonomy will not be mandatory to be reported in the fiscal year of 2024, all of them are already aware of its implications in the upcoming years.

Providing a financial incentive to invest EU Taxonomy-aligned must be considered a relevant extrinsic motivation. For every participant, creating a cost advantage due to lower interest rates was highly relevant in investing sustainably. Participant 1 emphasized the importance of providing financial incentives: *"There should be a cost advantage beyond ten basis points that can come to Taxonomy-aligned financing versus traditional corporate lending."*

Challenges

Despite the strong motivations, companies faced several challenges when adopting sustainable finance practices. Notably concerning the EU Taxonomy framework, the participants identified crucial flaws that financial institutions must acknowledge to provide optimal support for their customers. Also regarding the implementation of the framework, the participants faced several challenges.

Framework

As the EU Taxonomy framework currently only covers four relevant sectors, companies in certain industries cannot align their investments with the framework. As some companies with a sustainable mission operate in such unclassified industries, they must settle for other sustainable finance products. Participant 1, manufacturing products made out of wood, currently cannot align any of its sustainable investments with the EU Taxonomy, as the manufacturing sector still needs to be integrated into the framework.

Another challenge some of the participants faced was the excessive precision of the EU Taxonomy framework to rule out aligned investments. As the criteria can be highly technical and nuanced, even minor errors or misinterpretations in compliance can result in significant setbacks. An extreme instance was showcased by Participant 3, who acquired a vehicle powered by electricity. The vehicle also has an emergency mode, where it would run on fossil fuels. In this mode, the fuel consumption is too high according to the framework, ruling it out to be EU Taxonomy-aligned. This meticulous metric was not easily accessible and considered by the company when purchasing the vehicle, which led to the investment being adapted to a Green loan.

The third challenge some of the participants faced was the uncertainty of the alignment of their investments with the evolving framework. According to them, such nuanced criteria as mentioned before might potentially become even more strict and jeopardize the sustainable investment structure in the future. This uncertainty is fueled by both the evolving nature and excessive precision of the EU Taxonomy framework.

Implementation

Regarding the practical implementation of EU Taxonomy-aligned investments, the participants faced several difficulties and challenges. The main challenge was the additional costs the companies needed to comply with the EU Taxonomy. Closely connected to a lack of financial incentives, higher expenses to set up the sustainable finance product and to invest in aligned assets were factors influencing the participants. According to Participant 5, a common instance for buildings is an aligned toilet and sink system, regarding water usage: *"If you really want to have EU Taxonomy-alignment, you have less options in the different types of toilets or sinks, and then it probably gets a little more expensive."* Although the higher cost of EU Taxonomy-aligned assets, like water-saving toilets and sinks mentioned by Participant 5, may not be the sole reason for companies opting out, it remains a significant factor to acknowledge when proposing these investments.

A significant challenge for companies is the general lack of expertise in implementing EU Taxonomy-aligned investments. Participant 2 highlighted the hesitancy of financial institutions to support their EU Taxonomy-aligned loan. Similarly, Participant 4 described the challenge of a lack of transparency from financial institutions regarding the sustainability levels companies must demonstrate to receive favorable conditions. This issue can be traced back to insufficient knowledge and expertise concerning the EU Taxonomy and the expected sustainability standards, resulting in a complex and uncertain process for companies.

Opportunities

Despite the challenges, participants identified numerous opportunities in the realm of sustainable finance and the EU Taxonomy. Companies and financial institutions alike can capitalize on these opportunities to enhance their sustainable agendas and achieve long-term sustainable growth. These opportunities fall into three categories: the regulatory foresight of the EU Taxonomy, market dynamics regarding sustainable finance products, and the quality of support from the Collaboration Bank.

Regulatory Foresight

All participants acknowledged the future relevance of sustainability reporting and frameworks. This is especially true with upcoming regulations like the CSRD, which mandates companies to report their alignment with the EU Taxonomy. This requirement is expected to significantly increase interest and knowledge acquisition regarding such frameworks. Having such foresight allows companies to proactively align their operations and investments with emerging regulations and provides financial institutions with a rising flow of demand in sustainable finance.

