

UC Berkeley

UC Berkeley Electronic Theses and Dissertations

Title

The Role of Socially Responsible Investment in Global Environmental Governance: A Critical Discourse Analysis

Permalink

<https://escholarship.org/uc/item/3wb4h083>

Author

Kusumi, Noriko

Publication Date

2022

Peer reviewed|Thesis/dissertation

The Role of Socially Responsible Investment in Global Environmental Governance:
A Critical Discourse Analysis

By

Noriko Kusumi

A dissertation submitted in partial satisfaction of the

Requirements for the degree of

Doctor of Philosophy

In

Environmental Science, Policy, and Management

in the

Graduate Division

of the

University of California, Berkeley

Committee in charge:

Professor Katherine O'Neill, Chair

Professor Alastair Iles

Professor Christine Rosen

Fall 2022

Abstract

The Role of Socially Responsible Investment in Global Environmental Governance:
A Critical Discourse Analysis

By

Noriko Kusumi

Doctor of Philosophy in Environmental Science, Policy, and Management

University of California, Berkeley

Professor Katherine O'Neill, Chair

Purpose

The role of SRI as a private regime is under-studied, and the significance of its structural and discursive effect on global environmental governance is under-theorized. This dissertation aims to theorize the practical and political impact of socially responsible investment (SRI) in global environmental governance. The research assumes that SRI is becoming a powerful transnational institution that influences corporate activities and public discourse on sustainability while creating social and ecological value and knowledge within the conventional financial paradigm. The research hypothesizes that SRI would not only directly impact corporate and environmental practice and behavior (i.e., practical influence) but also implicitly define and disseminate how global financial markets measure ecological and social value and possibly construct an informal regime that shapes the norms and standards of sustainability (i.e., political/discursive influence).

Methods

The research engages in process tracing to unpack a complex interaction in the causal mechanism of the regime impact. The study frames SRI as an emerging private regime in global environmental governance (GEG). It defines the regime's 'site' (area of governance) and 'mode' (enforcement mechanism) to analyze how SRI institution functions to regulate globalized environmental problems and how they evolved over the past decades. Critical discourse analysis is used to evaluate the emerging sustainability value among the standard setters and practitioners and to present the causal linkage between the change in the financial market landscape and sustainability value. The analysis utilizes primary sources (e.g., company reports, industrial journals, marketing materials, accounting documents, journalistic articles) and academic papers in the field of business and finance (e.g., business ethics and sustainable finance) to evaluate how norms and values are constructed and reflected in the regime practices.

Findings

The research finds that the rise of the fiduciary institution in the 1990s (fiduciary capitalism) and the associated norm and rules on fiduciaries shaped the ‘site’ of the modern SRI. Along with site change, the regime mode (the norm, value, and practice) shifted its focus from the ecological and moral value to the financial outcome, reflecting the interest of fiduciary institutions. It creates incoherency between the sustainability rhetoric and enforcement practice within the regime, which produces systemic constraints in the enforcement mechanism and ultimately impacts the regime’s net results.

Implications/Contributions

The research contributes a case study to understand why market mechanisms have been far less successful than their proponents argue yet persist as influential governance institutions. Using the case of SRI, this research provides a theory to explain the systemic constraints in the current dominant GEG paradigm. It also offers a redefinition of “*responsibility*” as in “socially responsible investment” to prevent the terms from becoming an empty source of justification.

Table of Contents

LIST OF TABLES	III
LIST OF FIGURES	IV
LIST OF ABBREVIATIONS	V
ACKNOWLEDGEMENTS	VI
CHAPTER 1. INTRODUCTION	1
1-1. INTRODUCTION TO THE TOPIC	1
1-2. RESEARCH PURPOSES AND GOALS	2
1-3. RESEARCH QUESTIONS AND HYPOTHESIS	3
1-4. RESEARCH METHODOLOGY AND STRATEGY	4
1-5. OUTLINE OF THE DISSERTATION	6
CHAPTER 2. SOCIALLY RESPONSIBLE INVESTMENT AS A GLOBAL ENVIRONMENTAL GOVERNANCE REGIME	7
2-1. INTRODUCTION	7
2-2. THEORETICAL BACKGROUND	7
2-3. SRI REGIME FORMATION IN THE CONTEXT OF GLOBAL ENVIRONMENTAL GOVERNANCE	9
2-3-1. GLOBALIZATION AND DEMAND FOR GEG	9
2-3-2. PRIVATIZATION AND MARKETIZATION OF GLOBAL GOVERNANCE	10
2-4. SRI AS A GLOBAL GOVERNANCE REGIME	12
2-4-1. DEFINING SRI AS A GLOBAL GOVERNANCE REGIME	12
2-4-2. SITE	13
2-4-3. MODES	14
2-5. ACTORS' NETWORKS IN THE SRI REGIME INSTITUTION	17
2-5-1. NORM CREATION AND STANDARD-SETTING	19
2-5-2. ADVISING AND MONITORING SERVICES	20
2-5-3. ENFORCEMENT	21
2-5-4. INFORMATION MEDIA	22
2-6. CONCLUSION	22
CHAPTER 3. THE EMERGING VALUES AND PRACTICES IN THE SRI NETWORK	24
3-1. INTRODUCTION	24
3-2. EVOLVING NORM AND VALUE IN SRI	24
3-2-1. THE TRADITIONAL SRI	24
3-2-2. THE MODERN SRI	26
3-2-3. FROM SRI TO ESG	29

3-3. DRIVERS OF EMERGING VALUE – CHANGES IN THE REGIME SITE	31
3-3-1. FIDUCIARY CAPITALISM AND MAINSTREAMING SRI	31
3-3-2. THE FIDUCIARY DUTY OF MAINSTREAM INVESTORS	31
3-4. CHARACTERISTICS OF EMERGING SRI PRACTICES – CHANGES IN THE REGIME MODE	34
3-4-1. THE “ <i>DOING WELL BY DOING GOOD</i> ” HYPOTHESIS	35
3-4-2. ESG RATING AND CSP EVALUATION	38
3-4-3. FINANCIAL MATERIALITY	44
3-5. CONCLUSION	53
CHAPTER 4. POLITICAL IMPACTS ON REGIME FORMATION	55
<hr/>	
4-1. INTRODUCTION	55
4-2. ANALYTICAL FRAMEWORKS	55
4-2-1. THE NEO-GRAMSCIAN NARRATIVE OF CAPITALIST HEGEMONY	56
4-2-2. FOUCAULDIAN THEORY OF GOVERNMENTALITY	57
4-2-3. HAJER’S ENVIRONMENTAL DISCOURSE ANALYSIS	58
4-3. REGIME FORMATION – HOW REGIME IS CONSTRUCTED	58
4-3-1. STAKEHOLDER THEORY	59
4-3-2. CORPORATE CITIZENSHIP	65
4-3-3. SUSTAINABLE DEVELOPMENT – SRI AS NEO-LIBERAL PRIVATIZATION PROJECT	67
4-3-4. POLITICAL FUNCTION OF STORY-LINES IN THE REGIME FORMATION	70
4-4. POLICY OUTCOME – HOW THE REGIME IS MAINTAINED	72
4-4-1. PERFORMATIVITY OF CSP-FP ASSUMPTION	73
4-4-2. GOVERNMENTALITY OF FINANCIAL MATERIALITY	74
4-4-3. GOVERNMENTALITY OF CSP STANDARDIZATION AND BENCHMARKING	75
4-4-4. POLICY OUTCOMES	77
4-5. CONCLUSION	77
CHAPTER 5. CONCLUSION	79
<hr/>	
5-1. INTRODUCTION	79
5-2. RESEARCH SUMMARY	79
5-2-1. SUB-Q1: <i>HOW DOES SRI FUNCTION AS GEG REGIME?</i>	81
5-2-2. SUB-Q2: <i>HOW HAVE THE SUSTAINABILITY NORMS AND PRACTICES EVOLVED WITHIN THE SRI NETWORK?</i>	81
5-2-3. SUB-Q3: <i>WHAT ARE THE PRACTICAL AND POLITICAL CONSEQUENCES OF THE CHANGE IN SUSTAINABILITY NORMS?</i>	82
5-3. THEORETICAL DISCUSSIONS ON THE RESEARCH QUESTIONS	82
5-3-1. Q1: PRACTICAL EFFECT	82
5-3-2. Q2: POLITICAL EFFECT	82
5-4. RESEARCH IMPLICATIONS	84
5-4-1. FOR INTERNATIONAL POLITICAL ECONOMY & THE ENVIRONMENT	84
5-4-2. FOR BUSINESS ETHICS	85
5-5. FUTURE DIRECTIONS	85
5-6. CONCLUDING THOUGHTS	86
BIBLIOGRAPHY	88
<hr/>	

List of Tables

Table 1-1: Process-tracing: Causal chain of SRI regime effect in GEG.....	5
Table 2-1: Mapping of actors in the SRI regime	18
Table 3-1: The UN PRI Six Principles	29
Table 3-2: Definition of Materiality – Financial information.....	32
Table 3-3: Rationales for positive CSP-FP relationship.....	36
Table 3-4: Rating firms consolidation map	40
Table 3-5: Example of ESG Key Performance Indicators used in rating firm	42
Table 3-6: Example of letter rating mapping	42
Table 3-7: Definition of financial materiality of non-financial information	45
Table 3-8: SASB Materiality Map™ of selected sectors.....	47
Table 3-9: CSR reporting and Materiality reporting.....	48
Table 3-10: Responsibility and financial return.....	52
Table 3-11: CSP evaluation standards and criteria	53
Table 4-1: Stakeholder categorization	61
Table 4-2: Two contrasting views of SRI.....	71
Table 5-1: Process-tracing results – Causal chain of SRI regime effect.....	80

List of Figures

Figure 3-1: Total asset held by socially responsible investors in the United States	30
Figure 3-2: Increase in ESG data consumption	39
Figure 3-3: Focus on material ESG issues derives greater return.....	49
Figure 3-4: Financial Materiality matrix for pharmaceuticals industry	50
Figure 3-5: Materiality Matrix – Unilever	51
Figure 4-1: Stakeholder typology by Mitchell et al. (1997, 2018)	61
Figure 4-2: Inconsistency in the concept of Stakeholder theory.....	64
Figure 4-3: Inconsistency in the concept of Corporate Citizenship theory	67
Figure 4-4: Inconsistency in the concept of Sustainable Development	69

List of Abbreviations

AUM	Assets Under Management
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
ESG	Environmental, Social, and Corporate Governance
FI-SM	Financially Immaterial but Socially Material
FP	Financial Performance
FM	Financial Materiality
GEG	Global Environmental Governance
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board
IGNs	Investor-Driven Governance Networks
IPE	International Political Economy
IPEE	International Political Economy & the Environment
MNCs	Multinational Corporations
MPT	Modern Portfolio Theory
NGOs	Non-Governmental Organizations
SASB	Sustainable Accounting Standard Board
SRI	Socially Responsible Investment
UN PRI	The United Nations Principles for Responsible Investment
UNEP FI	The United Nations Environment Programme Finance Initiative
US SIF	The U.S. Forum for Sustainable and Responsible Investment (The former U.S. Social Investment Forum)

Acknowledgements

I'd like to express my gratitude to a wide range of people I have been privileged to work with throughout my Ph.D. at the University of California, Berkeley.

My most profound appreciation goes to Professor Kate O'Neill, my primary advisor and mentor, for carefully monitoring my progress, providing invaluable guidance and encouragement, and being there for me whenever I needed her help. I would also like to express my deepest appreciation to Professor Alastair Iles for being part of my dissertation committee and qualifying exam committee chair. The field of study he introduced me to in the exam process became the core part of this dissertation and my future academic interest, and I look forward to further pursuing my work around the study area. Professors O'Neill and Iles inspired me to articulate my long-standing question into a theory, and I am incredibly grateful for it. I am deeply indebted to their tremendous support throughout my doctoral studies.

I would also like to extend my special thanks to three other faculty members who guided me to work toward a Ph.D. I had the privilege of receiving insight from Professor Christine Rosen at Haas Business School, who served as my dissertation committee member with her knowledge and expertise in corporate social responsibility. I am also grateful to Professor Rachel Morello-Frosch for serving on my qualifying exam committee and helping me acquire environmental health and justice knowledge and skills. I also want to thank Professor Dara O'Rourke, my former advisor, who granted me the invaluable opportunity to study and work in the Department of Environmental Science, Policy, and Management.

I cannot fail to thank Dr. Kurt Spreyer and Dr. Kenneth Worthy, who made my instructor experiences fruitful. Teaching environmental justice was a significant part of my Ph.D. life and will be in my future career. I am highly grateful for the opportunity to work with these two esteemed scholars.

I would also like to express my heartfelt gratitude to our tireless department officers, Roxanne Helgar, Bianca Victorica, and Ryann Madden, for their assistance throughout my Ph.D. They not only provided effective technical assistance in the department processes but also made the departmental service more accessible and accommodating. I am very thankful for their considerate support.

My lab mates, office mates, and teaching mates are all appreciated for the fun times we had working and socializing together. I'd like to thank everyone who has been there for me emotionally and intellectually and for being such a wonderful group of people.

Last but not least, an honorable mention goes to my parents for their unconditional support and motivation. I thank my father, who passed away fifteen years ago, for his moral legacy of social justice and ecological conservation that I inherited. I'm blessed to have my mother, who has always been my best friend regardless of the remote living location.

Chapter 1. Introduction

1-1. Introduction to the topic

Over the past decades, market mechanisms and financial schemes have increasingly taken a central role in global governance and sustainable development. Emerging factors – such as the global market expansion, the rise of multinational corporations and their social and environmental impact, and international governance deficits – have raised a demand for various private governance mechanisms to promote corporate social responsibility (CSR). Companies are increasingly under pressure to maximize quarterly earnings and to report on their financial results at shorter intervals (Wright 2013), which can undermine sustainable development (Clapp and Helleiner 2012; Schmidheiny 1996) and the prospects for long-term environmental planning (Scholte and Schnabel 2002). Creating market incentives for voluntarily undertaking sustainable initiatives and behaviors, including industrial self-regulation, information disclosure, corporate sustainability rating, and environmental management certifications, is widely considered to enhance positive incentives and flexibility for actors to resolve market failures and fill the regulatory vacuum.

Socially responsible investment (SRI) is now an important part of these market-based mechanisms. SRI enforces environmental and social policies and standards through company performance screening, portfolio management (inclusion/exclusion), and shareholder engagement, based on the environmental, social, and corporate governance (ESG) values that shareowners hold. By executing their rights of ownership, investors are capable of altering the cost of capital of the companies they finance (i.e., creating financial risks and benefits) and thereby putting pressure for improved corporate behavior (Richardson 2013b; Kurtz 2008; Baker and Nofsinger 2012). Today, SRI covers a large range of environmental and social causes and issues, including carbon emissions, raw material sourcing, electric waste, land use, and much more. In this context, the financial industry is in a unique position to surrogate transnational public policy, and the SRI movement has the potential to be very influential on many stakeholders (Kinder 2005; Fung 2010; Sparkes 2003; Delmas 2009). By influencing a company's business decisions through ownership stakes by selecting capital allocation with the value they hold, the financial sector is capable of being an institution that influences corporate activities and public discourse on sustainability by creating and disseminating its own standards and measurements (Baker and Nofsinger 2012; Rada and Trisoglio 1992).

The SRI market has grown remarkably in the assets under management and the diversity of participants in the past three decades. The size of the U.S. sustainable investment universe rapidly grew from \$639 billion in 1995, when the U.S. Forum for Sustainable and Responsible Investment (US SIF) first measured it, to over US\$17.1 trillion as of 2020 (US SIF 2020). The most dominant asset managers, asset owners, investment banks, index brands, and accounting firms are among

those leading the move. Important players in this field also include sustainability standard setters and rating firms who standardize ESG practices and performance measurement across the industrial sectors. The US SIF (2019) identified at least 365 money managers and 1,145 community investing institutions that incorporate ESG criteria into their investment analysis and decision-making processes in the United States. As the innovative concept and practices of sustainable finance, such as SRI, have proliferated in the past decades, a debate has increased over whether these sorts of measures will make a substantial difference in terms of the global financial sector's impact on sustainability (Newell and Paterson 2010).

In 2018, Laurence Fink, founder and chief executive of the investment firm BlackRock, made a statement to business leaders that they need to commit to sustainable business practices if they want to receive his company's support. BlackRock manages more than \$7 trillion in investments through 401(k) plans, exchange-traded funds, and mutual funds, making it the largest investor in the world. BlackRock has an outsize influence on whether directors are voted on and off boards (BlackRock 2018; Sorkin 2018). Fink's letter to CEOs in 2020 added that BlackRock would be increasingly disposed to vote against management and board directors when they are not making enough progress on sustainability-related disclosures and initiatives. He claimed, "awareness is rapidly changing, and I believe we are on the edge of a fundamental reshaping of finance" (Novick and Fink 2020, cited in Tysiac 2020).

As a public-private partnership to promote SRI, The United Nations Principles for Responsible Investment (UN PRI) was launched in 2006 to advocate that institutional investors incorporate non-financial factors, as known as environmental, social, and corporate governance (ESG) factors, into their investment decisions and thereby contribute to international conventions and voluntary guidelines and principles (Cadman 2012). The UN PRI proposal has attracted signatories from the world's largest asset owners and investment managers, including pension funds and sovereign funds. By July 2020, its supporters comprised more than 3000 signatories with over US\$100 trillion in assets under management (AUM) (UN PRI n.d.). UN PRI proclaims that the generation of long-term sustainable returns depends on well-governed social, environmental, and economic systems, and correctly priced social, environmental, and economic risks (UN PRI n.d.).

Considering the involvement of the most powerful economic institutions and inter-governmental organizations, in addition to the growing size of assets under management and the diverse proponents, SRI is arguably becoming a powerful transnational network that potentially creates economic, social, and environmental value and knowledge, reflecting the conventional financial paradigm dominating economic policy and corporate governance (Sun et al. 2011; Helleiner 2011).

1-2. Research purposes and goals

Despite the growing scale of the SRI network, however, little empirical research exists to document its asserted positive influence on ecological and social outcomes (Capelle-Blancard and Monjon 2012; Ferreira et al. 2016; Yan et al. 2019; Ye et al. 2020). Some critics point out the difficulty of tracking and evaluating the environmental consequences of complex financing arrangements and obscured social responsibilities because of the distant causal connections between financial decision-making and environmental outcomes (Richardson 2008a; Moulier-

Boutang 2011; Weber 2014). Others express concern that the net result is merely reinforcing the global system of production and consumption without making the hard choices necessary to deal with the rising total environmental costs of global financing (Clapp and Dauvergne 2011; Johnston et al. 2019; Amaeshi et al. 2013).

O’Neill (2017) considers that one of the major contributions of political-economy-based analysis of private governance is understanding why market mechanisms have been far less successful than their proponents argue yet persist as influential governance institutions. This research adds an important case study and causal analysis to understand such a puzzle, associating the daily practice of the financial sector with the global sustainability discourse, as elaborated in the following sections.

1-3. Research questions and hypothesis

The role of SRI as a private regime is under-studied, and the significance of its structural and discursive effect on global environmental governance is under-theorized. This dissertation aims to theorize the practical and political effect of SRI in global environmental governance.

The first question is about its **practical effect**, “*How does SRI, as a private global governance regime, contribute to mitigating the negative externalities (i.e., adverse environmental and social impacts) of multinational corporations across transnational borders?*”

The second question, which seeks the **political effect** of the regime, is “*How does SRI shape the normative value and standards of responsible corporations and ESG performance measurement?*”

To address these overarching questions, the research will take three steps of inquiry:

Sub-Q1: *How does SRI function as GEG regime?*

The research analysis starts by framing SRI as an emerging private regime in global environmental governance (GEG) to evaluate how SRI institution functions to regulate globalized environmental problems. It applies definitions of global environmental governance and regime in literature. For example, Krasner (1983, 2) defines international regimes as “sets of principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area of international relations.” Similarly, Keohane and Nye (1977, 19) view regimes as “sets of governing arrangements that include networks of rules, norms, and procedures that regularize behavior and control its effects.” Young (1994) suggests that an international environmental regime forms in the process of international institutions (1) giving rise to social practices, (2) assigning roles, and (3) governing interactions to address situations of ecosystem degradation. This research also uses the framework of *sites* (areas of governance) and *modes* (norm and practice) of global environmental governance (O’Neill 2017) to identify the components that are responsible for shaping the institution.

Sub-Q2: *How have the sustainability norms and practices evolved within the SRI network?*

The second question addresses the process of institutional change (regime site and mode – actors, principles, and practices), which would impact regime outcomes. The research conducts a close observation on the development in the site and mode because, as Krasner claims, principles and norms provide the essential defining characteristics of a regime, and “if the principle, norms, rules, and decision-making procedures of a regime become less coherent, or if the actual practice is increasingly inconsistent with principles, norms, and procedure, then a regime has weakened (Krasner 1983, 5).” Importantly, this question is also concerned with the political power that originated the changes in the regime. Keohane (1984, cited in Young 1986) highlights that the presence of dominant power is of great importance to the initial formation of regimes and the maintenance of institutional arrangements over time.

Sub-Q3: *What are the practical and political consequences of the change in sustainability norms?*

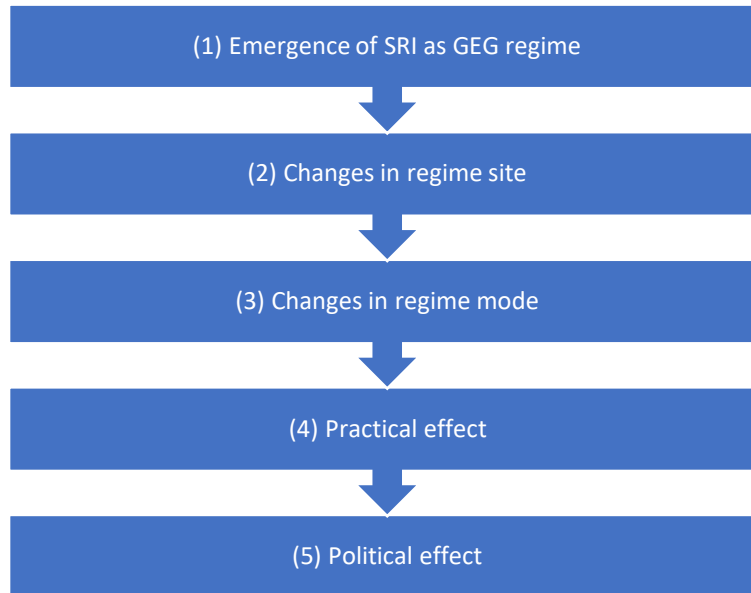
The research hypothesizes that SRI would not only directly impact corporate and environmental practice and behavior (i.e., practical influence), but also implicitly define and disseminate how global financial markets measure environmental and social value and possibly construct an informal regime that shapes the norms and standards of sustainability (i.e., political/discursive influence). For this analysis, the Gramscian theory of *hegemony* and Foucauldian theory of *governmentality* help draw the answers to the research questions – practical and political effects of the SRI regime – by delineating the emergence of neoliberal governmental rationality and discourse institutionalization. These concepts problematize hegemonic power that reinforces the ideology of market liberalism in forming environmental governance regimes (O'Neill 2017; Bührmann 2005).

1-4. Research methodology and strategy

To address the above research questions, this study uses process tracing to establish the causal chain and mechanism underlying the SRI regime. The process-tracing approach is generally understood as a method to unpack a complex system that produces an outcome by interacting with a number of parts (Glennan 1996). George and Bennett (2005, 206) define process tracing as a method that “identifies the intervening causal process – the causal chain and causal mechanism – between an independent variable (or variables) and the outcome of the dependent variable.” Beach and Pedersen (2013) add that process-tracing case studies should be presented as a step-by-step test of each part of a theorized causal mechanism. Process tracing in this research employs an interpretive approach by drawing on concepts from International Political Economy (IPE).

Accordingly, this study involves subsets of methodologies to collect evidence through primary and secondary sources review and conduct critical discourse analysis to identify and frame independent and dependent variables to draw a causal chain and mechanism among them. Table 1-1 shows the flow of process tracing – (1) to (5) – in this research.

Table 1-1: Process-tracing: Causal chain of SRI regime effect in GEG



(1) SRI functions as GEG regime

It describes how SRI emerged as GEG regime by providing its developing enforcement mechanisms and growing participant actors, scale, and legitimacy, utilizing a primary and secondary source of information.

(2) Changes in the regime site

The evolution in the financial market – the rise of *fiduciary capitalism* – has also been well documented and theorized in academic literature, particularly by Monks (1995) and Hawley and Williams (1997). I use both primary and secondary literature sources to demonstrate the dynamics of the market evolution in the United States in the past 40 years as the cause of changes in market demography, business-shareowner relationship, and fiduciary concept led to mainstreaming SRI and the new sustainability ideology.

(3) Changes in the regime mode

Critical discourse analysis is used to evaluate the emerging sustainability value among the standard setters and practitioners and to present the causal linkage between the change in the financial market landscape and sustainability value. The analysis utilizes primary sources (e.g., business reports, industrial journals, marketing materials, accounting documents, journalistic articles, NGO reports) and academic papers in the field of business and finance (e.g., CSR, business ethics, sustainable finance) to evaluate how the emerging sustainability norms are reflected in business conducts.

(4) Practical effect & (5) Political effect

Based on the findings from the critical evaluation of the site and mode from (1) to (3), it finally attempts to establish the causal relation between its political effect (governmentality of the market-

led sustainability notion in the SRI regime) and its practical effectiveness (the functional limitation due to systemic exclusion of ecological and social justice factors).

1-5. Outline of the dissertation

The dissertation is comprised of five chapters, including this introductory chapter.

Chapter 2 mainly addresses **Sub-Q1: *How does SRI function as GEG regime?*** It aims to establish the context of the thesis by providing the theoretical frame, illustrating the concerning phenomenon, and defining the key terms and concepts. As the first stage of process tracing, this chapter builds an assumption that SRI is an emerging governance regime that brings in new actors and new types of decision-making processes to global environmental governance.

This chapter introduces the field of International Political Economy & the Environment (IPEE) as the primary theoretical approach. It then frames SRI as a governance regime and illustrates the characteristics of the SRI regime by using the framework of “sites (area of governance)” and “modes (enforcement mechanism)” (O’Neill 2017), which helps analyze a specific regime by breaking down its components.

Chapter 3 discusses **Sub-Q2: *How have the sustainability norms and practices evolved within the SRI network?*** It elaborates on the changes in regime site and mode and investigates the process of shaping the discourse of sustainability within the regime institution. It argues that fiduciary capitalism was a significant driver of mainstreaming SRI by illustrating how the effect of fiduciary capitalism reflects in the norms and practices. The chapter illuminates the systemic pattern of exclusion due to the measurement and screening system under the fiduciary norms and rules.

Based on the definition and framing of SRI as a private regime, **Chapter 4** undertakes **Sub-Q3: *What are the practical and political consequences of the change in sustainability norms?*** It applies critical discourse analysis based on neo-Gramscian and Foucauldian approaches to the regime site and mode observed in Chapter 3. It discusses how the regime is possibly weakened as the financialization of environmental and social factors becomes legitimized and normalized.

Chapter 5 concludes the two main questions in this dissertation – the practical and political effect of socially responsible investment in global environmental governance. It summarizes research results and discusses research implications. It concludes with research contributions and future research suggestions.

Chapter 2. Socially responsible investment as a global environmental governance regime

2-1. Introduction

This chapter aims to establish a context of the thesis by describing the concerning governance issues, providing theoretical frameworks, and defining the key terms and concepts for the analysis. As a first stage of process tracing, this chapter builds an argument to set an assumption that socially responsible investment (SRI) is an emerging governance regime that brings in new actors and new types of decision-making processes to the global environmental governance (GEG).

The chapter is composed of four subsections. The first section introduces the field of International Political Economy & the Environment (IPEE) as the primary theoretical approach used in this research to study the formation and impact of SRI (2-2). The second part outlines the global political environment and governance challenges by discussing the process of economic globalization, the rise of multinational corporations, and the escalating global governance deficit, which drove the privatization of environmental governance (2-3). The third section explains how SRI works as a governance regime to surrogate public governance in response to globalized environmental issues and international governance deficit (2-4). It illustrates the characteristics of the SRI regime by using the framework of “sites (area of the governance)” and “modes (enforcement mechanism)” (O’Neill 2017). The last section describes the role of diverse participants involved in the regime implementation, and how they work as network in the SRI regime institution (2-5).

2-2. Theoretical background

- International political economy and the environment

This research project analyzes the role of SRI in global environmental governance (GEG) by applying the perspective of international political economy & environment (IPEE). International political economy (IPE) challenges the centrality of the nation-state in international politics. It assumes the forces of global capital as a dominant factor that shapes a hierarchical international system. IPE literature examines broader global economic structures and processes and their power relationships. It suggests that global economic actors, such as multinational corporations, investors, and international economic organizations, play a critical role in shaping global norms and governance regimes in both direct and indirect ways through their engagement with global policy processes (Levy and Newell 2005; Newell 2012; Clapp and Dauvergne 2011). The field of IPEE extends this foundational theory to promote our understanding of the ecological dimensions of

international political economy, particularly the ecology-economy relationship increasingly governed by international economic actors (Clapp and Helleiner 2012). IPEE literature applies the perspective of power politics to environmental outcomes. It considers that international forms of global environmental governance disproportionately serve the interests of the wealthy capitalist nations and the economic actors they depend on, creating a particular form of “*global hegemony*” (O’Neill 2017).

In the 1990s, IPEE scholars started recognizing that the center of gravity in GEG is shifting to powerful non-state actors, including global civil society, multinational corporations, and financial institutions (Robinson 2001; A. Gilpin 2000; Cutler et al. 1999). The business sector pursues political activities as a private governance authority, shaping rules and norms through forming self-regulations, voluntary initiatives, or public-private partnerships. A growing number of IPEE studies focus on the systemic impact of financial sectors, such as institutional investors (Thistlethwaite 2011), the credit rating (Sinclair 2014), and the U.S. Securities and Exchange Commission (SEC) (Wright 2013). These studies suggest that further work should demonstrate how financial practices generate political impact in ways that have an environmental impact. Specifically, with its capacity to mobilize savings toward different innovations, production, and consumption, the financial sector is undoubtedly in a position to influence the environmental soundness of resource allocations (Baker and Nofsinger 2012; Rada and Trisoglio 1992; Helleiner 2011).

For example, Thistlethwaite (2011) explores the political drivers and motivations implicated in the accounting standards of the International Accounting Standards Board (IASB). The IASB coordinates business accounting practices by developing accounting standards for over 130 countries that define the measurement of publicly-listed firms’ environmental performance. The accounting technicalities set by IASB generate an informal regime that directs environmental value in the global financial markets. Wright (2013) theorized how finance impacts the environment while significantly sustaining the global economy by mobilizing capital for industrial activities. He suggested that those influences could be categorized into three features: systemic, institutional, and instrumental. First, “Systemic impacts” indicate the volatility of the global markets that encourage investors to adopt shorter investment time horizons when making investment decisions. This short-term focus can undermine the prospects of long-term environmental planning (Wright 2013; Schmidheiny 1996; Scholte and Schnabel 2002). Secondly, “Institutional impacts” indicate that financial regulations (e.g., international financial accounting standards, fiduciary laws, and carbon market mechanisms) affect how companies report their environmental impacts to shareholders and the investment community. These will influence corporate environmental management practices and whether and how investors account for environmental impacts when attributing value to financial assets, such as company stock. Thirdly, “Instrumental impacts” refer to the financial sector’s influence through company ownership stakes.

Those financial actors are the leading players in the SRI network, which suggests that the structural impact of SRI on the environment and other stakeholders deserves more scrutiny from the IPEE perspective. With the global economic convergence, growing asset size under the management, and the diverse participants, SRI is an influential transnational network that creates economic, social, and environmental value and knowledge, reflecting the conventional financial paradigm dominating economic policy and corporate governance. It is most likely that the potential impacts

of private financial decision-making on the broader ecosystem are more significant and systematic than choices and actions made by the United Nation's agencies or non-governmental organizations (Bose, Dong, and Simpson 2019). Thus, SRI could have much larger political power than it appears just as the submerged portion of an iceberg (Moulier-Boutang 2011). It is critical that the market understands its own impacts, as Goldin and Mariathasan (2014) note,

“[T]he most serious threats to society raised by the spectre of globalization do not manifest in the form of risks in an individual system, including finance, health, infrastructure, energy, or the environment but from our lack of capacity to understand and manage the interdependencies and complexities between these systems. While progress has been made on uncovering the salience of emerging environmental and social trends for investors, a significant challenge remains (Cited in Clark, et al. 2015, 598).”

While the underlying complex interactions and structural influences of SRI are poorly understood, the financial community's responsibility for the degradation of the environment is easily obscured because of the distant causal connections between finance and environmental outcomes (Richardson 2008a; Moulier-Boutang 2011; Weber 2014). Depending on their behavior in investment decision-making, actors in the financial sector could reasonably be characterized as “unseen polluters, who wittingly or unwittingly contribute to environmental and social problems they sponsor and profit from (Richardson 2008a, 4).”

Drawing on Wright's theory and other samples of IPEE literature above, this research hypothesizes that SRI would not only directly impact corporate and environmental practice and behavior (practical influence) as it claims but also implicitly define and disseminate how global financial markets measure environmental and social value and potentially construct an informal regime that shapes the norms and standards of CSR (political/discursive influence). SRI has possibly been a platform to build a political consensus behind its design and implementation of such systems.

2-3. SRI regime formation in the context of global environmental governance

2-3-1. Globalization and demand for GEG

The 1990s is characterized by a significant surge in world trade in goods and services (Gilpin 2018; Lawton et al. 2019). The growth in offshoring and the removal of trade barriers have driven international economic integration, and foreign direct investment in the United States increased more than elevenfold between the 1970s and 1990s (Coughlin 2002). While technological progress, especially in the areas of communication, data processing, and transportation, made possible the creation of infrastructure necessary for supra-territorial economic activities and integration, multinational corporations (MNCs) play a crucial role in shaping the global economy as investors, innovators, manufacturers, employers, and lobbyists.

Globalization positivists consider that globalization advanced economic efficiency, efficient allocation and use of natural resources, technology transfer, and the diffused notion of western

democracy and peace. Globalization positively impacts the environment by enhancing the depth of participation and the diversity of actors shaping environmental governance. It broadens the array of potential governance strategies and information exchange for technological and policy innovations (Clapp and Dauvergne 2011). In contrast, globalization pessimists consider economic globalization and the rise of MNCs as a source of social tensions, uneven development, and growing inequality, and exacerbating spatial differences in living, labor, and environmental standards (Levy and Kaplan 2009; Gould 2009). As corporate activity globalized, corporate structures have become more complex, with corporate management highly diffused across the global supply chain. It makes it harder for the business to fulfill sustainable standards and obscures the location of responsibility for their environmental and social negative externalities (Reed 2012).

One of the most significant structural problems concerning global pessimists is that certain forms of globalization generate a “*race to the bottom*” – the standard-lowering competition under the liberalization of the global economy (Prakash and Potoski 2006; Collingsworth et al., 1994). The race to the bottom involves externalizing social and environmental costs to achieve a competitive advantage by relocating labor-intensive or polluting industries. Developing countries' competitive desire to attract investments often results in lowering regulatory standards or regulatory chill for multinationals from developed countries to freely exploit the natural environment and low-wage workers (Daly and Farley 2010; Gould 2009; Spilker et al. 2017).

The extended commodity chains and financial activities, driven by international economic integration and the removal of trade barriers, are increasingly perpetuating social hierarchies and widening gaps in income and welfare in the global society, as well as deepening environmental degradation and natural resource depletion (Gilpin 2018; Clapp and Dauvergne 2011). Scholars often see MNCs as a symbol of neo-imperialism and neo-colonialism, particularly their ability to influence policies and the status of social and environmental outcomes in the Third World (Fieldhouse 2002; Gilpin 2018; Clapp 2005b) as well as the vulnerable population within industrialized nations. Such situations are well acknowledged in extractive industries and manufacturing supply chains such as apparel, electronics assembling, chemical factories, and agriculture products. Examples of the most high-profile cases are Shell in Nigeria (Hennchen 2015; Ite 2004), Texaco in Ecuador (Patel 2012; Pellegrini et al. 2020; Kimberling 2005), Union Carbide in Bhopal, India (Baram 2009; Ipe 2005), Gap in Bangladesh (Taplin 2014; Al-Arian 2013), Nike in Indonesia (Harrison and Scorse 2004; Gibson 2003), and Nestlé in Côte d'Ivoire (Business & Human Rights 2015; Clarke 2015), to name a few. The U.S. domestic cases where vulnerable populations disproportionately suffered include Halliburton's fracking spills (Greenpeace USA 2015) and the Gulf Coast BP oil disaster (CBS News 2010; Graham et al., n.d.).