Additionally, most participants who have considered investing EU Taxonomy-aligned recognized and appreciated the clarity of the framework. Whilst it might be strict in defining environmentally sustainable investments, it offers a clear definition and overview. Participant 2 successfully invested EU Taxonomy-aligned in the energy sector and appreciated the explicit requirements, also being able to use it to improve their sustainability reporting in general. This clarity can provide a competitive edge for companies that proactively invest in EU Taxonomy-aligned activities, allowing them to improve and demonstrate their sustainable commitment.

Market dynamics

The market dynamics surrounding sustainable finance also provide substantial opportunities for both companies and financial institutions. According to the participants, the future relevance of sustainable financing and the EU Taxonomy in particular is driving a surge in investor interest. Investors, particularly those providing capital for asset investments, are increasingly seeking out companies with a strong commitment to sustainability and interest in financing sustainable investments. As highlighted by Participant 6, offering green products can expand the pool of potential investors for a company. This closely ties to the extrinsic motivation of financial incentives, as higher investor demand for sustainable financing products improves the conditions for the companies.

With the wide range of sustainable finance products on the market, companies learned how to utilize them complementary, rather than competitively. As described by Participant 3 and the challenges regarding the EU Taxonomy framework about the electric vehicle, the participant was able to change the financing instrument to a Green loan in a straightforward manner, as the instrument is less strict and more market-driven. Leveraging the different instruments to their fullest potential substantially enhances their overall effectiveness in supporting sustainable investments. EU Taxonomy-aligned investments can also profit from this opportunity, as it allows them to seamlessly adapt to situations where the EU Taxonomy's strict criteria might not be perfectly applicable. This flexibility offered by a diversified toolbox of sustainable finance products strengthens the overall impact of sustainable finance initiatives.

Quality of Advisory Support

The final opportunity identified in the interviews is the high quality of support the Collaboration Bank provided. While not every participant actively engaged with the Collaboration Bank, those who sought support and guidance were remarkably convinced. Participant 5 summarized it as: *"I think that Collaboration Bank was super motivated to help us in every situation and every tough question. And we are actually really satisfied with the framework that came out of this."* The Collaboration Bank also showcased proactive due diligence regarding sustainable investments, such as finding the alignment error with the vehicle of Participant 3, which even the Second Party Opinion (SPO) failed to recognize. Such experiences demonstrate the Collaboration Bank's strong expertise and commitment to facilitating successful investment support for their customers. This not only benefits the companies directly, who actively engage with the bank's advisory services but also strengthens the overall credibility and attractiveness of EU Taxonomy-aligned investments within the market.

In conclusion, the interviews revealed a complex interplay between motivations, challenges, and opportunities in sustainable finance. While strong intrinsic and extrinsic motivations drive companies towards sustainable practices, limitations in the EU Taxonomy framework and implementation difficulties hinder progress. However, upcoming regulatory frameworks, the market's increasing focus on sustainability, and the Collaboration Bank's valuable support offer strategic opportunities for companies and financial institutions to overcome these challenges and increase the level of sustainable investments and the EU Taxonomy.

Discussion

After presenting the findings of the interviews, this section delves into the discussion of the main themes identified: Motivations, Challenges, and Opportunities. Each theme is interpreted and compared with reviewed literature on sustainable finance to provide a comprehensive understanding of the findings. This includes the implications for practice and contribution to theory, offering insights for companies, financial institutions, and policymakers. The discussion will also acknowledge the limitations of the study, such as sample size, selection bias, subjectivity of the interviews, and social desirability bias. Following this in-depth analysis, the discussion will then culminate in four strategic recommendations for financial institutions to support their corporate customers in EU Taxonomy-aligned investments.

Motivations

The participants provided a broad range of motivations to operate and invest sustainably. Overall, these can be divided into intrinsic and extrinsic motivations. While the intrinsic motivations stem from the companies' internal values, culture, and strategic priorities, the extrinsic motivations are driven by external factors such as regulatory compliance and financial incentives. These findings support existing literature on the topic of corporate sustainability drivers, underscoring the interplay of internal commitment and external pressures.

The social performance model of Carroll (1979) aligns with the findings, as the participants acknowledged all four levels of social responsibility. The financial incentives and regulatory compliances directly correlate to economic and legal responsibilities, respectively. More importantly, the ethical and discretionary responsibilities were recognized by the participants with sustainability being part of their core operations and strategies.

The concept discussed by George et al. (2021) surrounding duty-based and goal-based purposes regarding the sustainability efforts of organizations is also reinforced by these findings. Participants expressed motivations driven by both a sense of responsibility towards sustainable well-being (duty-based) and a drive to achieve economic benefits alongside sustainable considerations (goal-based). Notably, the interviews revealed a more nuanced perspective on the goal-duty relationship. Participants depicted the different purposes as mutually reinforcing relationships, rather than a distinct perspective of either having a duty-based or a goal-based purpose. Additionally, the supposed contradiction between duty-based and goal-based motivations is not seen as much in practice, with participants viewing them as complementary rather than conflicting. This highlights the awareness and level of optimizations companies illustrate in order to achieve sustainable success and long-term growth.

Challenges

While the motivations for sustainable investments are evident, translating those intentions into practice presented a set of challenges for companies. The key obstacles can be defined into the framework challenges, which include sectoral variability, excessive precision, investment uncertainty, and implementation challenges, such as higher costs and lack of expertise. By understanding and minimizing the impact of those challenges, financial institutions can tailor their products and support to better address the specific needs of companies seeking to comply with the EU Taxonomy.

As the practical implications of the EU Taxonomy framework have not been researched to the fullest extent, the findings of this study can only be derived from aspects discussed in the literature. Schütze et al. (2020) acknowledge the sectoral variability of the current iteration of the framework, as the coverage and criteria highly vary depending on the sector a company invests sustainably. While the authors recognize the challenge, no implications are provided for companies active in such sectors.

Lucarelli et al. (2020) also mention that the implementation of the EU Taxonomy framework could be a complex task with many challenges. Especially the enforcement and compliance of the EU Taxonomy may lead to difficulties for all parties involved and may require additional resources. This study sheds further light on these challenges by examining the specific challenges faced by companies when investing according to the EU Taxonomy.

These challenges faced by companies highlight the fact that the EU Taxonomy is not a comprehensive sustainable framework for sustainable investment yet, but rather an emerging initiative for the future of sustainable reporting and finance, which still needs time and experience to develop fully. Therefore, companies and financial institutions should view the EU Taxonomy as an evolving initiative rather than the sole criterion for sustainable investments. Complementary frameworks offered by organizations like IMA and LCMA can provide a more comprehensive approach during this transitional period, as will be discussed in the opportunities section.

Opportunities

Building on the need for a more comprehensive approach to sustainable finance, the EU Taxonomy, despite its limitations, presents a significant opportunity for sustainable actors. Both the regulatory foresight and the market dynamics are providing a favorable outlook for companies seeking to align their investments with sustainable practices. Additionally, utilizing the high quality services of a financial institution can be instrumental for companies gaining a foothold in EU Taxonomy-aligned investments.

Building on the identified motivations and challenges for aligning with the EU Taxonomy, the framework's regulatory foresight holds a significant opportunity for the future of sustainable finance. The findings surrounding the regulatory foresight of the EU Taxonomy depict its potential impact and the interconnectedness between science and the economy. Lucarelli et al. (2020) and Schütze et al. (2020) highlight the prospect of an increase in the scientific literature on sustainability in the last few decades, particularly in areas like sustainable finance products and sustainable practices. This anticipated growth underscores the recognition of sustainability's importance across both scientific and economic spheres, further fueled by the objectives of the European Green Deal in 2030 and 2050 to achieve climate neutrality.

While changes and opportunities regarding the market dynamics of sustainable finance are supported by literature, such as Brühl (2023), they are further validated by data and market reports from research firms specializing in sustainable finance. These reports highlight trends such as increasing investor demand for sustainable finance products and the growing importance of sustainability in investment decisions[2]. These trends were also reflected in the interviews conducted in the study, as participants expressed growing investor interest in sustainable investment opportunities and the complementary use of different sustainable finance products in their investment strategies.