Globalization has created a power shift in which corporations are equals or even stronger negotiating partners of governments, particularly in developing countries. The weak bargaining position and regulatory and enforcement of developing countries against developed countries and their MNCs often fail. In contrast, developed countries, as the home of multinationals, lack motivation and means to regulate the structural impact and negative externality of globalized economies (Amaeshi et al. 2013).

2-3-2. Privatization and marketization of global governance

- **Governance deficit**

Environmental politics traditionally regard the most efficient form of regulatory intervention for specific environmental problems as direct government sanction/incentives (e.g., fees, subsidies, standards, tradable emission permits, and mandatory information disclosure). However, the arms of MNCs extending over several national jurisdictions and negative externalities produced by the growing global market transaction in technology, commodity chain, and financial market hinder sovereign nation-states' regulatory structure and monitoring capacity. The lack of governance is especially significant in addressing global and transboundary ecological interdependence (Fuchs 2007; O'Neill 2017; Scherer, Baumann-Pauly, and Schneider 2013; Slaughter 2004; Levy and Newell 2005).

While the demand for institutional responses to mitigate such impact continued rising, international law has remained the state-only focus. International cooperation is critical to solving borderless environmental problems. However, designated international organizations, such as UNEP, are considered “under-funded, overloaded and remote” (Haas 2003, 3) to influence powerful international economic institutions such as the World Trade Organization (WTO). Moreover, the negotiation process of intergovernmental agreements on social and environmental impacts can be slow and often highly political (O'Neill 2017).

Attempts to hold multinational corporations accountable for their environmental responsibilities through inter-governmental organizations have a largely unsuccessful history (Newell 2008). The Organisation for Economic Co-operation and Development (OECD) adopted Guidelines for Multinational Enterprises in 1976 as part of a broader Declaration on International Investment and Multinational Enterprises. The guidelines covered issues from financing and taxation to employment and environmental protection. However, they had little influence and visibility (Haufler 2013). The UN Center for Transnational Corporations (UNCTC) was set up in 1978 to monitor MNCs' economic, social, and environmental impact, particularly those operating in developing countries. Its Code of Conduct demanded that foreign direct investment not adversely affect local communities or the environment. After negotiations on the Code continued for over a decade, however, it was never finalized or adopted. UNCTC was eventually dismantled in the early 1990s under pressure from opponents to a treaty regulating MNCs, most notably the U.S. government and the International Chamber of Commerce (ICC) (Cutler et al. 1999).

- **Rise in marketization and privatization of GEG**

In the absence of well-developed and enforced international environmental governance, the private sector is increasingly taking a role in designing and implementing environmental regulations. MNCs and industry associations started displaying unprecedented prominence in the Uruguay Round of trade negotiations, launched in 1986. They showed distinction in the negotiations leading up to the Rio "Earth Summit" in 1992, where the voluntary, self-regulatory approach was adopted and promoted as the product of heavy corporate presence (Clapp 2005b; Cutler 2006; Brammer, Jackson, and Matten 2012).

Consequently, contemporary global governance increasingly prefers privatized and decentralized systems, which broaden the array of potential governance strategies and drive policy innovations

for various non-state actors. The emerging private models are voluntary and often market-based, which reduces political and economic transaction costs and more consonant with the globalized economy than compulsory public regulations (Delmas and Young 2009; Lyon 2009; King and Toffel 2009; Lemos and Agrawal 2006; Falkner 2003; O’Neill 2017). Simultaneously, state authorities increasingly prefer structuring market governance systems in ways that advance national competitiveness. In their relations with MNCs, international and domestic government policies have moved from top-down regulation forms toward more collaborative positions to fulfill social and environmental goals (Fuchs 2005; Scherer and Palazzo 2008; Scherer, Baumann-Pauly, and Schneider 2013).

Under such political and economic conditions, many business sectors have set up their self-regulatory agenda, such as codes of conduct, information disclosure, monitoring mechanisms, and market-based instruments such as labels and certifications of industrial products. Environmental governance particularly articulates this trend, exemplified by a range of new policy instruments (Vogel 2006; Falkner 2003; Haufler 2013; Lyon 2009). Additionally, the business sector is increasingly acquiring functions and tasks traditionally considered the state’s domain, such as public health, natural resource management, utility, and infrastructure. Such a trend also helps construct legitimacy for market-based global governance (Dauvergne and Lister 2014; Levy and Newell 2005).

2-3-3. Corporate Social Responsibility and Socially Responsible Investment

The business world widely frames self-regulatory schemes and voluntary practices as corporate social responsibility (CSR). CSR discourse has surged in the business sector, international organizations, non-governmental organizations, news media, and academic research since the 1990s (Carroll 2008; Brammer, Jackson, and Matten 2012). Besides CSR, proponents also interchangeably use terms such as corporate sustainability, corporate citizenship, stakeholder management, or ESG (Environmental, Social, and Corporate Governance).

SRI functions as a layer of enforcement mechanism for CSR, providing guidelines, peer pressure, visibility, and monitoring (Richardson 2008b; Kurtz 2008; Waddock 2003). The SRI regime calls companies’ attention to ESG issues that might otherwise go unnoticed. It also provides investors with tools to monitor the ESG performance of companies (Lydenberg and White 2016). The following section defines SRI as GEG regime and elaborates on how SRI functions as a CSR enforcement mechanism.

2-4. SRI as a global governance regime

2-4-1. Defining SRI as a global governance regime

Emerging factors and concerns – growth of the global capital market, the rise of corporate power, its associated asymmetrical social and environmental impact, and global governance deficit – continue raising demand for the development of global governance mechanisms. The theoretical

framework of global governance in this research highlights the rise in political participation of non-state actors, particularly civil society, inter-governmental organizations, and transnational corporations, in the international organizational system.

Global environmental governance (GEG) signifies the use of institutionalized power (a broad range of political, economic, and social forces) to shape governance processes (rule creation, institution building, and creation of soft infrastructures such as norms and expectations) to constrain actors' behavior towards the environment (Levy and Newell 2005; Lemos and Agrawal 2006; Slaughter 2004). There is no single model, form, or structure of global governance – “it is a broad, dynamic, complex process of interactive decision-making that constantly evolves and responds to changing circumstances” (The Commission on Global Governance 1995). It involves strategic bargaining among significant actors over particular issue areas. GEG embodies the multiple channels through which human impacts on the natural environment are regulated, including institution-building, rule-setting, monitoring, and enforcement. It also involves “a soft infrastructure of norms, expectations, and social understandings of acceptable behavior towards the environment” (Levy and Newell 2005, 2), therefore it is critical to understand the actors, their identities, political interest, and their relative power and strategies (Haufler 2013).

Krasner (1983, 2) defines international regimes as “sets of principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area of international relations.” Similarly, Keohane and Nye (1977, 19) view regimes as “sets of governing arrangements that include networks of rules, norms, and procedures that regularize behavior and control its effects.” In terms of formation, Young (1994) suggests that an international environmental regime forms in the process of international institutions (1) giving rise to social practices, (2) assigning roles, and (3) governing interactions to address situations of ecosystem degradation. The SRI regime institution would be the equivalent of an “international institution,” which “gives rise to social practices” through investment practice, including divestment/investment, shareholder activism, and engagement with corporate management. Even though the SRI regime does not formally “assign” roles to its participants, it institutionally brings new actors and resources for the regime construction and progression.

Further, the framework of *sites* and *modes* is used to analyze the regime by breaking down its components. O'Neill (2017, 6) defines *sites* as “arenas of governance within the broader structure or system setting in which actors interact and make decisions for the regimes to be created and implemented.” *Modes* are “ways of crafting and implementing environmental regulations and initiatives [...] which are designed to steer or change the behavior of relevant actors.”

2-4-2. Site

The site of SRI is the financial forum, namely the interaction between corporations and shareowners (institutional investors) and the dynamics of their relationship. Shareowners have a range of formal and informal rights and powers to influence the behavior of companies – particularly if they act collectively. The idea that shareowners should use this power to help companies to improve their social and environmental behavior is theorized in the concept of “*Universal Owner*.”

The term “universal owner” denotes large institutional investors – including banks, pension plans, mutual funds, and credit unions – who own a broad range of company stocks partly due to their fiduciary duty to diversify holdings (Kurtz 2008; Hawley and Williams 2007; Monks 1995) and collectively hold more investment capital than governments (OECD 2005). The concept of universal owner suggests that the scale of a given investor’s investment portfolio is so large and diverse that they effectively “own the economy,” thus, their fiduciary duty should not only concern the individual stock they hold but also the interdependent network of the entire market and economic system (Davis, et al. 2006). For example, California Public Employees’ Retirement System (CalPERS), the largest public pension fund in the U.S., owns about 1400 stocks holding 0.5 to 2 percent of the outstanding stock for each company in its portfolio in the 1990s (Hawley and Williams 2000). A certain externality from one company or industrial sector possibly costs other holdings in the same portfolio due to the high interconnectedness and interdependence between markets. Thus, universal owners should have significant interest and responsibility in minimizing the negative externalities of their holdings using their formal and informal rights and powers (Sethi 2005; Gifford 2004; Hawley and Williams 2007). Environmental and social risk factors such as intensified climate disasters and environmental threats to public health are particularly critical for insurance companies, pension funds, and sovereign wealth funds with an interest in the long-term economic health and well-being of society.

Moreover, fiduciary funds increasingly constitute the majority ownership of the international economy. As World Economic Forum (2005) notes, “From the telecoms of Panama to the chemical companies of Germany, from the electronics companies of Silicon Valley to the oil wells of Nigeria, millions of citizens are the beneficial owners,” the relevance of SRI in global environmental governance has become ever more significant (Camilleri 2020; Alamgir and Banerjee 2018; Hamm 2016; Vogel 2006).

2-4-3. Modes

The mode of governance denotes enforcement mechanisms of environmental policies and regulations within the site of the governance regime. Using the shareholders’ rights, investors leverage their choice to either acquire the stock and keep the company under their control (shareholder activism) or remove the stock from the portfolio to avoid financial risks or complicity in social misconduct (portfolio management). Universal owners are well-positioned to encourage and pressure firms toward social and environmental behavior.

Finance literature (e.g., Jansson et al. 2014) increasingly argues that universal owners should monitor not only the investment target companies’ economic performance but also identify their positive and negative externalities to understand the economy as a whole in the long run. Hawley and Williams (2006) call this non-financial monitoring activity “*universal monitoring*.” They claim that universal monitoring is a logical extension of fiduciary duty, traditionally considered financial perspective only. The concept of universal monitoring represents the mode of governance in the SRI regime.

Universal monitoring is implemented through a variety of enforcement mechanisms by diverse actors involved in the SRI networks, individually and collectively (Richardson 2008b; Kurtz 2008; Waddock 2003). The most fundamental enforcement mechanisms of SRI are four-fold. First,

exclusion (*avoidance*) and inclusion of company stock from portfolios (e.g., excluding fossil fuel shares and including renewables shares) can alter the cost of capital of targeted companies, thereby creating pressure for improved corporate behavior in theory. Secondly, investors directly engage (*dialogue*) with corporate management to direct their business strategies (e.g., by demanding that an electricity company sell off its coal power plants). The third channel is shareholder activism (*coercion*), such as filing shareholder resolutions to demand a particular business activity (e.g., filing a proposal for a stringent emission reduction policy). Additionally, some moral authorities publicly announce the sale of a holding in a company on ethical grounds (*public disinvestment*) to denounce a company's behavior (e.g., fossil fuel divestment campaign) (Sparkes 2001; Richardson 2012b; Lydenberg and Paul 1997).

- **Portfolio management: Screening for inclusion and exclusion**

Portfolio management in SRI means selecting stocks to include in or exclude from funds based on CSR/ESG screening results. Companies whose ESG performance is positively endorsed by the shareowners – such as progressive use of renewable and clean technologies or demonstrating high compliance with global sustainability standards – have incentives to be included in the SRI fund or sustainability index. In contrast, investors exclude or divest from unethical/unsustainable products and businesses (Camilleri 2020; Gasperini and Artuso 2020). The threat of exclusion/divestment is one way to pressure corporations into addressing ESG issues. Some SRI investors launch public campaigns against specific corporate practices or publicly announce the sale of a holding in a company (public disinvestment) on ESG grounds to denounce a company's behavior and press for improvements. The philosophy of investment/divestment activism is embodied in the SRI ethical guidelines and principles that the Norwegian Government Committee proposes; “Owning shares or bonds in a company that can be expected to commit gross unethical actions may be regarded as complicity in these actions (Norwegian Ministry of Finance 2006, cited in Richardson 2008, 4).”

The earliest examples of divestment campaigns are related to the Vietnam War and the South African Apartheid regime in the 1960s. Many churches, universities, and private investors started boycotting businesses involved and profiting from the Vietnam War or the South African Apartheid regime by withdrawing their financial investment from these companies.

The fossil fuel divestment campaign is the most recent and significant investors' collective action. As of 2022, more than 1,500 pension funds, universities, and other institutional investors worldwide have announced that they would divest from fossil fuel assets. These institutions have roughly \$40 trillion in assets under management (Nikkei Asia 2022). The city of New York announced in late 2021 that three public pension funds are divesting a total of \$3 billion in securities related to fossil fuel companies. Two of them have already pulled out a total of \$1.9 billion, with 260 targeted companies including such big names as Exxon Mobil, Russian energy group Gazprom, and German chemical company BASF (Nikkei Asia 2022). Harvard University made a similar pledge for its \$42 billion endowments, and Maine became the first U.S. state to order its public pension fund to sell off fossil-fuel holdings (Marsh 2021). The Norge Bank's Executive Board has also publicly announced that it excluded Sasol Ltd., RWE AG, Glencore PLC, and AGL Energy Ltd., Anglo American PLC, reflecting its portfolio criteria against coal (Norge Bank 2020).

- Shareholder activism: Engagement and resolution filing

Shareholder activism seeks to hold corporations accountable for their negative externalities by filing shareholder resolutions and engaging with corporate management to demand a specific business action and direct their business strategies (Sparkes 2001; Richardson 2013a; Lydenberg and Paul 1997; Rivoli 2003). Examples of shareholder activism include maintaining informal communication and dialog, filing shareholder resolutions at a general meeting of shareholders and making a vote, and publishing a press release on the media to express their voice to the SRI networks (Camilleri 2020; Allen, Letourneau, and Hebb 2012).

While many shareholder activists choose to divest from fossil fuel businesses, some investors choose to hold shares to maintain engagement and pressure the company to improve business strategies. In 2021, institutional investors led by an activist hedge fund named *Engine No. 1* fiercely voted against old board members of ExxonMobil. It succeeded in replacing them with new members of industry expertise in green energy solutions, which made the company's behavior begin to change. The world's largest asset manager, BlackRock (which owns a 6.7% stake in Exxon), Vanguard, and State Street, as well as the largest pension funds such as the California Public Employees' Retirement System (CalPERS), the Californian State Teachers' Retirement System (CalSTRS), and the New York State Common, are those in the investor coalition that strongly supported Engine No. 1's proposal to push the energy giant to reduce its carbon footprint due to frustration with the company's refusal to take climate concerns seriously (Ambrose 2021; James 2022; M. Phillips 2021). Chris James, the founder of Engine No. 1, testifies:

“Before we launched our campaign, Exxon was aiming to increase oil production from 3.7 million barrels per day to 5 million by 2025. Once our campaign was under way, Exxon announced it would instead keep production flat at 3.7 five million barrels per day. That 1.3 million reduction means that there will be roughly 220 million tons fewer carbon emissions annually. Exxon barely mentioned the word “carbon” before we started our campaign, but it has since launched a low-carbon solutions business and is investing more in decarbonization. Recently, it announced a more ambitious target for reducing company-wide greenhouse gas emissions intensity by 20% to 30% by 2030 (James 2022).”

Another active case is the international consortium of 36 institutional investors urging the oil giant Chevron to address timely matters, including carbon reduction strategy and legal responsibilities in human rights and environmental degradation in the countries it operates. The consortium, led by *Investor Voice* and *Zevin Asset Management*, collectively representing \$109 billion in assets, wrote a joint letter in 2018. It challenges Chevron's aggressive legal strategy against the ongoing dispute with Ecuadorian Amazon communities that suffered oil pollution by Texaco before it was acquired by Chevron in 2001, claiming the company's lack of willingness to negotiate a reasonable and fair settlement. It also questions whether Chevron has adequately disclosed to investors the potentially massive financial risks of a \$12 billion liability connected to the case. In addition to the Ecuador litigation, investors cite the political and human rights risks affecting areas such as Nigeria and Myanmar and the existential threat of climate change. The danger is expected to intensify in the long run due to regulation, energy price swings, and growing market uncertainty around fossil fuel investments (Herbert 2018). The majority of Chevron shareholders rebelled

against the company's board by voting 61% at the 2021 AGM in favor of an activist proposal to force the group to substantially cut its carbon emissions (McAteer and Pulver 2009).

Ocean plastics is another topic gaining steam among SRI shareholder resolutions. In 2021, 81.2 percent of Dupont shareholders voted in favor of a resolution calling the company to report on the plastic pellets it releases into the environment, despite management opposition. At grocery chain, Kroger's annual meeting, forty-five percent of shareholders supported a proposal asking the company to reduce single-use plastic in its operations. Thirty-five percent of shareholders at Amazon.com supported a similar proposal (SeafoodSource 2021).

Most resolutions related to environmental and social issues have been withdrawn, and the immediate success rate of shareholder proposals is relatively low. However, proposals that do not obtain a majority of shareholder votes can still be a strong signal for corporate management and play an essential role in creating agenda for future shareholder-corporation engagement. For many filers, SRI shareholder proposals are only one step in a broader SRI campaign to improve ESG performance. A proposal can be considered a tool to open the door for dialogue with the firm (O'Rourke 2003) or a signal of corporate management's reluctance to address shareholders' concerns. If multiple shareholders collectively act on the same ESG issue, the agenda would be too risky for the management to ignore (Rivoli 2003).

Such mechanisms – portfolio management and shareholder engagement – have been developed, institutionalized, and increasingly legitimized in the SRI networks in the past two decades. In this way, institutional investors, as universal owners, come to act as a quasi-public policy institution that has the potential to internalize economic externalities for enhanced environmental and social sustainability (Wagemans, Koppen, and Mol 2013; Chatzitheodorou et al. 2019; Gasperini and Artuso 2020; Monks and Minow 1996; Amalric 2006).

2-5. Actors' networks in the SRI regime institution

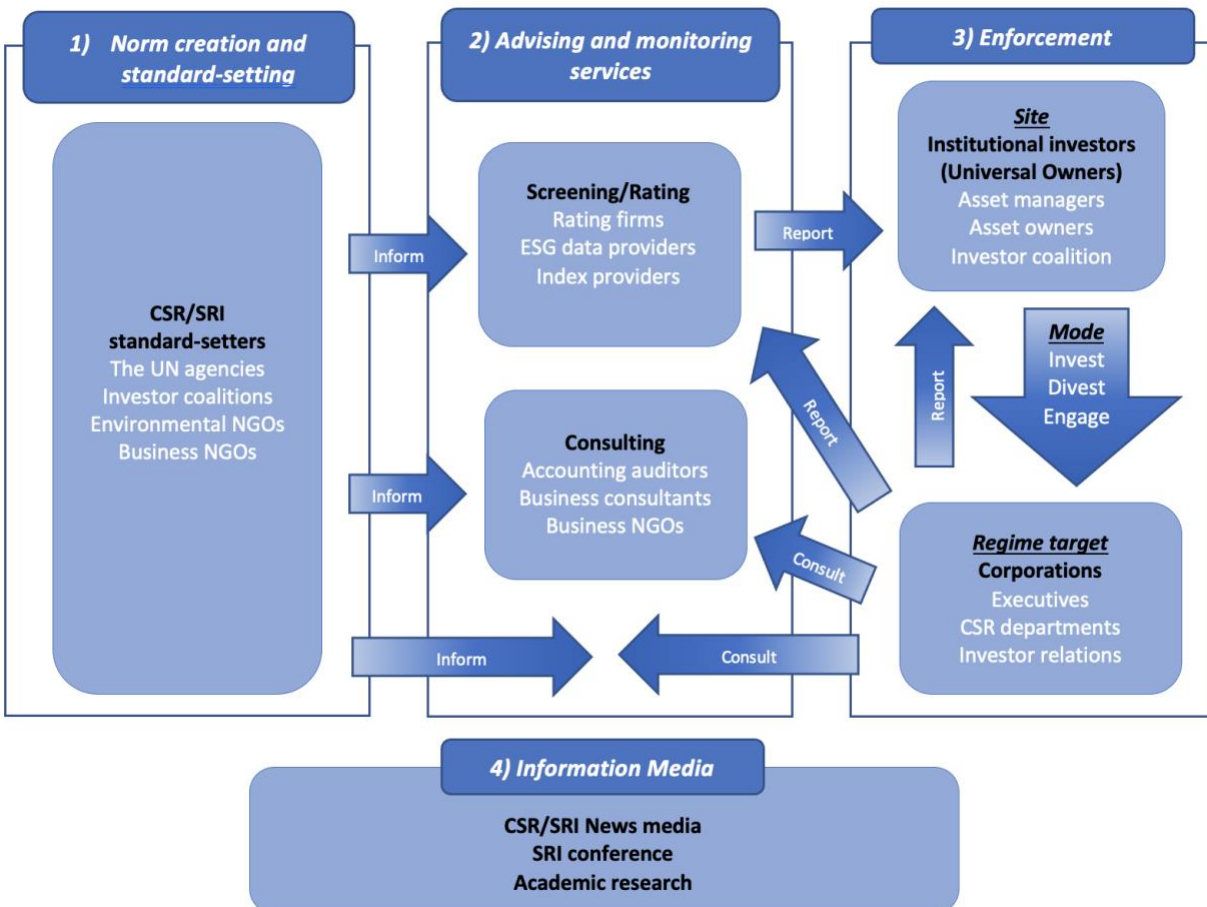
The dynamics of the SRI regime, or *universal monitoring*, have gone beyond portfolio management and engagement. Its effect also includes ESG standard-setting, consultation, and performance evaluation. Players involved in the SRI market surge as the market expands and the system proliferates.

MacLeod and Park (2011) theorize the growing effect of “investor-driven governance networks” (IGNs). The IGN denotes “coalitions or alliances led by investors, formed around a specific public goods issue or issue-area, in which investors are the primary actor” (MacLeod and Park 2011, 54). It is “a new and significant attempt to leverage the collective power of shareholders to steer businesses toward improved environmental and social practices” (58). The primary purpose of IGNs is to influence corporate social and environmental behavior by utilizing shareholders' legal rights and powers in a broad range of strategies in various CSR issue areas. The IGN is conceptually similar to non-state market-driven governance (NSMD) (Cashore, Auld, and Newsom 2004) in private governance arrangements through the market. The concept of transnational advocacy networks (TANs) (Keck and Sikkink 1998) is also relevant to the extent that these networks represent collaborations of social activists, non-governmental organizations,

and scientists to exert a potent force in environmental governance implementation or policy change in specific areas. However, the significant difference is that IGNs operate under the law of fiduciary duty and share ownership. The security exchange commission governs the rule of activism if the corporate headquarter is based in the United States. The financial-driven enforcement strategies secure the legitimacy of this regime.

“Network” is defined as a dense web of connections and interactions among actors that share values and frequently exchange information and services (Hirschland 2007). The mapping of the SRI networks shown in Table 2-1 indicates the webs of complex connections among diverse actors that constitute the site and mode of the SRI regime networks, indicating the major actors, their role, and their relationship with other actors within the networks. They are categorized into four function areas: 1) Norm and standard-setting; 2) Implementation and monitoring services; 3) Enforcement; and 4) Information media. The following sections provide details.

Table 2-1: Mapping of actors in the SRI regime



2-5-1. Norm creation and standard-setting

Common SRI strategies are implemented based on multitudinous sustainability norms and principles, contributed by international and domestic governance authorities, industrial organizations, non-governmental organizations, and partnerships among those players. Such principles and standards for investors and corporations are provided in various forms, such as reporting standards, environmental certifications, industrial codes of conduct, and multi-stakeholder initiatives.

- Inter-governmental organizations and national governments

The United Nations (UN) facilitates several public-private partnerships to develop and disseminate knowledge, practices, and norms to promote CSR and SRI. The main objective is to suggest that the “mainstream” business and financial sector incorporate environmental and social issues into business operations and support the UN agenda. Those principles are drawn from international conventions and voluntary guidelines or principles, such as the United Nations Declaration of Human Rights, the Rio Declaration on Environment and Development, the United Nations Convention Against Corruption, and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work (UN PRI n.d.; GRI and UNGC 2019; Timothy Cadman 2011; Ruggie 2003).

The public-private partnerships include UN Global Compact, UN Environmental Programme Financial Initiatives (UNEP FI), UN Principles for Responsible Investment (UN PRI), and Sustainable Stock Exchange (SSE). Those are governed by a joint steering committee comprising representatives from the private financial sector and the UN (Cadman 2012). Business entities commit to these voluntary-based guidelines and principles by participating as signatories.

The UN agencies and some national governments also support setting voluntary standards with civil and industrial organizations. The UNEP helped establish the Electronics Industry Code of Conduct. The UK and The US governments worked with extractive industries to develop Voluntary Principles on Security and Human Rights. The Fair Labor Association was developed from an initiative of the US Government. The Austrian government supported the construction of the Forest Stewardship Council. Those authorities are not involved in enforcing these regulations but serve as facilitators, providing civil regulatory organizations with initial funding and other resources (Vogel 2010).

- Non-governmental organizations (Civil, industrial, and multi-stakeholder)

Non-governmental organizations (NGOs) play multiple roles as advisors, researchers, consultants, and standard setters, bringing the increased corporate transparency that SRI requires. The most prominent and globally reaching NGOs, such as the World Wildlife Fund, Greenpeace, and Oxfam, closely monitor trade associations and multinational corporations for coffee, chemicals, mining, apparel, electronics, toys, and cocoa, to name a few. Social Accountability International, the Ethical Trading Initiative, the Extractive Industries Transparency Initiative, and the Forest Stewardship Council are examples of supply-chain code and monitoring regimes seeking social and environmental oversight consultancies and auditors (Hirschland 2007).

Industry-led multi-stakeholder initiatives to standardize corporate ESG disclosure have grown in number. Organizations such as Global Reporting Initiative (GRI), Sustainable Accounting Standard Board (SASB), Climate Disclosure Standards Board (CDSB), International Integrated Reporting Committee (IIRC), and Accounting for Sustainability (A4S) are the most widely supported organizations which provide standardized and structured forms of CSR disclosure, guidelines, and auditing. Investors and ESG rating firms work closely with them for their ESG performance measurement criteria setting.

- **Business and industrial NGOs (BINGOs)**

BINGOs – business-led and issue-specific CSR coalitions – often set up their codes of conduct and stewardship, particularly in industries with high environmental and human rights impact. Such industry coalitions include the Electronic Industry Citizenship Coalition, Sustainable Agriculture Initiative, International Council on Toy Industries, International Textile Workers Association, and International Council on Mining & Metals. Responsible Care, for example, was initiated in response to the Bhopal disaster in India in 1984 by the International Chemical Manufacturers Association.

BINGOs are also actively involved in multi-stakeholder initiatives, such as the Extra Industries Transparency Initiative (EITI), Sustainable Apparel Coalition, Ethical Trading Initiative, Forest Stewardship Council, and International Cocoa Initiative.

2-5-2. Advising and monitoring services

Advising and monitoring services include ESG data providers, performance rating, and consulting. Using standards provided by standard setters and obtaining corporate ESG data, they create their own measurement to assess CSR performance, generate analysis reports, and provide solutions for corporations and investors to pursue CSR/SRI.

- **Screening and rating**

ESG rating firms assess corporate sustainability performance using their research methodologies and criteria. ESG rating and other relevant data are vital references for shareholder activism and portfolio management (Escrig-Olmedo et al. 2019; Lydenberg 2017). Generally, each rating firm has its proprietary ESG rating criteria and methodologies to generate ESG issues into a numerical score. Among the numerous ESG providers, MSCI ESG, Sustainalytics, RobecoSAM, ISS, and Thompson Reuters are the oldest and best-known ESG research and rating firms in the market (SustainAbility 2020). Others specialize in providing raw ESG data, such as carbon footprint (TruCost), corporate scandal and controversy cases (RepRisk), and collecting general ESG data (Bloomberg) for researchers, rating firms, and investors to incorporate into their analysis.

SRI indices provide ESG investment benchmarks. The Dow Jones Sustainability Index and FTSE sustainable Index series are the major ones that partner with other research vendors to construct indices. Traditional credit rating agencies, such as Standard & Poor's Global Ratings, Fitch, and Moody's, have also integrated ESG factors into their rating methodologies (Tillier 2021).

- **Consulting**

CSR/ESG-specialized consulting businesses started surging in the 1990s when voluntary activities and CSR reporting became everyday activities. They provide a variety of ESG-related consultancy, including ESG reporting and communication, climate strategy, supply chain management, and environmental technology solution.

AccountAbility, SustainAbility, and Business for Social Responsibility (BSR) are the first consulting organizations to advise CSR strategies, provide training, help stakeholder engagement dialogue, and set up multi-stakeholder platforms. Numerous small to mid-sized CSR consulting firms focus on various ESG issues. Primary accounting auditors/business consulting firms such as Accenture, Deloitte, KPMG, Ernst & Young, McKinsey & Company, and PwC have joined the sustainability consulting market. They often work with World Economic Forum (WEF) and World Business Council on Sustainable Development (WBCSD) on research projects including sustainable consumption, forest financing, and agricultural innovation (Grayson and Hodges 2017).

2-5-3. Enforcement

The core enforcement mechanism in the SRI regime occurs between shareowners and corporations, as described in the earlier section (2-4, Site and Mode). Various types of institutional investors practice SRI with their own or outsourced sustainability policies.

- **Institutional investors**

Social funds such as Pax World Fund, As You Saw, and Calvert are known as traditional SRI practitioners, established in the 1970s, and have been growing the asset ever since. The prominent pioneers are sizeable public employee pension and retirement funds such as CalPERS, CalSTRS, and the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). Those pension funds maintain sustainability and ethic-based investment policies and have a significant scale of assets and influence.

Investment banks such as Black Rock, Vanguard, and State Street are the most visible and influential in the ESG network, often representing mainstream investors' voices in the media (Manjoo 2022). Citigroup has launched a new ESG investment banking group, whereas Deutsche Bank, Goldman Sacks, and UBS have in-house ESG research agents for systemic ESG portfolio management (FInews 2021). ESG is particularly important for insurance companies as they face greater pressure to predict environmental disasters and prevent corporate governance risk factors.

- **Investor coalitions**

There are several high-profile institutional investors alliances with trillions of dollars in assets, such as Coalition of Environmentally Responsible Economics (Ceres), Interfaith Center on Corporate Responsibility (ICCR), Investor Network on Climate Risk (INCR).

ICCR was founded in 1971 and has 300 members, including faith communities, asset managers, unions, pension funds, and NGOs. It files shareholder resolutions and engages with industries and corporations on water, forest, climate change, and environmental health. Ceres is another major investor network focusing on climate solutions and water sustainability. It has more than 200 members, managing more than \$47 trillion in assets. It by.

Many other single-issue or multi-issue-focused coalitions, including including the Investor Environmental Health Network (IEHN), Global Investors for Sustainable Development (GISD) Alliance, and Plastic Solutions Investor Alliance, provide research and tools for the members to share and collaborate.

2-5-4. Information media

Information media, such as news media, business conferences, and academic research, connects all actors in the regime network by communicating knowledge. There are news media specialized in CSR and SRI, such as Responsible Investors (RI), Ethical Corporation, GreenBiz, and CSR Wire.

SRI conferences, sponsored by high-profile SRI organizations such as the UN PRI, Ceres, BSR, and SASB, are generally held annually. They invite people from all over the SRI/CSR professional network internationally, enabling them to meet, exchange information, and discuss emerging ESG issues.

The academic community also plays a vital role as an epistemic community (Haas 2015) within the SRI regime. Most high-profile academic institutions (university centers) in the US include Harvard Initiatives for Responsible Investment, Yale Initiative on Sustainable Finance, and Columbia Center on Sustainable Investment. The UN PRI research programme supports research on SRI and provides fora to showcase academic findings that help researchers and practitioners.

2-6. Conclusion

Using the framework of IPEE, this chapter argued that SRI is an emerging environmental governance regime by presenting its site and mode, including enforcement mechanism, participant actors, and how it may respond to global governance demands. This chapter contextualized the research questions and established theoretical frameworks that consider both the practical and political effects of the SRI institution.

The universal owners represent the political power of the regime site – the enforcing power and legitimacy. The regime mode leverages the universal owners’ rights to enforce voluntary regulations through their investment decision-making, which is the distinctive characteristic of SRI. The ever-growing webs of complex connections among diverse actors that constitute the site and mode indicate that SRI practice has mainstreamed and legitimized as a global governance authority.

The assumptions and background knowledge demonstrated in this chapter set the direction for further analysis. The next chapter, as a second stage of the process tracing analysis, will examine how the regime site and mode have evolved in the past decades, and how it may impact the discourse and practice of sustainability within the regime institution.

Chapter 3. The emerging values and practices in the SRI network

3-1. Introduction

This chapter aims to illustrate how the SRI regime evolved in its history and the dynamics in shaping the social and ecological value within the regime institution. It argues that the historical evolution of the regime site (power dynamics in the financial sector and associated institutional changes) is associated with the shift in the mode (norm and practices), which ultimately impacts the regime outcome.

This chapter first traces the shift in practitioners' social value and identity in the process of the regime development from the traditional socially responsible investment (SRI) to the modern SRI. It uses management reports and marketing materials from various participants, including pension funds, industrial organizations, and inter-governmental institutions, to observe the changes in the discourse recorded (3-2). The second part of the chapter (3-3) explores the drivers of value evolution by examining the changes in the landscape and power dynamics in the financial sector (regime site) and the associated changes in norms and rules (regime mode) among the practitioners. The third section (3-4) elaborates on the characteristics of the emerging norms and practices, using primary sources from institutional investors, standard setters, rating firms, and corporations. It highlights the dynamics of the market evolution – market demography, business-shareowner relationship, and fiduciary concept – in the United States in the past 40 years, which led to mainstreaming of SRI and created a new sustainability ideology linked to the interest in financial return. Further, it evaluates the systemic challenges and shortcomings of such norms and practices, possibly impacting regime outcomes. The final section (3-5) concludes the discussion by summarizing the important trends of the modern SRI practice and suggesting systemic flaws in the mode of enforcement.

3-2. Evolving norm and value in SRI

3-2-1. The traditional SRI

The roots of the SRI can be traced back to various religious movements that opposed investing in sinful activities, such as the slave trade, manufacturing and trading arms, tobacco, and alcohol (Sparkes 2001; Kinder 2005). Churches played a prominent role in the development of “ethical” investment. In the 18th century, one of the founders of Methodism, John Wesley, outlined his basic tenets of social investing concerning slave trades. Inheriting this philosophy, the first modern SRI

mutual fund, the PAX World Balance Fund, was established in 1971 by United Methodist ministers to protest against profiting from the Vietnam War (Rivoli 2003).

SRI gained momentum in the late 1960s when civil rights activists against the Vietnam War and the South African apartheid regime worked with shareowners, such as churches, universities, and other private shareholders to use their voting power to force companies to withdraw from their businesses involvement (Vogel 2006; Kinder et al. 1993). Some of the earliest SRI funds (such as Pax World Fund and Calvert Social Investment Fund), research providers (such as Investor Responsibility Research Center), and SRI principles (such as Sullivan Principles) were formed during this time to strengthen the shareholders' position to engage with corporations' environmental and ethical matters. Social investors successfully illuminated labor rights issues, racial equity, and environmentally harmful commercial products at the shareholder meetings of some of the largest companies (Sandberg 2008). One of the earliest SRI resolutions was filed against Dow Chemical's napalm and Agent Orange production in 1969 (Richardson 2008b; Eccles 2010). In 1977, the Reverent Leon Sullivan, a member of the Board of General Motors and an activist against apartheid, developed a set of principles named Sullivan Principles to guide companies operating in South Africa, which demonstrated the potential of using shareowners' rights as tools to pursue political objectives (Haufler 2013).

During the 1970s and 1980s, worker and trade unions promoted SRI practices when sweatshop scandals emerged as a public concern, and unionized workers started moving their pension fund assets away from companies involved in such labor misconduct. Their governance power in many pension funds became increasingly prominent in capital markets (Yan et al. 2019; Sparkes 2003; Rivoli 2003). Some historic environmental catastrophes in this era, such as the Bhopal disaster in 1984, the Chernobyl nuclear disaster in 1986, the Exxon Valdez incident in 1989, in addition to acceleration of the Amazon deforestation and increased awareness of global warming and ozone depletion, motivated social investors to act on sustainable use of natural resource and environmental pollution through the SRI practice (Camilleri 2020).