In conclusion, the exploration of motivations, challenges, and opportunities revealed a deep understanding of the experiences and viewpoints of the companies to explore EU Taxonomy-aligned investments. While the quintessence of the findings mostly aligns with existing literature regarding the topic, the study revealed previously unknown details regarding the set of motivations of sustainable companies, challenges encountered in implementing the EU Taxonomy framework, and future opportunities of sustainable finance. This enriched understanding provides valuable insights for practice and theory alike and informs the development of the strategies recommended in this study.

Limitations

While this study aims to provide comprehensive insights into sustainable finance and the supportive strategies of financial institutions, it is important to acknowledge four major limitations inherent in the research design and methodology: sample size, selection bias, subjectivity of the interviews, and social desirability bias.

[2] See, for instance, ING Research & Bloomberg New Energy Finance (2023), which highlights the significant increase in global issuance of sustainable finance products (from €254.4 billion in 2017 to €1,788.4 billion in 2021). Additionally, the range of sustainable finance products has increased significantly, from almost exclusively Green bonds and loans in 2017 to all the sustainable finance products covered already.

Having a limited number of participants runs the risk that the findings may not be representative of the broader population of sustainably investing companies. Whilst all six participants operating in multiple industries broadens the scope of this research, it inherently exposes the risk of reducing its generalizability. This leads to a lack of cross-applicability to other settings or contexts beyond those included in the study (Marshall et al., 2013).

The study's reliance on corporate customers of a single bank may introduce a selection bias, as the participants may not fully represent the range of perspectives present in the corporate clients across different financial institutions. Most of the clients chosen had past experiences regarding sustainable financing with the Collaboration Bank and have a good relationship with it. Additionally, the specific focus on customers may overlook the valuable insights of corporate clients who choose not to engage with collaborative financing initiatives.

Despite efforts to maintain objectivity, the semi-structured interview format inherently introduces subjectivity, as participants may interpret questions differently and respond uniquely depending on the previous flow of the interview. Whilst a flexible approach allows for rich and detailed data collection, it also increases the potential of subjective biases influencing the participants' responses. Moreover, the content analysis is highly subjective to the interpretations of the researcher, which leads to the risk of drawing unfounded conclusions (Palić et al., 2015).

As a final major limitation, a social desirability bias has to be kept in consideration regarding this research, as is the case in most research done in the field of sustainability. The companies may feel compelled to provide responses that align with socially desirable expectations. Participants may be inclined to present their organizations in a more favorable and sustainable light, distorting the accuracy of the data collected.

Recommendations

Building on the reviewed literature and the findings of this study, this section proposes strategic recommendations for financial institutions to support their corporate customers in investing EU Taxonomy-aligned. Those recommendations intend to minimize the challenges presented, capitalize on the opportunities displayed, and leverage the motivations of companies to invest sustainably. Overall, a total of four strategies will be presented: Proactive engagement and advisory support, flexible and incremental alignment progression, financial incentives, and collaboration with regulatory bodies.

Proactive Engagement and Advisory Support

Providing proactive engagement and advisory support is crucial for financial institutions to offer comprehensive advisory services on sustainable finance and improve their Green Asset Ratio in the long run. This involves establishing and expanding on dedicated sustainability advisory teams to provide continuous support and expertise for companies to address their unique requirements and challenges. These teams can support customers in navigating regulatory constraints, identifying sustainable investment opportunities, and integrating sustainability objectives with corporate initiatives. Additionally, financial institutions should offer workshops and training sessions regarding the EU Taxonomy and sustainable finance principles to provide companies with the necessary knowledge for informed investment decisions.

The Collaboration Bank already demonstrates high-quality support for its corporate customers regarding sustainable finance advisory and can expand on this with a proactive engagement strategy. Strengthening its advisory services ensures that the bank remains a relevant and proven financier for companies even before they decide to invest according to the EU

Taxonomy framework. By establishing strong relationships and providing valuable support early on, the bank can position itself as the go-to institution for its customers when they are ready to make EU Taxonomy-aligned investments.

Flexible and Incremental Alignment Progression

Financial institutions should adopt a flexible and incremental alignment progression to help companies transition towards EU Taxonomy-aligned investments. Recognizing that the strict criteria and compliance requirements of the EU Taxonomy can be daunting, companies should have the possibility to start with less demanding sustainable finance frameworks, such as Green or Sustainability-linked loans and bonds. By taking advantage of the current market dynamics, the bank can offer this range of sustainable finance products, while preserving investors' interests in sustainable financing opportunities.

As companies become more familiar and proficient with these initial steps, the bank can support them in incrementally and transparently aligning their investments with the more precise EU Taxonomy criteria. This progressive strategy makes sustainable finance more accessible and builds long-term relationships with corporate customers. Companies that the bank has guided and supported from the beginning are more inclined to continue their relationship once they advance towards full EU Taxonomy alignment, which leads to a consistent flow of sustainable investments for the bank and ultimately a higher Green Asset Ratio.

Financial Incentives

To encourage companies to invest in EU Taxonomy-aligned projects, financial institutions should offer targeted financial incentives. These incentives can be implemented in many possible ways, such as a reduced interest rate, lower fees, or favorable financing conditions for investments aligned with the EU Taxonomy. This would make the adoption of the complex and precise framework more appealing and come with some of the initial cost barriers associated with these investments.

Participant feedback highlighted the importance of financial incentives in motivating sustainable investments and going a step further towards the EU Taxonomy. By providing a financial benefit, the bank can address one of the primary extrinsic motivations and counteract one of the main implementation challenges. This strategy makes EU Taxonomy-aligned investments more attractive for a wider range of companies, regardless of their current level of sustainability.

Collaboration with Regulatory Bodies

The final strategic recommendation for financial institutions is to collaborate with regulatory bodies to stay updated on the latest changes in the EU Taxonomy and provide feedback on the experiences for further improvements. Such collaborations can be employed by establishing partnerships with regulatory and auditory agencies and by participating in sustainable finance forums and working groups. This ensures that the bank is always in compliance with the latest regulations and can provide accurate and up-to-date advice to its customers, whilst providing valuable feedback to regulatory bodies.

Furthermore, by staying ahead of regulatory changes, the bank can proactively adapt its sustainable finance products and services to best support its clients in navigating the evolving EU Taxonomy framework. This interactive strategy on the regulation side strengthens the bank's position as one of the leading financial institutions surrounding sustainable finance in the CEE market.

By implementing these strategic recommendations, financial institutions can gain valuable insights into supporting corporate transitions toward sustainable investments and increase their Green Asset Ratio in the long run. This deeper understanding of the factors influencing the adoption of EU Taxonomy-aligned investments can contribute to a more collaborative and successful sustainable transition for all stakeholders.

Conclusion

This study explored the experiences and viewpoints of companies regarding EU Taxonomy-aligned investments. The qualitative research resulted in three main themes identified. Companies are driven by a set of both intrinsic and extrinsic motivations to adopt sustainable practices and investments. However, the EU Taxonomy in its current iteration presents several challenges regarding the framework and its implementation for companies. Despite these challenges, the research revealed promising opportunities surrounding the EU Taxonomy and sustainable finance in general, such as the regulatory foresight of the sustainable framework, market dynamics in favor of sustainable finance, and the high quality of advisory support of the Collaboration Bank.

Building upon the reviewed literature and the findings of the study, this research proposes four key strategies for financial institutions to support companies in aligning their investments according to the EU Taxonomy. First, proactive engagement and advisory support to provide companies with knowledge and guidance regarding their sustainable investments. Second, a flexible and incremental alignment progression allows companies to transition smoothly into aligning with the complex EU Taxonomy criteria. Third, financial incentives can offset initial costs and make EU Taxonomy-aligned investments more attractive. Fourth, collaboration with regulatory bodies ensures financial institutions stay informed and provide accurate guidance to their clients. Implementing these recommendations can be valuable for practice, providing financial institutions with a set of actionable strategies to enhance their support for companies and increase their Green Asset Ratio in the future.

This research also contributes to the theoretical body of knowledge by expanding on existing concepts and providing a nuanced understanding of the interplay between corporate motivations, implementation challenges, and the evolving landscape of sustainable finance opportunities in the context of EU Taxonomy-aligned investments. Furthermore, the research highlights the critical, yet under-researched role of financial institutions in providing guidance and support to companies to facilitate a sustainable transition.