Consequently, CSR- and SRI-related principles and organizations started being developed. SRI professionals formed the Coalition of Environmentally Responsible Economics (Ceres) in 1989, soon after the Valdez spill. Ceres released a set of principles, called Valdez Principles, on general environmental concepts and disclosure policies (Rupley, Brown, and Marshall 2017). After a decade, Ceres launched the Global Reporting Initiative (GRI), a CSR reporting framework to standardize systematic CSR disclosure and sustainability measures, including Environment (e.g., energy, water, biodiversity), Society (e.g., child labor, human rights, occupational health), and Economic (e.g., corporate governance and ethics) aspects (GRI n.d.; Pattberg 2005).

The traditional SRI, in general, sought to avoid or protest businesses involved in environmental and social harm. Richardson (2013) frames such rationale of SRI as complicity-based doctrine and leverage-based responsibility. The complicity-based doctrine focuses on avoiding problematic companies via exclusion from investment or finance, averting indirect involvement in unethical and harmful conduct and eschewing association with the companies. The leverage-based responsibility uses shareholder engagement methods or divestment to send a message to companies to improve their behavior if they wish to attract finance (i.e., shareholder activism).

Leverage-based responsibility rationale stands on the belief that social investors should use their rights and means to influence targeted companies' behavior and harmful economic activities.

These initial efforts in SRI are associated with negative screening, which politicizes investment selection to improve corporate behaviors and activities that perpetuate harm and reduce their economic externality. Essentially, the traditional SRI activities did not assume higher financial returns from complicity-based doctrine and leverage-based responsibility and did not relate social responsibility with financial performance. Despite the variation of tactics and secularization, the defining characteristic of SRI was a clear intention to pursue a specified moral outcome (Sparkes 2001).

3-2-2. The modern SRI

After the 1990s, as SRI was increasingly involved in the mainstream financial industry, the mission- or ethics-based traditional SRI method has evolved into a management strategy where institutional investors perceive environmental and social issues as financial risks/opportunities. The new rationale for the environmentally and socially screened investment method is increasingly focused on links between corporate responsibility and profits (Richardson 2008a; Sullivan and Mackenzie 2006; Fung 2010; Dumas and Louche 2016; Porter and Kramer 2007; Camejo 2002).

The U.S. Forum for Sustainable and Responsible Investment (US SIF), the single largest SRI industrial organization, altered its definition of SRI to reflect a change in values and concepts used in the mainstream SRI. In 2001, it stated:

Socially responsible investing is an investment process that considers the social and environmental consequences of investments, both positive and negative, within the context of rigorous financial analysis. It is a process of identifying and investing in companies that meet certain baseline standards or criteria of CSR and is increasingly practiced internationally. (US SIF 2001, quoted in O'Rourke 2003)

After 15 years, the organization altered the definition as:

Sustainable, responsible, and impact investing is an investment discipline that considers environmental, social, and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact. (US SIF 2015)

Accordingly, in 2011, the U.S. Social Investment Forum shifted its path by changing its name to become the Forum for Sustainable and Responsible Investment. Likewise, in 2009, the U.K. Social Investment Forum also renamed itself U.K. Sustainable Investment and Finance (Richardson 2008a).

In a similar context, the Pax World Funds, once strongly affiliated with ethics-based investment principles, proclaims:

“Today, socially responsible investing is less about what you don’t invest in and more about what you do invest in. [...] We want Pax World’s social screens to help us identify financially strong, socially responsible companies. We believe that companies meeting higher standards of CSR are better long-term investments, and we want our shareholders to benefit from investing in those forward-thinking companies.” (“Pax World Modernizes Social Investing Criteria,” News release October 26, 2006, cited in Richardson 2008a, 15)

In his book, *Financing Change*, Schmidheiny (1996) represents the perspective of the World Business Council for Sustainable Development (WBCSD) and argues;

“All businesses are facing changes in the marketplace: the polluter pays principle, which will force the cost of a company’s environmental damage onto the company books; greater use of economic instruments, which reward the eco-efficient and punish their lagging competitors; and possible changes in tax structures and national accounting systems. As these change the bottom lines of companies, financial community will start rewarding eco-efficiency for purely financial reasons (Schmidheiny 1996, 4).”

Finally, Krosinsky and Purdom (2016), the leading sustainable investment advocates, begin their book “Sustainable Investment” as editors with the following phrases:

“Financial considerations now must factor in sustainability considerations for ongoing societal success, while sustainability issues equally need to be driven by a business case. (1)”

“Sustainability without a business case is just philanthropy; finance without sustainability is a recipe for environmental and social disaster. (1)”

“The idea that analytical incorporation of material information on environmental, social and governance could drive superior financial performance while doing good for the planet. (12)”

Those testimonies implicate that the modern SRI associates environmental and social factors with corporate financial performance rather than the ethical significance of environmental and social issues. Additionally, the modern SRI seems more focused on positive screening, which rewards CSR activities or environmental products, instead of negative screening for protesting corporate misconduct.

- Endorsement by the United Nations

A notable event that accelerated the dissemination of the new value within the SRI network was the foundation of collaborative initiatives between the United Nations and the financial sector.

United Nations Environment Programme (UNEP) has been working closely with the business industry sector to develop environmental management strategies and started collaborating with the financial sector in the 1990s. UNEP introduces its principle as follows:

“Since its inception, UNEP has had the mandate to encourage economic growth compatible with the protection of the environment. This element of UNEP's role was considerably enhanced at the Earth Summit (Rio 1992), which placed great emphasis on promoting sustainable development – a development that meets the needs of the present without compromising the ability of future generations to meet their own need” (UNEP FI n.d.).

The UNEP Finance Initiative (UNEP FI) was established by UNEP and leaders from the global financial sector in 1992, following the Earth Summit. The initiative works with a broad range of financial institutions (e.g., insurance, banking, and stock exchange) and provides guidance and sector-based principles to embed sustainable decision-making into mainstream finance. It claims that “the financial sector had a valuable contribution to make in protecting the environment while maintaining the health and profitability of their businesses (UNEP FI n.d.)” The UNEP FI consists of more than 300 members from financial institutions and over 100 supporting institutions. (UNEP FI n.d.).

Such financial initiatives concurrently promote their participants to unequivocally link ESG issues to financial value in such a manner that “communicates on issue-specific, proven quantifiable, material links to business value” and “to avoid moral arguments” (UNEP FI 2004, 5). The UNEP FI’s influential report “*Show Me the Money*” (2006) claims that there is robust evidence that ESG issues affect shareholder value in both the short and long term. The impact of ESG issues on share price can be valued and quantified using a range of valuation tools developed by rating firms, standard setters, and consultants.

“The first – and arguably for investors the most important – reason to integrate ESG issues is, simply, to make more money. There is a hypothesis, which we support, that a more thoroughgoing and systematic approach to integrating ESG issues in portfolios will, over time and in general, result in better financial performance.” (UNEP FI 2006, 4)

In the 2000s, Kofi Annan, the UN Secretary-General, invited several of the world's largest asset owners to assist in drafting a set of principles that aimed to facilitate environmentally and socially conscious approaches to investment activities. Collaborating with UNEP FI and the UN Global Compact, this effort led to the UN Principles for Responsible Investment (PRI) launch at the New York Stock Exchange in 2006. The UN PRI proposed its Six Principles (Table 3-1) to call for global proponents and has attracted signatories from the world's largest asset owners and investment managers, including pension funds and sovereign funds.

By July 2020, it grew to involve more than 3000 signatories with over US\$100 trillion in assets under management (AUM) (UN PRI n.d.). The governance of the UN PRI consists of the Advisory Council of elected representatives from the UN, and daily operations are managed by the UN PRI secretariat, financed by fees generated from investor signatories (Richardson 2013).

Table 3-1: The UN PRI Six Principles

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

(UN PRI n.d.)

Through such initiatives, the UN officially endorsed three key points:

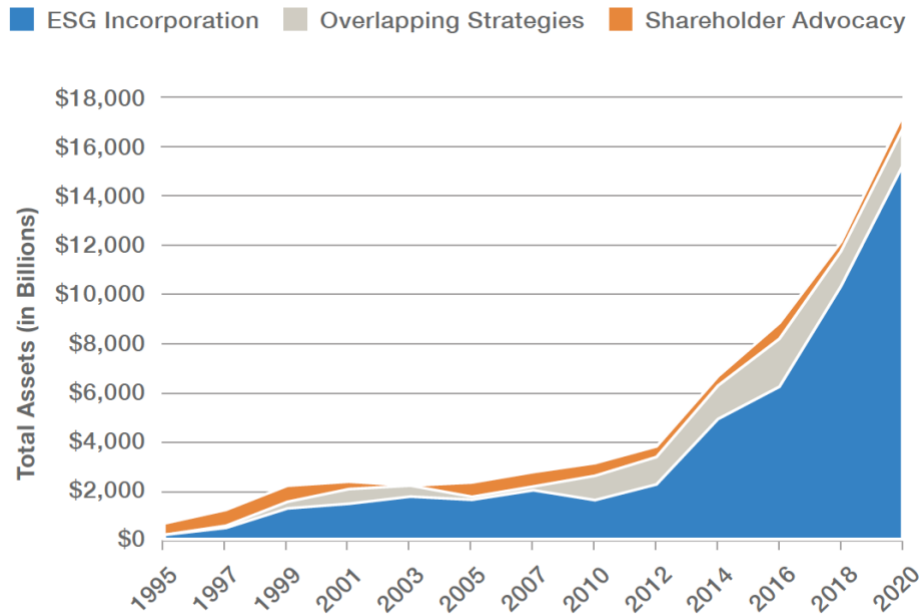
- 1) ESG issues are financially material (UNEP FI 2006).
- 2) SRI's role is to aim for a better financial return (UN PRI 2009).
- 3) Information that matters is quantifiable, material links to business value, but no moral arguments (UNEP FI 2004a, 5).

Contemporary SRI's basic discourse and logic are generally consistent with these perspectives. Cadman (2012, 38) claims, "such declarations by the official UN agent paved the way for a profoundly new spirit of SRI, and the norm-building role of the UNEP FI cannot be understated."

3-2-3. From SRI to ESG

Since 1995, when the US SIF first measured the size of the US sustainable investment universe at \$639 billion, assets have increased more than 25-fold, a compound annual growth rate of 14 percent (US SIF 2020). The most rapid growth has occurred since 2012. As shown in Figure 3-1, the growth of the assets is primarily built on the institutional investors that adopt SRI by incorporating ESG factors into their portfolio management. Responsible investors' interests substantially shifted from shareholder advocacy to financial strategy.

Figure 3-1: Total asset held by socially responsible investors in the United States



The Forum for Sustainable and Responsible Investment Trends Report (2020)

While SRI/CSR and ESG/sustainability are often used interchangeably in the business world, they have a critical difference that must be recognized. "Social responsibility," as in "SRI" and "CSR," denotes businesses' responsibility, which is to acknowledge adverse economic externality they produce through their business and investment activities and to mitigate or eliminate their adverse environmental and social impact. The responsibility must be based on ethical and scientific measures.

Meanwhile, the term "ESG (Environmental, social, and corporate governance)" generally indicates a financial strategy to defend investment performance from the exogenous factors (i.e., risks and opportunities) in the ecosystem and societal changes based on the monetary measures. Similarly, the term "sustainability," as in "sustainable investment," is typically associated with the premise of economic growth, derived from its original definition by the Brundtland Commission in 1987 (Brundtland Commission 1987). Accordingly, "ESG investment" and "sustainable investment" assume the financial materiality of ESG factors in the accounting and investment decision-making process.

To avoid confusion, this paper uses "SRI" as a primary umbrella term to indicate the broad genre of investment that considers environmental, social, and corporate governance issues in investment decisions.

3-3. Drivers of emerging value – Changes in the regime site

This section considers the drivers of such value evolution in the SRI regime by examining the changes and developments in the financial sector (regime site), including dominant actors and associated rules and norms.

3-3-1. Fiduciary capitalism and mainstreaming SRI

Assets under the management of fiduciary institutions have grown to significant pools of capital after the 1990s. Institutional investors collectively own 73 percent of stock issued by companies in the Fortune 1000, and pension funds across OECD countries hold the largest ownership block with almost 30 percent as of 2010 (Hawley 2011a). The structural changes in global stock markets have altered the relationship between companies and shareholders. Institutional investors such as pension funds, mutual funds, and insurance companies dominate stock markets today (Clapp and Helleiner 2012; Wright 2013; 2012). Hawley and Williams (1997) named such an emerging financial market landscape “*fiduciary capitalism*”, where equity has been dominated by fiduciary institutions obligated to their beneficiaries. The significance of fiduciary capitalism is that those large fiduciary institutions own diversified portfolios with a cross-section of corporate stocks in their investment universe with their vast pools of money, representing a substantial equity portion of the global market economy.

As a result of fiduciary capitalism, the SRI practice was increasingly adopted by mainstream institutional investors (Dumas and Louche 2016). On the one hand, mainstreaming SRI made it difficult for companies to ignore the social and environmental pressure posed by the most critical group of shareowners (Sparkes and Cowton 2004). On the other hand, it started putting a high emphasis on the financial return over the moral and responsibility of business due to the fiduciary duty of the new dominant participants (Amaeshi 2010). Mainstreaming SRI remains a confusing concept because it inevitably assumes a fit between ethical value and profit maximization (Woods and Urwin 2010; Richardson 2011).

3-3-2. The fiduciary duty of mainstream investors

The fiduciary duty is to ensure that those who manage other people's money act in the interests of beneficiaries. From the universal owners' point of view, the notion of "the interests of beneficiaries" may be interpreted as social and environmental values to fulfill the beneficiaries' welfare in a broader way. However, in conventional wisdom, "the interests" is defined in narrow financial measures, not broad societal benefit (Sethi 2005; Lydenberg and Sinclair 2009). Thus, from this fiduciary institution's point of view, ESG factors need to have a value-enhancing or decreasing metric (i.e., financial risk or opportunity) in order to be integrated into investment decision-making (Hawley 2011, 31–36). Accordingly, ecological and social values are taken into account only when it affects the financial measurement at the material level (Thistlethwaite 2011b).

The newly developing fiduciary concept to accommodate extra-financial factors has led to the growing discussion of its legal “permissibility” (Kolers 2001). In 2005, Freshfields Bruckhaus Deringer, one of the world's largest law firms, investigated whether ESG considerations could

legally be incorporated in investment decision-making and ownership practice (Freshfields Bruckhaus Deringer 2005; Sandberg 2010; Hawley 2005). Looking at the legal framework in Australia, Canada, France, Germany, Italy, Japan, Spain, the U.K., and the U.S., the report concluded, "integrating ESG considerations into an investment analysis [...] is clearly permissible and is arguably required in all jurisdictions (Freshfields Bruckhaus Deringer 2005, 13)", and particularly in two circumstances. The first is when considering these issues might reasonably allow the fiduciaries to "more reliably predict the financial performance" of investments. The second is to achieve consensus amongst beneficiaries. While the report suggests that trustees could rely on well-established social conventions or customs as a proxy of the beneficiaries' values, it does not clarify "whether trustees could rely on such social customs only when it is impractical to ascertain the views of the beneficiaries (Richardson 2008b)."

The following section presents some conventional fiduciary norms and practices that potentially hold back universal owners from the progressive interpretation of fiduciary duty.

- Disclosure of financially material factors

For fiduciary institutions, the financial materiality of risks must be considered when making investment decisions. When accountants conduct an audit or review, they set a materiality threshold. The materiality is a general percentage of a specific financial statement line item. If the materiality threshold is one percent of the company's annual revenue, the financial impact below the threshold is considered immaterial (Greenspon 2018). However, this measurement is too narrow for the environmental and social issues to be integrated into such calculations.

Companies must disclose such material risks in their mandatory financial reports, and investors must watch them as part of their fiduciary responsibility (Emerson 2017). There is no specific definition of materiality under U.S. Generally Accepted Accounting Principles (GAAP). Nevertheless, some accounting and investment standard setters and other regulatory institutions provide the conceptual framework and definition of financial materiality. Table 3-2 shows the examples.

Table 3-2: Definition of Materiality – Financial information

<p>Int'l Financial Reporting Standards (IFRS)/ Int'l Accounting Standards Board (IASB)</p>	<p>"Information is material if omitting it or misstating it could influence decisions that users make on the basis of the financial information of a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude or both of the items to which the information relates in the context of an individual entity's financial report. Consequently, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation."</p>
<p>Securities and Exchange Commission (SEC)</p>	<p>"Materiality concerns the significance of an item to users of a registrant's financial statements. A matter is 'material' if there is a substantial likelihood that a reasonable person would consider it important."</p>

U.S. Supreme Court	Information is material if there is “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available (TSC Indus. v. Northway, Inc., 426 U.S. 438, 449 (1976).”
---------------------------	---

Cited in Serafeim (2016, 8)

The International Accounting Standards Board (IASB), a public-private authority that designs international accounting standards and measurement criteria, provides accountants with important criteria that determine whether a firm’s environmental performance should be reflected in its economic value, i.e., financially material. Thistlethwaite (2011) claims that financial authorities like IASB have potentially significant implications for sustainable economic behavior with their capacity to define the boundaries around financial values and concepts within international financial markets.

Financial accounting constitutes a distinct field of private governance shaped and applied by international and domestic accounting standard setters, accounting professional organizations, and practitioners in the financial accounting industry (Power 1997; Porter 2005). Indeed, accounting scholars have identified a trend whereby accounting firms are using their expertise to shape the auditing of corporate social and environmental reporting by assessing whether disclosed information corresponds to the objectives of the report (O’Dwyer 2011; Power 1997).

Thistlethwaite (2011) shows how minor technicalities in accounting standards influence the way financial markets value a firm’s environmental performance and how the accounting technicalities of the IASB mask important political choices influencing the environment. The IASB now sets accounting standards for over 130 countries. These decisions on a firm’s environmental performance valuation generate an informal regime that defines how global financial markets measure value. Perry and Nölke (2006) argue that the IASB empowers the private financial sector over the interests of national accounting authorities in governing how accounting standards measure value. In this respect, the IASB’s private authority is underpinned by the structural power of the financial sector, which supports the IASB’s autonomy to institutionalize its own perspective of financial value within international financial markets. Thistlethwaite also claims that the materiality of a firm’s environmental performance and its consequent impact on its financial performance is implicitly embedded in the accounting decision-making process.

- **Modern portfolio theory**

The fiduciary capitalism also brought about the dominance of modern portfolio theory (MPT) in portfolio construction and management, such as portfolio diversification and performance measurement of risk. In fiduciary institutions, MPT has been acknowledged as the primary approach for prudent investment and risk management practices (Hawley 2011a).

However, recent economics and behavioral finance studies have posed substantial skeptics in various assumptions underlying MPT (Hawley 2016). Aligning with the philosophy of fiduciary duty, one of the tenets of MPT is that personal preferences – whether idiosyncratic or political – should not be allowed into investment decision-making (Bernstein 2005, cited in Lydenberg and Sinclair 2009), and there are two reasons for this. First, MPT advocates believe that politics and

personal preference produce suboptimal returns by blinding investment professionals to profit opportunities. Second, they believe that competitive capitalism “promotes political freedom because it separates economic power from political power and enables the one to offset the others” (Reich 2008, cited in Lydenberg and Sinclair 2009, 13). The decisions based solely on financial risk/reward returns prevents political authorities from intervening economic management decisions (Lydenberg and Sinclair 2009). Joly (2012) argues that pursuing fiduciary duty and MPT by the dominant fiduciary institutions constrains the accomplishments of SRI that its participants and stakeholders would expect.

- **Short-termism**

The short-term orientation dominating the global capital market is another significant barrier to economic and ecological sustainability (Busch et al. 2015). As fiduciary capitalism emerges, the average holding period for shares listed on the NYSE has gone from over five years in 1970 to less than a year today (Krehmeyer et al. 2006; Bhojraj et al. 2009). The financial market system fails to incentivize economic agents to incorporate long-term information into their decision-making process. Short-termism creates macroeconomic consequences, leading to massive financial crises, as well as compromising long-term environmental risk prevention behaviors. The current measurement of future risk assessment invariably understates and overlooks these long-term ecological and social risks because of the inherent bias towards the short-run on the part of financial intermediaries whose compensation depends much on short-term results (Sethi 2005).

The Centre for Financial Market Integrity and the Business Roundtable Institute for Corporate Ethics studied investor time horizons. It concluded that “the obsession with short-term results by investors, asset management firms, and corporate managers collectively leads to the unintended consequences of destroying long-term value and market efficiency, and impeding efforts to strengthen corporate governance and long-term risk management (Krehmeyer et al. 2006, 1)”. The World Economic Forum (2011) also warns that short-termism is being fostered by adopting regulatory frameworks constraining investors' ability with long-term investment strategies and liabilities. While institutional asset owners may have these long-term, economy-wide interests, when it comes to managing fund assets in practice seems narrowly focused on short-term financial performance. Asymmetric information and moral hazard in the investment management industry also favor short-termism (Gollier and Pouget 2014, 689).

3-4. Characteristics of emerging SRI practices – Changes in the regime mode

In the process of mainstreaming SRI under fiduciary capitalism, there are significant trends to develop standards and metrics for ESG criteria in order to justify such extra-financial factors to be incorporated in investment decisions by fitting them into the rules and logic of fiduciary duty (UNEP FI 2004a; Lydenberg 2012; Van Braeckel and Bontemps 2005; Butz and Laville 2007). This section examines how the conventional wisdom of fiduciary duty and associated norms and practices reflected in the emerging SRI practices.

3-4-1. The “Doing Well by Doing Good” hypothesis

1) Emerging practices: Focus on the CSP-FP relationship

The assumption that higher corporate social performance (CSP) leads to higher financial performance (FP) – typically phrased as “*Doing well by doing good*” – seems to have been normalized widely among investors, corporations, and media. There are several rationales for this assumption.

For example, corporations that reduce natural resource usage reduce their production costs and improve their profitability (King and Lenox 2001). Similarly, by reducing emissions and waste, firms minimize both waste management costs and regulatory risks such as fines and future stricter regulations (Reinhardt 1999). Establishing a reputation as a green and responsible organization would help create positive relationships with a wide array of stakeholders, including employees, consumers, suppliers, and communities (Delmas et al. 2013; Delmas and Pekovic 2013; Delmas 2001; Delmas and Montiel 2009; Freeman 1984). Bonni et al. (2009, cited in Lydenberg 2012) present some specific examples of how “doing good” (i.e., environmental, social, corporate ethics, and responsibility) would lead to “doing well” (i.e., higher profitability), illustrated in Table 3-3.

To theorize the “*Doing well by doing good*” hypothesis, both practitioners and scholars have been greatly interested in proving the positive relationship between CSP and FP. Since the first study of such kind was published in 1972, the number of CSP-FP studies has grown. Content analysis of newspapers and academic journals conducted by Capelle-Blancard and Monjon (2012) suggested that most academic papers on SRI focus on financial performance, while few of them – and the portion declines over time – are concerned with ethics, altruism, or moral values. Only half of the articles about SRI mention the word “ethics” in the 2000s, compared to the 1990s, both in newspapers and academic journals.

A comprehensive literature review by Hoepner and McMillan (2009) found that, among the top 50 influential SRI studies, 20 articles specifically examine the financial performance of SRI portfolios, of which six are in the top seven. Most influential articles have been published in financial journals, and the positive relationship between CSP and FP – “*does it pay to be good?*” – is their main question. Conversely, only a few papers examine the ethical and conceptual aspects of SRI. They noted that:

“The analysis of financial performance is the sub-area of responsible investment, which is most explored by influential studies to date. [...] However, since responsible investment products define themselves by a higher ESG performance than their conventional equivalents, it is very surprising that only one discretionary selected study is devoted to this aspect” (Hoepner and McMillan 2009, 30).

While business and finance literature emphasizes the importance of social, environmental, and governance factors on economic performance, the social responsibility of financing activity is neglected, which is SRI's *raison d'être*.

Table 3-3: Rationales for positive CSP-FP relationship

GROWTH	New markets	Access to new markets from exposure to ESG programs
	New products	Offerings to meet unmet social needs and increase differentiation
	New customers or market share	Engagement with consumers, familiarity with their expectations and behavior
	Innovation	Cutting-edge technology and innovative products for unmet social or environmental needs
	Reputation or differentiation	Higher brand loyalty, reputation, and goodwill with stakeholders
RETURNS ON CAPITAL	Operational efficiency	Bottom-line cost savings through environmental operations and practices—e.g. energy and water efficiency, reduced need for raw materials
	Workforce efficiency	Higher employee morale through ESG; lower costs related to turnover or recruitment
	Reputation or price premium	Better workforce skills and increased productivity through participation in ESG activities; Improved reputation making customers willing to pay price increase or premium
RISK MANAGEMENT	Regulatory risk	Lower level of risk by complying with regulatory requirements, industry standards, and demands of non-governmental organizations
	Public support	Ability to conduct operations, enter new markets, reduce local resistance
	Supply chain	Ability to secure consistent, long-term, and sustainable access to safe, high-quality raw materials or products by engaging in community welfare and development
	Risk to reputation	Avoidance of negative publicity and boycotts
MANAGEMENT QUALITY	Leadership development	Development of employees' quality and leadership skills through participation in ESG programs
	Adaptability	Ability to adapt to changing political and social situations by engaging in local communities
	Long-term strategic view	Long-term strategy encompassing ESG issues

(Bonini, Koller, and Mirvis 2009, cited in Lydenberg 2012, 58)

Some scholars are concerned that the current literature on SRI suggests that development in the SRI industry has been preoccupied with interest in financial profitability rather than questioning how SRI might contribute to sustainability goals (Camejo 2002; Barnett and Salomon 2006; Richardson 2012a; Juravle and Lewis 2008; Guyatt 2006; Amaeshi 2010). Capelle-Blancard and Monjon (2012, 9) suggested this problem is a “type III error” – to produce a right answer to a wrong question. While the question of the financial performance of the SRI funds is not out of place, maybe economists have paid too much attention to this issue.

2) Challenges in theorizing the CSP-FP relationship

Despite the vigorous research efforts, the positive correlation between corporate social performance and financial performance is difficult to be substantiated due to several methodological challenges (Vogel 2006; Domini 2001; Porter and Kramer 2007; Camejo 2002; Kinder et al. 1993; Fung 2010).

- Measurement inconsistency among studies

A meta-analysis of 190 CSP-FP studies conducted by Revelli and Viviani (2015) concluded that performance evaluation depends on researchers' choices of data and rating methods. They often use different measurements to conduct their statistical analysis; thus, it is difficult to generalize conclusions in the CSP-FP relationship. In their first meta-analysis, Margolis and Walsh (2001) found, among 95 CSP-FP studies, financial performance is measured in 70 different ways. These studies employ 49 different accounting measures, 12 different market measures, five measures that mix accounting and market indicators, and four other outcome performance measures. Their second meta-analysis (Margolis et al. 2009) of 251 CSP-FP studies presented in the past 35 years found that the methodological problems and the skepticism had not been solved, even though the model of CSP-FP studies is increasingly sophisticated.

Those statistical studies only provide correlation, and the direction and mechanisms of causation between CSP and FP are not verified. Environmental and social performance is multidimensional, and the strength of the relationship between each dimension and financial performance varies. In terms of the direction of causation, it is reasonable to think that more profitable firms can devote more resources to CSR activities and reporting. Moreover, it is difficult to eliminate various omitted variables, as well as selection bias and reporting bias in the statistical analysis of both financial and social aspects. If more heavily polluting firms are more likely to adopt voluntary environmental programs, it is hard to evaluate and compare the point of departure of the improvement among different companies and industries. The time lag between corporate ESG performance, environmental effects, and financial outcomes is also a critical dilemma. None of the existing studies observed long enough to establish a causal relationship between these variables conclusively (Vogel 2006; Koehler 2006).

Vogel (2006, 22-24) claims that share returns are neither harmed nor helped by including social criteria in stock selection. He claims that if more socially responsible firms systematically performed better, we would expect all fund managers to weigh their portfolios with those firms' securities heavily. It would erase all differences in financial performance between socially responsible funds and others. Also, the investor's ability to accurately measure current and future

corporate environmental practices is unreliable (Vogel 2006, 38). Therefore, the effort to demonstrate through statistical analyses that corporate responsibility pays may be “not only fruitless but also pointless and unnecessary” (Vogel 2006, 33-34).

The underlined economic fundamentals also carry substantial uncertainty. Financial markets constantly suffer from heuristics, manias, and panics. Any movement in stock prices may represent irrational exuberance or a market bubble that is entirely irrelevant to the firms’ economic fundamentals (Orlitzky 2013).

In their early study, Griffin and Mahon (1997) conducted a CSP-FP analysis of the largest chemical multinationals for five years (1987-1992). They argued that the connection between CSR and financial performance had not been established, and CSP and FP cannot be comparable. Amaeshi (2009) critiques that a significant proportion of this literature often operates from the view that corporate social performance and financial performance share the same market logic and typical exchange ‘currencies’. Comparing what is rendered measurable on the one hand and what is yet to lend itself to measurability, on the other hand, is a fundamental flaw in the CSP-FP literature. Schenk et al. (2011) claim that it is highly questionable that these CSP-FP studies apply the same models and methodologies as a conventional investment analysis to intangible environmental and social values. What is concerning is that focusing on the search for that evidence in a narrow economic value may cause researchers to neglect the social role and responsibilities of the firm that relate to some crucial and pressing environmental and social problems (Margolis and Walsh 2001). Seeking a simple correlation between CSP and FP does not make investment more sustainable (Margolis et al. 2009). Hawn and Ioannou (2012) similarly suggest that even though symbolic ESG measure positively impacts market value, these processes would not necessarily translate into expected ecological and social outcomes. True CSR practice is to “internalize externalized cost,” which certainly costs the company financially. The corporate benefit from such moral action is not monetary measurable, especially in the short run.

3-4-2. ESG rating and CSP evaluation

1) Emerging practice: CSP/ESG rating

- The CSP rating market

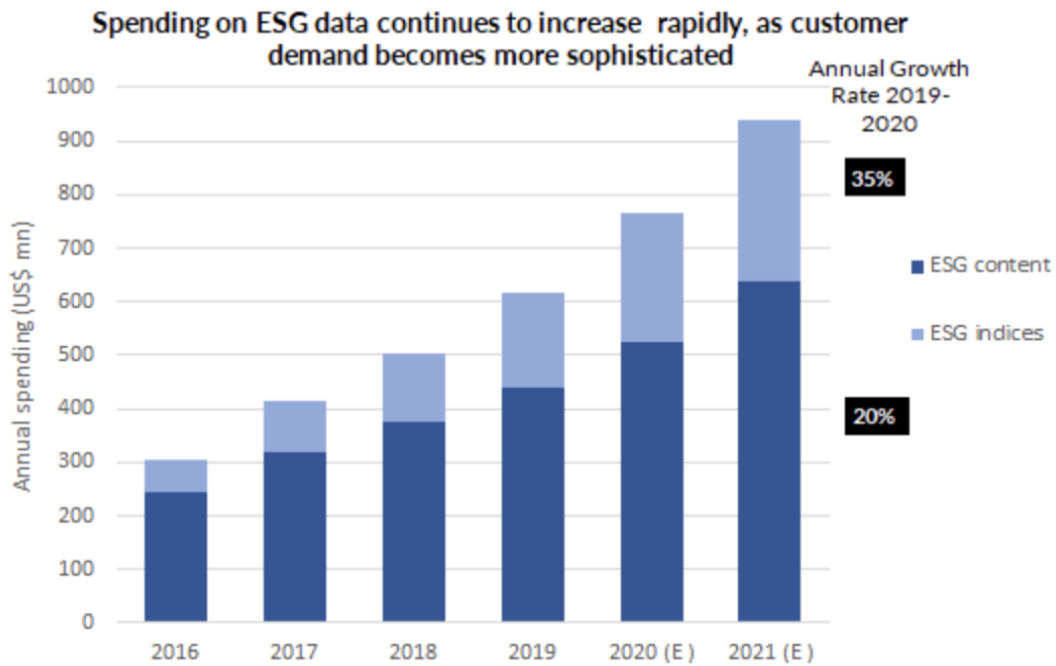
ESG performance evaluation methods, standards, infrastructure, and technologies have been constantly developed among the network actors. The rating results are now considered powerful enough to impact companies’ share prices (Glück, Hübel, and Scholz 2021). Mainstreaming SRI has driven the marketization of CSP rating and ESG data (Avetisyan and Hockerts 2017). The professionalization of SRI has created an increased demand for corporate sustainability reporting standardization and CSP research and rating service for building the foundation of SRI practice as new and diverse players enter the fora. Global Initiative for Sustainability Ratings (GISR) acknowledges that over 100 organizations produce sustainability research and rating agencies worldwide.

The development of ESG research agents within mainstream brokerage houses, such as Citi, Goldman Sachs, HSBC, Deutsche Bank, and Morgan Stanley, symbolizes the new norm in the

mainstream financial community. Core index companies such as Dow Jones (for the Dow Jones Sustainable Index) and FTSE (for the FTSE4GOOD) also play a critical role in influencing companies' ESG strategy, because companies want to be part of sustainability indices to boost their reputation.

The size of the ESG data market has snowballed since the 2000s. Sustainable Insight (2016) reports that one-third of all professionally run SRI assets globally – equivalent to over \$20 trillion – rely on CSP rating agents' data supply for their investment decisions, such as fundamental analysis, portfolio construction, and index products. The total spending on CSP/ESG data is estimated at \$505 million in 2018 and \$745 million by 2020, as shown in Figure 3-2 (Opimas 2019). The judgment of these rating firms influences the allocations of billions of investors' assets, and many academic papers rely on their data as well (Mooij 2017).

Figure 3-2: Increase in ESG data consumption



(Opimas 2019)

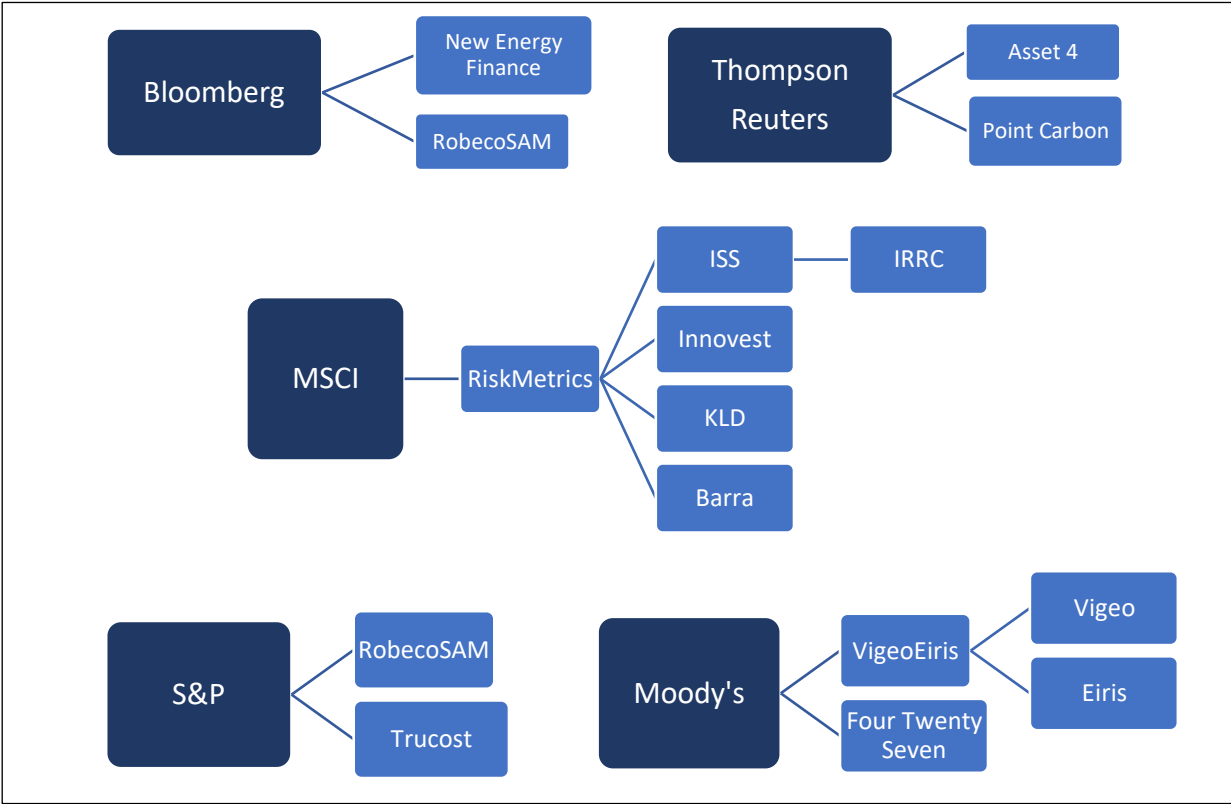
Concurrently, the growing CSP rating/ESG data market is becoming more concentrated around a handful of large agencies acquiring other ESG data firms to increase their influence (Escrig-Olmedo et al. 2019). Table 3-4 indicates some smaller and traditional rating/data providers acquired by or working under major financial data providers.