Future research could explore the long-term impact of EU Taxonomy-aligned investments on companies' sustainable and financial performance and delve deeper into the development of challenges and opportunities identified in this study. Additionally, future research could explore the nuanced relationship between duty-based and goal-based motivations for sustainable practices. Finally, the effectiveness of the recommended strategies for financial institutions could be explored and expanded to enable a more widespread adoption of EU Taxonomy-aligned investments.

Bibliography

Adeoye‐Olatunde, O. A., & Olenik, N. L. (2021). Research and scholarly methods: Semi‐structured interviews. *JACCP: Journal of the American College of Clinical Pharmacy*, *4*(10), 1358–1367. https://doi.org/10.1002/jac5.1441

Auzepy, A., Bannier, C. E., & Martin, F. (2023). Are sustainability‐linked loans designed to effectively incentivize corporate sustainability? A framework for review. *Financial Management*, *52*(4), 643–675. https://doi.org/10.1111/fima.12437

Bell, E., Bryman, A., & Harley, B. (2022). Business research methods. In *Oxford University Press eBooks*. https://doi.org/10.1093/hebz/9780198869443.001.0001

Berrone, P., Fosfuri, A., & Gelabert, L. (2015). Does greenwashing pay off? Understanding the relationship between environmental actions and environmental legitimacy. *Journal of Business Ethics*, *144*(2), 363–379. https://doi.org/10.1007/s10551-015-2816-9

Bloomberg New Energy Finance & ING Research. (2023, August 9). *Big swings in 2023, but global sustainable finance remains in rude health*. https://think.ing.com/articles/big-swings-in-2023-but-global-sustainable-finance-remains-in-rude-health/

Brühl, V. (2023). The Green Asset Ratio (GAR): a new key performance indicator for credit institutions. *Eurasian Economic Review*, *13*(1), 57–83. https://doi.org/10.1007/s40822-023-00224-0

Carroll, A. B. (1979). A Three-Dimensional Conceptual model of Corporate performance. *ResearchGate*. https://www.researchgate.net/publication/303179257_A_Three-Dimensional_Conceptual_Model_of_Corporate_Performance

Coleton, A., Brucart, M. F., Gutiérrez, P., Tennier, F. L., & Moor, C. (2020). Sustainable Finance: Market Practices. *Social Science Research Network*. https://doi.org/10.2139/ssrn.3749454

Directive - 2022/2464 - EN - CSRD Directive - EUR-LEX. (2022). https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464

Driessen, M. (2021). Sustainable Finance: An overview of ESG in the financial markets. In *EBI studies in banking and capital markets law* (pp. 329–350). https://doi.org/10.1007/978-3-030-71834-3_10

Environmental Finance Data. (2022). *Sustainability-linked bonds and loans – Key Performance Indicators (KPIs)* [Report]. https://www.environmental-finance.com/assets/files/research/sustainability-linked-bonds-and-loans-kpis.pdf

Ericsson, K. A., & Lehmann, A. C. (1996). EXPERT AND EXCEPTIONAL PERFORMANCE: evidence of maximal adaptation to task constraints. *Annual Review of Psychology*, *47*(1), 273–305. https://doi.org/10.1146/annurev.psych.47.1.273

European Commission. (n.d.). *EU Taxonomy Navigator*. Retrieved May 24, 2024, from https://ec.europa.eu/sustainable-finance-taxonomy/

EY. (2024). *Technical Line - How the EU's Corporate Sustainability Reporting Directive affects non-EU-based multinationals*. https://www.ey.com/en_us/technical/accountinglink/technical-line-how-the-eus-corporate-sustainability-reporting-directive-affects-non-eu-based-multinationals

George, G., Haas, M. R., McGahan, A. M., Schillebeeckx, S. J. D., & Tracey, P. (2021). Purpose in the For-Profit Firm: A review and framework for management research. *Journal of Management*, *49*(6), 1841–1869. https://doi.org/10.1177/01492063211006450

Groves, K. S., & LaRocca, M. A. (2011). An empirical study of leader ethical values, transformational and transactional leadership, and follower attitudes toward corporate social responsibility. *Journal of Business Ethics*, *103*(4), 511–528. https://doi.org/10.1007/s10551-011-0877-y

Hahnkamper-Vandenbulcke, N. & European Parliamentary Research Service. (2021). Non-financial reporting directive. In *EPRS* (Report PE 654.213). https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/654213/EPRS_BRI(2021)654213_EN.pdf

Havard Business School. (2022, August 23). *6 Types of Sustainable Debt | HBS Online*. Business Insights Blog. Retrieved May 24, 2024, from https://online.hbs.edu/blog/post/types-of-sustainable-debt

Kitto, S., Chesters, J. E., & Grbich, C. (2008). Quality in qualitative research. *Medical Journal of Australia*, *188*(4), 243–246. https://doi.org/10.5694/j.1326-5377.2008.tb01595.x

Kulkarni, S. M. (2015). A review on Intrinsic Motivation: a key to sustainable and effective leadership. In *Rev. Integr. Bus. Econ. Res.* (Vol. 4, Issue 3, pp. 74–76) [Journal-article]. https://buscompress.com/uploads/3/4/9/8/34980536/riber_b15-076__74-88_.pdf

Lucarelli, C., Mazzoli, C., Rancan, M., & Severini, S. (2020). Classification of sustainable activities: EU taxonomy and scientific literature. *Sustainability*, *12*(16), 6460. https://doi.org/10.3390/su12166460

Magaldi, D., & Berler, M. (2020). Semi-structured interviews. In *Springer eBooks* (pp. 4825–4830). https://doi.org/10.1007/978-3-319-24612-3_857

Marshall, B., Cardon, P., Poddar, A., & Fontenot, R. (2013). Does Sample Size Matter in Qualitative Research?: A Review of Qualitative Interviews in is Research. *the Journal of Computer Information Systems/the Journal of Computer Information Systems*, *54*(1), 11–22. https://doi.org/10.1080/08874417.2013.11645667

Metcalf, L., & Benn, S. (2012). Leadership for Sustainability: An evolution of leadership ability. *Journal of Business Ethics*, *112*(3), 369–384. https://doi.org/10.1007/s10551-012-1278-6

Müller, J., Garrison, L., Ulbrich, P., Schreiber, S., Brückner, S., Hauser, H., & Oeltze-Jafra, S. (2021). Integrated Dual analysis of quantitative and Qualitative High-Dimensional data. *IEEE Transactions on Visualization and Computer Graphics*, *27*(6), 2953–2966. https://doi.org/10.1109/tvcg.2021.3056424

Palić, M., Ph. D., Vignali, C., Ph. D., Hallier, B., Ph. D., Stanton, J. L., Ph. D., & Radder, L., D. Comm (Eds.). (2015). International Journal of Sales, Retailing and Marketing. In *International Journal of Sales, Retailing and Marketing* (Vol. 4, Issue 9) [Journal-article]. Access Press UK. https://www.circleinternational.co.uk/wp-content/uploads/2021/01/IJSRM4-9.pdf#page=57

Pástor, Ľ., Stambaugh, R. F., & Taylor, L. A. (2021). Sustainable investing in equilibrium. *Journal of Financial Economics*, *142*(2), 550–571. https://doi.org/10.1016/j.jfineco.2020.12.011

Primec, A., & Belak, J. (2022). Sustainable CSR: legal and managerial demands of the new EU Legislation (CSRD) for the future corporate governance practices. *Sustainability*, *14*(24), 16648. https://doi.org/10.3390/su142416648

RBI. (2021a). EU Taxonomy aligned financing. In *www.rbinternational.com*. https://www.rbinternational.com/content/dam/rbi/ho/institutions/our-solutions/sustainable-solutions/Product%20Sheet%20EU%20Taxonomy%20aligned%20financing.pdf.coredownload.pdf

RBI. (2021b). KPI-Linked Loan-Highlights. In *www.rbinternational.com*. https://www.rbinternational.com/content/dam/rbi/ho/institutions/our-solutions/sustainable-solutions/Product%20Sheet%20KPI%20linked%20financing.pdf.coredownload.pdf

Rebai, S., Azaiez, M. N., & Saïdane, D. (2012). Sustainable Performance Evaluation of Banks using a Multi-attribute Utility Model: An Application to French Banks. *Procedia. Economics and Finance*, *2*, 363–372. https://doi.org/10.1016/s2212-5671(12)00098-6

Ryszawska, B. (2016). Sustainability transition needs sustainable finance. *Copernican Journal of Finance & Accounting*, *5*(1), 185. https://doi.org/10.12775/cjfa.2016.011

Schütze, F., Stede, J., Blauert, M., & Erdmann, K. (2020). EU taxonomy increasing transparency of sustainable investments. *DIW Weekly Report*, *10*(51), 485–492. https://doi.org/10.18723/diw_dwr:2020-51-1

S&P Global. (2021). *A Short Guide to the EU's Taxonomy Regulation*.