Three leading financial services providers – Thomson Reuters, Bloomberg, and MSCI – entered the market at the end of the 2000s as they saw ESG data services as a promising new focus. In 2009, Thomson Reuters took over two specialized research firms to incorporate ESG data into their conventional financial services. One is Asset4, a global ESG database provider, and the other

is Point Carbon, specializing in energy and the carbon market. Bloomberg is also progressively developing ESG expertise and growing the number of ESG indicators and company profiles in its data terminal. Bloomberg uses ESG data from RobecoSAM, an asset manager specializing in sustainability research (Laemann 2016), and newly acquired New Energy Finance, which specializes in renewable energy and the carbon market (Novethic 2013).

The 2010 takeover of RiskMetrics by MSCI Group (Morgan Stanley Capital International) formed MSCI ESG Research. RiskMetrics had previously acquired ISS (Institutional Shareholder Services, founded 1985) in 2007, and Innovest Strategic Value Advisors (founded 1995) and KLD (founded 1988) in 2009. Priorly, ISS had bought IRRC (Investor Responsibility Research Center, founded in 1972) in 2005 (Sustainable Insight 2016). IRRC and KLD trace their roots to the traditional SRI movement in the early 1970s and 80s. The series of merger and acquisition made MSCI the largest rating firm in the world.

Table 3-4: Rating firms consolidation map



Moody's and S&P Global, two of the largest three global credit rating agencies, also offer separate ESG ratings in addition to their traditional credit rating. Moody's bought a majority stake in VigeoEiris, one of the most prominent European ESG research outlets. The original companies, Vigeo (UK) and Eiris (France), merged into VigeoEiris in 2015. Moody's later bought Four Twenty Seven, a climate research specialist named after California's emissions targets — 427 million tons of carbon (Laemann 2016). S&P has a long history of partnering with RobecoSAM to

create the Dow Jones Sustainability Index (Nauman 2019). S&P added Trucost, a climate data specialist, to its ESG force in 2017 (Trucost 2017).

The wave of mergers and partnerships among ESG data providers signifies the power concentrations in the SRI network, and the ethical value that traditional agents sought may have been altered in the way that the dominant few large mainstream agencies prefer to pursue (Sustainable Insight 2016; Escrig-Olmedo et al. 2019).

- **CSP evaluation methods**

Research firms continue to develop ESG frameworks to integrate ESG issues into mainstream investment. Generalized, systematic, and quantitative ESG evaluation frameworks are convenient and user-friendly for asset managers to apply in the stock valuation system with hundreds of companies in their investment universe (UNEP FI 2006).

Typically, CSP rating agencies analyze companies in three areas: Environment, Social and Corporate Governance. Each area covers multiple criteria. For example, the Environment pillar covers climate change, natural resource management, waste emission, land use, and so on. The rating criteria and weighting system may differ according to the nature of the business sector (e.g., Automobile, Pharmaceutical, Extractive, or Food & Beverage). ESG rating agencies use information from various sources, including companies (e.g., financial disclosure, sustainability reports, questionnaires), stakeholders (e.g., NGOs, trade unions, governmental organizations, and consumer channels), regulatory agencies, and the news media (Novethic 2013; Kusumi 2011). Tables 3-5 and 3-6 show examples of the ESG key performance indicators and the letter rating model used in MSCI.

Table 3-5: Example of ESG Key Performance Indicators used in rating firm

3 Pillars	10 Themes	37 ESG Key Issues	
Environment	Climate Change	Carbon Emissions Product Carbon Footprint	Financing Environmental Impact Climate Change Vulnerability
	Natural Resources	Water Stress Biodiversity & Land Use	Raw Material Sourcing
	Pollution & Waste	Toxic Emissions & Waste Packaging Material & Waste	Electronic Waste
	Environmental Opportunities	Opportunities in Clean Tech Opportunities in Green Building	Opp's in Renewable Energy
Social	Human Capital	Labor Management Health & Safety	Human Capital Development Supply Chain Labor Standards
	Product Liability	Product Safety & Quality Chemical Safety Financial Product Safety	Privacy & Data Security Responsible Investment Health & Demographic Risk
	Stakeholder Opposition	Controversial Sourcing	
	Social Opportunities	Access to Communications Access to Finance	Access to Health Care Opp's in Nutrition & Health
Governance	Corporate Governance*	Board* Pay*	Ownership* Accounting*
	Corporate Behavior	Business Ethics Anti-Competitive Practices Tax Transparency	Corruption & Instability Financial System Instability

(MSCI Key Issue Hierarchy 2019)

Table 3-6: Example of letter rating mapping

The final industry-adjusted company score mapped to letter rating

Letter Rating	Final Industry-Adjusted Company Score
AAA	8.6* - 10.0
AA	7.1 – 8.6
A	5.7 – 7.1
BBB	4.3 – 5.7
BB	2.9 – 4.3
B	1.4 – 2.9
CCC	0.0 – 1.4

MSCI (2019)

2) Challenges in CSP evaluation

Despite the growing CSP data market, several studies point out that available data and evaluation processes often lack reliability and validity in several ways (Griffin and Mahon 1997; Vogel 2006; Marc Orlitzky 2013; Marc Orlitzky and Swanson 2012, Busch et al. 2015).

- Divergence among rating agencies

First, there are substantial disagreements in rating agencies' rating results (Chatterji et al. 2014; Entine 2003; Orlitzky and Swanson 2012; Porter and Kramer 2007; Delmas and Blass 2010). Screening criteria and methodologies can be arbitrary, and there is little consensus in the industry and the academic literature on what CSP ratings genuinely measure (Wagemans et al. 2013). The statistical examination by Chatterji et al. (2014) found little convergence in the rating results among six well-established raters, KLD, Asset4, Calvert, FTSE4Good, Dow Jones Sustainable Index (DJSI), and Innovest. Berg et al. (2019) claim that about 6 out of 10 ESG ratings from different sources conform, whereas regular credit ratings match 99 percent. In practice, companies like Shell and British Petroleum are shunned by some investors on ESG grounds but embraced by others (Bartholomeusz 2022).

The dimensions of such divergence could be:

1. Scope of sustainability and ESG issues,
2. Weighing the relative importance of categories in the computation of the aggregate ESG score,
3. Sources of raw data and analytical processes, and
4. Presentation method of rating results.

(Berg et al. 2019; Sustainable Insight 2016)

Additionally, the underlying screening criteria and metrics used by CSP raters, and the quality of their analysis are rarely evaluated because they are protected as intellectual property (Chatterji, Levine, Toffel 2009). Firms can exhibit superior and inferior performance simultaneously, depending on the metrics chosen. The quantified measurement hardly indicates how positive and negative assessments are offset (Escrig-Olmedo et al. 2013). Aggregating the environmental, social, and governance performance into a single final score is entirely in a black box (Margolis et al. 2009; Waddock and Graves 1997). The lack of transparency creates opacity and confusion in the entire SRI market (Garz and Volk 2014).

- Analysis biased by organizational rhetoric

CSP assessments are influenced more by corporate rhetoric, such as CSR reporting with selective information (often for marketing strategy), than concrete action (Cho et al. 2012). ESG-related information disclosed by companies is also arbitrary and rarely comparable across firms. Some companies claim to be incapable of responding to overwhelmingly extensive survey questionnaires from rating agencies (Chatterji and Levine 2005). Contrary, larger companies are capable of producing more comprehensive sustainability reports and thus are better positioned to gain a high score in CSP evaluation (Delmas and Blass 2010). Companies may excel at reporting while they

act for cosmetic purposes and do not meaningfully pursue substantial outcomes (Delmas and Montiel 2009; Delmas et al. 2013).

A critical concern is that indicators are selected based on data availability, quantifiability, and comparability. For example, some information is more easily quantifiable (e.g., GHG emission, water usage, and recycling rates) than others (e.g., stakeholder engagement and labor condition), so better suited for the quantitative nature of ESG rating (Global Reporting Initiative 2006). Consequently, the rating process inevitably prioritizes some issues over others regardless of the importance of the information (Chatterji and Levine 2008; Delmas and Blass 2010). Delmas et al. (2013) suggest that the financial systems have yet to embrace this fact because markets can only respond to the available information.

Furthermore, CSP analysis hardly discusses companies' business lines (products and services) that negatively affect society and the environment. For example, a multinational tobacco company with hundreds of pages of sustainable reporting with emission data and employee benefits could make a high score in most CSP models, despite the nature of its business with highly adverse public health impact.

3-4-3. Financial materiality

1) Emerging practice: Determining financial materiality of ESG factors

Paralleled with the growth of CSP-FP studies and the CSP rating market, there is a significant trend to seek financially material ESG criteria (UNEP FI 2004b; Lydenberg 2012; Van Braeckel and Bontemps 2005; Butz and Laville 2007). Financial materiality (FM) means the elements that investors view as relevant or necessary to their business assessments and investment decisions. The idea of FM largely stems from fiduciary responsibilities. From a fiduciary's point of view – where fiduciary duty is narrowly defined as maximizing risk-adjusted financial returns – ESG factors need to be commensurate with monetary values in the context of business risk and opportunity to be incorporated in the investment consideration (Richardson 2011; Hawley 2011b). For financial accountants, environmental issues do not differ from other business issues or “economic facts” affecting a firm's books. In other words, the environment becomes an accounting issue only when it constitutes a cost or affects the financial measurement at the material level (Thistlethwaite 2011a).

As shown in Table 3-7, the Climate Disclosure Standards Board (CDSB), the International Integrated Reporting Council (IIRC), and the Sustainability Accounting Standards Board (SASB) provide definitions of FM of ESG factors, aiming to conform ESG with the conventional financial reporting model for the utility of investors.

Table 3-7: Definition of financial materiality of non-financial information

Organization	Definition
Sustainability Accounting Standards Board (SASB)	SASB uses the Securities and Exchange Commission definition of materiality as interpreted by the U.S. Supreme Court (TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438 (1976). “Federal securities law seeks to protect individual investors by requiring publicly listed companies to disclose annual and other periodic performance information that would be necessary for a reasonable investor to make informed investment decisions. U.S. Federal law requires publicly listed companies to disclose material information, defined by the U.S. Supreme Court as information presenting <u>‘a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available.’</u> ”
Climate Disclosure Standards Board (CDSB)	“In financial re-orting, <u>information is material if its omission, misstatement, or misinterpretation could influence the decisions that users make on the basis of an entity’s financial information.</u> Because materiality depends on the nature and amount of the item judged in the particular circumstances of its omission or misstatement, it is not possible to specify a uniform quantitative threshold at which a particular type of information becomes material. When considering whether financial information is a faithful representation of what it purports to represent, it is important to take into account materiality because such omissions, misstatements or misinterpretations will result in information that is incomplete, biased or not free from error.”
International Integrated Reporting Council (IIRC)	“An integrated report <u>should disclose information about matters that substantively affect the organization’s ability to create value over the short, medium, and long term.</u> [...] The materiality determination process for the purpose of preparing and presenting an integrated report involves [...] This process applies to both positive and negative matters, including risks and opportunities and favorable and unfavorable performance or prospects. <u>It also applies to both financial and other information.</u> Such matters may have direct implications for the organization itself or may affect the capitals owned by or available to others. To be most effective, the materiality determination process is integrated into the organization’s management processes and includes regular engagement with providers of financial capital and others.”

Cited in Serafeim et al. (2016, 18)

- Prioritization among ESG factors

FM of sustainability issues is the word of the moment discussed in every report and conference on SRI. Notably, major global initiatives – such as Global Compact, Global Reporting Initiative (GRI), UN PRI, OECD standards for multinational corporations, World Economic Forum, and SEC – have also begun advocating the concept of FM for practicing SRI in the past decades (McConkey 2017).

A first attempt to promote a materiality approach in SRI was seen in the Swedish institute Mistra’s study (2004). The report indicates the concept of "materiality" as a critical criterion for selecting ESG indicators for SRI. While recognizing that a range of social, environmental, and economic issues may be relevant to different stakeholder groups, the report asserts that sustainability reporting and CSP rating should focus on issues that have an actual or potential impact on a

company's investment value. It also claims that identifying these sustainability issues and understanding how they link with investment value drivers is vital for SRI and mainstream investors interested in the financial performance of their investments (Van Braeckel and Bontemps 2005). In another influential paper, "Less Can Be More: A New Approach to SRI Research," Christoph Butz of Pictet & Cie. similarly argues that SRI investors should concentrate on the most meaningful one or two instead of analyzing large numbers of sustainability data points (cited in Lydenberg 2012).




Reflecting those ideas, the most recent and prominent organization, Sustainable Accounting Standard Board, known as SASB, officially launched in 2012. It aims to standardize corporate ESG disclosure and measurement based on financial materiality. SASB provides Materiality Map™ (Table 3-8), a guideline for identifying the financial materiality of ESG factors by a different industry that helps publicly listed corporations disclose financially material factors in their reports (SASB n.d.).

SASB's goal is to incorporate its ESG standards into the U.S. Security and Exchange Commission rules for all publicly held companies (Makower 2012). Its standards are based on the Financial Accounting Standard Board (IASB)'s model, which sets up financial accounting and reporting standards for the SEC. It is, therefore, aligned with existing securities laws and the legal requirements for companies to disclose "known trends, uncertainties, and events that are reasonably likely to have a material impact on the financial condition or results of operations" (SASB n.d.). Essentially, it selects financially material ESG issues from the general ESG category, proposes sector-based relative priorities, and reframes them into corporate management strategy to fit in the mandatory financial reports (Si2 2018). Table 3-9 illustrates how FM and non-FM information is incorporated into corporate disclosure materials.

Table 3-8: SASB Materiality Map™ of selected sectors

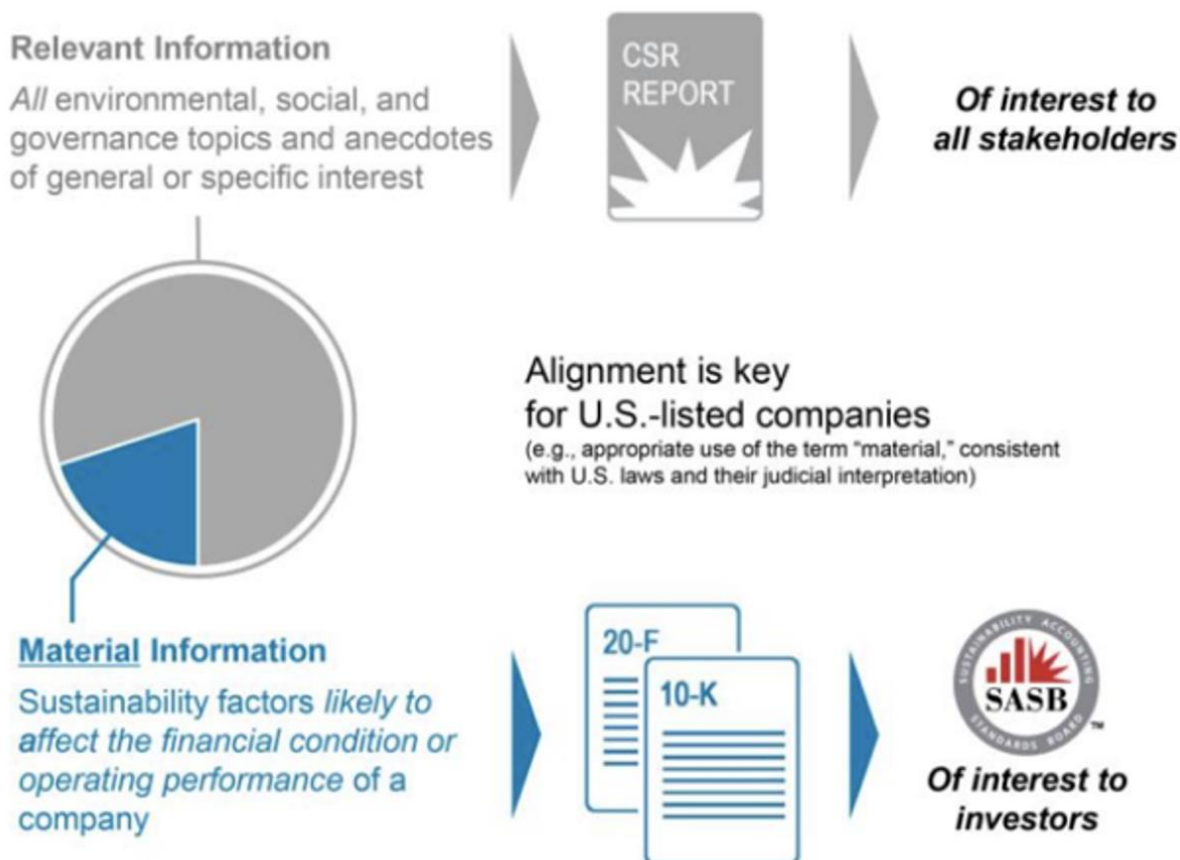
(6 shown out of 18 sector standards)

		Consumer Goods	Extractives & Minerals Processing	Financials	Food & Beverage	Health Care	Infrastructure
Dimension	General Issue Category ^①	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand
Environment	GHG Emissions		Material		Material		
	Air Quality		Material				
	Energy Management	Likely material	Likely material		Material		
	Water & Wastewater Management	Likely material	Material		Material		
	Waste & Hazardous Materials Management		Material		Likely material		
	Ecological Impacts		Material		Likely material		
Social Capital	Human Rights & Community Relations		Material			Likely material	
	Customer Privacy			Likely material			
	Data Security	Likely material		Likely material	Likely material	Material	
	Access & Affordability			Likely material		Material	Likely material
	Product Quality & Safety	Material			Material	Material	Likely material
	Customer Welfare				Material	Material	
	Selling Practices & Product Labeling			Material	Material	Material	
Human Capital	Labor Practices	Likely material	Material		Likely material		Likely material
	Employee Health & Safety		Material		Likely material	Likely material	Material
	Employee Engagement, Diversity & Inclusion	Likely material	Material	Likely material	Material	Likely material	
Business Model & Innovation	Product Design & Lifecycle Management	Material	Material	Material	Material	Likely material	Material
	Business Model Resilience		Likely material				Material
	Supply Chain Management	Material	Likely material		Material	Likely material	
	Materials Sourcing & Efficiency	Likely material			Material		Likely material
	Physical Impacts of Climate Change			Likely material		Likely material	Likely material
Leadership & Governance	Business Ethics		Material	Material		Material	Likely material
	Competitive Behavior		Likely material				
	Management of the Legal & Regulatory Environment		Likely material				
	Critical Incident Risk Management		Material				Likely material
	Systemic Risk Management			Material			Likely material

	Material
	Likely material
	Not material

(SASB n.d.)

Table 3-9: CSR reporting and Materiality reporting



(Si2 2018)

Corresponding to SASB’s effort to integrate sustainability information into financial metrics, the International Integrated Reporting Council (IIRC) works toward a global framework for ESG reporting in the legal form of financial disclosure. In the memorandum of understanding between IIRC and SASB (2013), they acknowledge that:

“Integrated Reporting (‘IR’) is a process that results in communication by an organization, most visibly a periodic integrated report, about value creation over time. An integrated report is a concise communication about how an organization’s strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation of value over the short, medium, and long term.”

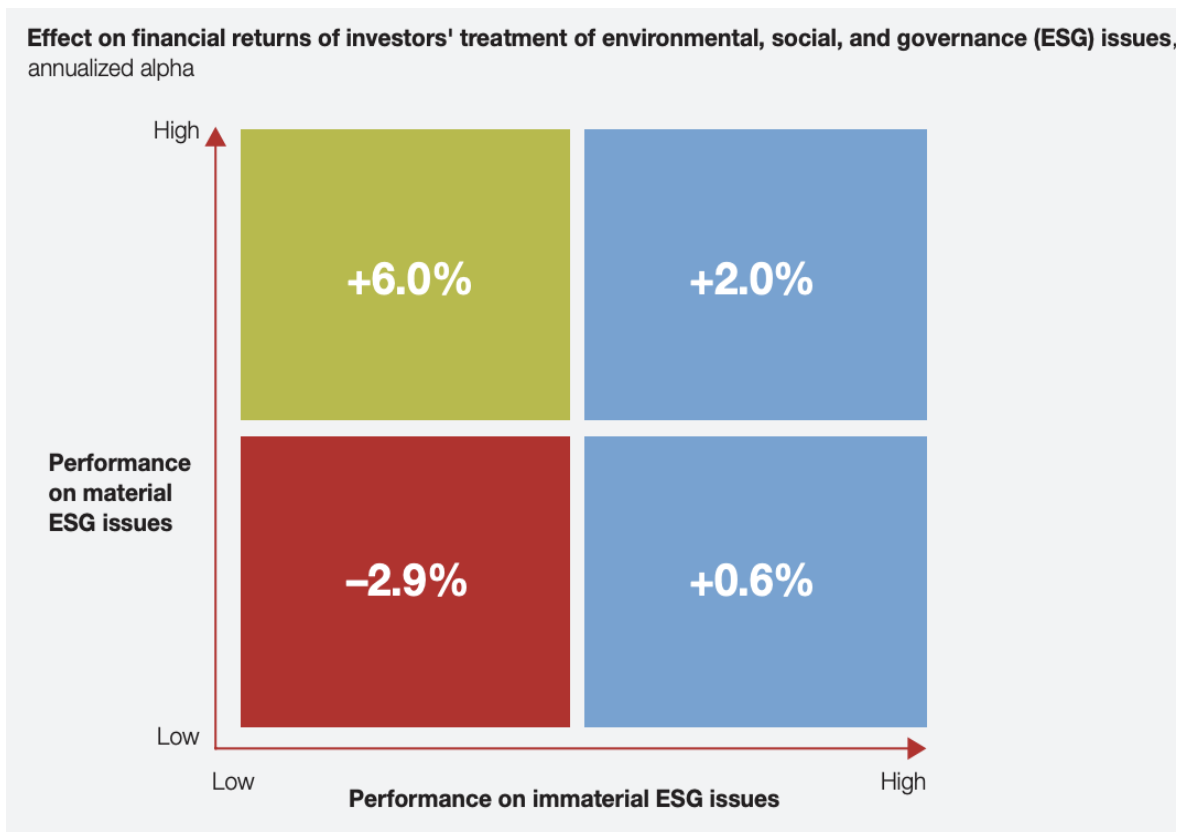
According to KPMG’s report (2017), about 14 percent of the world’s largest companies issued integrated reports in 2017, and about two-thirds of them referenced the IIRC framework. IIRC aims to establish integrated reporting within the mainstream business practice as the norm in the public and private sectors (Si2 2018).

Consequently, the CSR reporting and SRI decision-making process have increasingly borrowed terms from the financial realm, such as “materiality,” “risk exposure,” “value-enhancing,” “returns,” and “human capital,” to equate the specific environmental and social values (Sandberg et al. 2008; Dumas and Louche 2016).

- **Scholarly evidence on financial materiality**

Khan, Serafeim, and Yoon (2015) constructed a model that compares how financially material and non-material ESG performance impact financial performance differently to test the validity of the financial materiality of ESG factors defined and presented in SASB’s Materiality Map™ (Table 3-8). The result shows that high scores in material ESG indicators could be value-enhancing for shareholders. In contrast, high scores in non-material ESG indicators have little positive or negative value implications. As Figure 3-3 indicates, firms with a strong performance on material topics outperform firms with poor performance on material topics (+6.0/+2.0 over -2.9/+0.6). Moreover, firms with good performance on material issues and concurrently poor performance on non-material issues perform the best (+6.0).

Figure 3-3: Focus on material ESG issues derives greater return



(Khan, Serafeim, and Yoon 2015, cited in Bailey, Klempner, and Zoffer 2016)

Based on this result, the authors argue that it is important to distinguish/differentiate between financially material and non-material factors, so that:

- (1) businesses may be more efficient in prioritizing CSR activities, and
- (2) academic study may be more effective in finding the relationship between CSP and FP.

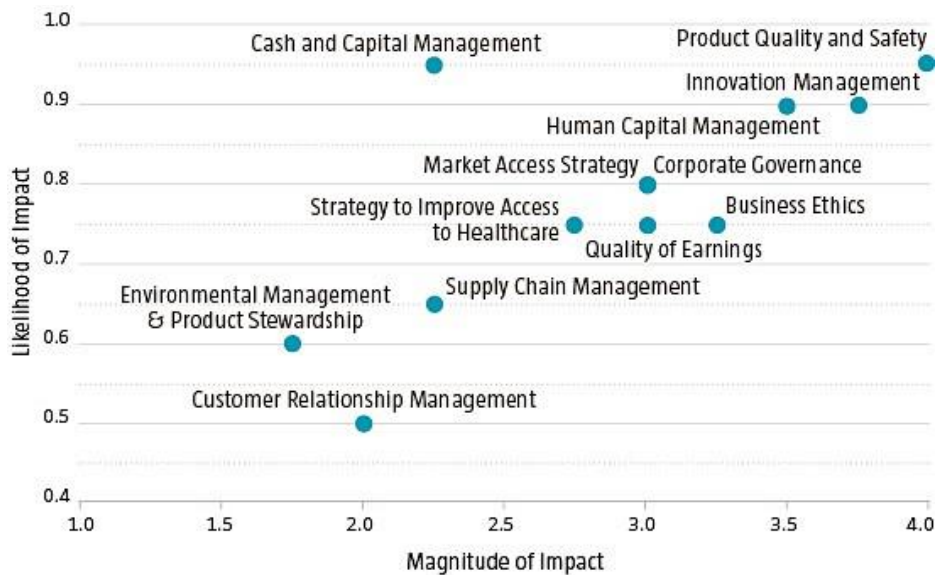
They also suggested that the SASB successfully separates material from less material information for investment purposes. This study is heavily cited by academics, industrial publications, and conference presentations to advocate the FM concept and the “*Doing well by doing good*” theory.

- Materiality identification and prioritization in practice

RobecoSAM, one of the most prominent ESG data providers, integrates financially material ESG factors into its investment process in a structured manner. It develops and updates the materiality framework so that the analysts focus on those most relevant to the companies’ financial performance. It states that their analysts put considerable effort to identify financially material sustainability factors in the investment process for the 60 industries they assess. It results in a materiality matrix for each sector, which maps the relative importance of each material factor against each other and helps them visualize the most critical factors (RobecoSam 2018).

Figure 3-4 shows its materiality matrix example in the pharmaceutical industry. While “Product Quality and Safety” is placed as the industry’s most financially material position, “Environmental Management” is allocated as a less prioritized ESG factor, according to their measurement of likelihood (vertical axis) and magnitude of financial materiality (horizontal axis).

Figure 3-4: Financial Materiality matrix for pharmaceuticals industry



The factors that appear in the upper right-hand corner of the matrix are the most financially material.

(RobecoSam 2018)

Figure 3-5 shows another example of the materiality matrix used by corporations. Large multinational companies often use a similar model in their integrated sustainability reports. The measurement is based on the impact of the business (horizontal axis) and stakeholders (vertical axis). Unilever states that it has identified 38 prioritized topics out of 191 issues in its report. According to the matrix, some ESG factors of high importance for stakeholders do not necessarily have a high business impact (financial materiality). Also, some issue framings in the matrix, such as human rights, global economy, and peaceful & inclusive societies, seem too vague to understand how the company addresses these issues.

Figure 3-5: Materiality Matrix – Unilever



(Unilever n.d.)

2) Challenges in the materiality approach

Identifying and selecting FM ESG factors is now a common practice among corporations and investors. For the proponents of the financial materiality approach, the main interest is to identify which ESG issues impact companies' stock performance. The methodologies behind the materiality decisions contain significant value judgments (Beloe 2015). With this approach, issues that may be relevant from a sustainability perspective but deemed financially non-material may not be considered worthy of attention. Butz and Laville (2007, 1) call this problem "the materiality trap." The trap is arguably the dilemma in the mainstream SRI approach under fiduciary capitalism, where maximizing risk-adjusted returns might require the investor or its fiduciary to make choices that lead to irresponsible or immoral actions (Eccles 2011).

In Table 3-10 below, (c) and (d) represent responsible/moral actions that reduce return and irresponsible/immoral actions that improve return, respectively. Those are the societal dilemmas. Item (c) can be the enormous cost of fixing the damage, which will be borne by present and future generations of others or taxpayers in general, whether they benefited or not. Item (d) can be the root cause of the damage done to this public good, which was highly profitable to a select group of individuals. However, the "*Doing well by doing good*" theory counts neither (c) nor (d).

Table 3-10: Responsibility and financial return

	Improved return	No effect	Reduced return
Responsible/Moral	(a)	(b)	(c)
Irresponsible/Immoral	(d)	(e)	(f)

(Eccles 2011, 27)

For example, an environmental hazard priced at one million dollars may be immaterial to a multi-billion-dollar corporation. It is a relative measure. These risks and opportunities range from the tangible (e.g., litigation and regulatory sanctions) to the intangible (e.g., reputational risks and damage to brand names).

Fundamentally, the FM approach does not consider the fundamental economic concept of externalities (Robins 2012). Even the author who argued the positive relationship between the financially-material ESG performance and financial performance (Khan, Serafeim, and Yoon 2015) acknowledges that "we have yet to understand whether this cost of capital adjustment effect is significant enough to translate into fewer negative externalities (Serafeim et al. 2016, 15)."

The political environment determines public discourse, media coverage, awareness, risk perception on climate change, public health, economic priorities, technology, and so on. These are linked to the company's financial risks, such as reputational, regulatory, and litigation risks. Public pressure to act, which is likely to correspond to the perceived importance of environmental concern in responsible investment, can be, to a certain extent, controlled by economic actors' political capacity (Barkemeyer and liesen 2015). It consequently limits the likelihood of SRI integrating

diverse environmental concerns. Financial materiality accommodates the fundamental economic assumption while excluding some social and economic conflicts between corporations and stakeholders.

3-5. Conclusion

This chapter illustrated the institutional change in the SRI regime – how the regime site (financial sector) and mode (actors, principle, and practice) have shifted the focus from ecological and social sustainability to financial sustainability while evolving from the traditional SRI to the mainstream SRI. The SRI process, including standardization and surveillance of ESG performance, translates an abstract set of norms and expectations into a quantifiable and standardized instrument to categorize, measure, and rank corporate performance. The investigation finds that SRI discourse and practice are increasingly focused on the financial outcome of socially responsible corporate practice while SRI grows into the mainstream financial sector and is widely marketized.

Table 3-11 summarizes the feature of SRI practices discussed in this chapter, juxtaposing the traditional and the mainstream.

Table 3-11: CSP evaluation standards and criteria

	Traditional SRI	Mainstream SRI
Mainly referred as	Ethical investment, Social investment, Socially responsible investment	ESG investment, Sustainable investment
Site	Small participants, Individual funds, Niche	Large participants, Fiduciary institutions, Mainstream
Shareholder-corporate relationship	Complicity-based doctrine Leverage-based responsibility (i.e., Shareholders are responsible for the corporate irresponsibility)	Universal owner Stakeholder theory (i.e., Shareholders have power to influence the regime outcome)
Motivation/ Goal	Environment and social sustainability To avoid unethical stock and mitigate corporate negative impact on environment and social sustainability	Corporate (financial) sustainability To mitigate environmental and social risks on corporate financial performance
Criteria	Focused criteria	Diversified criteria
	Business-line prioritized	Business-line not prioritized
	Clear CSP criteria	Unclear CSP criteria
	Social-materiality focused	Financial-materiality focused
Universe coverage	A few dozen to a hundred (Individual corporation or industry)	A few thousand companies (entire universe)
Rating style	Inter-industry absolute	Intra-industry comparative (Peer-based benchmarking)
Information source	Third-person observation Social and environmental activists	Integrated report (ESG + finance) Rating and consulting firms
Screening object	Performance-focused screening (Corporate externality)	Policy-focused screening (Corporate self-regulation)

Focus	Negative screening	Positive screening
Temporal interest	No time limit or Long-term (based on the nature of targeted environmental and social issue)	Short-term or Time sensitive (based on annual and quarter financial reporting period)
Methods	Qualitative analysis	Quantitative analysis
Outcome	Regime effect can be observed directly	Difficult to draw evidence of regime effectiveness

The concept of universal owner illuminates a strong relevance and interest in the sustainability of the ecological and social system. Fiduciary capitalism has driven exponential growth in AUM in SRI and dedicated tremendous financial resources and human capital to implement SRI practices, including standard-setting, ESG disclosure initiatives, performance rating, information exchange, and academic research. However, the analysis detected some critical flaws in the newly emerging SRI practices, including (1) unsubstantiated CSP-FP relationship, (2) CSP rating validity and reliability, (3) the limiting scope of ESG issues by their financial materiality.

Given these trends and developments discussed in this chapter, there is a solid case for further evaluating how the SRI community collectively constructs the norm, value, and practice. The following chapter further analyzes the causal relationship between SRI discourse, practice, and regime outcome by applying theoretical frameworks.

Chapter 4. Political impacts on regime formation

4-1. Introduction

The previous chapter explored the common practices in the modern SRI and discussed how the mainstream SRI is linked to the dominant models of financial decision-making and organizational culture under fiduciary capitalism. It argued that the emergence of fiduciary capitalism has a structural impact on normative values and practices in the SRI regime institution. Mainstream SRI practices are increasingly motivated by the purportedly legitimate and rational pursuit of maximizing return in the name of fiduciary duty while shaping new sustainability norms in the business world.

As introduced briefly in Chapter 2, IPEE literature provides useful theory and evidence that can be used to critically examine power relations in global environmental governance. It suggests that global economic actors – multinational corporations and investors – are essentially political actors, shaping global processes in both direct and indirect ways through their engagement with global processes (Levy and Newell 2005; Newell 2012; Clapp and Dauvergne 2011). This chapter employs IPEE theory, mainly Neo-Gramscian and Foucauldian theory of hegemony and discourse, to critically examine the role of political power and discourse in forming mainstream SRI.

The Gramscian theory of *hegemony* and the Foucauldian theory of *governmentality* help me delineate the emergence of neoliberal governmental rationality and discourse institutionalization to examine the practical and political effects of the SRI regime. Referring to the mainstream SRI practices illustrated in Chapter 3, this chapter identifies a discourse underlining regime formation and how it transforms into policy outcomes.

4-2. Analytical frameworks

To discuss the formation and outcome of the SRI regime, I set several theoretical assumptions to frame the analysis. First, the fundamental political inquiry seeks the regime's net result, rather than its cosmetic effects on individuals (Krasner 1983). Secondly, norms and principles define the essential characteristics of a regime (Krasner 1983). Thus, "how the governing norms became dominant" and "whose interests are served" are essential questions to ask in studying the creation, design, and effectiveness of regime institutions (Bernstein 2001). Thirdly, politics (i.e., power relations to shape dominant interest to determine action/inaction) is of great importance to the initial formation of regimes and maintenance of institutional arrangements over time (Keohane 1983, cited in Young 1986; Rogelj et al. 2013, cited in O'Neill et al. 2013). Finally, the regime effectiveness can deteriorate if the principles, norms, rules, and decision-making procedures

become less coherent and if actual practices become increasingly inconsistent with these principles, norms, and procedures (Krasner 1983).

4-2-1. The Neo-Gramscian narrative of capitalist hegemony

The Neo-Gramscian perspective identifies multinational corporations (MNCs) as political actors in global environmental governance (Gramsci 1971; Clapp 2005; Cutler et al. 1999), problematizing their hegemonic power that reinforces the ideology of market liberalism in forming environmental governance regimes (O’Neill 2017; Bührmann 2005).

Hegemony is established when the interest of the dominant capitalist class is accepted as the norm (or the universal interest) of society (Persson 2020). The theory suggests that “the ways in which social practices (*structure*) are both created by and create the values and theories (*superstructure*) we use to rationalize and explain our practices” (Schreiner 2009). Another Gramscian term, “*historical bloc*,” refers to “a diverse group of actors succeeds in coordinating their interests sufficiently through common discursive articulations and economic arrangements” (Levy and Newell 2005, 98).

When the hegemonic power of private authorities is heavily involved in creating and maintaining governance principles, norms, rules, and decision-making procedures, the structures and processes generate asymmetrical distributional outcomes because tension and contradictions between the economic and ideational realms are inevitable. Thus, ideological reproduction is required to maintain legitimacy and a mutuality of interests through coercion and consent for hegemonic stability (Levy and Newell 2005). As a result, it “threatens equity as a norm to be served by a governance regime (Levy and Newell 2005, 14),” weakening democracy and generating a political divide (Aksu and Camilleri 2002).

The analysis in this chapter applies these theoretical concepts to argue that the modern SRI network, as a historical bloc, exercises its hegemony by defining what constitutes a sustainable and responsible corporation – which is to protect their market position, legitimacy, and autonomy in the face of environmental problems originated from the negative externalities that companies are responsible for (Newell 2012).

- Channels of power execution

A historical bloc exercises hegemony through the channels of material, organizational, and discursive power to produce and stabilize neoliberal interpretation of sustainability and responsibility (Levy and Newell 2005). Those three channels are mutually enhancing and non-exclusive.

Material power represents access to and control over the financial and technological resources of SRI institutions to secure their strength in terms of political position. Material power plays an integral part in generating discursive power and structural power. The institution’s access to technical and economic information and expertise grants significant leverage to shape policy and regulatory developments.

Organizational power denotes the ability of coalition building to pursue a political agenda, such as lobbying governments, partnership with intergovernmental organizations, building business and industrial NGOs (BINGOs), and accessing the international policy process. The SRI network consists of various political and economic powers as elaborated in Chapter 2 (See Table 2-1), including UN agencies, major national pension funds, megabanks, rating and consulting firms, environmental NGOs, information media, and academic researchers, which support the political representation of the coalition in the business and political world.

Discursive power indicates the capacity to influence the political process by shaping knowledge, norms, and ideas that constitute people's identities and subjectivities. It executes a strategic social construction that reconfigures social context and public debate promoting ideological language and theory. SRI represents a set of discursive texts and practices that construct corporate subjectivity, adopting terminologies such as ESG, stakeholders, sustainability, and corporate citizenship. It can shape the broader public's understanding of environmental problems and the preferred solutions to environmental problems, which may indirectly influence policy-making. Legitimacy is a source of discursive power that rests on material and organizational foundations.

A successful historical bloc combines these channel forces to create "extremely subtle ideological and political propaganda" and "persuasion" (Gramsci 1971, 285).

4-2-2. Foucauldian theory of Governmentality

To further analyze how SRI as hegemony shapes norms and practices, my analysis also applies the Foucauldian theory of *governmentality*, which provides a framework to interrogate how neoliberalism hegemonic discourse performs as a governing rationality (Foster 2018). Governmentality grows through the emergence of modern power, replacing the capacity of the state (Scott 2008; cited in Bridge and Perreault 2009). According to Foucault, "government" and "governing" are not restricted to the role of the state but, rather, refer to the ways in which power is exercised to regulate conduct ("the conduct of conduct") across various forms of authority (Foster 2018).

The governmentality concept suggests that discourse makes and shapes realities (meanings of things and events) and their associated rationalities (the logic to legitimize particular courses of action). Discourse is an important arena for power in construction of reality (Stephan et al. 2013). In other words, the reality is the type of discourse shaped by a series of political activities (Hajer and Versteeg 2005). Consequently, discourse transforms into institutional arrangements ("discourse institutionalization") to form a regime (Foster 2018).

Essentially, politically constructed policy discourses favor certain descriptions of reality to meet the interests of certain actors while marginalizing others. However, the situation is often obscured because a regime determined under the neoliberalism rationality has long been justified and considered natural, and simultaneously naturalizing inequalities (Foster 2018).

4-2-3. Hajer's Environmental Discourse Analysis

Hajer (1995) developed a Foucauldian-inspired discourse analysis framework that investigates the structure and the superstructure in environmental regime formation. He defines *discourse* as “a specific ensemble of ideas, concepts, and categorizations that are produced, reproduced, and transformed in a particular set of practices and through which meaning is given to physical and social realities” (1995, 44). Hajer's framework intends to analyze how environmental problems are discursively framed and how the discursive frame gets translated into institutional arrangements. Hajer's key argument is that environmental conflicts are not merely about whether there is an environmental crisis but are essentially about how it is interpreted because the interpretation of the environmental problem evolves into a set of discourses that forms regime policy and institutional arrangements. In this respect, the environmental conflict implicates a “struggle over the definition and the meaning of the environmental problem itself” (1995, 14).

Hajer's discourse analysis also involves the investigation of “discourse coalitions,” – a political coalition made up of actors or organizations who unite around a belief in specific “story-lines” (Hajer 1995; 2005). A story-line translates and conceptualizes environmental issues into an institutional context to construct a social and moral order. Once a story-line gets enough socio-political resonance, it starts to generate political effects. Story-lines are essential political devices which discourse coalitions use to engage in environmental politics.

Applying these theories, the rest of this chapter addresses two specific questions: (1) *How is the norm (ethics and sustainability) of modern SRI (mainstream and business-case) constructed and propagated?*; and (2) *What is the mechanism for justifying such norms and values?* My discussion assumes that SRI forms one large discourse coalition under which regime practices (structure) are both shaped by and shape the norm and theories (superstructure), and argues that the SRI networks, as a large discourse coalition, develop policy rhetoric to form and sustain the SRI regime, affiliating around the beliefs in the “story-lines,” detailed below.

4-3. Regime formation – How regime is constructed

This section addresses the first question: “*How is the normative value (ethics and sustainability) of modern SRI (mainstream and business-case) constructed and propagated?*” The analysis discusses three predominant story-lines that frame and legitimize the modern SRI value and practices. Those are the ideologies that inform and govern not only the way of thinking and doing among SRI network actors but also broader global environmental governance leaderships, including UN conventions, public-private joint initiatives, and the corporate social responsibility (CSR) activities of individual corporations. Those three story-lines have different focuses and sources of emergence but also reflect both the ideational and instrumental characteristics of modern SRI. Different initiators for each doctrine are all essential actors in the SRI network who operate together. Even though their approaches are different, the three theories hold strong commonalities in their political interests and are mutually enhancing.

As Hajer (1995) suggests, the following analyses consider that story-lines support rationales behind the SRI norms and practices through:

1. Facilitating a mutual understanding by reducing the complexity of an environmental problem, providing discursive competence of the environmental phenomenon beyond their discourse of expertise or experience so that "it sounds right";
2. Providing a set of symbolic references or ritual characters so the story-lines avoid contestation and overcome fragmentation; and
3. Framing specific ideas of “culpability,” “responsibility,” and “urgency,” and creating a social and moral order in a given domain.

4-3-1. Stakeholder Theory

- Story-lines

Stakeholder theory is a theory of organizational management and business ethics that first appeared in an internal memorandum at the Stanford Research Institute in 1963. The term was intended to challenge the idea that stockholders are the only group to which company management needs to respond (Freeman 2010). This theory advises business managers to account not only for shareholders but also for multiple other constituencies that their business may affect, including employees, suppliers, communities, and the ecological environment. Stakeholder theory was first considered an innovative form of governance that complements existing authorities to demand democratic accountability of businesses and provide alternatives to the neo-classical corporate-shareholder corporate governance (Bäckstrand 2006).

Stakeholder theory was established as one of the defining frameworks of the SRI/CSR value throughout the 1990s (Majoch 2017). The most significant turning point was when Edward Freeman, the most prominent scholar in stakeholder theory development, first detailed the stakeholder theory in 1984. He defined a stakeholder as “any group or individual who can affect or is affected by the achievement of the organization’s objectives (Freeman 1984, 40).” Freeman proposes replacing the narrow and short-term focus of conventional fiduciary duty with a broader and long-term set of stakeholder accountability, stating:

“We need to understand the complex interconnections between economic and social forces. Isolating ‘social issues’ as separate from the economic impact that they have, and conversely isolating economic issues as if they had no societal effect, misses the mark both managerially and intellectually (Freeman 1984, 40).”

In the SRI/CSR literature, his claim is often juxtaposed with Milton Friedman's classical doctrine, "the social responsibility of business is to increase its profits (Friedman 1970)", which affirms that fiduciary duty is to maximize financial returns to their shareholders, not to stakeholders. While stakeholder theory is the foundational doctrine for CSR, Freeman stresses that stakeholder theory is not a responsibility or ethic-based argument. Instead, he suggests that ability to understand stakeholders' expectations reflects a firm's financial performance. Stakeholder theory recognizes that groups other than shareholders also have contractual relationships with the firm. Thus, Freeman's shareholder theory does not conflict with Friedman's fiduciary duty to shareholders. Instead, shareholder wealth maximization is consistent with the best interest of stakeholders and society in the long run (Elms and Westermann-Behaylo 2012; Baker and Powell 2009). The modern SRI – often referred to as ESG investment or sustainable investment – generally

incorporates elements of stakeholder theory in their investment decisions, as their concept and practice conform with the fiduciary norm in the financial industry (Kurtz 2012).

Importantly, however, there is an underlying tension between the normative and instrumental approaches to stakeholder theory. Kurtz (2012, 7) exemplifies these approaches as;

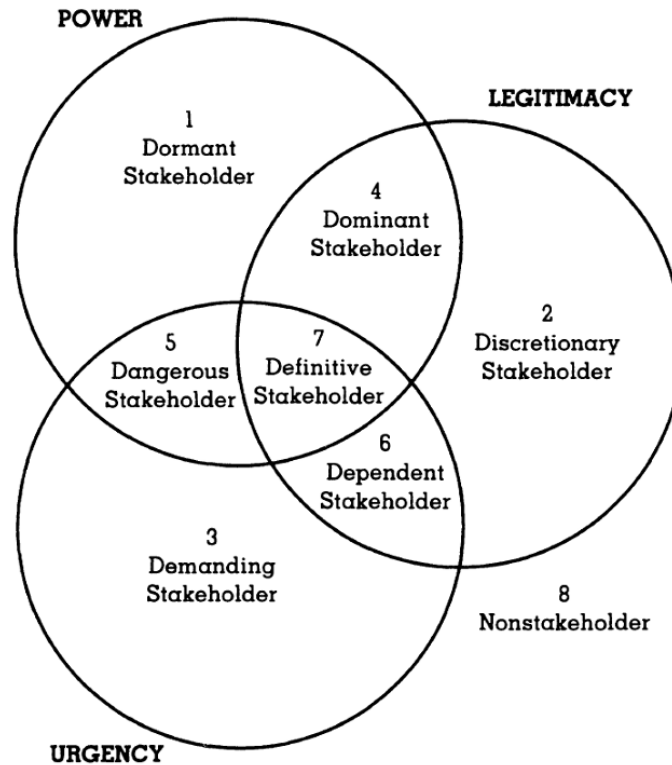
An ideological/normative stakeholder theorist might say:
Coca-Cola has a duty to protect the environment, so it should pay more attention to its water policies.

An instrumental stakeholder theorist might say:
Coca-Cola should manage its water policies to minimize the negative impact of reputational effects on firm value.

The instrumental view of Freeman's stakeholder theory is based on the practical reality of limited (1) resources, (2) time and attention, and (3) the ability of managers, to deal with external constraints of stakeholders as those groups on which the organization is dependent for its continued survival (Mitchell et al. 1997; 2018). Therefore, Freeman calls for systemic evaluation of stakeholders' effect on corporate performance, namely, identification of stakeholders and prioritization among them. It is the bottom-line doctrine for operationalizing stakeholder theory which Freeman (1984; 2018) calls "*The Principle of Who or What Really Counts.*"

Based on this doctrine, Mitchell, Wood, and Agle (1997) developed the theory of stakeholder salience, which explicitly considers the stakeholder prioritization method. It proposes a model that systematically evaluates stakeholders' possession of *Power* (the stakeholder's ability to influence the company), *Legitimacy* (the stakeholder's relationship with the company), and *Urgency* (the extent to which stakeholder's demand require immediate attention). The stakeholders are labeled into seven categories according to their nature and the number of attributions, as shown in Figure 4-1.

Figure 4-1: Stakeholder typology by Mitchell et al. (1997, 2018)



The stakeholder prioritization work involves managers’ arbitrary judgement on what Power, Legitimacy, and Urgency mean to them, and unilateral valuation of whether and how stakeholders can impact corporate management, and their claims are legitimate or require urgent action. As a result, some stakeholders who lack attributes are labeled as low salience, so they are unworthy for attention, illegitimate, or even troubling to the firm (such as those categorized as dangerous, demanding, dominant, or dependent). Mitchell et al. suggest that the stakeholder categorization helps firms decide how to respond to stakeholders systematically. Table 4-1 shows the description of each category.

Table 4-1: Stakeholder categorization

<p>Latent Stakeholders (#1, 2, & 3): One attribute, low salience. Managers may do nothing about these stakeholders and may not even recognize them as stakeholders.</p>
<ol style="list-style-type: none"> 1. Dormant Stakeholders: Possess power to impose their will through coercive, utilitarian, or symbolic means, but have little or no interaction/involvement as they lack legitimacy or urgency. 2. Discretionary Stakeholders: Likely to be recipients of corporate philanthropy. No pressure on managers to engage with this group, but they may choose to do so. Examples are beneficiaries of charity. 3. Demanding Stakeholders: Those with urgent claims, but no legitimacy or power. Irritants for management, but not worth considering. Examples are people with unjustified grudges, serial complainers or low return customers.

<p>Expectant Stakeholders (#4, 5, &6): Two attributes, moderate salience. Active rather passive and expecting managers' action. Likely higher-level engagement with these stakeholders.</p>
<p>4. Dominant Stakeholders: The group that many theories position as the only stakeholders of an organization or project. Likely to have a formal mechanism in place acknowledging the relationship with the organization or project, such as Boards of directors, human resources, and public relations.</p> <p>5. Dangerous Stakeholders: Those with powerful and urgent claims will be coercive and possibly violent. For example, employee sabotage or coercive/unlawful tactics used by activists.</p> <p>6. Dependent Stakeholders: Stakeholders who are dependent on others to carry out their will because they lack the power to enforce their stake. E.g., residents & animals impacted by the BP oil spill. Advocacy of their interests by dominant stakeholders can make them definitive stakeholders.</p>
<p>Definitive Stakeholders (#7): All three attributes, high salience. Managers give immediate priority to these stakeholders.</p>
<p>7. Definitive Stakeholders: An expectant stakeholder who gains all three attributes.</p>

(Mitchell, Wood, and Agle 1997; Milosevic, Mitchell, and Wood 2018)

- Practical implication

The concept of stakeholder identification and prioritization work is widely incorporated in ESG performance analyses, investment selections, and the general norm and discourse in the mainstream SRI network. However, this dominant utilitarian approach barely functions as self-regulation, corporate social responsibility, or moral economy. Instead, it manages stakeholders' behavior and creates structural exclusion.

Mitchell et al. claim stakeholders are required to gain “voice, acknowledgment, and recognition” from the corporation to be salient and counted as one. Those are highly dependent on stakeholders' actions through information media (link to reputational risks), lawsuits (link to legal risks), and regulatory appeals (link to regulatory risks). Those risks motivate companies to engage stakeholders to protect the company's reputation, legitimacy, and profit. If a stakeholder fails to be counted as one, "there is absolutely no pressure on managers to engage in an active relationship with such a stakeholder (Mitchell et al. 1997, 875)."

Integrating environmental, social, and corporate governance (ESG) factors into an investment consideration precisely follows the concept of stakeholder theory. Just as Freeman claimed that integrating stakeholder interest in the business and investment decision is consistent with shareholder wealth maximization, ESG issues are "economic facts" affecting the firm's performance.

Similarly, identification and prioritization of the financial materiality of ESG issues remarkably inherit stakeholder theory in how stakeholder salience is systematically evaluated in Mitchell et al.'s piece. Corporations and investors adjudicate which stakeholders' claims (i.e., externalized environmental and social costs) are to be counted or left out based on their level of saliency (i.e., the extent to which it impacts accounting measures). The financial materiality identification work illustrated in Chapter 3 reflects Freeman's doctrine of "*Who or What Really Counts*," in the way which leads to the systemic exclusion and compromise in critical environmental and social factors that are not considered salient (or material) enough to become a financial pressure.

- **Political implication**

In their more recent paper, Mitchell et al. (2017) recognize that the stakeholder salience model and the prioritization scheme may "*unintentionally*" lead managers to exclude specific stakeholders. However, judgments on stakeholder categorization (power, legitimacy, and urgency) typically rely on the hegemonic neoliberal self-interest of corporations, justifying managerial efficiency, which inevitably involves structural exclusion. The stakeholder theory and prioritization model fail to demand democratic accountability for corporations and preserve the neo-classical corporate-shareholder paradigm.

According to Mitchell et al.'s prioritization model, civil rights activists, environmentalists, and labor activists hold power and urgency but lack legitimacy in the perception of corporate managers; thus, they are categorized as "dangerous stakeholders." For example, the authors suggest that the South African political organization, the African National Congress, would be categorized as a "dangerous stakeholder" during the apartheid era (Derry 2012). Mutually beneficial contracts between multinational corporations and indigenous communities at mining or forest sites in the Global South, for example, are unlikely to occur, given the enormous disparities in material and organizational power, resources, and capacities.

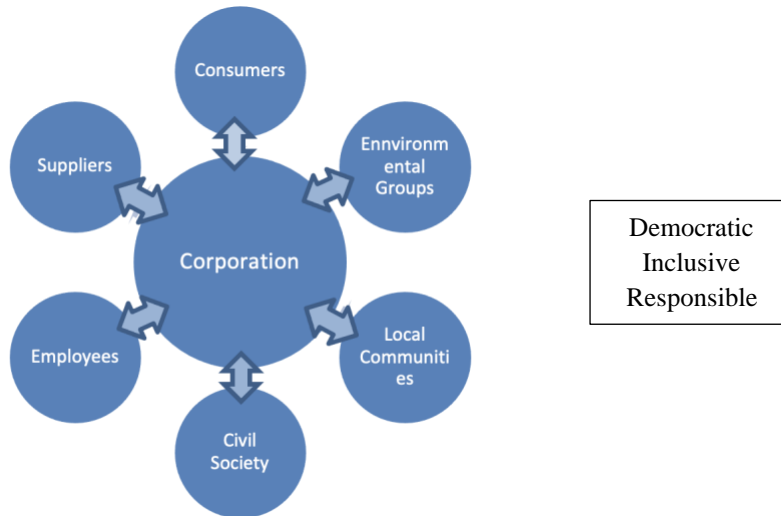
Some consider this model more likely to help stakeholders who already possess power and resources to raise their voices to be salient and influential, while those labeled irrelevant for their business risks and opportunities are systematically neglected (Bondy and Charles 2020; Derry 2012). Instrumental stakeholder theory involves demarcated devaluation, which has brought about historical patterns of oppression, uneven development, racial formation, or gentrification. It implicates stakeholder colonialism that further marginalizes vulnerable communities by depriving them of their rights and resources.

These images in Figure 4-2 illustrate the contradiction between (a) the ideological and (b) the instrumental approaches of stakeholder theory. These contrasting approaches are often confused in the CSR/SRI discourse and practices. Although stakeholder theory is promoted as a normative theory (democratic stakeholder engagement), the actual practice is mostly based on the instrumental approach, which justifies businesses' self-serving behavior (paternalistic stakeholder management).

Figure 4-2: Inconsistency in the concept of Stakeholder theory

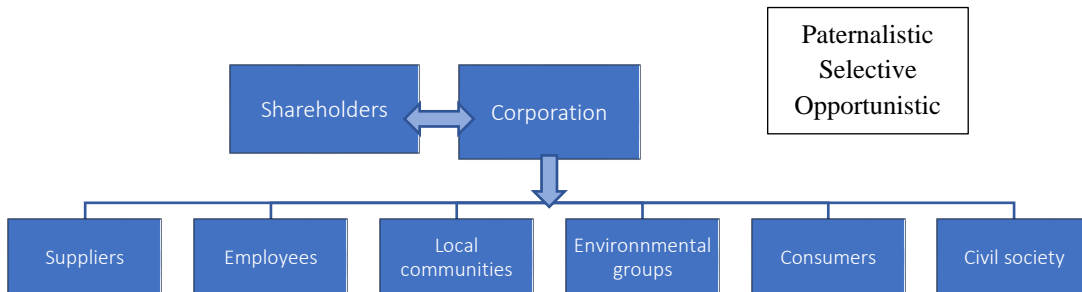
(a) Ideological approach: Stakeholder Engagement

Example: *Coca-Cola has a duty to protect the environment, so it should pay more attention to its water policies.*



(b) Instrumental approach: Stakeholder Management

Example: *Coca-Cola should manage its water policies to minimize the negative impact of reputational effects on firm value.*



4-3-2. Corporate citizenship

- Story-line

The concept of *corporate citizenship* was introduced in the 1980s by business practitioners, and the term is used interchangeably with CSR. It indicates that a corporation is an entity with a status equivalent to a citizen (Mele 2008). While corporations have long been held to possess legal personhood, the term promotes "social embeddedness (Valor 2005)" of corporations with the image of the "good guy in your neighborhood" who cares the community's interests (Crane, Matten, and Moon 2010, 26). Practically, corporate citizenship denotes a company's philanthropic activities and donations to the community to build its green, friendly, and localized image. Some call it "strategic philanthropy (Windsor 2001, cited in Matten and Crane 2005)," which is to protect their reputation and profitability under the growing notion of global environmental concerns and community protests negative corporate impacts (Wood and Logsdon 2001; Matten et al. 2003)

A landmark in this process has been the joint statement on "Global Corporate Citizenship: The Leadership Challenge for CEOs and Boards," signed during the World Economic Forum (WEF) in New York in January 2002 by 34 CEOs from the world's largest multinational corporations, including the Coca-Cola Company, Deutsche Bank, Diageo, Merck & Co., McDonald's Corporation, Philips, and UBS (Melé 2008). For the WEF, corporate citizenship is "the contribution a company makes to society through its core business activities, social investment and philanthropy programmes, and engagement in public policy" (WEF 2002). Following this event, major global companies began labeling their annual CSR reporting document as a "citizenship report," a "global citizenship report," or similar versions of the terminology. The citizenship term and concept subsequently proliferated into business, academic, and public spheres (Crane et al. 2010).

- Practical implication

Corporations increasingly present themselves as progressive civil actors in shaping political agendas (Wright and Nyberg 2015). Green and social marketing promote the idea of business as a force for accomplishing social good (Matten and Crane 2005; Porter and Kramer 2011). The United Nations Environmental Programme Financial Initiatives program (UNEP FI 2006) proposes investment opportunities for "sustainable improvements" which can benefit businesses.

Through the rhetoric of corporate citizenship, products and services targeting low-income consumers in the developing world (namely the "Bottom of Pyramid" market) are now a significant part of CSR discourse (Rossi et al. 2000; cited in Banerjee 2006). Such products and services include technologies for water, agrobusiness, emission control, and natural resources management. Business articles on making the 2008-2009 global food crisis a business opportunity (Kitanishi 2020) and the provision of water to underserved populations as an investment consideration (Krosinsky and Purdom 2016, 105) are categorized as ESG topics.

Consequently, SRI strategies increasingly focus on positive screening rather than negative screening, allowing corporations to deflect their responsibilities for negative externalities through their marketing and philanthropic activities. Corporate citizenship promotes innovation, public

service, and sales of new products to expand global businesses into an endless frontier where populations are often politically vulnerable, and natural resources are easily exploited by powerful MNC traders (Banerjee 2008). Corporate advancement in environmental technologies or philanthropic activities does not necessarily offset negative externalities that make more fundamental environmental issues (Haigh 2006). A company could be responsive to one stakeholder group while exploiting another. The tendency of modern SRI to focus on positive aspects of ESG performance misses the point profoundly.

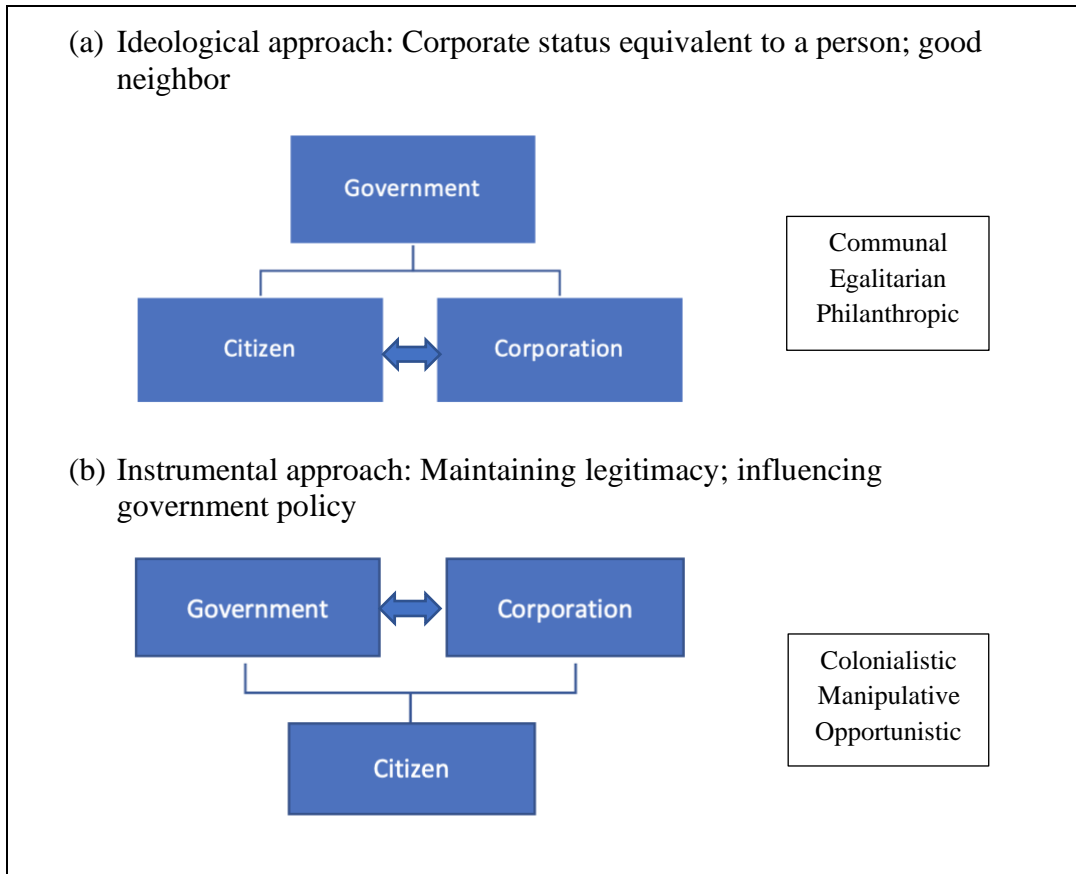
- **Political implication**

While corporate social contribution is understood as an essential part of CSR, “contribution” is distinctly different from “responsibility.” Corporate citizenship highlights images of a corporation giving back to society as a good neighbor or a global problem solver, corporate citizenship does not amount to self-regulation. As Fleming and Jones (2012) claim, while some corporate citizenship initiatives might generate positive effects on externalities, they cannot fundamentally alter the externalizing engine of the corporation. The validity of corporate citizenship ideology is limited to win-win situations (meeting mutual interests) where profitable activities coincide with the public good or ethical justification (Banerjee 2008). The corporate citizenship model is not meant to internalize or correct negative externality and likely deters necessary actions.

Figure 4-3 indicates the profound inconsistency and manipulative discourse involved in corporate citizenship. Despite its ideological image, corporate citizenship in practice is less about a horizontal relationship between corporations and human citizens working toward mutual interests, as indicated in Figure (a). It is instead a pre-emptive action to maintain capitalism as the primary solution to global sustainability issues and to alter governments’ regulatory policy favorable for businesses, while securing a social license to operate in civil society (Fleming and Jones 2012), as indicated in Figure (b).

In sum, the corporate performance evaluation system biased towards positive screening implicates a deflection of corporate irresponsibility and dispossession from vulnerable citizens.

Figure 4-3: Inconsistency in the concept of Corporate Citizenship theory



4-3-3. Sustainable development – SRI as neo-liberal privatization project

- Story-line

The concept of sustainable development widely influences global environmental governance, providing a normative framework for environmental policies and approaches at global, national, and organizational levels (O'Neill 2017; Banerjee 2006). The 1987 report of the World Commission on Environment and Development (WCED), also known as Our Common Future/The Brundtland Report, introduced the concept of sustainable development. It defined sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs (WCED 1987, Chapter 2, Article 1).” Sponsored by the UN, the WCED attempts to understand the interconnections between social equity, economic growth, and environmental concerns to develop policy solutions that integrate those three areas (Newman 2011). The Report adds:

“In essence, sustainable development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development; and institutional change are all in harmony and

enhance both current and future potential to meet human needs and aspirations (WCED 1987, Chapter 2, Article 15)."

The concept of sustainable development became the foundation for the following UN conventions and establishments, including the 1992 Rio Declaration, which set up Agenda 21 and the Commission on Sustainable Development, the 2000 UN Millennium Development Goals, and the 2030 Agenda for Sustainable Development, adopted by the UN member states. The UN Environmental Programme and other environmental governance institutions also seek ways to work in harmony with global trade and finance regimes (such as free trade, private sector initiatives, and other economic incentives) by utilizing the concept (O'Neill 2017). The Brundtland Report is widely considered a paradigm statement in post-1990 global environmental governance (Hajer 1995).

- **Practical implication**

As a rhetorical framework, like many other CSR terms, sustainable development is vague enough to be open to myriad interpretations by industrialists, economists, policymakers, and environmental scientists (Rogers 2006; Bernstein 2001; Banerjee 2006; O'Neill 2017). Holmberg and Sandbrook (1992) counted over 70 definitions of sustainable development only five years after the Brundtland Report publication. There is considerable disagreement among scholars and practitioners on how it should be operationalized and measured, and the vagueness of the concept is the root of several controversies (Lippert 2004; Dernbach and Cheever 2015; O'Neill 2017).

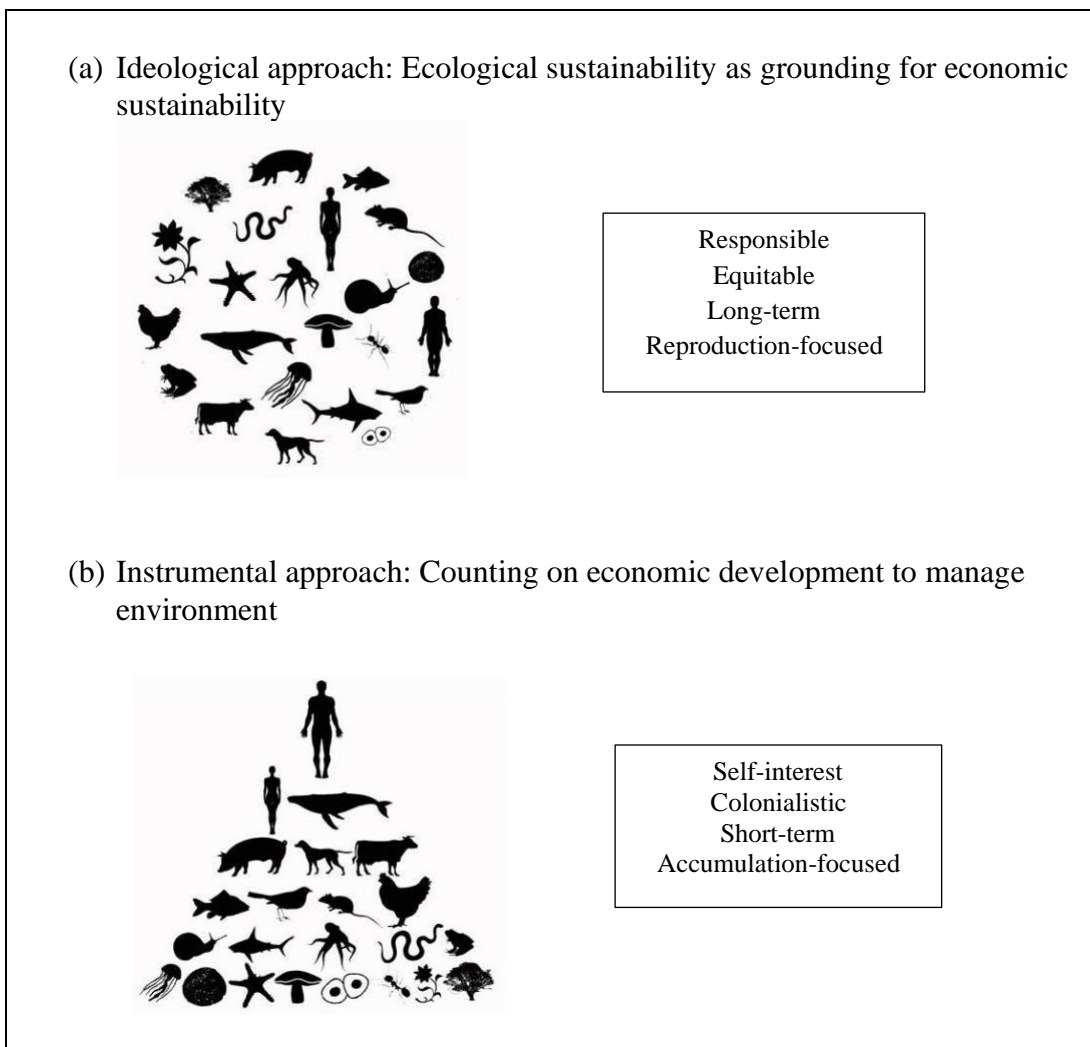
Meanwhile, discourse on sustainable development has increasingly been corporatized and dominated by questions of how it relates to corporate competitiveness and profitability. In business terms, "sustainability" is often used to mean "corporate sustainability" or "sustainable business strategy." As Banerjee (2006) points out, corporate discourses on sustainability produce an "elision" that displaces the focus from global planetary sustainability to sustaining the corporation through growth opportunities, appealing to both shareholders and stakeholders. For instance, upon launching the "Sustainability Group Index" in 1999, Dow Jones claimed that the Index aims for "long-term shareholder value by integrating economic, environmental and social growth opportunities into its corporate and business strategies (Dow Jones Sustainability Group Index 2000, cited in Banerjee 2008, 89)."

- **Political implication**

Bernstein (2001) argues that the Rio Conference successfully formulated an umbrella regime in sustainable development that provides a forum for MNCs to participate in global environmental governance. Such an institutional shift has had significant implications for environmental governance over the past several decades. In addition to bringing environmentalism into mainstream international governance, MNCs reformulated environmental concerns within a liberal international economic order. The compatibility of environmental concern with economic growth, the basic tenets of a market economy, and a liberal international order are now conventional wisdom in the UN-led global environmental governance (Bernstein 2001; O'Neill 2017). Such a global governance paradigm shift coincides with the mainstreaming of SRI and the consequent shift in the ethical value described in the previous chapter.

As an ideological concept, sustainable development calls for environmental protection by integrating intragenerational and intergenerational equity into development. However, the concept, in practice, is generally instrumentalized to justify the use of economic development – free trade, private sector initiatives, technological innovation, and other market incentives – for the sake of environmental protection. Shiva (1991, cited in Banerjee 2003) correctly points out, “Rather than reshaping markets and production processes to fit the logic of nature, sustainable development uses the logic of markets and capitalist accumulation to determine the future of nature.” Figure 4-4 illustrates such contrasting interpretations of sustainable development.

Figure 4-4: Inconsistency in the concept of Sustainable Development



4-3-4. Political function of story-lines in the regime formation

Story-lines, as a set of symbolic meta-norms, facilitate a common understanding of environmental problems and desired responses. They also generate arbitrary confinements by manipulating “culpability,” “responsibility,” and “urgency” through setting “reality” by discretionary translation of *stakeholders*, *sustainability*, and *citizenship*, replacing complex disciplinary debates. They simplify environmental problems, avoid contestation, and legitimize the externalization of environmental and social costs. Such “reality” – harmony between social and financial interests – is the central solutions for environmental problems in the SRI regime institution and are demonstrated in the regime practices illustrated in Chapter 3, such as making an association between CSP and FP, quantification of CSP, and prioritization of financially material ESG factors.

This section discusses several commonalities of the above three story-lines (Stakeholder Theory, Corporate Citizenship, and Sustainable Development) that form defining characteristics of the mainstream SRI.

- **Global Positive**

A common characteristic of the three CSR theories discussed in the prior section matches what Clapp and Dauvergne (2011) call the worldview of *global positive*. The view represents the values of *market liberals* and *institutionalists* who perceive globalization as an engine of wealth creation and believe in the foundational principles of neoclassical economics and the growth-based development model.

Market liberals consider the expansion of international trade and the rise of multinational corporations have advanced environmental technologies, efficient use of resources, and environmental products, significantly improving global public health & safety and environmental quality (Johnston et al. 2019). Trade liberalization promotes the proliferation of higher environmental standards throughout the product supply chain, leading to a “race to the top” (Vogel 2009; Prakash and Potoski 2007)

Institutionalists call for reforms to facilitate global cooperation, more vital international organizations, and better environmental regimes. They consider initiatives like setting global sustainability goals, creating codes of conduct, and issuing environmental certificates are possibilities for reorienting global capitalism toward sustainability. However, all these initiatives are strictly voluntary, and there is no official policy to hold them accountable. Thus, such global codes of conduct tend to be utilized by corporations for sustainability posing or regulatory capture. Tracking and evaluating the corporate performance for voluntary initiatives are almost illusionary, thus merely reinforcing and extending a global system of ever-rising production and consumption without compromising liberalist interests.

The modern SRI tends to reward positive aspects of corporate social activities or environmentally themed innovation and technology when marketing the investment method, rather than penalizing negative externalities and misconduct. Eco-efficiency and cleaner production are promoted by enhanced global standardization, certification programs, and other environmental incentives (Clapp and Dauvergne 2011). This form of environmental governance aims to benefit from the

new technologies and the emergence of a borderless economy under the privatized forms of global governance (e.g., UN PRI, WSSD, UNEP FI, and GRI) and often decouple higher production from negative environmental impact (Bernstein 2001).

- **Inconsistency within a regime**

The three kinds of CSR rhetoric demonstrated inconsistency and incoherency between ideological discourse and instrumental function. This phenomenon appears to equate to Krasner’s concern – the regime effect may be weakened if actual practice becomes less coherent with principles and norms (Krasner 1983, 5). The story-lines affirm the ideology of good corporations while concealing the source of negative externalities the regime is supposed to address. Bäckstrand (2006) identifies the largely symbolic participation of businesses as the “implementation gap” and questions its representation, accountability, and effectiveness as a form of governance. Table 4-2 summarizes the key points of those contrasting views in SRI.

Table 4-2: Two contrasting views of SRI

	Ideological	Instrumental
Timeline	Traditional SRI (-1990s)	Modern SRI (1990s-)
Social value as..	Normative foundation	Marketing tool
Reflects..	Public policy “Enforcement of public interest”	Business and financial strategy “Maximization of the shareholder value”
Serves..	Stakeholder interest Democratic interest in minimizing negative externality	Shareholder interest Fiduciary interest in minimizing ESG risks
Effect	Market-restricting (Regulation <i>of</i> business)	Market-enabling (Regulation <i>for</i> business)
Stakeholder relationship	A stakeholder as an externalized-cost bearer → need to be taken care of	A stakeholder as a claimer who poses risks to corporation → need to be managed
Perspective	Global negative	Global positive

On the ideological and symbolic level, SRI portrays the normative foundation of civil democratic governance and corporate responsibilities. On the instrumental and practical level, SRI represents privatized governance, protecting financial performance from environmental and social risk exposure. Such inconsistency is successfully constituted around *empty signifiers*. According to Sorsa (2013), empty signifiers refer to concepts that lose their specificity because they are overly abstract and are typically present in situations where institutional logic and rhetoric strategically form certain social relations with an empty source of justification. For Stephan et al. (2013, 67), the empty signifiers symbolize “the unity of the discourse vis-à-vis its external negation,” and hegemonic discourse stands on the creation of an empty signifier and articulates a constitutive outside. The ideology of sustainability and responsibility has been hijacked by narrow corporate interests.

Empty signifiers embedded in *stakeholder theory, corporate citizens, and sustainable development* enable corporations and investors to instrumentalize CSR and SRI as tools for pre-emptive regulatory capture to circumvent legislation through implementing self-regulation and to maintain

entrepreneurial freedom in a relaxed regulatory environment without a genuine act of responsibility (Bakan 2005; Newton and Harte 1997).

- **Issues of equity**

A narrow corporate interest in financial materiality impacts equity as a regime outcome. Strange's perspective on political economy reflects the hegemonic nature of stakeholder theory:

“The dynamic character of the ‘who gets what’ of the international economy is more likely to be captured by looking not at the regime that emerges on the surface but underneath at the bargains on which it is based. What is the net result and for whom, in terms of order and stability, wealth and efficiency, justice and freedom; and in terms of all the opposite qualities, insecurity and risk, poverty and waste, inequity and constraint? (cited in Krasner 1983, 354)”

Stakeholder theory systematically excludes those already marginalized and produces an asymmetric effort in SRI. Corporate environmentalism built on technological and economic development demonstrates the colonial power dynamics and perpetuates power hierarchies (Stephan et al. 2013; Foster 2018). Similarly, corporate citizenship activities favor situations where profitable activities coincide with the public good or ethical justification. Moreover, corporate citizenship in the instrumental approach promotes innovation, public service, and sales of new products to expand global businesses into politically vulnerable populations where natural resources – such as water, forest, minerals, and land – are easily exploited by MNCs (Banerjee 2008).

Such an institutional phenomenon “*gentrifies*” the SRI regime. Initially led by democratically and ethically motivated institutions and individuals to help politically vulnerable communities, the domain of influence is increasingly displaced by wealthier newcomers with neoliberal values to build their new home of hegemony.

4-4. Policy outcome – How the regime is maintained

SRI has morphed into a political project to influence on sustainability discourse by establishing the infrastructure of the historical bloc. It produces a neoliberal bias in interpreting environmental problems and defining preferred solutions, creating inequality and inconsistency in global environmental governance. Essentially, politically constructed policy discourses favor certain descriptions of reality to meet the interests of certain actors while marginalizing others. However, it is not obvious because a regime developed under the neoliberalism rationality has long been considered to be natural, simultaneously naturalizing inequalities (Foster 2018). This is highly relevant to the regime’s net result.

This section analyzes the second question of this chapter: *What is the mechanism for justifying such norms and values to shape policy outcomes?* Norms and principles define the essential characteristics of a regime, thus, "how the governing norms became dominant" and "whose interests are served" are essential questions to ask in studying the creation, design, and

effectiveness of regime institutions (Krasner 1983; Bernstein 2001). The analysis applies the Foucauldian theory of governmentality, which provides a framework to interrogate how neoliberal hegemonic discourse performs as a governing rationality (Foster 2018).

Specifically, my analysis applies the theory of governmentality to discourse institutionalization, represented by the distinct institutional practices in the modern SRI, discussed in Chapter 3:

1. The belief in “Doing well by doing good”: The positive relationship between corporate social performance (CSP) and financial performance (FP)
2. Quantification of CSP: Corporate rating models and performance indicators (e.g., A+ or B-)
3. Measuring and prioritizing financially material ESG factors

4-4-1. Performativity of CSP-FP assumption

- Performativity

Foucault’s notion of “*performativity*” denotes the relationship between knowledge, discourse, and power in the context of governance, which provides insights into how particular rationality is generated. Performativity was promoted in the field of sociology by Callon and Latour, and adopted by MacKenzie and Preda to study the politics of finance.

Performativity suggests that economic theory profoundly influences, shapes, and constructs market practice rather than being the result of observations of a particular economic process and function (Preda 2002; 2006; 2007; MacKenzie 2008; 2005). It, therefore, is more explicitly described as “self-vindicating” or a “self-fulfilling prophecy” – a set of beliefs that come true because they are defined by the interests of the dominant group and enacted by their holders, who adopt the theory in order to further their agenda (Preda 2007). Once this expert knowledge is adopted, the coalition adopts the referent as an epistemic claim, which can withstand scientific contestations (Phillips, Lawrence, and Hardy 2004, 644).

Performativity counts whether the theories are accepted or not accepted, rather than theories being true or false. The compromised values are illustrated in the case of financial chartism in Preda’s piece (2007). Chartism is an essential technical method for forecasting stock prices to interpret financial data patterns and extrapolate into future investment decisions. Nevertheless, the tenets of chartism are not substantiated by academics because (1) price movements are random; thus, future movements cannot be extrapolated from past ones, and (2) there must be a relationship between the prices of financial securities and fundamental economic data. While analysts attempt to determine cause-and-effect relationships of the price, chartism does not explain why prices move as they do. Although considered unscientific, chartism has come to be accepted as a legitimate form of analysis in financial markets and has a long history. The concept of a self-fulfilling prophecy becomes real when the economic theory of chartism is produced and implemented by the producer and users’ interests.

The SRI practitioners’ primary tenet, “*Doing well by doing good*” or asserting a positive relationship between CSP and FP, is scientifically unsubstantiated (as indicated in Chapter 3, 3-4-1) but is evidently the driver of the SRI market’s growth. The myth of a positive relationship between CSP and FP is convenient since it implies that the mainstream fiduciary paradigm no

longer must be questioned about its coherence. Rather than addressing a body of knowledge, the tenet supporters adopt the theory to advance their agenda – the fiduciary duty they must fulfill. The belief in a positive relation between CSP and FP is not rooted in evidence but rather is a discourse created by the dominant group in the market (i.e., fiduciary institutions). "*Doing well by doing good*" can be an instance of the performativity of economic theory. The SRI market is trying to substantiate the claim by selecting financially material ESG factors to rate companies. The actors in the SRI network are not merely passive practitioners, but they are collectively performative. This narrative illustrates how the theory of "Doing well by doing good" performed and fed back into the construction of the theories.

- **Knowledge generating process: Financial document as organizational devices**

The concept of "financial documents as an organizational device" (Preda 2002) is another way to think about how economic and financial knowledge structure economic action. Preda also stresses that knowledge-generating processes should be considered as an essential dimension of the structural embeddedness of financial action. Preda's core argument is that documents act as organizational devices to not only register business transactions but also organize economic networks and create routines of economic action.

The notions of stakeholder, sustainability, corporate citizenship, and relevant knowledge have also proliferated through exchanging documents (e.g., sustainability disclosure and evaluation) as economic routines and shape the economic actions of the business world, like other financial documents. As Preda suggests, what mattered was less the content but rather the networking of persons via a document. Knowledge acts as a mediator to connect the network, binding actors, and producing social solidarity as a core feature of a moral economy characterized by mutual standards and obligations.

4-4-2. Governmentality of financial materiality

One of the key features of emerging SRI practice is that the object of evaluation (i.e., ESG) should be made quantifiable and calculable to achieve some level of simplicity and compatibility. CSP needs to be harmonized with the FP mechanism through "*objectification*" and "*singularization*" (Callon and Muniesa 2005). From a performativity perspective, the market is a collective device for evaluating goods (Busch 2011). Singularization brings the goods rendered calculable and quantifiable into a singular system (e.g., financialization), which is essential for the function of the conventional financial markets. Thus, ESG factors are recognized only when they can carry a "price tag" (Amaeshi et al. 2013).

Governmentality is imposed through strong performativity practices (Jeffrey and Troman 2011). Governmentality directs social arrangements, defining the practices, mechanisms, and institutions needed for individuals and society to be governed or made governable (Banerjee 2008). Governmentality is about introducing the economy into political practice and "exercising power in the form of the economy" (Foucault 1979, 102). In such a way, the SRI regime propagates knowledge and discourse to govern the relationship between business and nature.

Environmental and social issues' financial materiality is shaped based on temporal and regional political, economic, and cultural environments such as risk perception, media coverage, and regulatory standards. Therefore, financial materiality does not necessarily reflect the materiality of environmental damage and social conflict. Whether a problem is recognized as such is likely to be determined by a range of contextual factors. The salience of a specific environmental concern based on the public sense of urgency and severity is, to a large extent, socially constructed, thus, manipulatable (through publication, PR activities, and political campaign). Particularly, scientific disputes are an inherent element of environmental politics and often find their way out of the contests by manipulating the public discourse (Oreskes and Conway 2011).

As discussed in Chapter 3, the ESG value measurement is substantially drawn from accounting practices and techniques, including technical languages and concepts, reporting methods, and quantitative and narrative formats. Those are expressed through day-to-day practices and routine activities. The governmentality lens is especially relevant here because the pervasiveness of accounting technologies and practices can influence wider discourse and play a potentially significant role in shaping ecological and social value as investment and business decision-making pass through the filter of accountancy (Lovell and MacKenzie 2011).

Strategic engagement of the accounting profession with climate change and other environmental issues has been increasingly active, using deliberate positioning of accountancy skills and techniques. The International Financial Reporting Interpretations Committee (IFRIC), a subsidiary body of the International Accounting Standards Board (IASB), and other standard setters (including Financial Accounting Standards Board/FASB, Climate Disclosure Standards Board/CDSB, and Sustainable Accounting Standards Board/SASB) have been discussing the role of the accountancy profession in governing corporate ESG behavior through their risk analysis (Lovell and MacKenzie 2011).

In order to maintain “business as usual” for accountants and protect market share, the accounting profession aims to neutralize the societal interest in environmental and social value and avoids scientific and political disputes (Lohmann 2009; Lovell and MacKenzie 2011; Thistlethwaite 2011a). Their usage of terms such as “sustainability” and “social capital” create vagueness and malleability to obscure the political interests and ideological positions of the accounting profession (Bridge and Perreault 2009). Some scholars alert that accountancy is not a neutral device that merely documents and reports the facts of economic activity but should be regarded as a political practice that influences the world outside of the profession through its application to the measurement of financial information (Miller and O’Leary 1987; 1994; Lovell and MacKenzie 2011).

4-4-3. Governmentality of CSP standardization and benchmarking

- Politics of standards and classification

Another essential characteristic of SRI practice is CSP standardization and benchmarking, using the categorization of environmental, social, and governance (ESG) factors and their presumed financial materiality. Environmental and social issues present a high degree of complexity and are difficult to articulate, assess, and integrate into investment decisions. Similarly, the finance and

accounting process for investment decision-making is a highly technologized activity. Standardizing ESG disclosure and performance and classifying ESG factors by financial materiality make communication possible and reduce transaction costs among different business groups with different roles across geographical and cultural settings. The influential members of the SRI network, including rating companies (e.g., MSCI and FTSE4Good), standard setters (e.g., Global Reporting Initiatives/GRI and SASB), and business consultants (e.g., Deloitte and PwC), advise businesses and institutional investors to draft explicit sustainability policies, which is often consisted of box-ticking type of key performance indicators (Arjaliès 2010).

Making boundaries (i.e., what to include and exclude) among ESG issues through categorization and standardization is an essential part of SRI processes. But the process implicates the “manipulability” (Amaeshi et al. 2013). ESG performance evaluations exist by a chain of “framing” that involves quantification of environmental and social values and arbitrary boundary-drawing between financially material and non-material factors. Latour (1987) calls the agent of this framing process a “center of calculation.” Preda (2007) suggests that a calculative agency is defined by (1) framing, (2) disentanglement (simplifying process), and (3) performativity. MacKenzie (2005) describes that a calculative agency is often in the black box where critical measurement and technical work are being undertaken to define something. The measurement process is opaque and often disregarded because the contents are considered technical. MacKenzie emphasizes that it is crucial to open “black boxes” to understand how economic and financial knowledge is generated and how it structures economic actions because the framing makes the economy possible and, at the same time, renders it incomplete.

Bowker and Star (1999) claim that classification systems are not just tools to organize information and aid communication among groups, but also operate as part of our social or legal infrastructure and they may have very profound consequences for those being classified. Categorization and classification play a fundamental role in structuring our society and organizing the way that we behave, make decisions, and live our lives. As such, the authors suggest that we need to be sensitive to what is left unclassified, what falls into the vagueness and confusion of “other “category,” because how classification systems embedded in our social structures has a very real impact upon lives. Lohmann (2008) also suggests that we need to identify who does the work of creating and implementing the classifications we use and consider the consequences for people and things that do not adequately fit the categories that have been adopted.

Such exclusion and neglect that they concern can be induced by categorization and standardization works in the SRI regime as exemplified in the practices of stakeholder categorization and selection of financially material ESG factors. ESG performance standardization and classification of stakeholder issues have fitted much of their reasoning to the norms of accounting, investment, risk assessment, and other economic rationalities. In this respect, rating agencies exercise their structural power on policy and institutional discourse and practical choices (Escrig-Olmedo et al. 2019). Such trends should be monitored as a social phenomenon which potentially dominates how to frame and regulate modern environmental problems and uncertainties (Busch 2011; Bowker and Star 1999).

Similar to Bowker and Star’s perspective of categorization and classification, Busch (2011) asserts that standards can be dangerous because they are invisible, anonymous, and easily naturalized,

thereby escape critical examination, while ignoring deliberation over the big questions in the name of expediency and efficiency. Ranks are one of the forms of standards, as that term implies, standardizers that rank persons or things put them in some sort of linear hierarchical order. While following them, people amplify certain aspects of the world while reducing others. He expresses such concerns by stating:

"Standards are about the way in which we order ourselves, other people, things, process, numbers, and interpretation of language and the world [...] Standards are means by which we construct realities. They are means of partially ordering people and things to produce outcomes desired by someone. As such, they are part of the technical, political, social, economic, and ethical infrastructure that constitutes human societies. [...] Unlike the direct power often exercised by a ruler, standards display anonymous power (Busch 2011, 3)."

Standardization and classification are ubiquitous and often taken for granted and seemingly legitimate and neutral. Therefore, their consequences are overlooked and rarely the subjects of discussion.

4-4-4. Policy outcomes

- Failure of framing

An essential commonality of the theories among *Politics of Standards* (Busch), *Politics of Classification* (Bowker and Star), and *Failure of Framing* (Lohmann and MacKenzie) is that the process and outcomes of them (standards, classification, and issue framing) are intimately associated with power. They play their roles, not only in coordinating and regulating social life, but also in (1) producing social power; (2) creating knowledge intentionally, and (3) sometimes manipulating democratic movements. These theories can be applied to the institutional phenomenon surrounding modern SRI, thus, maintaining critical awareness, sensitivity, and flexibility is critical for standard setters and users within the SRI networks to ensure equity and democracy as a norm to be served by the governance regime.

While the calculation activities (simplification and singularization) enable SRI network actors to communicate efficiently and minimize regulatory transaction cost, they obscure scientific knowledge needed for social and technological changes. These calculation activities to simplify social and ecological phenomena often defeats the point of simplification (Lovell & MacKenzie 2011; Lohmann 2005). Ultimately, it affects the extent to which responsible investment will deliver environmental sustainability – the regime net result.

4-5. Conclusion

Building on a Neo-Gramscian theory of hegemony and Foucauldian theory of governmentality, along with Hajer's discourse analysis, this chapter discussed the dominant principles and norms that form essential characteristics of the SRI regime. By connecting the meta-discourses of

environmental governance ('story-lines') with the micro-discourses applied in SRI practices (e.g., CSP and financial materiality), the analysis traced the knowledge generation and justification processes in the regime formation and maintenance.

The private governance mechanism developed by modern SRI to conciliate investors' fiduciary duty and social value gives businesses an excuse to continue business as usual and secure legitimacy and property rights for wealth accumulation. This analysis implicates that Harvey's concern from the 1990s is still true in the modernized SRI regime after decades of his statement:

“The debate about resource scarcity, biodiversity, population, and ecological limits is ultimately a debate about the preservation of a particular social order rather than a debate about the preservation of nature per se (Harvey 1996, 148, cited in Banerjee 2008),”

The shift in ethical posture in SRI may have left a significant source of irresponsible behavior intact in globalized economies and corporations. The business-case SRI can hardly be qualified as a global environmental governance tool if the regime functions as an instrumental model for profit maximization and the interest of shareholders. SRI has been mainstreamed successfully in terms of growing participant numbers and diversity, rapidly increasing assets under management, and public awareness. It reflects a significant amount of resources and effort spent establishing and maintaining the regime. However, research suggests that the governing effectiveness to achieve the "net results" have not been made as genuine.

Chapter 5. Conclusion

5-1. Introduction

Led by the most powerful economic institutions and inter-governmental organizations, the SRI coalition has developed sustainability norms and standards. It has mobilized a wide range of actors, including shareholders, corporate management, and environmental activists. This dissertation critically analyzed the practical and political effect of socially responsible investment (SRI) in global environmental governance. It argued that SRI not only directly impacts corporate environmental behavior (i.e., practical influence) but also implicitly defines and disseminates how global financial markets measure environmental and social value and construct an informal regime that shapes the norms and standards of sustainability that maintain conventional neoclassical economic model (i.e., political/discursive influence).

This concluding chapter summarizes the analysis presented in this research project by reviewing the process tracing results. It then further discusses answers to research questions and suggests specific implications for International Political Economy & the Environment (IPEE) and Business Ethics.

5-2. Research summary

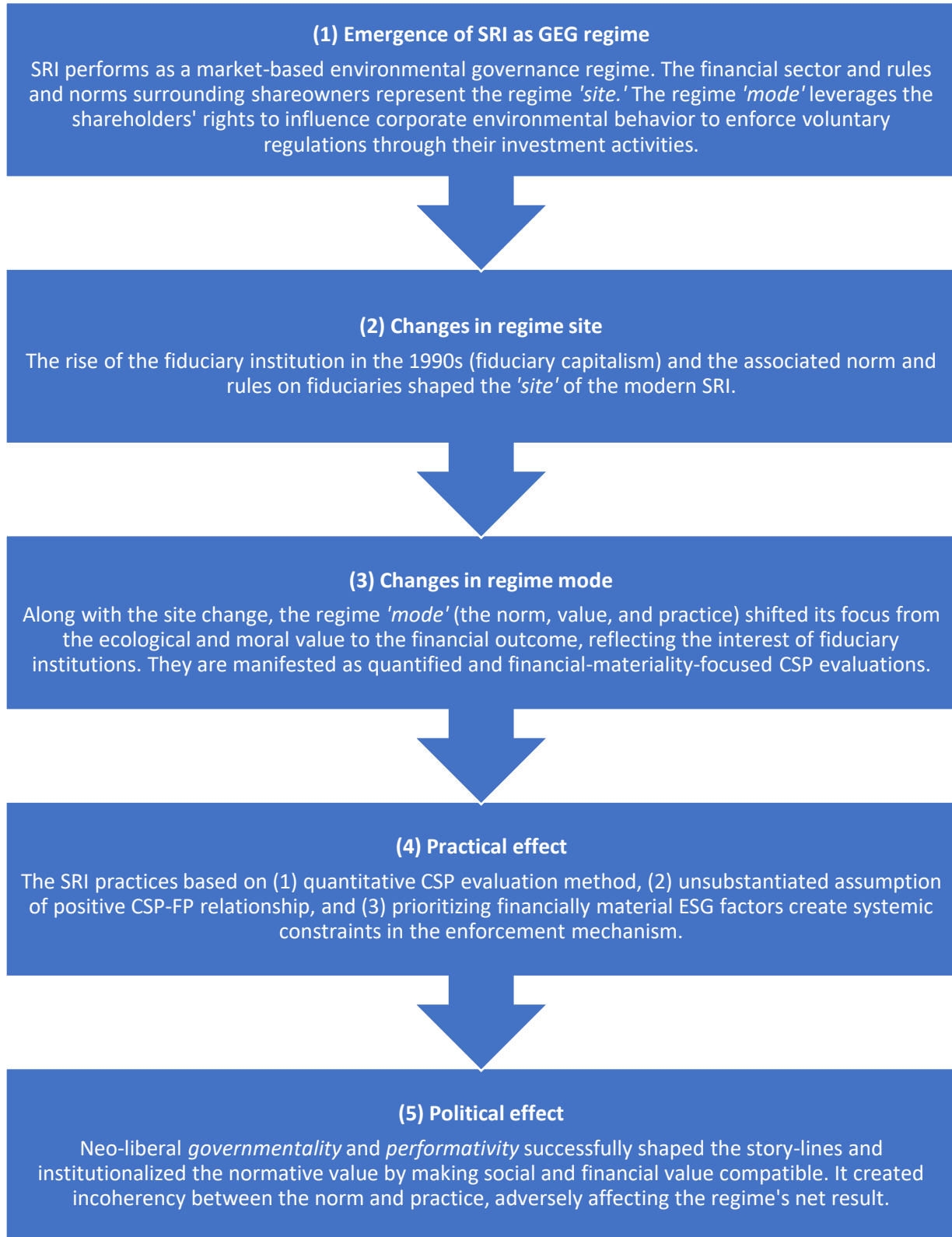
This study engaged in process tracing to establish the causal chain and mechanism to address two overarching questions:

Q1: Practical effect – *How does SRI, as a private global governance regime, contribute to mitigating the negative externalities (i.e., adverse environmental and social impacts) of multinational corporations across transnational borders?*

Q2: Political effect – *How does SRI potentially shape the normative value and standards of responsible corporations and ESG (environment, social, and corporate governance) performance measurement?"*

These analytical questions are derived from the assumption and concern that SRI is becoming a powerful transnational institution that influences corporate activities and public discourse on sustainability while creating social and environmental value and knowledge within the conventional financial paradigm. To unpack a complex interaction in causal mechanisms, the research set three sub-questions and five steps in the process tracing. Table 5-1 provides the five steps at-a-glance.

Table 5-1: Process-tracing results – Causal chain of SRI regime effect



5-2-1. Sub-Q1: *How does SRI function as GEG regime?*

- Step 1: Define SRI as GEG regime

The first content chapter (Chapter 2) defined SRI as a private governance regime capable of bringing in new actors and new types of decision-making processes to the global environmental governance (GEG), using literature definitions – “a regime is a set of governing arrangements, which include rules, norms, and procedures which regularize behavior” (Keohane and Nye 1977, 19). The discussion highlighted the role of SRI in the context of GEG – namely, globalization and the rise of multinational corporations (MNCs), externalized cost of the global economy, characteristics of global environmental issues (race to the bottom and asymmetric sufferings), governance deficit, and trends in privatization and marketization of governance.

The analysis used O'Neill's framework (2017) of “sites (area of the governance)” and “modes” (enforcement mechanism)” to examine the regime components, including principles, enforcement mechanism, and actors and their roles. It demonstrated that the financial sector and universal owners (large institutional shareholders) represent the regime site of modern SRI. The regime mode leverages the universal owners' rights to monitor corporate environmental performance (universal monitoring) and to influence corporate environmental behavior through portfolio management and direct/indirect corporate engagement. The chapter also identified the diverse actors and their webs of connections in norm and standard-setting, data services, enforcement, and news media, which constitute the regime institution.

5-2-2. Sub-Q2: *How have the sustainability norms and practices evolved within the SRI network?*

- Steps 2 & 3: Identify changes in the regime site & mode

To address the second sub-question, Chapter 3 investigated the changes in the landscape and power dynamics in the financial sector after the 1970s (regime site) and the associated changes in norms and rules (regime mode) among the SRI practitioners.

The research suggested that the emergence of fiduciary capitalism (site change), the dominance of fiduciary institutions, is a significant driver of mainstreaming SRI. Analysis of reports and marketing materials of the SRI network actors, including investors, standard setters, rating firms, and corporations, indicated the mainstream financing and accounting norms and rules are applied to make a quantifiable and standardized instrument to categorize, measure, and rank corporate ESG performance. While SRI grew into the mainstream financial sector and became widely marketized, the regime interest shifted from global ecological and social sustainability to financial sustainability (mode change), reflecting the interest and rules of the dominant fiduciary institutions. The analysis also detected some structural flaws in the newly emerging SRI practices induced by the evolution of the site and mode.

5-2-3. Sub-Q3: What are the practical and political consequences of the change in sustainability norms?

- Steps 4 & 5: Analyze the practical and political effect

Chapter 4 identified a set of discourses underlining regime formation and how it transforms into policy outcomes. The analysis applied the Gramscian theory of *hegemony* and the Foucauldian theory of *governmentality* to analyze the regime's formation process, including the emergence and propagation of story-lines (Stakeholder Theory, Corporate Citizenship, and Sustainable development), and how such conceptual languages have developed, enhanced, and translated into the new governance arrangements. The theory of governmentality and performativity also help explain the causal mechanism of systemic flaws of the mainstream SRI.

The following section provides an in-depth discussion of the above inquiries and analytical framework to address the overarching research questions on practical and political effects on SRI.

5-3. Theoretical discussions on the research questions

5-3-1. Q1: Practical effect

How does SRI, as a private global governance regime, contribute to mitigating negative externalities (i.e., adverse environmental and social impacts) of multinational corporations across transnational borders?

The mode of mainstream SRI, exemplified by quantified corporate social performance (CSP) evaluation, positive screening, and financial-materiality focus, reflects the interest of the fiduciary institutions. A neoliberal interest embedded in the modern SRI practice creates contradictions and systemic flaws, such as a collective belief in the unsubstantiated positive relationship between CSP and financial performance, the contested validity of quantified and short-term CSP evaluation, and the arbitral classification of financially-material ESG factors. The SRI community collectively constructs the financial materiality (and priority) of ecological and social values.

These approaches constitute systemic exclusion and compromise, and weaken the effectiveness of enforcement mechanisms, namely portfolio management (exclusion and inclusion of company stock), engagement dialog with corporate management, and filing shareholder resolutions. Such systemic flaws stem from 'type III error' (Capelle-Blancard and Monjon 2012) or producing the right answer to a wrong question. Q2 below addresses how “type III error” and “a wrong question” are politically constructed to produce such adverse effects.

5-3-2. Q2: Political effect

How does SRI shape the normative value and standards of responsible corporations and ESG performance measurement?

The above practical effects emerged as an institutional phenomenon through “discourse institutionalization” (discourse transformation into institutional arrangements). The analysis of three story-lines implicated some incoherencies in sustainability discourse constructed by the dominant power. On the ideological and symbolic level, SRI portrays the normative foundation of civil democratic governance and corporate responsibilities. On the instrumental and practical level, SRI represents privatized governance, protecting corporate rights and financial performance from environmental and social risk exposure. For example, Stakeholder Theory systematically excludes those already marginalized and produces an asymmetric effort in SRI. Corporate Citizenship activities are also selective for situations where profitable activities coincide with the public good or ethical justification. Terms like “sustainability” or “sustainable corporations” are abstract and primarily represent the symbolic participation of businesses. The story-lines affirm the ideology of good corporations while concealing the source of negative externalities the regime is supposed to address.

- *How are the norms and values in the modern SRI (mainstream and business-case) constructed and propagated?*

As Hajer (1995) suggests, environmental conflicts are not merely about whether there is an environmental crisis but are essentially about the struggle over the meaning of the environmental problem itself. How environmental problems are defined evolves into a set of discourses (story-lines) and transforms into regime policy and institutional arrangements.

Story-lines, as exemplified by stakeholder theory, corporate citizenship, and sustainable development, are essential political devices for discourse coalitions to construct a social and moral order and engage in environmental politics. Story-lines transform into norms and practices such as selecting and prioritizing financially material ESG issues. The process tracing analysis suggested that such institutional context has largely drawn financial accounting practices and techniques, including technical languages and concepts, quantitative evaluation methods, reporting formats used in day-to-day practices, and other routine activities. The governmentality lens is especially relevant here because the pervasiveness of accounting technologies and practices plays a significant role in shaping ecological and social value as investment and business decision-making pass through the filter of accounting (Lovell and MacKenzie 2011).

Each actor propagates the modernized ecological and social discourse in the SRI regime coalition through principle-building, standard-setting, implementation and monitoring services, enforcement, and information media, including the most influential UN institutions, SASB, MSCI, BlackRock, and PwC. The SRI regime not only directly impacts corporate and environmental practice and behavior (i.e., practical influence) but also implicitly defines and disseminates how global financial markets measure ecological and social value and possibly construct an informal regime that shapes the norms and standards of sustainability (i.e., political/discursive influence). In this way, the actors in the SRI network are not merely passive practitioners but are *collectively performative*.

- *What is the mechanism for justifying such norms and values?*

Performativity suggests that "story-lines" are "self-vindicating" or a "self-fulfilling prophecy," which denotes a set of beliefs that come true because they are defined by the interests of the group and enacted by their holders, who adopt the theory to further their interest in fiduciary agenda. The coalition adopts the referent as an epistemic claim, which can withstand scientific contestations. The belief in a positive relation between CSP and FP is not grounded in scientific evidence but rather a discourse created by the dominant group in the market (i.e., fiduciary institutions). The SRI market is trying to substantiate the claim by selecting financially material ESG factors to rate companies.

5-4. Research implications

5-4-1. For International Political Economy & the Environment

O'Neill (2017) suggests that one of the significant contributions of political-economy-based analysis of private governance is understanding why market mechanisms have been far less successful than their proponents argue yet persist as influential governance institutions. Using the case of SRI, this research provides a theory to explain the systemic constraints of the current dominant GEG paradigm.

Bernstein posed important questions in his 2001 publication "*Compromise of Liberal Environmentalism*," which are: "*What actors and institutions carried ideas that led to liberal environmentalism?*" and "*Why does the set of ideas associated with a prevailing norm-complex become institutionalized over others?*" Ever since, several prominent scholars have called for questioning larger systemic issues and deep sociopolitical structures that appear to impose critical constraints on business sustainability (Hoffman and Jennings 2021).

This research responded to some of those fundamental questions and explained the cause of structural flaws, the mechanism of compromise, and the reason for the persistent influence despite the inefficiencies. For example, de Bakker et al. (2020) suggested to quest: "*How are systemic constraints constructed and manifested in organizational practice?*"; "*What is the systemic nature of constraints that limit current forms of CSR?*"; and "*How do they influence the relationship between companies and their stakeholders, and between business and society more generally?*" This research provides highly relevant theoretical discussions, methodologies, and case studies to such inquiries.

Additionally, the research provided an example that verifies Levy & Newell's claim (2005, 7), "*The relationship between issue-level governance and the global political economy is thus dialectical; individual regimes are shaped by, yet constitutive of, wider political and economic structures.*"

5-4-2. For Business Ethics

The most relevant research implication to the field of Business Ethics is the problem of instrumentalization of CSR and SRI. In business terms, "sustainability" is often used to mean "corporate sustainability" or "sustainable business strategy" to consider how it relates to corporate competitiveness and profitability. While stakeholder, corporate citizenship, and sustainability initiatives might generate some positive effects in GEG, they are not meant to fundamentally alter the externalizing engine, but rather, likely to deflect their responsibilities for negative externalities by marketing and philanthropic activities and deter necessary actions. Corporate advancement in environmental technologies or philanthropic activities claimed as part of CSR activities do not necessarily offset other corporate negative externalities. A company may be responsive to one stakeholder group while exploiting another. The modern SRI approach misses the point profoundly.

GEG issues are ultimately created by MNCs transferring business costs to recipients willingly or unwittingly, benefitting the firm at the expense of the total system. The evidence in regime instrumentalization producing contradiction and inefficiencies, demonstrated in this research, strongly suggests that CSR and SRI should be clearly framed as governance of corporate externalities, internalization of social costs, and the perspective of correcting market failure (Johnston et al. 2019; Kleinau, Kretzmann, and Zülch 2016; Armstrong and Green 2012).

According to Merriam-Webster Dictionary (Merriam-Webster, Inc. n.d.), the word "responsible" means: (a) able to meet one's obligations; and (b) able to choose for oneself between right and wrong. Based on the dictionary definition and in the context of GEG, CSR should mean:

"Companies taking responsibility for their social and environmental impacts by identifying and internalizing externalities of its economic activities that cause negative spill-over effects mainly borne by people who did not cause the problems in the first place."

To implement such a perspective, returning to the traditional SRI method (indicated in Tables 3-11 and 4-2) is encouraged, such as focusing on negative screening, engaging in qualitative evaluation of CSP, and prioritizing social materiality to financial materiality.

5-5. Future directions

My research has indicated that neo-liberal governmentality and performativity have successfully shaped the story-lines and institutionalized the regime's normative value, while creating an inconsistency between the sustainability rhetoric and enforcement practices. The regime's functional constraints and asymmetric effects derive from the quantifiable and calculable measurement to achieve simplicity and compatibility. The unsound commensuration of environmental and social values with financial terms sets a boundary between financially material and non-material ESG factors, which meets the interests of specific stakeholders while marginalizing others. Future research projects could further investigate a pattern of what's

considered financially material (thus included in the measurement) and what is not (thus excluded, marginalized, or neglected) under the current CSP measurement model. How can discrepancies between the former and the latter emerge, creating an implementation gap?

According to the financial perspective of materiality, ESG factors acknowledged as *not* financially material are likely to be excluded or marginalized in the model, regardless of the significance of social and environmental costs. Those issues can be unquantifiable, indirect, geographically remote, and latent to manifest, thus involve minimal public exposure. For example, public health problems such as water, air, and soil pollution take a long time to emerge. Moreover, if this happens in a geographically-remote off-shore site in a developing country, it will only have little public exposure in the developed world and pose a minimum financial risk to multinational corporations. Those problems are often immaterial to the individual corporate financial performance for the scale of suffering of the local population. Such an ESG factor can be framed as a “financially immaterial but socially material (FI-SM)” issue.

Another FI-SM example is corporate political activity, including rent-seeking and regulatory capture (e.g., lobbying against stricter environmental bills). It imposes significant impact or drawbacks in broader society and even the global ecological environment while making significant corporate financial advantage. As IPE literature points out, the critical dimension of corporate responsibility is a company's impact on public policy (Vogel 2006; Reich 1998; Levy and Newell 2005).

FI-SM issues often include those with nation-wide or global scale impact and are highly relevant to global environmental governance, such as global common issues, transboundary ecological concerns, and local-cumulative problems (O'Neill 2017, 37). Many perpetuating and pervasive “race to the bottom” issues apply to FI-SM. Marginalization of FI-SM factors is the outcome of neoliberal governmentality. Studying a systemic pattern of “what SRI misses” using empirical case studies would further illuminate the implementation gap.

Such an additional study would also encourage practitioners to reconsider the current framing of CSP standards. BlackRock ESG team wrote in their report, “*We expected common ESG practices to be associated with better social performance; we were wrong*” (Garvey et al. 2016). A Financial Times article (Flood 2018) indicated, “*Strong ESG Policies Are No Protection against Scandal.*” This proposed future research may fill part of their puzzles in the relationship between ESG performance indicators and actual corporate sustainability behavior.

5-6. Concluding thoughts

This research indicated that the modern SRI network, as a historical bloc, exercises its hegemony by generating discourse and knowledge and setting norms and standards on what constitutes a sustainable and responsible corporation. While maintaining their market position, legitimacy, and autonomy in the face of environmental problems originating from their negative externalities, such political power creates compromise in social and ecological value. It weakens regime effectiveness not only in individual CSR practices but in a net regime outcome. It also implies that the resources

and opportunities that SRI embraces are under-utilized as a private regime due to its financially-focused environmental and social impact measurement.

The process tracing analysis on the regime formation and maintenance using the critical theory and discourse analysis identified how neoliberal environmentalism poses structural and systemic exclusion and marginalization in the regime process and the broader public discourse. It has a strong implication for the liberalized approach dominating the current global environmental governance.

The research also suggests that moral value does matter to the effectiveness of the SRI regime. The key is to de-gentrify the current SRI regime – by acknowledging and correcting negative externalities that are financially immaterial but socially material – as vulnerable populations and voiceless ecological environments that GEG need to address suffer before the markets respond. The sufferings are often catastrophic, and the loss is extremely difficult to reclaim.

Bibliography

- Aksu, Eşref, and Joseph A. Camilleri, eds. 2002. *Democratizing Global Governance*. London: Palgrave Macmillan UK. <https://doi.org/10.1057/9781403907110>.
- Alamgir, Fahreen, and Subhabrata Bobby Banerjee. 2018. "Contested Compliance Regimes in Global Production Networks: Insights from the Bangladesh Garment Industry." *Human Relations*, 0018726718760150.
- Al-Arian, Laila. 2013. "The Bangladesh Building Collapse: This Is What Race-to-the-Bottom Global Trade Looks Like." *Quartz*. April 26, 2013. <https://qz.com/78646/the-bangladesh-building-collapse-this-is-what-race-to-the-bottom-global-trade-looks-like/>.
- Allen, Rupert, Hugues Letourneau, and Tessa Hebb. 2012. "Shareholder Engagement in the Extractive Sector." *Journal of Sustainable Finance & Investment* 2 (1): 3–25. <https://doi.org/10.1080/20430795.2012.702495>.
- Amaeshi, Kenneth. 2009. "Rethinking the Link between Corporate Responsibility and Financial Performance: A Tale of Strange Bedfellows?"
- . 2010. "Different Markets for Different Folks: Exploring the Challenges of Mainstreaming Responsible Investment Practices." *Journal of Business Ethics* 92 (1): 41–56.
- Amaeshi, Kenneth, Paul Nnodim, and Onyeka Osuji. 2013. *Corporate Social Responsibility, Entrepreneurship, and Innovation*. Routledge.
- Amalric, Franck. 2006. "Pension Funds, Corporate Responsibility and Sustainability." *Ecological Economics* 59 (4): 440–50. <https://doi.org/10.1016/j.ecolecon.2005.11.009>.
- Ambrose, Jillian. 2021. "ExxonMobil and Chevron Suffer Shareholder Rebellions over Climate." *The Guardian*, May 26, 2021, sec. Business. <https://www.theguardian.com/business/2021/may/26/exxonmobil-and-chevron-braced-for-showdown-over-climate>.
- Arjaliès, Diane-Laure. 2010. "Institutional Change in the Making - The Case of Socially Responsible Investment." SSRN Scholarly Paper ID 1932295. Rochester, NY: Social Science Research Network.
- Armstrong, J. Scott, and Kesten C. Green. 2012. "Effects of Corporate Social Responsibility and Irresponsibility Policies." SSRN Scholarly Paper ID 2207952. Rochester, NY: Social Science Research Network.
- Avetisyan, Emma, and Kai Hockerts. 2017. "The Consolidation of the ESG Rating Industry as an Enactment of Institutional Retrogression." *Business Strategy and the Environment* 26 (3): 316–30. <https://doi.org/10.1002/bse.1919>.
- Bäckstrand, Karin. 2006. "Democratizing Global Environmental Governance? Stakeholder Democracy after the World Summit on Sustainable Development." *European Journal of International Relations* 12 (4): 467–98. <https://doi.org/10.1177/1354066106069321>.
- Bailey, Jonathan, Bryce Klempner, and Josh Zoffer. 2016. "What Institutional Investors Should Do next on ESG," 8.
- Bakan, Joel. 2005. *The Corporation: The Pathological Pursuit of Profit and Power*. Simon and Schuster.

- Baker, H. Kent, and John R. Nofsinger. 2012. *Socially Responsible Finance and Investing: Financial Institutions, Corporations, Investors, and Activists*. John Wiley & Sons.
- Baker, H. Kent, and Gary Powell. 2009. *Understanding Financial Management: A Practical Guide*. John Wiley & Sons.
- Bakker, Frank G. A. de, Dirk Matten, Laura J. Spence, and Christopher Wickert. 2020. “The Elephant in the Room: The Nascent Research Agenda on Corporations, Social Responsibility, and Capitalism.” *Business & Society* 59 (7): 1295–1302. <https://doi.org/10.1177/0007650319898196>.
- Banerjee, Bobby. 2003. “Who Sustains Whose Development? Sustainable Development and the Reinvention of Nature.” *Organization Studies - ORGAN STUD* 24 (January): 143–80. <https://doi.org/10.1177/0170840603024001341>.
- Banerjee, S. B. 2008. “Corporate Social Responsibility: The Good, the Bad and the Ugly.” *Critical Sociology* 34 (1): 51–79. <https://doi.org/10.1177/0896920507084623>.
- Banerjee, Subhabrata Bobby. 2006. “Corporate Citizenship, Social Responsibility and Sustainability: Corporate Colonialism for the New Millennium?” In *The Challenge of Organizing and Implementing Corporate Social Responsibility*, edited by Jan Jonker and Marco de Witte, 31–50. London: Palgrave Macmillan UK. https://doi.org/10.1057/9780230626355_3.
- Barkemeyer, Ralf, and Andrea Liesen. 2015. “The Natural Environment.” In *The Routledge Handbook of Responsible Investment*. Routledge.
- Barnett, Michael L., and Robert M. Salomon. 2006. “Beyond Dichotomy: The Curvilinear Relationship between Social Responsibility and Financial Performance.” SSRN Scholarly Paper ID 885950. Rochester, NY: Social Science Research Network.
- Bartholomeusz, Stephen. 2022. “Why a ‘Greenwashing’ Crackdown Should Have Come as No Surprise.” *The Age*. June 2, 2022. <https://www.theage.com.au/business/banking-and-finance/why-a-greenwashing-crackdown-should-have-come-as-no-surprise-20220602-p5aqh7.html>.
- Beach, Derek, and Rasmus Brun Pedersen. 2013. *Process-Tracing Methods: Foundations and Guidelines*. Ann Arbor: University of Michigan Press.
- Beloe, Seb. 2015. “What Do ESG Ratings Actually Tell Us? » SustainAbility.” SustainAbility. November 26, 2015. <http://sustainability.com/our-work/insights/what-do-esg-ratings-actually-tell-us/>.
- Berg, Florian, Julian Koelbel, and Roberto Rigobon. 2019. “Aggregate Confusion: The Divergence of ESG Ratings.” *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3438533>.
- Bernstein, Peter L. 2005. “Capital Ideas: From the Past to the Future.” *Other Publications* 2005 (1): 72–78. <https://doi.org/10.2469/op.v2005.n1.4637>.
- Bernstein, Steven F. 2001. *The Compromise of Liberal Environmentalism*. Columbia University Press.
- Bhojraj, Sanjeev, Paul Hribar, Marc Picconi, and John McINNIS. 2009. “Making Sense of Cents: An Examination of Firms That Marginally Miss or Beat Analyst Forecasts.” *The Journal of Finance* 64 (5): 2361–88. <https://doi.org/10.1111/j.1540-6261.2009.01503.x>.
- BlackRock. 2018. “Larry Fink’s Letter to CEOs.” 2018. <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>.

- Bondy, Krista, and Aurelie Charles. 2020. "Mitigating Stakeholder Marginalisation with the Relational Self." *Journal of Business Ethics* 165 (August): 67–82. <https://doi.org/10.1007/s10551-018-4085-x>.
- Bonini, S., T.M. Koller, and Philip Mirvis. 2009. "Valuing Social Responsibility Programs." *McKinsey Quarterly* 32 (January): 11–18.
- Bose, Satyajit, Guo Dong, and Anne Simpson. 2019. "The Role of Finance in Achieving Sustainability." In *The Financial Ecosystem: The Role of Finance in Achieving Sustainability*, edited by Satyajit Bose, Guo Dong, and Anne Simpson, 1–18. Palgrave Studies in Impact Finance. Cham: Springer International Publishing. https://doi.org/10.1007/978-3-030-05624-7_1.
- Bowker, Geoffrey C., and Susan Leigh Star. 1999. *Sorting Things out: Classification and Its Consequences*. Inside Technology. Cambridge, Mass: MIT Press.
- Brammer, S., G. Jackson, and D. Matten. 2012. "Corporate Social Responsibility and Institutional Theory: New Perspectives on Private Governance." *Socio-Economic Review* 10 (1): 3–28. <https://doi.org/10.1093/ser/mwr030>.
- Bridge, Gavin, and Tom Perreault. 2009. "Environmental Governance." In *A Companion to Environmental Geography*, 475–97. John Wiley & Sons, Ltd. <https://doi.org/10.1002/9781444305722.ch28>.
- Brundtland Commission. 1987. "Report of the World Commission on Environment and Development: Our Common Future."
- Bührmann, Andrea D. 2005. "The Emerging of the Entrepreneurial Self and Its Current Hegemony. Some Basic Reflections on How to Analyze the Formation and Transformation of Modern Forms of Subjectivity." *Forum Qualitative Sozialforschung / Forum: Qualitative Social Research* 6 (1). <https://doi.org/10.17169/fqs-6.1.518>.
- Busch, Lawrence. 2011. *Standards: Recipes for Reality*. Infrastructures Series. Cambridge, Mass: MIT Press.
- Busch, Timo, Rob Bauer, and Marc Orlitzky. 2015. "Sustainable Development and Financial Markets Old Paths and New Avenues." *Business & Society*, February. <https://doi.org/10.1177/0007650315570701>.
- Business & Human Rights. 2015. "Cote d'Ivoire: Fair Labor Association Report Finds Child Labour in Nestlé's Cocoa Supply Chain; Includes Company Comments." Business & Human Rights Resource Centre. 2015. <https://www.business-humanrights.org/en/latest-news/cote-divoire-fair-labor-association-report-finds-child-labour-in-nestle-cocoa-supply-chain-includes-company-comments/>.
- Butz, Christoph, and Jean Laville. 2007. "Socially Responsible Investment: Avoiding the Financial Materiality."
- Cadman, Tim. 2012. "The Legitimacy of ESG Standards as an Analytical Framework for Responsible Investment." In *Responsible Investment in Times of Turmoil*, edited by Prof Wim Vandekerckhove, Jos Leys, Kristian Alm, Bert Scholtens, Silvana Signori, and Prof Dr Henry Schäfer, 35–53. Issues in Business Ethics 31. Springer Netherlands.
- Cadman, Timothy. 2011. "Evaluating the Governance of Responsible Investment Institutions: An Environmental and Social Perspective." *Journal of Sustainable Finance & Investment* 1 (1): 20–29. <https://doi.org/10.3763/jsfi.2010.0004>.
- Callon, Michel, and Fabian Muniesa. 2005. "Peripheral Vision: Economic Markets as Calculative Collective Devices." *Organization Studies* 26 (8): 1229–50. <https://doi.org/10.1177/0170840605056393>.

- Camejo, Peter. 2002a. *The SRI Advantage: Why Socially Responsible Investing Has Outperformed Financially*. New Society Publishers.
- Camilleri, Mark Anthony. 2020. "The Market for Socially Responsible Investing: A Review of the Developments." *Social Responsibility Journal* 17 (3): 412–28. <https://doi.org/10.1108/SRJ-06-2019-0194>.
- Capelle-Blancard, Gunther, and Stéphanie Monjon. 2012a. "Trends in the Literature on Socially Responsible Investment: Looking for the Keys under the Lamppost." *Business Ethics: A European Review* 21 (3): 239–50. <https://doi.org/10.1111/j.1467-8608.2012.01658.x>.
- Carroll, Archie B. 2008. "A History of Corporate Social Responsibility." *The Oxford Handbook of Corporate Social Responsibility*, February. <https://doi.org/10.1093/oxfordhb/9780199211593.003.0002>.
- Cashore, Benjamin William, Graeme Auld, and Deanna Newsom. 2004. *Governing Through Markets: Forest Certification and the Emergence of Non-State Authority*. Yale University Press.
- CBS News. 2010. "Oil Spill's Economic Impact Mostly Local," 2010. <https://www.cbsnews.com/news/oil-spills-economic-impact-mostly-local/>.
- Chatterji, A. K., Rodolphe Durand, David Levine, and Samuel Touboul. 2014. "Do Ratings of Firms Converge? Implications for Strategy Research." IRLE Working Paper.
- Chatterji, Aaron K., and David II Levine. 2008. "Imitate or Differentiate? Evaluating the Validity of Corporate Social Responsibility Ratings." *Center for Responsible Business*.
- Chatterji, Aaron, and David Levine. 2005. "Breaking down the Wall of Codes: Evaluating Non-Financial Performance Measurement." *Center for Responsible Business*.
- Chatzitheodorou, Kyriakos, Antonis Skouloudis, Konstantinos Evangelinos, and Ioannis Nikolaou. 2019. "Exploring Socially Responsible Investment Perspectives: A Literature Mapping and an Investor Classification." *Sustainable Production and Consumption* 19 (July): 117–29. <https://doi.org/10.1016/j.spc.2019.03.006>.
- Cho, Charles H., Ronald P. Guidry, Amy M. Hageman, and Dennis M. Patten. 2012. "Do Actions Speak Louder than Words? An Empirical Investigation of Corporate Environmental Reputation." *Accounting, Organizations and Society* 37 (1): 14–25. <https://doi.org/10.1016/j.aos.2011.12.001>.
- Clapp, Jennifer. 2005a. "The Privatization of Global Environmental Governance: ISO14000 and the Developing World." In *The Business of Global Environmental Governance*, edited by David L. Levy and Peter John Newell. MIT Press.
- . 2005b. "Global Environmental Governance for Corporate Responsibility and Accountability." *Global Environmental Politics* 5 (February): 23–34. <https://doi.org/10.1162/1526380054794916>.
- Clapp, Jennifer, and Peter Dauvergne. 2011. *Paths to a Green World: The Political Economy of the Global Environment*. Cambridge, UNITED STATES: MIT Press.
- Clapp, Jennifer, and Eric Helleiner. 2012. "International Political Economy and the Environment: Back to the Basics?" *International Affairs* 88 (3): 485–501.
- Clark, et al., Gordon L. 2015. "Addressing the Challenges of Transformation through Sustainable Investment." In *The Routledge Handbook of Responsible Investment*.
- Clarke, Joe Sandler. 2015. "Child Labour on Nestlé Farms: Chocolate Giant's Problems Continue." *The Guardian*, September 2, 2015, sec. Working in development. <https://www.theguardian.com/global-development-professionals-network/2015/sep/02/child-labour-on-nestle-farms-chocolate-giants-problems-continue>.

- Collingsworth, Terry, J. William Goold, and Pharis J. Harvey. 1994. "Time for a Global New Deal." *Foreign Affairs* 73 (1): 8–13. <https://doi.org/10.2307/20045886>.
- Coughlin, Cletus. 2002. "Foreign-Owned Companies in the United States." In *International Political Economy: Perspectives on Global Power and Wealth*, edited by Jeffrey A. Frieden and David A. Lake. Routledge.
- Crane, Andrew, Dirk Matten, and Jeremy Moon. 2010. "The Emergence of Corporate Citizenship: Historical Development and Alternative Perspectives." *Corporate Citizenship in Deutschland*, 64–91.
- Cutler, A. Claire. 2006. "Transnational Business Civilization, Corporations, and the Privatization of Global Governance." *Global Corporate Power* 15: 199–225.
- Cutler, A. Claire, Virginia Haufler, and Tony Porter. 1999. *Private Authority and International Affairs*. SUNY Press.
- Daly, Herman E., and Joshua Farley. 2010. *Ecological Economics, Second Edition: Principles and Applications*. Second edition. Washington, DC: Island Press.
- Dauvergne, Peter, and Jane Lister. 2014. *The Politics of "Big Brand Sustainability": A BIT of Eco-Business*. MIT Press.
- Davis, Stephen M., Jon Lukomnik, and David Pitt-Watson. 2006. *The New Capitalists: How Citizen Investors Are Reshaping the Corporate Agenda*. Boston, Mass: Harvard Business School Press.
- Delmas, M. A., D. Etzion, and N. Nairn-Birch. 2013. "Triangulating Environmental Performance: What Do Corporate Social Responsibility Ratings Really Capture?" *Academy of Management Perspectives* 27 (3). <https://doi.org/10.5465/amp.2012.0123>.
- Delmas, Magali. 2001. "Stakeholders and Competitive Advantage: The Case of Iso 14001." *Production and Operations Management* 10 (3): 343–58. <https://doi.org/10.1111/j.1937-5956.2001.tb00379.x>.
- Delmas, Magali A. 2009. "Research Opportunities in the Area of Governance for Sustainable Development." In *Governance for the Environment: New Perspectives*. Cambridge University Press.
- Delmas, Magali A., and Sanja Pekovic. 2013. "Environmental Standards and Labor Productivity: Understanding the Mechanisms That Sustain Sustainability: ENVIRONMENTAL STANDARDS AND LABOR PRODUCTIVITY." *Journal of Organizational Behavior* 34 (2): 230–52. <https://doi.org/10.1002/job.1827>.
- Delmas, Magali A., and Oran R. Young. 2009. *Governance for the Environment: New Perspectives*. Cambridge University Press.
- Delmas, Magali, and Vered Doctri Blass. 2010a. "Measuring Corporate Environmental Performance: The Trade-Offs of Sustainability Ratings." *Business Strategy and the Environment* 19 (4): 245–60.
- Delmas, Magali, and Ivan Montiel. 2009. "Greening the Supply Chain: When Is Customer Pressure Effective?" *Journal of Economics & Management Strategy* 18 (1): 171–201. <https://doi.org/10.1111/j.1530-9134.2009.00211.x>.
- Dernbach, John C., and Federico Cheever. 2015. "Sustainable Development and Its Discontents." *Transnational Environmental Law* 4 (2): 247–87. <https://doi.org/10.1017/S2047102515000163>.
- Derry, Robbin. 2012. "Reclaiming Marginalized Stakeholders." *Journal of Business Ethics* 111 (2): 253–64.

- Domini, Amy L. 2001. *Socially Responsible Investing: Making a Difference and Making Money*. Chicago: Dearborn Trade.
- Dumas, Christel, and Céline Louche. 2016. "Collective Beliefs on Responsible Investment." *Business & Society* 55 (3): 427–57. <https://doi.org/10.1177/0007650315575327>.
- Eccles, Neil. 2011. "New Values in Responsible Investment." In *Responsible Investment in Times of Turmoil*, 19–34. Springer.
- Eccles, Neil Stuart. 2010. "UN Principles for Responsible Investment Signatories and the Anti-Apartheid SRI Movement: A Thought Experiment." *Journal of Business Ethics* 95 (3): 415–24.
- Elms, Heather, and Michelle Westermann-Behaylo. 2012. "Corporate Social Responsibility." In *Socially Responsible Finance and Investing: Financial Institutions, Corporations, Investors, and Activists*, edited by H. Kent Baker and John R. Nofsinger, 39–54.
- Emerson, Sandy. 2017. "CalSTRS Discusses Materiality of ESG Risk Factors." *Fossil Free California* (blog). January 26, 2017. <http://fossilfreeca.org/2017/01/26/calstrs-discusses-materiality-of-esg-risk-factors/>.
- Entine, Jon. 2003. "The Myth of Social Investing: A Critique of Its Practice and Consequences for Corporate Social Performance Research." *Organization & Environment* 16 (3): 352–68. <https://doi.org/10.1177/1086026603256283>.
- Escrig-Olmedo, Elena, María Ángeles Fernández-Izquierdo, Idoia Ferrero-Ferrero, Juana María Rivera-Lirio, and María Jesús Muñoz-Torres. 2019. "Rating the Raters: Evaluating How ESG Rating Agencies Integrate Sustainability Principles." *Sustainability* 11 (3): 915. <https://doi.org/10.3390/su11030915>.
- Escrig-Olmedo, Elena, María Jesús Muñoz-Torres, María Ángeles Fernández-Izquierdo, and Juana María Rivera-Lirio. 2013. "Lights and Shadows on Sustainability Rating Scoring." *Review of Managerial Science* 8 (4): 559–74. <https://doi.org/10.1007/s11846-013-0118-0>.
- Falkner, Robert. 2003. "Private Environmental Governance and International Relations: Exploring the Links." *Global Environmental Politics* 3 (2): 72–87. <https://doi.org/10.1162/152638003322068227>.
- Ferreira, Maria Carolina Rezende de Carvalho, Vinicius Amorim Sobreiro, Herbert Kimura, and Flavio Luiz de Moraes Barboza. 2016. "A Systematic Review of Literature about Finance and Sustainability." *Journal of Sustainable Finance & Investment* 6 (2): 112–47. <https://doi.org/10.1080/20430795.2016.1177438>.
- Fieldhouse, David. 2002. "'A New Imperial System': The Role of the Multinational Corporations Reconsidered." In *International Political Economy: Perspectives on Global Power and Wealth*, edited by Jeffrey A. Frieden and David A. Lake. Routledge.
- Finews. 2021. "UBS Creates ESG Role in Investment Bank." Finews.Com. September 28, 2021. <https://www.finews.com/news/english-news/48102-ubs-laurent-bouvier-esg-investment-bank>.
- Fleming, Peter, and Mark Jones. 2012. *The End of Corporate Social Responsibility: Crisis and Critique*. London ; Thousand Oaks, Calif: SAGE Publications Ltd.
- Flood, Chris. 2018. "Strong ESG Policies Are No Protection against Scandal." Financial Times. February 3, 2018. <https://www.ft.com/content/08a3420e-05bf-11e8-9650-9c0ad2d7c5b5>.
- Foster, Emma A. 2018. "Foucault and Ecology." *After Foucault: Culture, Theory, and Criticism in the 21st Century*. Cambridge University Press. June 2018. <https://doi.org/10.1017/9781316492864.010>.

- Freeman, R. Edward. 1984. *Strategic Management: A Stakeholder Approach*. Pitman Series in Business and Public Policy. Boston: Pitman.
- . 1998. “Stakeholder Theory of the Modern Corporation.” In *The Corporation and Its Stakeholders*, 123–38. Toronto: University of Toronto Press.
- . 2010. *Stakeholder Theory: The State of the Art*. Cambridge ; New York: Cambridge University Press.
- Freeman, R. Edward, Jeffrey S. Harrison, and Stelios Zyglidopoulos. 2018. *Stakeholder Theory: Concepts and Strategies*. Cambridge University Press.
- Freshfields Bruckhaus Deringer. 2005. “A Legal Framework for the Integration of Environmental Social and Governance Issues into Institutional Investment.” Geneva, UNEPFI.
- Fuchs, Doris A. 2007. *Business Power in Global Governance*. Lynne Rienner Publishers, Inc.
- Fung, Hung-gay. 2010. *Socially Responsible Investment in a Global Environment*. Cheltenham, U.K. ; Northampton, Mass: Edward Elgar.
- Garvey, Gerald T., Joshua Kazdin, Joanna Nash, Ryan LaFond, and Hussein Safa. 2016. “A Pitfall in Ethical Investing: ESG Disclosures Reveal Vulnerabilities, Not Virtues.” SSRN Scholarly Paper ID 2840629. Rochester, NY: Social Science Research Network.
- Garz, H, and C Volk. 2014. “Responsible Investing 2.1.” November 21, 2014. <http://www.sustainalytics.com/responsible-investing-21>.
- Gasparini, Andrea, and Sonia Artuso. 2020. “Socially Responsible Investment Industries.” In *Climate Action*, edited by Walter Leal Filho, Anabela Marisa Azul, Luciana Brandli, Pinar Gökcin Özuyar, and Tony Wall, 813–27. Cham: Springer International Publishing. https://doi.org/10.1007/978-3-319-95885-9_22.
- George, Alexander L., and Andrew Bennett. 2005. *Case Studies and Theory Development in the Social Sciences*. MIT Press.
- Gibson, Ian. 2003. “The Race to the Bottom-Globalization or Brand Imperialism.” *The International Studies Association of Ritsumeikan University: Ritsumeikan Annual Review of International Studies* 2: 59–73.
- Gifford, James. 2004. “Measuring the Social, Environmental and Ethical Performance of Pension Funds.” *Journal of Australian Political Economy* 53: 139–60.
- Gilpin, Alan. 2000. *Environmental Economics : A Critical Overview*. Modules in Environmental Science. John Wiley.
- Gilpin, Robert. 2018. *The Challenge of Global Capitalism: The World Economy in the 21st Century*. Princeton: Princeton University Press. <https://muse.jhu.edu/book/61127>.
- Glennan, Stuart S. 1996. “Mechanisms and the Nature of Causation.” *Erkenntnis* 44 (1). <https://doi.org/10.1007/BF00172853>.
- Glück, Maximilian, Benjamin Hübel, and Hendrik Scholz. 2021. “ESG Rating Events and Stock Market Reactions.” SSRN Scholarly Paper ID 3803254. Rochester, NY: Social Science Research Network. <https://doi.org/10.2139/ssrn.3803254>.
- Goldin, Ian, and Mike Mariathasan. 2014. *The Butterfly Defect: How Globalization Creates Systemic Risks, and What to Do about It*. Princeton: Princeton University Press. <https://muse.jhu.edu/book/64460>.
- Gollier, Christian, and Sébastien Pouget. 2014. “The ‘Washing Machine’: Investment Strategies and Corporate Behavior with Socially Responsible Investors.” Institut d’Économie Industrielle (IDEI), Toulouse. http://www.iast.fr/sites/default/files/Conferences/stakeholders/Pouget_Seb_122014.pdf.

- Gould, Carol C. 2009. "Moral Issues in Globalization." In *The Oxford Handbook of Business Ethics*, edited by George G. Brenkert and Tom L. Beauchamp, 1st ed. Oxford University Press.
- Graham, Larissa et al. n.d. "Oil Spill Science."
- Gramsci, Antonio. 1971. *Selections from the Prison Notebooks of Antonio Gramsci*. International Publishers.
- Grayson, David, and Adrian Hodges. 2017. *Corporate Social Opportunity!: Seven Steps to Make Corporate Social Responsibility Work for Your Business*. Routledge.
- Greenpeace USA. 2015. "Fracking's Environmental Impacts: Water." *Greenpeace USA* (blog). 2015. <https://www.greenpeace.org/usa/fighting-climate-chaos/issues/fracking/environmental-impacts-water/>.
- GRI. n.d. "GRI Standards Download Center." Accessed September 16, 2020. <https://www.globalreporting.org/standards/gri-standards-download-center/>.
- GRI, and UNGC. 2019. "Integrating the SDGs into Corporate Reporting: A Practical Guide." SDG Business Hub. 2019. <https://sdghub.com/project/integrating-the-sdgs-into-corporate-reporting-a-practical-guide/>.
- Griffin, Jennifer J., and John F. Mahon. 1997. "The Corporate Social Performance and Corporate Financial Performance Debate Twenty-Five Years of Incomparable Research." *Business & Society* 36 (1): 5–31. <https://doi.org/10.1177/000765039703600102>.
- Guyatt, Danyelle Jann. 2006. "Identifying and Overcoming Behavioural Impediments to Long Term Responsible Investment: A Focus on UK Institutional Investors." SSRN Scholarly Paper ID 1911821. Rochester, NY: Social Science Research Network.
- Haas, Peter. 2003. "Is There a Global Governance Deficit and What Should Be Done about It," December.
- Haas, Peter M. 2015. *Epistemic Communities, Constructivism, and International Environmental Politics*. Routledge.
- Haigh, Matthew. 2006. "The Drivers of Corporate Social Responsibility: A Critical Review." *The Business Rev* 5 (January).
- Hajer, Maarten A. 1995. *The Politics of Environmental Discourse Ecological Modernization and the Policy Process*. Oxford: New York: Clarendon Press; Oxford University Press.
- . 2005. "Coalitions, Practices, and Meaning in Environmental Politics: From Acid Rain to BSE." In *Discourse Theory in European Politics: Identity, Policy and Governance*, edited by David Howarth and Jacob Torfing, 297–315. London: Palgrave Macmillan UK. https://doi.org/10.1057/9780230523364_13.
- Hajer, Maarten, and Wytske Versteeg. 2005. "A Decade of Discourse Analysis of Environmental Politics: Achievements, Challenges, Perspectives." *Journal of Environmental Policy & Planning* 7 (3): 175–84. <https://doi.org/10.1080/15239080500339646>.
- Hamm, Brigitte, ed. 2016. *Business and Human Rights in the Global Economy*. New York, NY: Open Society Foundations.
- Harrison, Ann, and Jason Scorse. 2004. "The Nike Effect: Anti-Sweatshop Activists and Labor Market Outcomes in Indonesia."
- Haufler, Virginia. 2013. *A Public Role for the Private Sector: Industry Self-Regulation in a Global Economy*. Washington: Brookings Institution Press.
- Hawley, James. 2011a. "Reclaiming Fiduciary Duty Balance." *Rotman International Journal of Pension Management* 1.

- . 2011b. “Towards a Fiduciary Capitalism Perspective on Business Ethics.” In *Finance and Sustainability towards a New Paradigm?: A Post-Crisis Agenda*, 1st ed. Critical Studies on Corporate Responsibility, Governance and Sustainability, v. 2. Bingley, U.K: Emerald.
- . 2016. “Fiduciary Duty & ESG: Why Materiality Matters.” *TruValue Labs* (blog). May 13, 2016. <http://www.truvaluelabs.com/blog/fiduciary-duty-esg-why-materiality-matters>.
- Hawley, James P. 2011. “Towards a Fiduciary Capitalism Perspective on Business Ethics.” In *Finance and Sustainability: Towards a New Paradigm? A Post-Crisis Agenda*, 19–37. Emerald Group Publishing Limited.
- Hawley, James P., and Andrew T. Williams. 1997. “The Emergence of Fiduciary Capitalism.” *Corporate Governance: An International Review* 5 (4): 206.
- . 2000. *The Rise of Fiduciary Capitalism: How Institutional Investors Can Make Corporate America More Democratic*. University of Pennsylvania Press.
- Hawley, James, and Andrew Williams. 2007. “Universal Owners: Challenges and Opportunities.” *Corporate Governance: An International Review* 15 (3): 415–20. <https://doi.org/10.1111/j.1467-8683.2007.00574.x>.
- Hawley, Jim, and Andrew Williams. 2006. “The Universal Owner’s Role in Sustainable Economic Development.” In *Responsible Investment*.
- Hawn, Olga Voronina, and Ioannis Ioannou. 2012. “Do Actions Speak Louder Than Words? The Case of Corporate Social Responsibility (CSR).” *Academy of Management Proceedings* 2012 (1): 14137. <https://doi.org/10.5465/AMBPP.2012.329>.
- Helleiner, Eric. 2011. “Introduction: The Greening of Global Financial Markets?” *Global Environmental Politics* 11 (2): 51–53.
- Hennchen, Esther. 2015. “Royal Dutch Shell in Nigeria: Where Do Responsibilities End?” *Journal of Business Ethics* 129 (1): 1–25. <https://doi.org/10.1007/s10551-014-2142-7>.
- Herbert, Bruce. 2018. “Investor Letter on Risk from Ecuador Litigation.” *Medium* (blog). May 30, 2018. <https://medium.com/@NewgroundSRI/chevron-investors-ask-for-answers-e533d95ddc1b>.
- Hirschland, Matthew J. 2007. *Corporate Social Responsibility and the Shaping of Global Public Policy*. New York, UNITED STATES: Palgrave Macmillan.
- Hoepner, Andreas GF, and David G. McMillan. 2009. “Research On ‘Responsible Investment’: An Influential Literature Analysis Comprising A Rating, Characterisation, Categorisation and Investigation.” *Characterisation, Categorisation and Investigation (August 14, 2009)*.
- Hoffman, Andrew J., and P. Devereaux Jennings. 2021. “Institutional-Political Scenarios for Anthropocene Society.” *Business & Society* 60 (1): 57–94. <https://doi.org/10.1177/0007650318816468>.
- Holmberg, J., and R. Sandbrook. 1992. “Sustainable Development: What Is To Be Done? Making Development Sustainable: Redefining Institutions, Policy, And Economics.(Ed. J. Holmberg). International Institute For Environment And Development.” Island Press, Washington, DC.
- Ite, E. Uwem. 2004. “Multinationals and Corporate Social Responsibility in Developing Countries: A Case Study of Nigeria.” *Corporate Social Responsibility and Environmental Management* 11 (1): 1–11. <https://doi.org/10.1002/csr.49>.

- James, Chris. 2022. "Don't Sell Your Fossil-Fuel Stock If You Want to Make a Climate-Change Difference in 2022." *Time*. 2022. <https://time.com/collection-post/6138266/fossil-fuel-divestment-downside/>.
- Jansson, Magnus, Joakim Sandberg, Anders Biel, and Tommy Gärling. 2014. "Should Pension Funds' Fiduciary Duty Be Extended to Include Social, Ethical and Environmental Concerns? A Study of Beneficiaries' Preferences." *Journal of Sustainable Finance & Investment* 4 (3): 213–29. <https://doi.org/10.1080/20430795.2014.928997>.
- Jeffrey, Bob, and Geoff Troman. 2011. "The Construction of Performative Identities." *European Educational Research Journal* 10 (4): 484–501. <https://doi.org/10.2304/eej.2011.10.4.484>.
- Johnston, Andrew, Onyeka Osuji, Emmanuel Adegbite, and Kenneth Amaeshi. 2019. "Corporate Social Responsibility as Obligated Internalisation of Social Costs." *Journal of Business Ethics*, November. <https://doi.org/10.1007/s10551-019-04329-y>.
- Joly, Carlos. 2012. "Reality and Potential of Responsible Investment." In *Responsible Investment in Times of Turmoil*, edited by Prof Wim Vandekerckhove, Jos Leys, Kristian Alm, Bert Scholtens, Silvana Signori, and Prof Dr Henry Schäfer, 193–210. Issues in Business Ethics 31. Springer Netherlands.
- Juravle, Carmen, and Alan Lewis. 2008. "Identifying Impediments to SRI in Europe: A Review of the Practitioner and Academic Literature." *Business Ethics: A European Review* 17 (3): 285–310.
- Keck, Margaret E., and Kathryn Sikkink. 1998. *Activists beyond Borders: Advocacy Networks in International Politics*. Ithaca, NY: Cornell University Press.
- Keohane, Robert. 1983. "The Demand for International Regimes." In *International Regimes*, edited by Stephen Krasner.
- Keohane, Robert O. 1984. *After Hegemony: Cooperation And Discord In The World Political Economy*. Princeton, N.J.: Princeton Univ Pr.
- Keohane, Robert O, and Joseph S Nye. 1977. *Power and Interdependence: World Politics in Transition*. Boston: Little, Brown.
- Khan, Mozaffar, George Serafeim, and Aaron Yoon. 2015. "Corporate Sustainability: First Evidence on Materiality." *Available at SSRN 2575912*.
- Kimberling, Judith. 2005. "Indigenous Peoples and the Oil Frontier in Amazonia: The Case of Ecuador, Chevrontexaco, and Aguinda v. Texaco." *New York University Journal of International Law and Politics* 38 (3): 413–664.
- Kinder, Peter D. 2005. "Socially Responsible Investing: An Evolving Concept in a Changing World." *Boston, Mass.: KLD Research & Analytics, Inc.* <http://stage.greenbiz.com/sites/default/files/document/CustomO16C45F65148.pdf>.
- Kinder, Peter D., Steven D. Lydenberg, and Amy L. Domini. 1993. *Investing for Good: Making Money While Being Socially Responsible*. 1st edition. New York: Harpercollins.
- King, A, and M Toffel. 2009. "Self-Regulatory Institutions for Solving Environmental Problems." In *Governance for the Environment: New Perspectives*, edited by Magali A. Delmas and Oran R. Young. Cambridge University Press.
- King, Andrew, and Michael Lenox. 2001. "Lean and Green? An Empirical Examination of the Relationship Between Lean Production and Environmental Performance." ResearchGate. 2001.
- Kitanishi Koichi. 2020. "Food Crisis as a Winning Business (食糧危機という勝機)." *Nikkei Business*. November 23, 2020. <https://business.nikkei.com/atcl/NBD/19/mokuji/00096/>.

- Kleinau, Christina, Christian Kretzmann, and Henning Zülch. 2016. "Minimizing Corporate Social Irresponsibility to Maximize Social Welfare." SSRN Scholarly Paper ID 2798275. Rochester, NY: Social Science Research Network.
- Koehler, Dinah. 2006. "Capital Markets and Corporate Environmental Performance -Research in the United States." *INSEAD Submission for "Sustainability Performance and Business Competitiveness"*.
- Kolers, Avery. 2001. "Ethical Investing: The Permissibility of Participation." *The Journal of Political Philosophy* 9 (4): 435–252.
- KPMG. 2017. "The KPMG Survey of Corporate Responsibility Reporting 2017," 58.
- Krasner, Stephen D. 1983. *International Regimes*. Cornell University Press.
- Krehmeyer, D, M Orsagh, and K Schacht. 2006. "Breaking the Short-Term Cycle." Charlottesville, VA: CFA Institute and The Business Roundtable Institute for Corporate Ethics.<http://www.cfainstitute.org/learning/products/publications/ccb/Pages/ccb.v2006.n1.4194.aspx>.
- Krosinsky, Cary, and Sophie Purdom, eds. 2016. *Sustainable Investing: Revolutions in Theory and Practice*. 2nd Revised ed. edition. Abingdon, Oxon ; New York, NY: Routledge.
- Kurtz, Lloyd. 2008. "Socially Responsible Investment and Shareholder Activism." In *The Oxford Handbook of Corporate Social Responsibility*, 249–80.
- . 2012. "Stakeholder Analysis." In *Socially Responsible Finance and Investing: Financial Institutions, Corporations, Investors, and Activists*, 17–37.
- Kusumi, Noriko. 2011. "Chapter 7: Research and Analysis for Socially Responsible Investment – Challenges and Prospects." In *Environmental Finance and Responsible Investment*, edited by Tsuyoshi Mizuguchi. Innovation of Environmentally Conscious Management 3.
- Laemann, Michael. 2016. "ESG Ratings – Quo Vadis? - Sustainable Brands." 2016. <https://sustainablebrands.com/read/new-metrics/esg-ratings-quo-vadis>.
- Latour, Bruno. 1987. *Science in Action: How to Follow Scientists and Engineers Through Society*. Harvard University Press.
- Lawton, Thomas C., James N. Rosenau, and Amy C. Verdun, eds. 2019. *Strange Power: Shaping the Parameters of International Relations and International Political Economy*. 1st edition. S.I.: Routledge.
- Lemos, Maria Carmen, and Arun Agrawal. 2006. "Environmental Governance." *Annu. Rev. Environ. Resour.* 31: 297–325.
- Levy, David L., and Peter John Newell. 2005. *The Business of Global Environmental Governance*. MIT Press.
- Lippert, Ingmar. 2004. "An Introduction to the Criticism on Sustainable Development." <https://doi.org/10.13140/RG.2.1.1421.6805>.
- Lohmann, Larry. 2005. "Marketing and Making Carbon Dumps: Commodification, Calculation and Counterfactuals in Climate Change Mitigation." *Science as Culture* 14 (3): 203–35. <https://doi.org/10.1080/09505430500216783>.
- . 2008. "Carbon Trading, Climate Justice and the Production of Ignorance: Ten Examples." *Development* 51 (3): 359–65. <https://doi.org/10.1057/dev.2008.27>.
- . 2009. "Toward a Different Debate in Environmental Accounting: The Cases of Carbon and Cost–Benefit." *Accounting, Organizations and Society* 34 (3–4): 499–534. <https://doi.org/10.1016/j.aos.2008.03.002>.

- Lovell, Heather, and Donald MacKenzie. 2011. "Accounting for Carbon: The Role of Accounting Professional Organisations in Governing Climate Change." *Antipode* 43 (3): 704–30. <https://doi.org/10.1111/j.1467-8330.2011.00883.x>.
- Lydenberg, S, and K Paul. 1997. "Stakeholder Theory and Socially Responsible Investing: Toward a Convergence of Theory and Practice." Quoted in Sparkes 2001.
- Lydenberg, Steve. 2012. "On Materiality and Sustainability: The Value of Disclosure in the Capital Markets." Initiative for Responsible Investment Hauser Center for Nonprofit Organizations at Harvard University.
- . 2017. "RI Quarterly." Vol. 10. UN PRI Academic Research.
- Lydenberg, Steve, and Graham Sinclair. 2009. "Mainstream or Daydream? The Future for Responsible Investing." *The Journal of Corporate Citizenship*, no. 33: 47–67.
- Lydenberg, Steve, and Alexi White. 2016. "Responsible Investment Indexes: Origins, Nature and Purpose." In *The Routledge Handbook of Responsible Investment*, edited by Tessa Hebb, James Hawley, Andreas G. F. Hoepner, Agnes Neher, and David Wood. <https://doi.org/10.4324/9780203104415-51>.
- Lyon, T. 2009. "Environmental Governance: An Economic Perspective." In *Governance for the Environment: New Perspectives*, edited by Magali A. Delmas and Oran R. Young. Cambridge University Press.
- MacKenzie, Donald. 2005. "Opening the Black Boxes of Global Finance." *Review of International Political Economy* 12 (4): 555–76. <https://doi.org/10.1080/09692290500240222>.
- . 2008. *An Engine, Not a Camera: How Financial Models Shape Markets*. MIT Press.
- MacLeod, Michael, and Jacob Park. 2011. "Financial Activism and Global Climate Change: The Rise of Investor-Driven Governance Networks." *Global Environmental Politics* 11 (2): 54–74.
- Majoch, Arleta A. A., Andreas G. F. Hoepner, and Tessa Hebb. 2017. "Sources of Stakeholder Salience in the Responsible Investment Movement: Why Do Investors Sign the Principles for Responsible Investment?" *Journal of Business Ethics* 140 (4): 723–41. <https://doi.org/10.1007/s10551-016-3057-2>.
- Makower, Joel. 2012. "Why SASB is a game changer for sustainable business." Text. GreenBiz. October 1, 2012. <http://www.greenbiz.com/blog/2012/10/01/why-sasb-game-changer-sustainable-business>.
- Manjoo, Farhad. 2022. "Opinion | What BlackRock, Vanguard and State Street Are Doing to the Economy." *The New York Times*, May 12, 2022, sec. Opinion. <https://www.nytimes.com/2022/05/12/opinion/vanguard-power-blackrock-state-street.html>.
- Margolis, J., and J. Walsh. 2001a. "Does Misery Love Companies? How Social Performance Pays Off." *Administrative Science Quarterly* 48: 268–305.
- . 2001b. *People and Profits?: The Search for A Link Between A Company's Social and Financial Performance*. Psychology Press.
- Margolis, Joshua D., Hillary Anger Elfenbein, and James P. Walsh. 2009. "Does It Pay to Be Good...And Does It Matter? A Meta-Analysis of the Relationship between Corporate Social and Financial Performance." SSRN Scholarly Paper ID 1866371. Rochester, NY: Social Science Research Network.
- Marsh, Alastair. 2021. "Investors in Fossil Fuels Announce Plans to Divest \$39.2 Trillion." *Business Standard India*, October 26, 2021. <https://www.business->

- standard.com/article/markets/investors-in-fossil-fuels-announce-plans-to-divest-39-2-trillion-121102600666_1.html.
- Matten, Dirk, and Andrew Crane. 2005. "Corporate Citizenship: Toward an Extended Theoretical Conceptualization." *Academy of Management Review* 30 (1): 166–79. <https://doi.org/10.5465/AMR.2005.15281448>.
- Matten, Dirk, Andrew Crane, and Wendy Chapple. 2003. "Behind the Mask: Revealing the True Face of Corporate Citizenship." *Journal of Business Ethics* 45 (1–2): 109–20. <https://doi.org/10.1023/A:1024128730308>.
- McAteer, Emily, and Simone Pulver. 2009. "The Corporate Boomerang: Shareholder Transnational Advocacy Networks Targeting Oil Companies in the Ecuadorian Amazon." *Global Environmental Politics* 9 (February): 1–30. <https://doi.org/10.1162/glep.2009.9.1.1>.
- McConkey, Jennifer. 2017. "Materiality: Moving from Reporting to Meaning | Principal Blog." Principal Real Estate Investors. 2017. <https://blog.principal.com/2017/01/11/materiality-moving-from-reporting-to-meaning/>.
- Melé, Domenec. 2008. "Corporate Social Responsibility Theories." In *The Oxford Handbook of Corporate Social Responsibility*, edited by Andrew Crane. Oxford Handbooks in Business and Management. Oxford ; New York: Oxford University Press Inc.
- Merriam-Webster, Inc. n.d. "Dictionary by Merriam-Webster." Accessed December 2, 2022. <https://www.merriam-webster.com/>.
- Miller, Peter, and Ted O’Leary. 1987. "Accounting and the Construction of the Governable Person." *Accounting, Organizations and Society* 12 (3): 235–65. [https://doi.org/10.1016/0361-3682\(87\)90039-0](https://doi.org/10.1016/0361-3682(87)90039-0).
- . 1994. "Accounting, 'Economic Citizenship' and the Spatial Reordering of Manufacture." *Accounting, Organizations and Society* 19 (1): 15–43. [https://doi.org/10.1016/0361-3682\(94\)90011-6](https://doi.org/10.1016/0361-3682(94)90011-6).
- Milosevic, Darko. 2018. "Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts." *Academy of Management Review*, January.
- Mitchell, Ronald K., Jae Hwan Lee, and Bradley R. Agle. 2017. "Stakeholder Prioritization Work: The Role of Stakeholder Salience in Stakeholder Research." In *Stakeholder Management*. Emerald Publishing Limited.
- Mitchell, Ronald K., Donna J. Wood, and Bradley R. Agle. 1997. "Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts." *The Academy of Management Review* 22 (4): 853–86.
- Monks, Robert. 1995. "Corporate Governance in the Twenty-First Century. A Preliminary Outline." *Corporate Governance Quarterly* 2: 11–28.
- Monks, Robert, and Nell Minow. 1996. *Watching the Watchers: Corporate Governance for the 21st Century*. 1st edition. Cambridge, Mass: Wiley.
- Mooij, Stephanie. 2017. "The ESG Rating and Ranking Industry; Vice or Virtue in the Adoption of Responsible Investment?" SSRN Scholarly Paper ID 2960869. Rochester, NY: Social Science Research Network. <https://doi.org/10.2139/ssrn.2960869>.
- Moulier-Boutang, Yann. 2011. "What Defines Externality Today? - Paris Innovation Review." 2011. <http://parisinnovationreview.com/articles-en/what-defines-externality-today-yann-moulier-boutang>.
- MSCI. 2019. "MSCI ESG Ratings Methodology," 16.

- Nauman, Billy. 2019. "Credit Rating Agencies Join Battle for ESG Supremacy." September 17, 2019. <https://www.ft.com/content/59f60306-d671-11e9-8367-807ebd53ab77>.
- Newell, Peter. 2008. "Civil Society, Corporate Accountability and the Politics of Climate Change." *Global Environmental Politics* 8 (3): 122–53. <https://doi.org/10.1162/glep.2008.8.3.122>.
- . 2012. *The Political Ecology of Globalization. Handbook of Global Environmental Politics, Second Edition*. Edward Elgar Publishing. <http://www.elgaronline.com/view/9781849809405.00031.xml>.
- Newell, Peter, and Matthew Paterson. 2010. *Climate Capitalism: Global Warming and the Transformation of the Global Economy*. Cambridge University Press.
- Newman, Julie, ed. 2011. *Green Ethics and Philosophy: An A-to-Z Guide*. 1st edition. Thousand Oaks, CA: SAGE Publications, Inc.
- Newton, Tim, and George Harte. 1997. "Green Business: Technician Kitsch?" *Journal of Management Studies* 34 (1): 75–98. <https://doi.org/10.1111/1467-6486.00043>.
- Nikkei Asia. 2022. "Global Exodus from Fossil Fuel Holdings Tops 1,500 Institutions." Nikkei Asia. 2022. <https://asia.nikkei.com/Spotlight/Environment/Climate-Change/Global-exodus-from-fossil-fuel-holdings-tops-1-500-institutions>.
- Norges Bank. 2020. "Government Pension Fund Global: Exclusion and Observation of Coal Companies." 2020. <https://www.norges-bank.no/en/news-events/news-publications/News-items/2020/2020-05-13-2-spu/>.
- Norwegian Ministry of Finance. 2006. "The Report from the Graver Committee." Rapport. November 11, 2006. <https://www.regjeringen.no/en/dokumenter/Report-on-ethical-guidelines/id420232/>.
- Novethic. 2013. "Overview of ESG Rating Agencies." https://www.novethic.com/fileadmin/user_upload/tx_ausynovethicetudes/pdf_complets/2013_overview_ESG_rating_agencies.pdf.
- Novick, Barbara, and Larry Fink. 2020. "A Fundamental Reshaping of Finance." *The Harvard Law School Forum on Corporate Governance* (blog). January 16, 2020. <https://corpgov.law.harvard.edu/2020/01/16/a-fundamental-reshaping-of-finance/>.
- O'Dwyer, Brendan. 2011. "The Case of Sustainability Assurance: Constructing a New Assurance Service." *Contemporary Accounting Research* 28 (January). <https://doi.org/10.2139/ssrn.1742826>.
- OECD. 2005. "Financial Asses of Institutional Investors as a Percentage of GDP."
- O'Neill, Kate. 2017. *The Environment and International Relations, 2nd Edition*. Cambridge University Press.
- O'Neill, Kate, Erika Weinthal, Kimberly R. Marion Suiseeya, Steven Bernstein, Avery Cohn, Michael W. Stone, and Benjamin Cashore. 2013. "Methods and Global Environmental Governance." *Annual Review of Environment and Resources* 38 (1): 441–71. <https://doi.org/10.1146/annurev-environ-072811-114530>.
- Opimas. 2019. "ESG Data Market Size." Opimas: We Begin with an Understanding. 2019. <http://www.opimas.com/research/548/detail/>.
- Oreskes, Naomi, and Erik M. Conway. 2011. *Merchants of Doubt: How a Handful of Scientists Obscured the Truth on Issues from Tobacco Smoke to Global Warming*. Reprint edition. New York: Bloomsbury Press.
- Orlitzky, Marc. 2013. "Corporate Social Responsibility, Noise, and Stock Market Volatility." *The Academy of Management Perspectives* 27 (3): 238–54.

- Orlitzky, Marc, and Diane L. Swanson. 2012. "Assessing Stakeholder Satisfaction: Toward a Supplemental Measure of Corporate Social Performance As Reputation." *Corporate Reputation Review* 15 (2): 119–37. <https://doi.org/10.1057/crr.2012.3>.
- O'Rourke, Anastasia. 2003. "The Message and Methods of Ethical Investment." *Journal of Cleaner Production* 11 (6): 683–93.
- Patel, Suraj. 2012. "Delayed Justice: A Case Study of Texaco and the Republic of Ecuador's Operations, Harms, and Possible Redress in the Ecuadorian Amazon." *Tulane Environmental Law Journal* 26 (1): 71–110.
- Pattberg, Philipp. 2005. "The Institutionalization of Private Governance: How Business and Nonprofit Organizations Agree on Transnational Rules." *Governance* 18 (4): 589–610. <https://doi.org/10.1111/j.1468-0491.2005.00293.x>.
- Pellegrini, Lorenzo, Murat Arsel, Martí Orta-Martínez, and Carlos F Mena. 2020. "International Investment Agreements, Human Rights, and Environmental Justice: The Texaco/Chevron Case From the Ecuadorian Amazon." *Journal of International Economic Law* 23 (2): 455–68. <https://doi.org/10.1093/jiel/jgaa016>.
- Perry, James, and Andreas Nölke. 2006. "The Political Economy of International Accounting Standards." *Review of International Political Economy* 13 (October). <https://doi.org/10.1080/09692290600839790>.
- Persson, Sara. 2020. "Corporate Hegemony through Sustainability : A Study of Sustainability Standards and CSR Practices as Tools to Demobilise Community Resistance in the Albanian Oil Industry." <http://urn.kb.se/resolve?urn=urn:nbn:se:sh:diva-42144>.
- Phillips, Matt. 2021. "Exxon's Board Defeat Signals the Rise of Social-Good Activists." *The New York Times*, June 9, 2021, sec. Business. <https://www.nytimes.com/2021/06/09/business/exxon-mobil-engine-no1-activist.html>.
- Phillips, Nelson, Thomas B. Lawrence, and Cynthia Hardy. 2004. "Discourse and Institutions." *The Academy of Management Review* 29 (4): 635–52. <https://doi.org/10.2307/20159075>.
- Porter, Michael E., and Mark R. Kramer. 2011. "Creating Shared Value." *Harvard Business Review* 89 (1/2): 62–77.
- Porter, Michael, and Mark R. Kramer. 2007. "Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility." *Strategic Direction* 23 (5). <https://doi.org/10.1108/sd.2007.05623ead.006>.
- Porter, Tony. 2005. "Private Authority, Technical Authority, and the Globalization of Accounting Standards." *Business and Politics* 7 (3): 1–30. <https://doi.org/10.2202/1469-3569.1138>.
- Power, Michael. 1997. "Expertise and the Construction of Relevance: Accountants and Environmental Audit." *Accounting, Organizations and Society* 22 (2): 123–46. [https://doi.org/10.1016/S0361-3682\(96\)00037-2](https://doi.org/10.1016/S0361-3682(96)00037-2).
- Prakash, Aseem, and Matthew Potoski. 2006. "Racing to the Bottom? Trade, Environmental Governance, and ISO 14001." *American Journal of Political Science* 50 (2): 350–64. <https://doi.org/10.1111/j.1540-5907.2006.00188.x>.
- . 2007. "Investing Up: FDI and the Cross-Country Diffusion of ISO 14001 Management Systems1." *International Studies Quarterly* 51 (3): 723–44. <https://doi.org/10.1111/j.1468-2478.2007.00471.x>.
- Preda, Alex. 2002. "Financial Knowledge, Documents, and the Structures of Financial Activities." *Journal of Contemporary Ethnography* 31 (2): 207–39. <https://doi.org/10.1177/0891241602031002004>.

- . 2006. “Socio-Technical Agency in Financial Markets The Case of the Stock Ticker.” *Social Studies of Science* 36 (5): 753–82. <https://doi.org/10.1177/0306312706059543>.
- . 2007. “Where Do Analysts Come from? The Case of Financial Chartism.” *The Sociological Review* 55 (October): 40–64. <https://doi.org/10.1111/j.1467-954X.2007.00729.x>.
- PRI. 2009. “Annual Report of the PRI Initiative 2009.”
- Rada, Juan, and Alex Trisoglio. 1992. “Capital Markets and Sustainable Development.” *Columbia Journal of World Business* 27 (3/4): 42–50.
- Reed, Darryl. 2012. “Development and the Problematic of Non-State Regulation.” In *Business Regulation and Non-State Actors: Whose Standards? Whose Development?*, edited by Darryl Reed, Peter Utting, and Ananya Mukherjee Reed. Routledge.
- Rees, William, and Tatiana Rodionova. 2013. “What Type of Controlling Investors Impact on Which Elements of Corporate Social Responsibility?” *Journal of Sustainable Finance & Investment* 3 (3): 238–63. <https://doi.org/10.1080/20430795.2013.791143>.
- Reich, Robert B. 1998. “The New Meaning of Corporate Social Responsibility.” *California Management Review* 40 (2): 8–17.
- Reinhardt, Forest. 1999. “Market Failure and the Environmental Policies of Firms: Economic Rationales for ‘Beyond Compliance’ Behavior.” *Journal of Industrial Ecology* 3 (1): 9–21. <https://doi.org/10.1162/108819899569368>.
- Revelli, Christophe, and Jean-Laurent Viviani. 2015. “Financial Performance of Socially Responsible Investing (SRI): What Have We Learned? A Meta-Analysis.” *Business Ethics: A European Review* 24 (2): 158–85. <https://doi.org/10.1111/beer.12076>.
- Richardson, Benjamin J. 2008a. *Socially Responsible Investment Law: Regulating the Unseen Polluters*. New York: Oxford University Press.
- . 2008b. “Keeping Ethical Investment Ethical: Regulatory Issues for Investing for Sustainability.” *Journal of Business Ethics* 87 (4): 555–72. <https://doi.org/10.1007/s10551-008-9958-y>.
- . 2011. “Fiduciary Relationships for Socially Responsible Investing: A Multinational Perspective.” *American Business Law Journal* 48 (3): 597–640.
- . 2012a. “Are Social Investors Influential?” SSRN Scholarly Paper ID 2065463. Rochester, NY: Social Science Research Network.
- . 2012b. “SRI and Extractive Industries.” *Journal of Sustainable Finance & Investment* 2 (1): 1–2. <https://doi.org/10.1080/20430795.2012.702493>.
- Richardson, Benjamin J. 2013a. *Fiduciary Law and Responsible Investing: In Nature’s Trust*. London; New York: Routledge.
- Richardson, Benjamin J. 2013b. “Socially Responsible Investing for Sustainability: Overcoming Its Incomplete and Conflicting Rationales.” *Transnational Environmental Law* 2 (02): 311–38. <https://doi.org/10.1017/S2047102513000150>.
- Rivoli, Pietra. 2003. “Making a Difference or Making a Statement? Finance Research and Socially Responsible Investment.” *Business Ethics Quarterly* 13 (3): 271–87.
- RobecoSam. 2018. “Focus on Financial Materiality.” Pure Play Asset Management | Robeco.Com. November 12, 2018. <https://www.robecosam.com/en/key-strengths/focus-on-financial-materiality.html>.
- Robins, Nick. 2012. “The Emergence of Sustainable Investing.” In *Sustainable Investing*. Routledge.

- Robinson, William I. 2001. "Social Theory and Globalization: The Rise of a Transnational State." *Theory and Society* 30 (2): 157–200.
- Rogelj, Joeri, David L. McCollum, Andy Reisinger, Malte Meinshausen, and Keywan Riahi. 2013. "Probabilistic Cost Estimates for Climate Change Mitigation." *Nature* 493 (7430): 79–83.
- Rogers, Peter P. 2006. *An Introduction to Sustainable Development*. 2005 pilot ed. Cambridge, Mass.: Continuing Education Division, Harvard University : Glen Educational Foundation : Distributed by Harvard University Press.
- Rossi et al., M. S. 2000. "Leaders in Sustainable Development: How Agents of Change Define the Agenda." *Business Strategy and the Environment*, 273–86.
- Ruggie, J. 2003. "Taking Embedded Liberalism Global: The Corporate Connection."
- Rupley, Kathleen Hertz, Darrell Brown, and Scott Marshall. 2017. "Evolution of Corporate Reporting: From Stand-Alone Corporate Social Responsibility Reporting to Integrated Reporting." *Research in Accounting Regulation* 29 (2): 172–76.
<https://doi.org/10.1016/j.racreg.2017.09.010>.
- Sandberg, Joakim. 2008. *The Ethics of Investing. Making Money or Making a Difference?*
<https://gupea.ub.gu.se/handle/2077/10109>.
- . 2010. "Socially Responsible Investment and Fiduciary Duty: Putting the Freshfields Report into Perspective." *Journal of Business Ethics* 101 (1): 143–62.
<https://doi.org/10.1007/s10551-010-0714-8>.
- Sandberg, Joakim, Carmen Juravle, Ted Martin Hedesström, and Ian Hamilton. 2008. "The Heterogeneity of Socially Responsible Investment." *Journal of Business Ethics* 87 (4): 519–33. <https://doi.org/10.1007/s10551-008-9956-0>.
- SASB. n.d. "Exploring Materiality." SASB (blog). Accessed December 4, 2022a.
<https://www.sasb.org/standards/materiality-map/>.
- . n.d. "Sustainability Accounting Standards Board." *Sustainability Accounting Standards Board* (blog). Accessed December 24, 2015b. <http://www.sasb.org/>.
- SASB, and IIRC. 2013. "MEMORANDUM OF UNDERSTANDING."
- Schenk, Hans, Andrea Chegut, and Bert Scholtens. 2011. "Assessing SRI Fund Performance Research: Best Practices in Empirical Analysis." *Sustainable Development* 19 (March): 77–94. <https://doi.org/10.1002/sd.509>.
- Scherer, Andreas Georg, Dorothee Baumann-Pauly, and Anselm Schneider. 2013. "Democratizing Corporate Governance Compensating for the Democratic Deficit of Corporate Political Activity and Corporate Citizenship." *Business & Society* 52 (3): 473–514. <https://doi.org/10.1177/0007650312446931>.
- Schmidheiny, Stephan. 1996. *Financing Change: The Financial Community, Eco-Efficiency, and Sustainable Development*. Cambridge, Mass: MIT Press.
- Scholte, Jan Aart, and Albrecht Schnabel. 2002. *Civil Society and Global Finance*. Psychology Press.
- Schreiner, Christopher. 2009. *Handbook of Research on Assessment Technologies, Methods, and Applications in Higher Education*. IGI Global.
- Scott, David. 2008. "Colonial Governmentality." In *Anthropologies of Modernity*, 21–49. John Wiley & Sons, Ltd. <https://doi.org/10.1002/9780470775875.ch1>.
- SeafoodSource. 2021. "NGO Uses Shareholder-Sponsored Proposals to Push Ocean Plastic Commitments." 2021. <https://www.seafoodsource.com/news/environment->

- sustainability/ngo-uses-shareholder-sponsored-proposals-to-push-ocean-plastic-commitments.
- Serafeim et al., George. 2016. "Focus on Materiality." Calvert-Serafeim Series. Calvert.
- Sethi, S. Prakash. 2005. "Investing in Socially Responsible Companies Is a Must for Public Pension Funds – Because There Is No Better Alternative." *Journal of Business Ethics* 56 (2): 99–129. <https://doi.org/10.1007/s10551-004-5455-0>.
- Shiva, Vandana. 1991. *The Violence of the Green Revolution: Third World Agriculture, Ecology and Politics*. Zed Books.
- Si2. 2018. "State of Sustainability and Integrated Reporting 2018." <https://www.weinberg.udel.edu/IIRCiResearchDocuments/2018/11/2018-SP-500-Integrated-Reporting-FINAL-November-2018-1.pdf>.
- Sinclair, Timothy J. 2014. *The New Masters of Capital: American Bond Rating Agencies and the Politics of Creditworthiness*. Cornell University Press. <http://muse.jhu.edu/book/55631/>.
- Slaughter, Anne-Marie. 2004. "A New World Order: Government Networks and the Disaggregated State." *Princeton: Princeton University Press.(2003) "Global Government Networks, Global Information Agencies and Disaggregated Democracy"*, *Michigan Journal of Law* 24: 1041–75.
- Sorkin, Andrew Ross. 2018. "BlackRock's Message: Contribute to Society, or Risk Losing Our Support." *The New York Times*, January 15, 2018, sec. Business. <https://www.nytimes.com/2018/01/15/business/dealbook/blackrock-laurence-fink-letter.html>.
- Sorsa, Ville-Pekka. 2013. "Social Responsibility and the Political: Studying the Politics of Social Responsibility in Institutional Investment." *Journal of Sustainable Finance & Investment* 3 (3): 223–37. <https://doi.org/10.1080/20430795.2013.791142>.
- Sparkes, Russell. 2001. "Ethical Investment: Whose Ethics, Which Investment?" *Business Ethics: A European Review* 10 (3): 194–205. <https://doi.org/10.1111/1467-8608.00233>.
- . 2003. *Socially Responsible Investment: A Global Revolution*. John Wiley & Sons.
- Sparkes, Russell, and Christopher J. Cowton. 2004. "The Maturing of Socially Responsible Investment: A Review of the Developing Link with Corporate Social Responsibility." *Journal of Business Ethics* 52 (1): 45–57. <https://doi.org/10.1023/B:BUSI.0000033106.43260.99>.
- Spilker, Gabriele, Vally Koubi, and Thomas Bernauer. 2017. "International Political Economy and the Environment." Oxford Research Encyclopedia of Politics. March 29, 2017. <https://doi.org/10.1093/acrefore/9780190228637.013.172>.
- Stephan, Benjamin, Chris Methmann, and Delf Rothe. 2013. "Third Side of the Coin: Hegemony and Governmentality in Global Climate Politics." In *Governing the Climate: New Approaches to Rationality, Power and Politics*, edited by Harriet Bulkeley and Johannes Striiple, 59–76. Cambridge: Cambridge University Press. <https://doi.org/10.1017/CBO9781107110069.007>.
- Sullivan, Rory, and Craig Mackenzie, eds. 2006. *Responsible Investment*. Sheffield: Greenleaf.
- Sun, William, Céline Louche, and Roland Perez, eds. 2011. *Finance and Sustainability towards a New Paradigm?: A Post-Crisis Agenda*. 1st ed. Critical Studies on Corporate Responsibility, Governance and Sustainability, v. 2. Bingley, U.K: Emerald.
- SustainAbility. 2020. "Rate the Raters Report." ERM. 2020. <https://www.sustainability.com/thinking/rate-the-raters-2020/>.

- SustainAbility, and Mistra. 2004. “Values for Money: Reviewing the Quality of SRI Research.” SustainAbility.
- Sustainable Insight. 2016. “Who Are the Rating Agencies.” www.sicm.com/docs/who-rates.pdf.
- Taplin, Ian. 2014. “Who Is to Blame? A Re-Examination of Fast Fashion after the 2013 Factory Disaster in Bangladesh.” *Critical Perspectives on International Business* 10 (1/2): 72–83. <https://doi.org/10.1108/cpoib-09-2013-0035>.
- The Commission on Global Governance. 1995. *Our Global Neighbourhood: The Report of the Commission on Global Governance*. Oxford ; New York: Oxford University Press.
- Thistlethwaite, Jason. 2011a. “Counting the Environment: The Environmental Implications of International Accounting Standards.” *Global Environmental Politics* 11 (2): 75–97.
- . 2011b. “Planet Finance: The Governance of Climate Change Risks in Financial Markets.” University of Waterloo.
- Thompson Greenspon CPA. 2018. “How Materiality Is Established in an Audit or a Review.” Thompson Greenspon CPA. March 16, 2018. <https://www.tgccpa.com/2018/03/how-materiality-is-established-in-an-audit-or-a-review/>.
- Tillier, Nadège. 2021. “ESG and Credit Rating Agencies: The Pressure Accelerates.” ING Think. 2021. <https://think.ing.com/articles/esg-and-credit-ratings-the-pressure-has-accelerated/>.
- Trucost. 2017. “S&P Dow Jones Indices Debuts Carbon Metrics on Indices | Trucost.” 2017. <https://www.trucost.com/trucost-news/sp-dow-jones-indices-debuts-carbon-metrics-on-indices/>.
- Tysiac, Ken. 2020. “BlackRock CEO Declares ‘Fundamental Reshaping of Finance.’” *Journal of Accountancy*. January 14, 2020. <https://www.journalofaccountancy.com/news/2020/jan/blackrock-ceo-larry-fink-reshaping-finance-22812.html>.
- UN PRI. n.d. “PRI Fact Sheet | Principles for Responsible Investment.” Accessed June 25, 2015. <http://www.unpri.org/news/pri-fact-sheet/>.
- . n.d. “What Are the Principles for Responsible Investment?” PRI. Accessed December 4, 2022. <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>.
- UNEP FI. 2004a. “Generation Lost: Young Financial Analysts and Environmental, Social and Governance Issues.”
- . 2004b. “The Materiality of Social, Environmental and Corporate Governance Issues to Equity Pricing.” UNEP FI.
- . 2006. “Show Me the Money: Linking Environmental, Social and Governance Issues to Company Value.”
- . n.d. “About United Nations Environment Programme Finance Initiative – United Nations Environment – Finance Initiative.” Accessed September 17, 2020a. <https://www.unepfi.org/about/>.
- . n.d. “Background – United Nations Environment – Finance Initiative.” Accessed September 16, 2020b. <https://www.unepfi.org/about/background/>.
- Unilever. n.d. “Defining Our Material Issues.” Unilever Global Company Website. Accessed September 9, 2020. https://www.unilever.com/Images/unilever-materiality-matrix-final_tcm244-476008_en.pdf.
- US SIF. 2001. “2001 Report on Socially Responsible Investing Trends in the United States.”
- . 2015. “SRI Basics, The Forum for Sustainable and Responsible Investment.” 2015. <http://www.ussif.org/content.asp?contentid=37>.

- . 2019. “2018 Report On US Sustainable, Responsible And Impact Investing Trends.” 2019. https://www.ussif.org/store_category.asp?id=4.
- . 2020. “Report On US Sustainable, Responsible And Impact Investing Trends.” 2020. https://www.ussif.org/store_category.asp?id=4.
- Valor, Carmen. 2005. “Corporate Social Responsibility and Corporate Citizenship: Towards Corporate Accountability.” *Business and Society Review* 110 (2): 191–212.
- Van Braeckel, Dirk, and Marc Bontemps. 2005. “SRI: Materiality Approach versus Sustainability Approach.” *Finance & Bien Commun* 23 (3): 13. <https://doi.org/10.3917/fbc.023.0013>.
- Vogel, David. 2006. *The Market for Virtue the Potential and Limits of Corporate Social Responsibility*. Paperback edition. Washington, D.C: Brookings Institution Press.
- . 2009. *Trading Up: Consumer and Environmental Regulation in a Global Economy*. Harvard University Press.
- . 2010. “The Private Regulation of Global Corporate Conduct: Achievements and Limitations.” *Business & Society* 49 (1): 68–87. <https://doi.org/10.1177/0007650309343407>.
- Waddock, Sandra. 2003. “Myths and Realities of Social Investing.” *Organization & Environment* 16 (3): 369–80. <https://doi.org/10.1177/1086026603256284>.
- Waddock, Sandra A., and Samuel B. Graves. 1997. “THE CORPORATE SOCIAL PERFORMANCE-FINANCIAL PERFORMANCE LINK.” *Strategic Management Journal* 18 (4): 303–19.
- Wagemans, Frank A. J., C. S. A. (Kris) van Koppen, and Arthur P. J. Mol. 2013. “The Effectiveness of Socially Responsible Investment: A Review.” *Journal of Integrative Environmental Sciences* 10 (3–4): 235–52. <https://doi.org/10.1080/1943815X.2013.844169>.
- WCED. 1987. “Report of the World Commission on Environment and Development ;,” August. <https://digitallibrary.un.org/record/139811>.
- Weber, Olaf. 2014. “The Financial Sector’s Impact on Sustainable Development.” *Journal of Sustainable Finance & Investment* 4 (1): 1–8. <https://doi.org/10.1080/20430795.2014.887345>.
- WEF. 2002. “Global Corporate Citizenship: The Leadership Challenge for CEOs and Boards. World Economic Forum and The Prince of Wales Business Leaders Forum.”
- Windsor, D. 2001. “Corporate Citizenship: Evolution and Interpretation.” In *Perspectives on Corporate Citizenship*, edited by J. Andriof and M. McIntosh, 39–52. Sheffield, UK: Greenleaf.
- Wood, D. J., and J. M. Logsdon. 2001. “Theorising Business Citizenship.” In *Perspectives on Corporate Citizenship*, edited by J. Andriof and M. McIntosh, 83–103. Sheffield, UK: Greenleaf.
- Woods, Claire, and Roger Urwin. 2010. “Putting Sustainable Investing into Practice: A Governance Framework for Pension Funds.” *Journal of Business Ethics* 92 (1): 1–19.
- World Economic Forum. 2005. “Mainstreaming Responsible Investment.” <http://www.weforum.org/pdf/mri.pdf>.
- . 2011. “The Future of Long-Term Investing.” The Future of Long-Term Investing | World Economic Forum. 2011. <http://www.weforum.org/reports/future-long-term-investing-1>.

- Wright, Christopher. 2012. "Global Banks, the Environment, and Human Rights: The Impact of the Equator Principles on Lending Policies and Practices." *Global Environmental Politics* 12 (1): 56–77.
- . 2013. "Global Finance and the Environment." In *The Handbook of Global Climate and Environment Policy*, edited by Robert Falkner, 428–45. John Wiley & Sons Ltd. <http://onlinelibrary.wiley.com/doi/10.1002/9781118326213.ch25/summary>.
- Wright, Christopher, and Daniel Nyberg. 2015. *Climate Change, Capitalism, and Corporations: Processes of Creative Self-Destruction*. Cambridge: Cambridge University Press. <https://doi.org/10.1017/CBO9781139939676>.
- Yan, Shipeng, Fabrizio Ferraro, and Juan (John) Almandoz. 2019. "The Rise of Socially Responsible Investment Funds: The Paradoxical Role of the Financial Logic." *Administrative Science Quarterly* 64 (2): 466–501. <https://doi.org/10.1177/0001839218773324>.
- Ye, Nan, Tung-Boon Kueh, Lisong Hou, Yongxin Liu, and Hang Yu. 2020. "A Bibliometric Analysis of Corporate Social Responsibility in Sustainable Development." *Journal of Cleaner Production* 272 (November): 122679. <https://doi.org/10.1016/j.jclepro.2020.122679>.
- Young, Oran R. 1986. "International Regimes: Toward a New Theory of Institutions." *World Politics* 39 (1): 104–22. <https://doi.org/10.2307/2010300>.
- . 1994. *International Governance: Protecting the Environment in a Stateless Society*. Cornell University Press.