Treharne, G. J., & Riggs, D. W. (2015). Ensuring quality in qualitative research. *Qualitative research in clinical and health psychology*, 2014, 57-73.

Appendix

Appendix A: Information Sheet

INFORMATION SHEET

Title Study: Advancing Sustainable Finance: Strategies for Financial Institutions to Support Companies in EU Taxonomy-Aligned Investments

Dear Participant,
Thank you for your interest in participating in this research. This letter explains what the research entails and how the research will be conducted. Please take time to read the following information carefully. If any information is not clear kindly ask questions using the contact details of the researchers provided at the end of this letter.

WHAT THIS STUDY IS ABOUT?
This research study aims to investigate the strategies employed by financial institutions to support companies in aligning their investments with the EU Taxonomy for sustainable activities. In total, there will be five to ten participants. You have been included to participate in this study because of your expertise or experience in the financial sector.

WHAT DOES PARTICIPATION INVOLVE?
Participation in this study involves a semi-structured interview session, where you will be asked questions related to your experiences and perspectives on sustainable finance and EU Taxonomy-aligned investments. The interview is expected to take approximately 30-60 minutes.

DO YOU HAVE TO PARTICIPATE?
Participation in this study is entirely voluntary.

ARE THERE ANY RISKS IN PARTICIPATING?
No.

ARE THERE ANY BENEFITS IN PARTICIPATING?
No.

HOW WILL INFORMATION YOU PROVIDE BE RECORDED, STORED AND PROTECTED?
All information provided by participants will be recorded anonymously and stored securely. Only the researchers involved in the study will have access to the data, and all data will be stored in accordance with GDPR regulations and the University of Groningen.

WHAT WILL HAPPEN TO THE RESULTS OF THE STUDY?
The results of the study will be used for academic purposes, including the completion of a research dissertation. Findings may also be disseminated through publications and presentations at academic conferences.

ETHICAL APPROVAL
This research study has obtained ethical approval from the Campus Fryslân Ethics Committee. The researchers will adhere to all relevant ethical standards throughout the study.

INFORMED CONSENT FORM
Please read and sign the attached informed consent form to indicate your intention to participate in the study.

WHO SHOULD YOU CONTACT FOR FURTHER INFORMATION?
Sebastian Weinberger - s.weinberger@student.rug.nl

Appendix B: Informed Consent Form

INFORMED CONSENT FORM

Title study: Advancing Sustainable Finance: Strategies for Financial Institutions to Support Companies in EU Taxonomy-Aligned Investments

Name participant:

Assessment

- I have read the information sheet and was able to ask any additional questions to the researcher.
- I understand I may ask questions about the study at any time.
- I understand I have the right to withdraw from the study within one week after the interview without giving a reason.
- I understand that at any time I can refuse to answer any question without any consequences.
- I understand that I will not benefit directly from participating in this research.

Confidentiality and Data Use

- I understand that none of my individual information will be disclosed to anyone outside the study team and my name will not be published.
- I understand that the information provided will be used only for this research and publications directly related to this research project.
- I understand that data (consent forms, interview transcripts) will be retained on the Google Drive of the University of Groningen server for 5 years, in correspondence with the university GDPR legislation. Recordings will be deleted on August 1st, 2024.

Future involvement

- I wish to receive a copy of the scientific output of the project. yes/ no

Having read and understood all the above, I agree to participate in the research study: yes / no

Date:

Signature:

To be filled in by the researcher:

- I declare that I have thoroughly informed the research participant about the research study and answered any remaining questions to the best of my knowledge.
- I agree that this person participates in the research study.

Date:

Signature: