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ESG integration - How do investors incorporate ESG into investment decisions in practice?

A qualitative research thesis regarding the integration of ESG information in investment management

Authors

Lydia Tullsten & Max Ribarits

Graduate School

Master of Science in Accounting & Financial Management

Supervisor: Conny Overland

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Lydia Tullsten

Master of Science in Accounting & Financial Management, Graduate School

The School of Business, Economics & Law, University of Gothenburg

Max Ribarits

Master of Science in Accounting & Financial Management, Graduate School

The School of Business, Economics & Law, University of Gothenburg

Abstract

This thesis aims to contribute with a greater understanding regarding how institutional investors attempt to integrate ESG information into their investment decisions in practice, through the use of various integration strategies. Furthermore, the thesis attempts to shed light on how investors work in order to overcome ESG integration barriers such as lack of underlying data quality and lack of knowledge. The thesis has been carried out by using a qualitative research method, interviewing 13 institutional investors and fund managers established in Sweden, Norway and England. The thesis investigates the use of the strategies through two perspectives; how the investor incorporates ESG information and how the use of the strategies is affected by the size of the investor. The thesis finds that qualitative information is used frequently by investors in their investment decisions as they attempt to integrate ESG information. This finding is currently infrequently highlighted in much of previous research regarding ESG within investment management. Further, this thesis adds to previous literature in the sense that it conveys that the strategies are used in combination, rather than isolated, by the investors. Lastly, the thesis finds that size, amount of resources and level of expertise are vital in order for investors to overcome the ESG integration barriers. The thesis contributes to previous research as it provides a more nuanced understanding to how investors attempt to incorporate ESG information into investment decisions and how they overcome ESG integration barriers than previous quantitative research has been able to.

Key words: Investment management, ESG integration, investment strategies, ESG information

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Max Ribarits



Lydia Tullsten

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1.Introduction

In the first section of this thesis, the growing interest and motivations for incorporating ESG information within investment management is presented. Thereafter, a problematization of the lack of regulation and uniform methodology of ESG information is discussed as well as a presentation of the current ESG integration strategies. Lastly, the research question is presented that aims to fulfill the underlying purpose of the thesis.

1.1 Background

Traditionally the fiduciary duty within investment management has focused on financial value maximization, which has been subject of change in recent years due to pressures on investors to start incorporating additional factors, rather than only economical (Hill, 2020). Investment management can be defined as an industry encompassing investors who professionally manage the trade-off of portfolio expected return and risk (Kahn, 2018; Clark, 1980). Investors within investment management include institutional investors that constitute insurance firms, pension funds and mutual funds as well as asset managers who encompass hedge funds, wealth management divisions of banks and pure asset management firms (Braun, 2016). Since this thesis will include both institutional investors and asset managers as respondents, both of these financial intermediaries will hereafter be referred to as investors. Spurred by increased client and societal demand, investors have started to incorporate environmental, social and governance (hereafter referred to as ESG) information into their investment decisions, subsequently making it a part of their fiduciary duty (Hill, 2020; Eccles & Klimenko, 2019). The fundamental aim of ESG information is to seize the performance of an ESG concern, and the integration of ESG into investment management can be defined as *”The practice of explicitly incorporating environmental, social and governance information into investment decisions.”* (BlackRock, 2020, p. 33). However, little is known about how investors attempt to incorporate ESG information into their investment decisions in practice.

While far from fully integrated into a consensus within investment analysis, there has been continuous growing interest in ESG related investments and an increase in investment firms which classify themselves as socially responsible investors (BlackRock, 2020; Khan et al., 2015). BlackRock (2020) finds that more than half of global investors (54 percent), with the commitment being the largest in Europe, Middle East and Africa, recognize the importance of sustainable investing. This has resulted in the majority of global investors making changes in

regard to the allocation of underlying resources derived from recognition of ESG (BlackRock, 2020; Eccles et al., 2011). The increased amount of ESG investments can be visualized through the growth of assets under management (hereafter referred to as AUM) related to ESG which according to a study made by BlackRock (2020), including 425 global investors, had grown to 25 trillion US dollars in 2020. Furthermore, the respondents of the study disclosed that they were planning to double their AUM in ESG investments during the next five years. These findings are further substantiated by a survey conducted by SustainAbility (2020), which find an even higher AUM in regard to ESG investments in 2020, with 80 trillion USD collectively under management when looking at 2300 signatories from UNs Principles for Responsible Investing. Taken together, the studies by BlackRock (2020) and SustainAbility (2020) show that there is a current and increasing interest for ESG investments and that investors are encouraged both by an increased client demand but also through societal pressures, to incorporate ESG information into their investment strategy.

According to several studies, the incorporation of ESG information is chiefly motivated by financial reasons rather than by ethical reasons, making the notion that ESG investing would be at the expense of shareholder returns obsolete (Eccles & Klimenko, 2019). In line with this, Amel-Zadeh and Serafeim (2018) found that 63 percent of asset managers and institutional investors incorporate ESG information into investment analysis due to ESG information constituting an essential component to generate financial performance. Moreover, Eccles et al. (2011) have found that firms who are good at managing and communicating ESG information have outperformed peers in their control groups. These findings are in line with both the academic literature review by Deutsche Bank Group (2012) which found that 89 percent of firms with high ESG metric ratings outperformed the market, as well as Khan et al. (2015) who found that strategically important, or material, investments in sustainability issues are shareholder value enhancing and thus motivates investors to incorporate ESG into their investment strategy. This can be connected to the findings of Beal et al. (2017) and Eccles et al. (2011), who both have found that higher transparency in terms of ESG information is connected with less risk and alas less ambiguity in regard to the aptitude of generating adequate financial performance.

In order to incorporate ESG information into their strategy and subsequently their investment decisions, investors have attempted to develop different investment styles and strategies which enable them to include ESG information in their investment decisions (Eccles & Klimenko,

2019; Amel-Zadeh & Serafeim, 2018). However, there are several impediments in order to successfully integrate ESG into investment management. As such, it is imperative that ESG information possesses sufficient quality in order to be material for investors to include them into investment decisions in addition to the traditional financial information (Kotsantonis & Serafeim, 2019).

1.2 Problem Motivation

The greatest problem with ESG within investment management is the lack of quality of ESG information (SustainAbility, 2020; High Meadows Institute, 2019; Amel-Zadeh & Serafeim, 2018; Barker & Eccles, 2018; Caplan et al., 2013). The lack of ESG information quality entails that the information has a standardization deficit i.e., the information possesses insufficiencies in regard to reliability, relevance, comparability and completeness (SustainAbility, 2020; Barker & Eccles, 2018). By virtue of the existing problem of standardization, the ESG information quality problem constitutes a considerable barrier for investors in their selection of investment strategies and integration of ESG information into investment decisions (Amel-Zadeh & Serafeim, 2018; Caplan et al., 2013). According to Amel-Zadeh and Serafeim (2018), the dilemma is chiefly due to the lack of viable reporting standards for ESG information. This notion is further acknowledged by High Meadows Institute (2019), which asserts that there is currently a lack of a standardized accepted definition of ESG as well as standards that can serve as a guideline in terms of measurement – and reporting of ESG performance for firms. Despite previous attempts of coordination and harmonization between various reporting frameworks, for example Global Reporting Initiative and Sustainability Accounting Standards Board, neither an accepted definition of what ESG truly comprises nor any standards for reporting or measuring of ESG information are presently accessible (High Meadows Institute, 2019). The absence of standards results in an opaque information environment in which firms are unable to measure and provide ESG information of adequate quality. The inability of firms to provide good quality firm-level data (hereafter referred to as raw data) inhibits investors to make apples-to-apples comparisons as well as making the task of incorporating raw data into financial models used in investment decisions, grueling (Caplan et al., 2013; Eccles et al., 2011). Further adding predicament to an already arcane setting.

In an attempt to aid investors in their quest to overcome the problem of poor ESG information quality – a multitude of various rating agencies and external data vendors have emerged (Eccles & Stroehle, 2018). These ratings agencies and external data vendors gather the raw data from

firms and compute ratings, scores and metrics by virtue of aggregating the raw data (SustainAbility, 2020; Kotsantonis & Serafeim, 2019). As the raw data is aggregated into ESG measures, there is a present problem of the quality of the ratings, scores and metrics provided since the computation is based on information that is lacking in terms of standardization (SustainAbility, 2020). The problem of poor information quality of ESG ratings, scores and metrics are noted both by the academic – and professional sphere. From the academic sphere, Eccles and Strohle (2018) and Delmas et al. (2013) note that there is little agreement amongst rating agencies and external data vendors in regard to how to compute ESG measures. Both studies outline that the discrepancy between agencies and vendors are due to the difficulty of accurately measure a non-binary concept such as sustainability. The differences in these assessments consequently result in ratings, scores and metrics that can vary significantly – consequently adding additional perplexity to the aforementioned opaque information environment which makes the job of choosing optimal investment strategies to incorporate ESG information more complicated for investors. From the professional sphere, SustainAbility (2020) shows that investors using ESG ratings, scores and metrics criticizes the underlying quality of the measures and their ineptitude to serve as a piece of the puzzle in the investment decision. The criticism from investors regarding ESG ratings includes information errors/inaccuracies, too much of a backwards looking approach and the shortcomings from agencies and vendors to correct issues when called upon (SustainAbility, 2020).

Taken together, investors considering integrating ESG information into investment decisions are confronted with a significant barrier; ESG information quality. The poor quality of ESG information is indigenous to the opaque information environment encompassing the lack of reporting standards for ESG information and the lack of uniform methodology approach by ratings agencies and external data vendors. Two factors that both contribute to the issue of poor quality of ESG information. High Meadows Institute (2019) highlights the current lack of human capital possessing the required knowledge and experience to efficiently choose strategies to incorporate ESG information into investment decisions. In line with this, Amel-Zadeh and Serafeim (2018) and Eccles and Klimenko (2019), find that there are several investment strategies that enable investors to integrate ESG information. These are; engagement/active ownership, full integration, negative screening, thematic investing, positive screening, relative/best in class screening, overlay/portfolio tilt and risk factor/risk premium. These strategies are different in their nature and have different requirements in terms of information quality and sophistication on behalf of the investor. Amel-Zadeh and Serafeim

(2018) outline the integration frequency of these investment strategies both in general and contingent upon investor size. Notwithstanding, there is a shortage of literature highlighting *how* investors integrate ESG information into investment decisions through the use of investment strategies. Moreover, it is not comprehensible why investors seem to have preferences for certain strategies above other strategies. These current queries are arguably not surprising since the overwhelming majority of previous research within investment management employs a quantitative approach, in which these aspects are precarious to capture. With the continuously increased amounts of capital flowing into ESG investments together with the financial motivation of ESG investments, investors are arguably more inclined than ever to overcome the barrier of poor ESG information. Thus, this begs the question of how investors work with ESG and ESG information. In order to better understand how investors integrate ESG information into investment decisions, a qualitative approach encompassing interviews with large and small investors from investment management will be conducted. The thesis aims to provide a contribution to the study by Amel-Zadeh and Serafeim (2018) by assessing how investors work with the investment strategies as opposed to which strategies are most frequently employed as outlined by the authors.

1.3 Purpose and research question

The purpose of this thesis is to contribute with a greater understanding regarding how investors within investment management incorporate ESG information by assessing how investors of different sizes use various integration strategies. This has resulted in the following research question:

How do investors work with investment strategies in practice in order to integrate ESG information into their investment decisions?

2. Method

The method of this thesis is based on a qualitative research design, incorporating semi-structured interviews with investors within investment management in Sweden, Norway and England. The structure of this chapter will be divided into the following sections; qualitative research method, the research process, data collection, data analysis and method discussion.

2.1 Qualitative research method

Previous literature has antecedently outlined how investors of varying sizes integrate ESG information into investment decisions by virtue of employing certain investment strategies (Eccles & Klimenko, 2019; Amel-Zadeh & Serafeim, 2018). Notwithstanding these findings, there is a current deficit of literature focusing on *how* investors integrate ESG information through the employment of these investment strategies. The reason for the present lack of literature with this focus could be attributed to the fact that the vast majority of previous literature employs a quantitative approach in which subjective views, perspectives and experiences are difficult to capture. In order to provide a contribution that can fill this information gap, a qualitative research method encompassing 13 interviews with investors from investment management was chosen. Considering the timeframe of the thesis as well as the data retrieved, 13 interviews was regarded as sufficient. As highlighted by McGusker and Gunaydin (2014), a qualitative method is applicable when the aim is to describe a phenomenon or a subject by virtue of comprehending subjective views, perspectives and experiences amongst a group of individuals. The authors further describe that qualitative methods are commonly employed when the research question is formulated as “how”, “why” or “what”. Since the research question of this paper is formulated as “How do investors work with investment strategies in practice in order to integrate ESG information into their investment decision?”, a qualitative approach involving interviews was considered the most valid since it provided empirical material that could contribute to the interpretation of the research question in accordance with the discussion by Gubrium and Holstein (2001). Moreover, interviews apprehending respondents' subjective views, work proceedings and experiences (Johnson, 2002) was regarded as valuable in order to attain relevant empirical material that could provide a broader understanding of how investors work with ESG information.

2.2 Research process

The research process of this thesis has been conducted in collaboration with Volvo Car Corporation (hereafter referred to as VCC), and more specifically their subsidiary, Volvo Car Pension Management (hereafter referred to as VCPM). The responsibility of VCPM is to manage the pension obligation of Volvo Car Group, i.e., they are an institutional investor with a strategic advisory role for Volvo Cars' pension trusts and funds in regard to investment management and advisory services. Furthermore, since VCPM is a wholly-owned subsidiary to VCC, their strategic investment allocations are mandated to be aligned with the sustainable strategic vision and goals expressed by VCC (Volvo Car Corporation, 2020). As such, VCPM are investment practitioners who are faced with the responsibility of managing the problem of ESG information through their operations on a daily basis. Hence, they comprise an appropriate partner to collaborate with for this kind of thesis.

The contact with VCPM was initiated by one of the authors reaching out to the Chief Investment Officer (CIO) and presenting the idea of conducting a thesis regarding the integration of ESG information into investment management. As customary for VCC, a contact person from the firm was appointed who was considered to have potential value for the thesis. The contact person was the current CIO at VCPM, Erik Lidén, who the authors had initially contacted to investigate the interest in the thesis. Lidén has a PhD in Finance from The School of Business, Economics & Law at The University of Gothenburg combined with more than a decade of experience within the financial field. As such, Lidén constituted a valuable consultant in the initial parts of the thesis as he possessed both academic as well as practical knowledge regarding research and the thesis field of interest. The field of interest, the thesis research question as well as purpose was discussed with Lidén in order to anchor it in a practical issue. Furthermore, Lidén provided assistance by making initial contact with potential respondents, who we then could contact after they had expressed an interest in partaking in the thesis. The assistance from Lidén in terms of contacting respondents within the field of investment management was imperative to the thesis, as it otherwise would have constituted a barrier for the authors due to their absent connections within the field. This is in line with the discussion by Eriksson and Kovalainen (2015) regarding how organizations can constitute a valuable source to authors, who may otherwise lack the necessary connections in order to gain access and insights in order to answer the research question. Apart from the counseling from Lidén in regard to research question and purpose, the authors have independently worked with the

formulation of the literature review, the gathering of empirical data, the analysis of empirical data as well as conclusions of the paper.

2.3 Data collection

2.3.1 Choice of respondents

In order to broaden the understanding of how investors work with ESG information and to fulfill the purpose of the thesis and research question, pertinent respondents were various practitioners working within the field of investment management possessing relevant experience of working with ESG information. More explicitly, the focus in terms of categorization was on institutional investors, banks, asset management, wealth management and mutual funds. The focus on these types of firms were motivated by the fact they were the most distinctive types of firms that professionally manage the trade-off of portfolio expected return and risk by managing investments across different asset classes (Kahn, 2018; Clark, 1980). As such, these firms were considered practitioners within investment management, who on a continuous basis were faced with the task of integrating ESG information into investment decisions. The job descriptions of the respondents who partook in interviews were; Chief Investment Officers, Portfolio Managers, Head of Investment, Head of ESG Research, ESG analysts and Investment Managers. The process of interviewing investors with different job descriptions within investment management was motivated by the benefit of diversification that facilitated the authors to obtain data from multiple hierarchy levels within the firms. Hence, a wide scope was created in which subjective views, perspectives and experiences were enabled to be accumulated (Johnson, 2002).

Since the commitment of ESG investing is large in Europe, according to BlackRock (2020), the focus on investors based in Europe was well motivated in order to answer how investors work with integrating ESG information into their investment decisions. Furthermore, the focus of respondents situated in Europe was influenced by them being accessible through the network of Lidén, who himself is situated in a European setting. This resulted in the majority of the investors participating in the thesis being situated in Sweden, with additions from Norway and England. In terms of studies conducted in a partnership with a firm, Eriksson and Kovalainen (2015) points out that a partner organization can be a valuable asset in regard to yielding a pertinent and diversified group of respondents. In collusion with this thesis collaborating organization, applicable practitioners within investment management were discussed, charted and contacted. Accumulation of respondents was also conducted through a snowballing effect

(Eriksson & Kovalainen, 2015), with a previously interviewed respondent recommending the authors to contact another person who might be interested in participating in the thesis, and who subsequently accepted to partake. Further, the authors contacted a respondent through LinkedIn by virtue of possessing a viable job description in an investment management firm.

All applicable respondents were initially contacted through email in which a primary description of the paper was presented with a subsequent invite to participate. Confirmed respondents were scheduled in accordance with the respondents and authors timetable. The final sample consists of 11 firms and 13 respondents. All of the respondents were deemed to possess the aspired level of seniority and position, which created the prerequisites to retrieve data of relevance and comparability. Furthermore, the firms were divided into two groups of small and large investors, depending on their reported AUM. This was conducted in order to bring forward potential differences among investors within groups and between groups. In order to conduct the division, all investors with an AUM around € 10 billion were deemed small investors and subsequently all investors in the sample with higher AUM were then categorized as large investors. This rendered the sample to have five small investors and eight large investors. Table 1 illustrates the final sample characteristics, where the anonymous respondents are presented first in the random order which they were assigned, followed by the non-anonymous respondents in alphabetical order according to firm name.

Table 1. List of respondents

Firms	Respondents	Country	Size	Date	Duration
Company A	Respondent A - <i>Sustainability Analyst</i>	Sweden	Small	22/3	35 min
Company B	Respondent B - <i>Head of ESG Research</i>	Sweden	Large	26/3	30 min
Company C	Respondent C - <i>CIO & CEO</i>	Sweden	Small	25/3	25 min
Company D	Respondent D - <i>Head of Sustainability</i>	Sweden	Small	18/3	30 min
Company E	Respondent E - <i>Sustainability Analyst</i>	Sweden	Large	30/3	40 min
Alecta	Rebecca Rehn - <i>ESG Analyst</i>	Sweden	Large	27/5	30 min
AP2	Claes Ekman - <i>Quantitative Portfolio Manager</i>	Sweden	Large	22/3	30 min
Goldman Sachs	Luke Barrs - <i>Head of Fundamental Equity Portfolio Management</i>	England	Large	20/4	30 min
IMAS	Henrik Lundin - <i>Head of Asset Management and Lead Portfolio Manager</i>	Sweden	Small	23/3	35 min
Nordea	Peter Sandahl - <i>Head of Sustainability</i>	Sweden	Large	30/3	45 min
SHB	Tore Marken - <i>Chief Portfolio Manager</i>	Sweden	Large	6/4	45 min
Storebrand	Philip Ripman - <i>Portfolio Manager and Head of Solutions</i>	Norway	Large	15/3	45 min
VCPM	Andreas Hedengran - <i>Investment Manager</i>	Sweden	Small	4/3	40 min

2.3.2 Primary data

The collection of empirical data was conducted through qualitative interviews, and more specifically semi-structured interviews. According to Bell et al. (2019) and Björklund and Paulsson (2012), semi-structured interviews allow the authors to assume different sections which the interview is based upon, subsequently allowing the respondent leeway and flexibility to answer in his or her own way. This also allows the interview to mimic more of a natural conversation as the questions can be asked in any order decided by the authors at that point in time (Bell et al., 2019), something that was believed to be of importance in order to achieve the purpose of the thesis and provide a deeper understanding of the problem area. The gathering of empirical data was structured into four sections in accordance with what had been advocated by Bell et al. (2019) and Collis and Hussey (2009) in terms of collecting qualitative information. These were; *Intro & background, Regulations and frameworks, ESG Data and In the future*. The intention of the first section was to allow the respondent to talk about something that they felt familiar with, such as describing themselves, their work history as well as their current position, in order to start the interview in an undemanding manor and allow the respondent to get into the right frame of mind. The second and third sections were used by the

authors to ask open-ended questions regarding how the respondents work with ESG data, their attempts to integrate it into their investment decisions and potential barriers perceived by the investors. The third section, ESG Data, was regarded to be the most important and therefore the majority of the interview was focused on this as most of the data used in the empirical chapter was gathered in this section. Furthermore, it was through these questions that the authors had the potential to gather a deeper understanding of the problem area through the experiences and perceptions of the respondents. And lastly, concluding the interview, the fourth section gave the respondent freedom to elaborate on what they would like to see in terms of future improvements or changes within the problem area. This section's purpose was twofold. First, it allowed the respondent to more freely discuss what came to mind, and in some cases discussions regarding what had been previously mentioned during the interview was further elaborated on by the respondent. And second, it constituted as a way to conclude the interview and what had previously been discussed. With previous research in mind, the sections and questions were decided upon by the authors with the aim of generating empirical data that could contribute to answering the research question. Furthermore, the questions were discussed with Lidén at VCPM beforehand in order to assess their relevance as well as making sure that there was a balance between the different sections. However, no alterations were made to the questions formulated by the authors. The first interview that was conducted was with a respondent who at the time of the interview was employed by VCPM. The authors believed that a pilot interview provided them with the possibility to test the structure and questions of the interview, in order to see if any changes were necessary for the remaining interviews.

The number of interviewers present during the interview is discussed by Bechhofer et al. (1984), who advocate the use of two or more interviewers as this allows for them to take on different roles during the interview. The authors describe how the researchers can take on more "active" or "passive" roles in the interview, allowing them to focus on reactions from the respondent, make notes on important passages, or focus on where follow-up questions are in order (Björklund & Paulsson, 2012). This was taken into consideration when the interviews were conducted in terms of both of the authors being present and taking on different complementary roles. One of the authors took on the role of asking the questions, while the other observed and asked to follow up and probing questions when deemed necessary. Furthermore, it was believed to be of importance for the continued reflection and analysis of the thesis that both the authors be present for the interviews so that the risk of misunderstandings and misinterpretations were reduced, and other valuable insights were

captured. In order to ensure that the respondents were going to be able to take part in the thesis in a safe way due to the pandemic of covid-19, all of the interviews were conducted online, either through Zoom or Microsoft Teams. All the interviews were recorded except one and the designated time for each interview was around 30 to 45 minutes. The interview which was not recorded, upon the request of the respondent, was conducted with Respondent C. Thus, the empirical data from this interview was collected through extensive notes taken by one of the interviewers, highlighting the importance of being two or more interviewers in accordance with Bechhofer et al. (1984). This resulted in the empirical data from this interview being used in order to better understand and put in context the discussions from the other respondents. Furthermore, this led to no direct citations being used from Respondent C.

2.4 Data analysis

In order to conduct the data analysis, all recorded interviews were transcribed continuously during the process of conducting the interviews. As a first step in thematic data analysis and in direct proximity of the interview, as advocated by Collis and Hussey (2009), the authors gathered their insights and reflections which were discussed and added as notes in order to start a reflection regarding the empirical material. After all of the interviews were conducted and transcribed the authors began to code the data. First, the authors individually read all the transcripts as a whole and made notes of first impressions, as described by Löfgren (2013). The coded data consisted of important passages and relevant information. These could be things that were repeated by one or several respondents, came as a surprise to the authors, was similar to previous research, was stated as important by the respondent, or was otherwise deemed relevant by the authors (Löfgren, 2013). Examples of codes retrieved by the authors were “Integration”, “Multiple strategies” and “Construction of own ESG data”. Second, after the initial coding of the data, the codes were discussed among the authors and thereafter aggregated in order to see which codes were the most frequent. This allowed the authors to sort the codes and discern which were the most relevant. Lastly, the codes were used in order for the authors to distinguish underlying themes which were used to form a structure in the empirical chapter. This process of analysis enabled the authors to present all relevant information from the gathered data and make comparisons between questions and respondents.

2.5 Method Discussion

2.5.1 Collaboration with organisation

Due to the thesis being conducted in collaboration with VCC and VCPM, it has been of utmost importance for the authors to maintain the credibility of the thesis. Eriksson and Kovalainen (2015) present some issues with qualitative business research being performed in a partnership with an organization. The authors describe that it is common that the authors have access to proprietary firm material, offices and other related working spaces. Moreover, this sort of research design often entails a close working relationship in which the authors and the organization share a universal objective. Every now and then, this further encompasses some financial compensation as well as offering a specific research question (Eriksson & Kovalainen, 2015). We have not been financially compensated by either VCC or VCPM in order to maintain its objectivity and therefore also its credibility. Furthermore, in order to remove any sort of ethical and credibility problem of the thesis, agreements of how the collaboration was intended to work were made in the initial stages of the thesis, as suggested by Eriksson and Kovalainen (2015). This entailed the authors of the thesis being granted access to VCC email-addresses as well as access to office spaces and conference rooms at the headquarters of VCC if needed. During the process of the thesis, the authors used the emails provided by VCC in order to contact the respondents of the thesis. Moreover, the authors have used the office space at VCC at one occasion, in order to utilize their conference rooms for interviews which were held by the authors through Microsoft Teams.

A concern regarding collaborations with organizations in research is that the thesis can become too anchored in a practical issue, rather than adding to academic research, as well as the authors becoming subjective due to their relationship with the collaborating organization (Eriksson & Kovalainen, 2015). In order to overcome the first issue of practical versus academic contribution, the researchers constructed the interview guide with previous research in mind, so that the identified gaps in that research potentially could be bridged by the information from the interviews. The previous research which came to influence the questions that the researchers asked, were Amel-Zadeh and Serafeim (2018), Eccles and Klimenko (2019) as well as SustainAbility (2020). Second, as pointed out by Eriksson and Kovalainen (2015), qualitative research often entails some sort of relationship with organizations or individuals in order for the researchers to gain access to empirical data. In order to reduce the risk of the collaboration with VCPM and VCC affecting the thesis or the authors, the contact between the organization and the researchers during the research process was the most intense during the

sampling of respondents and was thereafter completely absent as the authors was gathering and processing the empirical data as well as during the completion of the analysis and conclusion.

2.5.2 Interviews

An interview setting is characterized by several imperfections. Since an interview encompasses an interviewer and a respondent, both parties possess underlying assumptions and preconceptions about subjects, experiences and notions (Cassell & Symon, 2014). In line with the reasoning of Cassell and Symon (2014), Collis and Hussey (2009) point out that an inherent limitation is that respondents' attitude or state of mind could be affected by events preceding the interview - possibly influencing the declared statements. In other words, the interview setting is liable to subjectivity. It was regarded as important for the researchers to be aware of this issue along the interview process. The presence of "power dynamics" is yet another potential issue in interviews. The notion entails that the interviewer dictates the interview since the interviewer asks the questions. As such, the dialogue can be skewed in one direction (Kvale, 2006). In order to expedite this power dynamic to as large an extent possible, the interviewers strived to positively engage the respondent through staying silent when the respondent were answering the questions as well as to follow up with questions of interest that was adding to the conversation. In accordance with Kvale (2006), it was regarded imperative to understand the social interaction of the interview setting encompassing the interviewer and respondent and to consider the notions above in order to not reduce credibility of the interview.

A third general issue of interviews, as outlined by Cassell and Symon (2014), are that they are time consuming. Primarily, interviews are time consuming for a respondent since it requires the respondent to designate time for the interview, often during their regular working hours. This can potentially result in a hardship of attaining enough respondents who are willing to participate in the thesis. This issue was mitigated since the overwhelming majority of respondents were initially contacted by Lidén, as they knew him and thus he was able to present the thesis and capture their interest. Respondents that were interested and expressed a willingness to participate were subsequently sent a more detailed description of the thesis as well as an invite to participate from the researchers. Another issue regarding the time-consuming aspect of interviews is that the researchers undertaking interviews are required to possess adequate level of knowledge in order to formulate interview questions that possess the ability to attain valuable empirical information. In other words, it is essential that the researcher takes their time to prepare by doing thorough research about the research area. In order to

prepare for the interviews, the researchers read extensive literature within the research area, with a focus on ESG and investment management.

The quality of the interviews was strengthened by conducting a pilot interview in accordance with Collis and Hussey (2009). The purpose of conducting the pilot interview was to review the quality of the interview questions and to see if changes were required. After the pilot interview minor changes to the interview questions were made by the authors where they were deemed necessary. The respondent in the pilot interview was an investor from the partner organization, VCPM which could be an issue of credibility. However, the authors believed that this provided them with the possibility to test the structure and questions of the interview and therefore conducted that interview first. This allowed the authors to make changes where this was deemed necessary and collect any missing information from the respondent after the interview, before the rest of the interviews were scheduled.

Lastly, there are some issues in regard to online interviews. Due to the covid-19 pandemic in the spring of 2021, none of the interviews were conducted physically. This prompted the authors to conduct all of the interviews online via Zoom or Microsoft Teams. Cassell and Symon (2014) point out that there is a risk of reduced quality of interviews if they are not performed physically by virtue of increased difficulty of preserving the respondents' interests. This problem can be further enhanced if the duration of the interviews exceeds two to three hours according to the authors. This concern was alleviated through conducting interviews designed to approximately have a duration of 30 minutes. There were some deviations from this target with some interviews lasting for 45 minutes and one 25 minutes.

2.5.3 Analysis of qualitative data

There are several potential issues with analysis of qualitative data. Collis and Hussey (2009) argues that there is no clear-cut guidance on how to analyze qualitative information. Nowell, Norris, White and Moules (2017) complements the discussion by outlining that thematic analysis, which is one of the most recognized methods of qualitative information analysis, possesses a high degree of flexibility that can cause issues in terms of disparity by virtue of lack of consistency when themes are developed. The lack of consistency was tempered by conceiving themes in accordance with the codes of the empirical data. These themes were the aforementioned investment strategies formerly mentioned in previous research. This equipped the researcher with a foundation in which valuable and applicable subsections could be

delineated. As such, a structure was formed without reducing all of the flexibility in the analysis of the accumulated data.

3. Literature Review

The theory of this report will be divided into two sections; a description of the different ESG integration strategies available to investors, as well as a literature discussion regarding how each of the strategies can be used in practice. Both sections are discussed in light of existing literature.

3.1 Investment Strategies

The literature review aims to further understand how investors work with integrating ESG information into investment decisions through the use of various integration strategies (Eccles & Klimenko, 2019; Amel-Zadeh & Serafeim, 2018). The underlying motivation for why these investment strategies are useful is due to the fact that they are the main tool for investors to integrate ESG information. Regardless of the quality of ESG information, both good and poor-quality data can be integrated into either investment strategy. The various strategies all vary in terms of positive and negative aspects, information requirements and level of sophistication. The level of sophistication can be defined as the level of knowledge or integration in accordance with the reasoning by Royal and O'Donnell (2013). The authors formulate five generations of ESG investing. Generation one to two entail a negative screening scope, the third generation includes a positive screening scope, the fourth generation is based on integrated filter which encompasses that environmental practices are deeper integrated relative to the first and second generation. The fifth generation encompasses a sophisticated approach in which ESG information is analyzed, defined and integrated in order to achieve full integration. The investment strategies found in Amel-Zadeh and Serafeim (2018) are not categorized into these generations by Royal and O'Donnell (2013) per se, but a similar frame of reference is possible since different strategies requires different quantities and qualities of data as well as requires more or less knowledge from the investor. Thus, different requirements of sophistication are needed. By examining the usage of strategies, it is possible to decipher the level of sophistication on behalf of the investors and thus their ability to integrate ESG information into investment decisions. Hence, an assessment of how investors work with the information and strategies provides an understanding of the capability of an investor to overcome the barrier of integration and integrate ESG information into investment decisions. In the following parts of 3.1 the strategies outlined by Amel-Zadeh and Serafeim (2018) and Eccles and Klimenko (2019) will be presented in light of other existing literature.

3.1.1 Engagement/active ownership strategy

The engagement/active ownership strategy entails communication with boards and senior management, often through the use of shareholder power, with the aim of affecting underlying firm practices which can encompass proxy voting and filing, or co-filing shareholder proposals guided by ESG information precepts (Amel-Zadeh & Serafeim, 2018). The strategy of engagement/active ownership is furthermore described by Eccles and Klimenko (2019) as investors engaging deeply with the portfolio firms. According to the survey of Amel-Zadeh and Serafeim (2018) the aforementioned strategy was the most commonly employed among investors with 37 percent of all respondents affirming that they use engagement/active ownership in order to integrate ESG information. Furthermore, the authors found a divergence between large and small investors of 43 percent and 34 percent, respectively. The high frequency shows that both investor groups recognize the value of engaging directly with firms (Amel-Zadeh & Serafeim, 2018). This is further substantiated by a survey conducted by the European Sustainable Investment Forum (2018), or Eurosif, which charts the use of various ESG integration strategies among European investors. They find in their survey that there has been a growth in the use of engagement strategies among investors who consider themselves as active investors. According to Eurosif (2018), an active investor is one that takes an active role in the relationship with the firms within the portfolio. Moreover, the fairly low divergence and simultaneously high number for small investors found by Amel-Zadeh and Serafeim (2018) are noteworthy since the engagement/active ownership strategy is harder for a small investor to execute due to size as emphasized by Dimson et al. (2015). Dimson et al. (2015) conducted a thesis investigating how investor size affected the possibility for investors to engage in the integration strategy of engagement. According to the authors, the size of the party undertaking the engagement, either solely by one party or as a coalition encompassing several investors in a coordinated effort, are imperative to the effectiveness and success of an engagement strategy. The results from their thesis further indicate that investor size is a factor of interest when attempting to understand how investors integrate ESG information into their investment decisions.

3.1.2 Full integration into individual stock valuation

The second most common strategy according to Amel-Zadeh & Serafeim (2018) is full integration into individual stock valuation, with a frequency of 34 percent. In terms of difference between large and small investors, the strategy had a small divergence relative to engagement/active ownership strategy with 37 percent and 33 percent. Full integration into individual stock valuation involves insertion of ESG information into traditional financial analysis of a stock involving free cash flow forecast considering ESG factors and/or cost of capital estimates (Eccles & Klimenko, 2019; Amel-Zadeh & Serafeim, 2018). The strategy is discussed by Van Duuren et al. (2016), who point out similarities between the strategy and the more traditional financial strategy of fundamental analysis. Van Duuren et al. (2016) investigate how asset managers account for ESG factors in their investment process. The authors find that, contradictory to fundamental analysis where investors prefer raw data for their analysis, that the investors preferred to use ratings and analysis on firm level over raw data when attempting to conduct the strategy of full integration into individual stock valuation, indicating that there is a lack of resources in terms of integrating ESG into investment decisions. The findings of Van Duuren et al. (2016) are supported by Schramade (2016), who argues that most ESG approaches fail to incorporate ESG factors into investment decisions, resulting in the author approaching the integration issue through a traditional valuation approach. Schramade (2016) highlights that many investors use aggregated information in terms of ratings and rankings and as such fail to integrate ESG information into the investment case and valuation models. This finding is further substantiated by Royal and O'Donnell (2013), who in their study argue that investors have to look beyond simplistic metrics, something that they according to Van Duuren et al. (2016) and Schramade (2016) struggle with. Moreover, the integration failure is also often due to a deficiency of bottom-up incentives in terms of top management commitment (Schramade, 2016).

3.1.3 Negative Screening

The third most used strategy according to Amel-Zadeh and Serafeim (2018) is negative screening with 30 percent of respondents stating that they implement the strategy in order to integrate ESG information into their investment decisions. The use of the strategy among European investors is found to be even higher by Eurosif (2018) who finds that it is the most commonly used strategy in their survey. Compared to other strategies, Amel-Zadeh and Serafeim (2018) found a rather large divergence among large and small investors, with 50 percent of large investors relative to 20 percent of small investors stating that they use the strategy to implement ESG into investment decisions. Amel-Zadeh and Serafeim (2018), Eccles and Klimenko (2019), Eurosif (2018) and Royal and O'Donnell (2013) describe negative screening as a strategy involving exclusion of specific firms, various sectors, countries and investment procedures from a fund established on a specified ESG criteria. Moreover, Royal and O'Donnell (2013) highlight that the screening can be based on different criterias depending on the goal of the screen, such as; ethical, social, environmental or in combination. Generally, firms and sectors that are excluded when applying negative screening encompasses of firms which can be deemed objectionable, such as firms employing child labour, weapon manufacturers, alcohol, betting/gambling, nuclear and tobacco (Eccles & Klimenko, 2019; Eurosif, 2018; Royal & O'Donnell, 2013). The use of negative screening as outlined by previous literature is further substantiated by Van Duuren et al. (2016), who find that ESG information often is used by investors for red flagging and mitigating risk.

3.1.4 Less prominent strategies

Strategies not as commonly employed but still present within investment management as a means to integrate ESG information are; positive screening, thematic investing, overlay/portfolio tilt, relative/best in class screening and risk factor/risk premium investing (Amel-Zadeh & Serafeim, 2018). Positive screening, which subsequently is the opposite of negative screening, entails inclusion of specific firms, sectors, various countries and investment procedures from a fund established on a specified minimum ESG criteria. Moreover, positive screening generally involves appointing firms with distinguished strong ESG-related performance (Eccles & Klimenko, 2019; Amel-Zadeh & Serafeim, 2018). According to Amel-Zadeh and Serafeim (2018), the strategy had an implementation frequency of 13 percent. Moreover, the divergence amongst large and small investors were quite large with 23 percent and 9 percent, respectively. In contrast to Amel-Zadeh and Serafeim (2018), Eurosif (2018)

argues that the strategies of positive screening and relative/best in class screening can be regarded as the same. This is based on the fact that both strategies oblige the investor to select firms in certain industrial sectors possessing the top ESG score. As such, both strategies have the potential according to Eurosif (2018) to generate a greater positive impact relative to its more simplistic counterpart, negative screening. Further, Eurosif (2018) found that the use of both strategies had grown in 2018, indicating an increasing use of the strategy among investors.

Thematic investing is described as investments that are related to ESG factors, such as sustainable agriculture, green technology and clean energy (Eccles & Klimenko, 2019; Amel-Zadeh & Serafeim, 2018). In contrast to many of the other less prominent strategies, thematic investing had a rather large implementation frequency of 21 percent. Similarly, to positive screening, the difference between large and small investors was significant with 29 percent for large investors relative to 17 percent for small investors (Amel-Zadeh & Serafeim, 2018). Moreover, the strategy allows investors to choose certain investments based on specific themes often associated with the sustainable development goals (hereafter referred to as SDG) such as energy efficiency, water scarcity, access to education and carbon reduction (Eurosif, 2018). According to Amel-Zadeh and Serafeim (2018), the strategy of overlay/portfolio tilt involves implementation of various products and/or investment strategies with the aim of changing the aggregate ESG characteristics of an investment portfolio or a fund. Generally, this encompasses tilting the portfolio towards a desired level of for example carbon footprint. Overlay/portfolio tilt had an implementation frequency of 14 percent. The discrepancy between large and small investors was significant with 20 percent and 11 percent respectively (Amel-Zadeh & Serafeim, 2018).

Amel-Zadeh and Serafeim (2018) define relative/best in class screening as investments in projects, firms and sectors that are relatively outperforming peers in terms of ESG performance. The strategy had an implementation frequency of 9 percent. The divergence was more moderate for the strategy with 11 percent for large investors and 8 percent for small investors (Amel-Zadeh & Serafeim, 2018). Lastly, risk factor/risk premium investing entails a strategy of implementing ESG information into the analysis of idiosyncratic risk. Examples of risk factor/risk premium investing in practice are factor investment strategies and smart beta. Risk factor/risk premium investing had a frequency of 11 percent. The differences for large and small investors were reversed relative to the other less prominent strategies with 9 percent for large investors and 12 percent for small investors (Amel-Zadeh & Serafeim, 2018). An

interesting finding from Amel-Zadeh and Serafeim (2018) is the high percentage of investors not integrating ESG information into investment decisions at all. 17 percent of the investors stated that they don't use ESG information in their investment process due to the concerns of lack of data quality (Amel-Zadeh & Serafeim, 2018).

3.2 Literature discussion

3.2.1 Engagement/active ownership strategy

The findings of Amel-Zadeh and Serafeim (2018) regarding the large use of engagement/active ownership strategy is interesting in the light of the findings by Van Duuren et al. (2016), that the need for information increases with the level of ESG integration and that this is characterized by a strong need for firm specific information. As described by Royal and O'Donnell (2013), the engagement/active ownership strategy has moved beyond first- and second-generation interpretations of integrating ESG information into the investment decision, thus it can be argued to be a more information intensive strategy as described by Van Duuren et al. (2016) compared to other strategies. Furthermore, the large use of the engagement/active ownership strategy is interesting in light of the lack of comparability of ESG metrics derived from the various methodology approaches employed by rating organizations as noted by In et al. (2019) together with the findings by Chatterji et al. (2009), who points out that the lack of comparability results in difficulties in regard to choosing the right metric and thus the right information. In et al. (2019) question how ESG data can be evaluated on its quality and effectiveness and finds that the concept of ESG data is continuous and that it needs to be evaluated through a user-centric approach. Chatterji et al. (2009) examine how well ratings provide transparency about past and future performances. A possible reason for the high recognition regarding the use of the strategy could be due to the low correlation and comparability of ESG ratings and score as highlighted by Chatterji et al. (2009), resulting in investors seeking information directly from the firms. Further, the popularity of the strategy suggests that both large and small investors consider it a source of good knowledge which is one of the key attributes presented by Eccles et al. (2017). The authors set out to understand what reasons there are for integrating ESG information and what barriers investors attempting to integrate ESG information are faced with. They find that the largest barrier is the lack of high-quality data and ESG performance data being reported by firms, explaining the high use of engagement/active ownership found by Amel-Zadeh and Serafeim (2018) and Eurosif (2018).

3.2.2 Full integration into individual stock valuation

The results from Amel-Zadeh and Serafeim (2018) indicate that approximately one-third of the investors have good-enough knowledge to use the full integration into individual stock valuation. Furthermore, the individual numbers for large and small investors were comparatively high with a low divergence between the investor groups. The low discrepancy between large and small investors are notable with regards to the findings from Van Duuren et al. (2016) and Schramade (2016), being that investors preferring ESG ratings over raw, unprocessed data. Furthermore, Schramade (2016) emphasizes that the preference of using ESG ratings combined with a deficiency of bottom-up incentives has the potential of resulting in an ESG integration failure since ESG information is not integrated into the investment case and valuation models. The reasoning from Schramade (2016) regarding ESG integration failure can be connected to the findings from both In et al. (2019) and Chatterji et al. (2009) regarding issues of quantitative metrics and ratings. Royal and O'Donnell (2013) argue that the power of investors lies with their capabilities to have superior knowledge and insight into the firms in which they invest. This implies that full integration into individual stock valuation, compared to the first, second and third generation, is more sufficient in order to conduct successful ESG integration due to its potential of integrating more in-depth knowledge (Royal & O'Donnell, 2013). Hence, in terms of the generations presented by Royal and O'Donnell (2013), the strategy can be argued to be a fourth or fifth generation type of investment approach. The relatively great recognition of the strategy amongst both large and small investors (Amel-Zadeh & Serafeim, 2018) is somewhat contradictory since the high numbers indicate that both large and small investors have the ability and knowledge to successfully implement the strategy. However, Eccles et al. (2017) and High Meadows Institute (2019) outline a knowledge gap amongst investors and that investors prefer to use aggregated ESG ratings and rankings as opposed to using raw unprocessed data (Van Duuren et al., 2016; Schramade, 2016). This indicates that the numbers outlined from Amel-Zadeh and Serafeim (2018) could indicate that a multitude of investors, both large and small, use the strategy without actually integrating ESG information successfully.

3.2.3 Negative screening

Amel-Zadeh and Serafeim (2018) highlight that the popularity of negative screening as an ESG integration strategy potentially could be connected to investor concerns regarding information quality, which prompts them to use negative screening since the strategy has the least extensive information needs compared to other strategies available to investors. Furthermore, the large

use of negative screening is in line with the notion presented by High Meadows Institute (2019) that there is a current deficit of human capital possessing the knowledge and experience to process and integrate ESG information, leading to investors choosing the strategy which entails the least requirements of investor knowledge and expertise. Moreover, negative screening is defined by Royal and O'Donnell (2013) as a first and second level of interpretation strategy. The authors argue that strategies within the first and second level of interpretations are less sophisticated compared to other strategies, resulting in limited scope and reduced potential benefits of integrating ESG information into the investment decisions. The limitations put forward by Royal and O'Donnell (2013) could be connected to the findings of In et al. (2019) and Chatterji et al. (2009), where there are issues of quality in the metrics and rankings provided by the external data vendors as a result from the lack of quality in the underlying data (Eccles et al., 2017). Therefore, Royal and O'Donnell (2013) argue that investors need to take on a more sophisticated approach in order to reap the benefits of integrating ESG information, a sophistication which is lacking in negative screening compared to other integration strategies available to investors. In line with the reasoning by Royal and O'Donnell, Eurosif (2018) argues that negative screening, albeit being a very popular strategy, should not be applied alone but in combination with other more sophisticated strategies in order to achieve any real integration of ESG information into the investment decisions.

3.2.4 Less prominent strategies

The low rate of implementation of positive screening, overlay/portfolio tilt, relative screening/best in class screening, risk factor/risk premium investing and thematic investing found by Amel-Zadeh and Serafeim (2018) possibly implies that both large and small investors have a lack of trust in the underlying information quality (In et al., 2019). The low implementation rate found by Amel-Zadeh and Serafeim (2018) is in line with the findings from Royal and O'Donnell (2013) and Schramade (2016). Royal and O'Donnell (2013) find that first- and second-generation screening, which is a screening based on negative filters, and third generation screening which is a screening on more positive filters, are not enough in order for investors to integrate ESG information in a way in which they reap the full benefits from it. This is in line with the finding of Schramade (2016), who finds that if the integration does not go beyond the strategies of screening it will fail to include material ESG factors into the valuation. As found by Chatterji et al. (2009), there is a lack of trust in the metrics and ratings provided by the external data vendors, possibly also resulting in them choosing not to employ the screening strategies. Moreover, the high discrepancy between large and small investors for

positive screening, overlay/portfolio tilt and thematic investing could be due to sheer size between the investor groups. Generally, small firms don't just have lower AUM but also smaller staff and thus potentially lower expertise and overall knowledge in line with Eccles et al. (2017) and High Meadows Institute (2019) – contributing to the far lower implementation rate relative to large investors.

4. Results

In this section, the results of the thesis will be presented for each ESG integration strategy. The findings for each strategy include how investors work with the strategy in practice as well as potential differences in how they implement the strategy depending on investor size.

4.1 The engagement/active ownership strategy

The engagement/active ownership strategy was used and implemented by numerous of the respondents – making it one of the most implemented and used strategies of incorporating ESG information into investment decisions. The preference among the respondents regarding the engagement/active ownership entails the impact of direct engagement in terms of communication as well as the possibility of generating a positive impact by virtue of putting requirements on the firms. The requirements can be specific for a certain portfolio or applicable for the entire firm, as described by Ripman.

We would engage with those companies not just from a singular point of view, but for the company as a whole and all the holdings that we would have there. So that our expectations were known and hopefully being met . . .

Moreover, Ripman describes that even though they as an investor has a general approach to engagement which would include all of their holdings in a firm. The tolerance still differs within the organization and its different portfolios, with him being more prone to exclude certain investments in the light of potential sustainability violations due to the focus of sustainability and the achievement of the SDG's in his portfolio. The use of engagement/active ownership is further illustrated by Barrs, a large investor for whom the strategy constitutes an essential cornerstone in their investment thesis. Barrs describes that their investment strategy fundamentally entails a constructive core in which engagement and communication can aid firm weaknesses, spurring further growth and development.

What we are looking to be is more of a constructive investor, so think of us as constructivist where we want businesses that are already sound and we have confidence that even if nothing change they will still be able to generate long term sustainably higher returns on capital, but we still can make them better through that process and increase the probability of that happening by engaging with them on certain areas of weakness.

As previously described by Ripman, the use of the strategy of engagement/active ownership has tended to be used for negative incident driven problems. The use of the strategy in these types of situations is further substantiated by several of the respondents in the thesis. Rehn, who also constitutes as a large investor, describes how they engage with firms when they are made aware of incidents regarding the firms and further describes how this is an integral part of Alecta's investment philosophy. Rehn describes how the use of an active ownership strategy entails offering support to the portfolio firms in order for them to improve as well as having proactive dialogues with the firms where the investor tries to encourage the firms to publish sustainability data or other types of information which may be valuable for the valuation of the firm and subsequently the investment decision. In line with this, Barrs describes how the strategy of engagement/active ownership enables them as investors to gather qualitative information, aiding firms to improve their operations, as well as for them as investors to follow through with their bottom-up approach. This includes meeting with the firms in order to better understand their sustainability challenges and how they intended to work towards becoming more sustainable in the future. In order to do this Barrs describes how they, as investors, have to understand what the potential opportunities as well as limits are for the firms in order to be able to qualitatively get a sense of the commitment to sustainability in each firm. This becomes a crucial part of their assessment, as the majority of the firm's express some sort of long-term sustainability plan. However, not all firms attempt to execute the stated plan. Moreover, the engagement/active ownership strategy also allows them as investors to challenge the firms in areas in which they can improve. This outlines the principal virtue of engagement/active ownership strategy - the ability for investors to cooperate with firms through engagement in order to generate enhanced value for both sides as described by Barrs.

As a bottom up manager, we have always seen value in engagement with management teams, one because it's part of your due diligence, you should meet the management team, understand how they operate, actually spend some time with them, and challenge them on certain parts of your thesis or at least what they are framing as their strategy. I think two because, you also have this ability by building that relationship to push them towards areas which you believe that they can improve upon.

Rehn further describes how they implement the engagement/active ownership strategy in the event of potential issues being flagged by the external data vendor, and that the requirements

which they put on the firms are followed by consequences if they are not implemented within a specified time period. Thus, resulting in the strategy being used as a means to aid firms to improve and become more sustainable, as well as a way of reducing ESG related risks faced by the investor as described by Rehn.

If a company has breached an international norm, highlighted by our external data provider, we reach out to the company to ask what has happened and what steps the company will take to improve. This is important for us, as our internal policy is to divest if a company has not improved within a two-years frame. So it is fundamental for us that the company improves and that the company moves forward all the time.

In terms of differences amongst large investors and small investors, the majority of respondents declaring they use the strategy were large investors. While the majority of large investors declared a multitude of positive statements about the strategy, there were investors outlining drawbacks in using the engagement/active ownership as a strategy. These drawbacks chiefly entail size dependency, resources in terms of staff and geographical scope of investments. As highlighted by Ekman, even a large sophisticated investor recognizes the difficulty of pursuing the strategy from a resource perspective. Additionally, it conveys the usefulness and benefit of external data vendors constituting as a readily available source of information.

No, we don't have any engagement at all with companies in the team where I work. The thing is that we have more than 2500 companies in our portfolios and many of them are in Japan, Korea, Brazil, Chile, Australia, and so on. There are only four people working with this so there is no chance that we can have engagement processes going on with 2500 companies. Instead, what we do is that we have discussions with the vendors of ESG information and encourage them to be more offensive and effective in their collection of information. So, no engagement.

Among the small investors, there are differing views on the viability of implementing engagement/active ownership as an integration strategy of ESG information. As one of the larger small investors, Respondent A outlines that they undertake the engagement/active ownership strategy by virtue of direct investments. Moreover, Respondent A points out that these investments are valuable since they enable them to pursue further dialogue with the invested firms in order to accumulate additional information. On the other side of the spectrum,

Respondent D describes how the strategy for them as a smaller investor compared to Respondent A makes limited sense due to the fact that small investors don't possess the capability to materialize the strategy by virtue of size restrictions. These size restrictions put a constraint on small investors - precluding them to fully reap the potential value that the strategy can generate. As stated by Respondent D, the strategy makes limited sense from a value perspective for a small investor unless undertaken in the form of an investor coalition.

That's a tough one. I mean you have to be a pretty significant owner of a company, or you have to have a coalition with a lot of different investors that constitutes a meaningful ownership in a company for you to go and engage and actually have some substantial results from your engagement. In our capacity, we're a pretty small asset manager, Swedish only, it does not make that much sense to us.

This reasoning by Respondent D is in line with the discussion by Sandahl, who constitutes as a large investor and who state that regardless of their size, the undertaking of the engagement/active ownership strategy can be complex and oftentimes involving coalitions in order for the investors to have an impact on the firm in which they have invested. Sandahl describes that the structure of the engagement depends on what type of asset class it is. Further, the configuration of the coalitions is undertaken either with external investors or with the group's internal asset manager.

4.2 Full integration into individual stock valuation

Among the respondents, approximately half state that they implement the strategy of full integration into individual stock valuation and the investors highlight the potential contribution ESG information can have to their investment decisions. According to Respondent E, the integration of ESG aspects into fundamental analysis has been viewed as important since the respondent started in investment management in 2018. In line with Respondent E, the implementation of the strategy is a rather new occurrence for Respondent B as well, who started implementing the strategy roughly a year ago as described below.

Roughly a year ago we started our process of fully integrating the ESG research into the traditional equity research. As an example, today most research we publish would have a dedicated ESG section with our sustainability assessment of the company.

In regard to the implementation of the strategy, several similarities can be found among the investors in their attempts to integrate it. In order to implement ESG information into fundamental analysis, the respondents prefer to use raw data from several different sources of quantitative information points such as external data vendors, corporate reporting and sustainability reporting in order to create quantitative factors of ESG information which they can include in their models. However, the focus on different information points differs among the respondents, where Respondent B focuses primarily on quantitative information points in order to conduct traditional financial analysis such as modelling cash flows. In contrast to this, several of the respondents describe how they look beyond traditional financial and quantitative information in their investment analysis with Barrs, Ekman, Respondent E and Marken describing how they incorporate qualitative information to a large extent alongside the quantitative information. Barrs discusses that for them, in order to assess the holistic ESG practice of a business, quantitative information needs to be complemented by qualitative information and is subsequently integrated alongside the financial valuation of the firms. In order to gather qualitative information with potential value, the respondents focus much of their attention on different types of sources, such as news on upcoming regulatory changes, studying material from different NGO's as well as communicating with the firms. Respondent E describes the process of primarily using the Task Force on Climate-related Financial Disclosure (hereafter referred to as TCFD) recommendations in order to distinguish factors that can have a material impact on future cash flows. Below, Respondent E subsequently describes how they "dig deeper" to complement the fundamental analysis with other relevant qualitative information.

But then we also use the TCFD recommendations and that kind of thinking to get to the core of what are the most material aspects for the business of this company, and what can have material impact on future cash flows. And then based on that we simply, as we do in any fundamental analysis, we dig deeper to what does this mean, what are the market's trends in this regard, are there any new regulations coming, and then try to integrate that in our view of the company's future.

This is further exemplified by Marken, who describes what he usually focuses on in his communication with firms in order to attain information that he finds helpful in his investment decisions. Marken describes that this proceeding separates him apart from many of his colleagues, which he describes focuses much more on quantitative information such as

performance margins. In contrast, Marken focuses more on a SWOT analysis as an essential pillar in his investment case which provides him with a basis to ask ESG related questions to firms.

It is a bit different when you meet companies and some of my colleagues or competitors, they focus a lot on how your sales margin last quarter was how will it be next quarter, I try to focus more on a SWOT analysis what is going on with the company how is the situation for the competitors and so on. And that type of question ESG related topics are quite natural because if you take an ESG risk, that will influence the whole company and its future going forward.

Some conceptual differences appear among the respondents and their view on how qualitative ESG information can be incorporated into the analysis. Ekman, to a large extent, attempts to implement the qualitative ESG information into already established processes. Moreover, Ekman describes the predicament of integrating qualitative information into the investment process at AP2. The reason for the difficulty is that their investment process previously where based solely on quantitative information in which the process is akin to a “big machine” encompassing several types of coding and a vast amount of systems communicating with each other. The inclusion of qualitative information has therefore resulted in adaptation of the system, as described by Ekman.

That's maybe also one of the reasons for why we have been sceptical of qualitative information, not because it doesn't have any information or that it is poor information in any sense but rather that we have had some problems with implementing it in our processes. Our processes are like a big machine, it's lots of computer code, programming code, thousands of different systems that are interacting with each other and everything is fed into this system. And it was really built up around pure quantitative information, so it has also been an effort to adapt the system to more qualitative information.

Barrs discusses how ESG information simply cannot be quantified and therefore has to be considered alongside the analysis of a firm. Barrs states that, according to them, ESG is by definition a “qualitative discipline” and as such you cannot state whether or not a firm is good or poor in terms of ESG.

We have taken the view that ESG by nature of how you assess it, or the nature of ESG related information, is by definition a qualitative discipline. So in other words, we don't think that it is currently possible to say with perfect clarity whether a company is good or bad, on ESG related matters, based solely on quantifying the information that you can get access to.

All of the respondents declaring they implement the strategy are large investors. The reasons why no small investors are using the strategy are inconclusive since no respondent explicitly mentioned the strategy or any further rationale for why they don't implement it. Amongst the large investors that do implement it, there are variations in terms of how they pursue it. Some respondents prefer to collect the information themselves, as outlined by Respondent B. The motivation for this proceeding according to Respondent B essentially entails that they can ensure ESG information quality and thereby overcome the concern of information that has been collected by someone lacking the required judgement. As highlighted by Respondent B, possessing the required judgement is imperative in the collection of information since the collection process can be challenging.

For the great majority of time we use company information and company information. We have our own database of ESG information and we source it based on the companies reporting, sustainability reports and websites. So that is by far the most widely used source of information points for use. ... We like to source the information ourselves directly because, based on my experience, the collection of information can be quite challenging. It may sound weird, but the information collection requires significant judgement.

The other method of pursuing the full integration into stock valuation strategy is to buy the aggregated data from external data vendors in order to attain the underlying raw data which investors then process themselves, as described by Ekman. Ekman further outlines that they prefer the raw data relative to the use of aggregated ESG scores from external data vendors. By attaining the raw data, they can process the information and accommodate it to their specific demands and objectives. As such, Ekman demonstrates the problem of using aggregated ESG information from external data vendors for the full integration into stock valuation strategy. Also, the reasoning by Ekman is in line with the previous statement by Respondent B in regard

to the importance of overcoming the potential problem of information gathering characterized by a lack of judgement, as described by Ekman.

We did quite early decide to not use the aggregated ESG scores from the data vendors, but rather try to construct an ESG factor inhouse at AP2. Something that reflects what we think is important in the ESG space. So we are not using these aggregated scores at all, anywhere in the organisation, but rather rely on our own definition of ESG. And construct an ESG factor inhouse from the raw data that we are buying.

Similar to Ekman, the large investor Respondent E also buys aggregated data from external data vendors in order to attain the underlying raw data which is subsequently processed in-house. Also similar to Ekman, Respondent E furthermore highlights the problem of using ESG information from external vendor data. As outlined by Respondent E, the dependency on data provided by external vendors may cause difficulties in terms of the implementation of the full integration into stock valuation strategy. Respondent E points out that aggregated data from external vendors lack the informational depth by virtue of the methodology characterized by a “tick the box approach”. Hence, the ESG information provided by external vendors has information quality issues which makes it troublesome for investors to implement the full integration into individual stock valuation strategy. This reasoning from Respondent E demonstrates the importance of resources and expertise in order to pursue the full integration into stock valuation strategy.

For example, I would say that with some ESG ratings an issue can often be that you don't really know if the one making the ratings report has the company knowledge to actually make a really good ESG analysis. You need to know about the company and its business, and if you just do ESG research on a quantitative basis then there could of course be aspects that you miss or don't really understand without context. Aspects like I mentioned before - Is the underlying business model really sustainable? Is the company perhaps transforming and becoming a more sustainable entity? – something which I find ESG ratings often still miss, because they tend to have more of a tick the box approach.

An interesting finding which diverges significantly from the reasoning from Ekman and Respondent E are the statements from the large investor Rehn. Rehn buys aggregated data from external data vendors for the purpose of using the ratings and rankings. Rehn describes that in

every investment process, consideration of the firm's rating constitutes as the outset. Furthermore, Rehn describes how the investment process then moves beyond the ratings in which a transaction report is devised which is the subject of discussion between analyst and portfolio managers together with the financial performance. As such, Rehn outlines that aggregated data from external vendors are used when integrating ESG information into full integration into individual stock valuation. This is noteworthy in light of the criticism towards aggregated data from external vendors as stated from Ekman and Respondent E.

4.3 Negative screening

All of the respondents with the exception of five state that they use negative screening as a method of integrating ESG information into investment decisions. As described by Marken, the aim of the implementation of negative screening for the majority of the investors is to employ the strategy throughout the entire organisation and not just in a single portfolio.

Nowadays when we are buying a new company with one of our funds we have to have a third-party screening to make sure that the company doesn't violate any of our rules or what we are allowed to own and not to own. And we excluded around three years ago online betting, alcohol, tobacco and then roughly two years ago we excluded fossil fuels from the funds.

The implementation of negative screening throughout the entire organization, rather than just in specific portfolios or areas, allows for the investor as a whole to implement the strategy of negative screening, and subsequently integrating ESG information, in an organized manner.

For the majority of the respondents, negative screening acts as a genesis where they effectively narrow down the investment universe in line with certain criterias. The outlook generated from the screening are subsequently used as a springboard to implement ESG information and all of the respondents who describe using negative screening do so in combination with other strategies. Furthermore, the majority of the respondents describe the importance of supplementing the screening process with qualitative information, such as communication with the firms in order to understand their views on sustainability, their future plans regarding their business as well as future risks. The screening process often entails some sort of scale illustrating the potential ESG risks, as described by Marken, the scale ranges from green, to amber to red. The scale can then be interpreted as green being investments which they can undertake, red being investments which they never can undertake and amber being a gray zone.

Therefore, according to Marken, the importance of supplementing the screening with additional information becomes especially important for firms who are screened as amber, indicating that the investor needs to gather more information and oftentimes involve themselves in dialogue with the firms in order to better understand the potential underlying reasons to why they are not categorized as green at the time of the screening. In line with this reasoning, several respondents highlight the importance of understanding the environment in which the firms operate when using the strategy of negative screening, in order to incorporate this into their investment decisions, allowing them to make fair judgements for each potential investment, as illustrated by Sandahl.

But it can still be useful to make kind of a first screen, but if you want to do ESG research properly, you need to go beyond the quantitative number crunching, you need to get into the qualitative area and you need to talk to the company, you need to read about the company.

Three respondents declared a concern towards the use of negative screening as a strategy. Essentially, the effectiveness of the strategy could be diminished if the strategy is not used in a sophisticated manner in which the investor possesses sufficient knowledge and expertise – possibly resulting in exclusion of potential investments that can generate a great deal of positive sustainable impact and risk-adjusted returns. These concerns are discussed by Marken as firms may appear to have more or less negative sustainable impact depending on what ESG information you choose to look at, which in turn may affect the investment decision made by the investor. Marken describes how negative screening can be quantitatively misleading and how this can become an issue if it is used as the only strategy of incorporating ESG information, as well as how to overcome this through the use of adding qualitative information.

There are a number of cases where there is a conflict in numbers. So for us we try to know the companies and know the ESG risk, we talk about that when we meet them. It's difficult to optimize the fund when we are faced with the scores.

The potential problem of negative screening in terms of investors lacking in knowledge and expertise are further refined by Lundin and Sandahl who describe the industry wide effects careless implementation of negative screening can have, and why they don't implement negative screening without adding qualitative information to their decision-making process.

According to Lundin, negative screening may lead to a too narrow view in regard to what constitutes sustainable investments and that investors need to take on a more holistic approach than what negative screening may allow in order to make investments that contribute to sustainability. Lundin exemplifies his approach to negative screening by using the industrial sector, which is known to have a negative sustainable impact, and discusses how investors seem to shy away from investing in these sectors.

Right now it seems like investors are a bit afraid of going into that kind of sector because they know the industry is one of the largest polluters. ... You don't have to focus solely on the green candidates. You could start off by looking at a candidate in a sector with large pollution and analyze how that business could be transformed into something much more sustainable.

This discussion is further substantiated by Sandahl, who describes that in his opinion the view regarding what is a sustainable investment in the Nordics can be regarded as binary. Further, Sandahl argues that there is a misunderstanding regarding what constitutes sustainability and sustainable investments and states that negative screening may be a simplified approach to assess sustainability depending on your objectives as an investor.

I think it boils down to the fact that you can have different approaches to this depending on your objective. I can exclude everything that has a certain degree of emissions and I will be very carbon efficient in my portfolio. But it is questionable if that contributes to change in the real economy. ... Evaluating a company or portfolio without considering future outlook and commitments is a somewhat simplified approach to assess its level of sustainability or greenness and, in my opinion, not the most effective one. But again, it depends on your objective.

The respondents that do not explicitly mention negative screening as part of their ESG integration process all have in common that they are large investors. Notwithstanding, in line with the quote from Barrs, these large investors are using some variation of negative screening or exclusion by implementing a minimum adequacy requirement. By using the minimum adequacy requirement, Barrs has a direction in which he can evaluate whether or not the firm should be excluded or not based on the underlying business practices, how sustainable profits

are and soundness of ESG practices. Important to note, is that this exclusion is not of primary focus in regard to the incorporation of ESG into the investment decision as discussed by Barrs.

And that's partly in the way that we think about it philosophically, that there is some minimum adequacy requirement, let's think a line in the sand, around the soundness of business, in other words the sustainability of profits for that business, that is ties to the soundness of ESG practices. So that's one way of thinking about it, if the company is so overtly challenged in certain areas that you wouldn't look to invest in it at any price.

The strategy is more actively discussed amongst small investors relative to large investors. However, the implementation amongst the smaller investors varies, with some investors opting for using ratings and rankings through external data vendors. As exemplified by Respondent A, the vast amounts of firms can rather effectively be reduced by virtue of screening using third-party data from external data vendors. Moreover, as outlined by Respondent A, as a small investor covering several thousand firms using aggregated ratings and rankings, the strategy is an effective way of performing the screening process. As such, the majority of the small investors are confiding themselves to the quality of data provided by external data vendors.

I mean we cover a lot of companies, several thousand companies, so we use external data from Sustainalytics for ESG ratings, as well as quarterly screening. So they do a screening and look at whether the companies are involved in any of the excluded activities according to our responsible investment policy.

Alternatively, some investors rely to a large extent on an investment strategy entailing external managers. This approach encompasses investors employing a form of negative screening upon their manager selection. Hedengran, a small investor, describes that their negative screening process encompasses questionnaires that aim to portray how the external managers are working in regard to negative screening where focus lies on questions such as; what their exclusions are, what criterias do they use and how robust are their processes. Hedengran further describes that in addition to the questionnaires they put a large emphasis on qualitative information in terms of communication with the external managers. The qualitative information is then used as a means to bridge knowledge gaps and further understand their research process, ensuring the investor that ESG information is integrated into the investment decisions. This setup is also

described by Lundin, another small investor, in regard to how they rely on external managers to integrate ESG information.

We have a bit of a different setup here so we rely very much on the partners we work with so as such we are not conducting our own ESG information analysis which is important to point out here. We basically research and diligence the external managers we work with to make sure it is aligned with our ESG philosophy.

The strategy of evaluating external managers through the use of questionnaires and qualitative information is also discussed as a means of screening by a large investor. Rehn describes how they use this for real estate and infrastructure assets, in the same manner described by Lundin and Hedengran, in order to understand how the external managers incorporate ESG information into their investment decisions.

4.4 Less prominent strategies

The strategies, positive screening, thematic investing and overlay/portfolio tilt were declared at a significantly lower rate compared to previously highlighted strategies. Hence, these strategies are used and implemented at a subordinate frequency. Relative/best in class screening and the risk factor/risk premium strategy was not mentioned or described as a strategy used by the respondents. The low implementation rate of positive screening suggests that negative screening is preferred among the respondents. Interestingly, the majority of the respondents were aware of positive screening as a method but not many of them stated that they actually use it as a strategy of integrating ESG into their investment decisions. Ripman describes the process of setting organization-wide minimum standards at the beginning of the century in order to provide funds of a common standard. The process entailed identifying firms' products and services that had the potential to help achieve sustainable development, as described by Ripman.

And then for us, it becomes an attempt to identify what companies stand to benefit from having products and services that can help us achieve the sustainable development goals. So a simple concept in its formulation, but kind of hard to actually pull off. But that's the kind of core concept, so to us, in a strange way I guess everything starts with sustainability. It becomes first and foremost an identification process of what companies have products and services that can benefit these areas.

Another strategy which is less articulated by the respondents is thematic investing, with three respondents actively discussing it as a way of integrating ESG information into the investment decisions. Lundin and Respondent A use thematic investing as a way to integrate ESG into certain areas of their investments by deciding upon themes which are deemed to be of interest from an investment perspective and which are believed to be of value to the portfolio. As outlined by Respondent A, the thematic approach enables investors to invest in specific firms or sectors.

If you look at, for example the actively managed funds, it's more part of our thematic approach. I.e., how we look at different sectors, which companies we are interested in investing in etc. ... The ESG analysis is the same where we focus on the most material ESG factors for each ESG sector. A mining company for example, is quite different from if you're looking at an IT company or tech company.

In contrast, thematic investing can be the core foundation of the investment strategy, compared to Lundin and Respondent A where it's used in parts of the portfolio, as described by Ripman. Here, the investment focus is to invest in solutions firms, i.e. firms with a business idea that is related to one or several ESG factors, thus the thematic investment strategy defines the entire investment process. In order to implement the strategy, Ripman has defined a process which relies on the SDG's in order to define what the future challenges of sustainability are, which in turn guides how he attempts to guide capital flows to firms that stand to benefit from, and help achieve, the SDG's.

One of the least employed strategies among the respondents is the overlay/tilt strategy. Here only two respondents discuss how this can be used as a way of integrating ESG into the investment decision and the main reason for that is to make sure that there is a connection between ESG factors and return. As described by Ekman, some investments are tilted by changing the weight of the investment due to the underlying ESG characteristics. Further, he describes how tilting is one approach of keeping an investment although they might not be the most appropriate investment in terms of ESG.

It's not anymore a question of if you should have a company in the portfolio or not have a company in the portfolio, but we can take a decision - this company is not the best one in ESG, but let's still have it at a lower rate than it should have otherwise.

Interestingly, one investor pursues what essentially could be described as a reversed overlay/tilt strategy encompassing firms with ESG characteristics that deteriorate the overall score of the portfolio. As illustrated in the quote below, Marken purposefully sacrifices the portfolio ESG scores by including investments he believes are sustainable when looking beyond the quantitative information. Through the inclusion of qualitative information in the investment decision, Marken discusses below how this enables him to make investments which are sound both in terms of financial returns as well as being sustainable.

. . . if I want to optimize my optimal Co2 footprint, I should not own this Danish company. But, when I know why the score is as it is, for me it is more important in a way to save the planet and have a good sustainability that I know is a bit wrong, so I want to own this Danish company. But that gives me a worse score.

The difference among large and small investors employing the thematic investment strategy can be attributed to several factors. Respondent A describes that they, together with a colleague, are solely responsible for conducting the ESG research on several thousand firms. Respondent A further describes that in order to be able to cover that magnitude of firms, they confide to a large extent on aggregated data from external data vendors. This highlights the benefit of aggregated data from external data vendors for smaller investors with lesser resources. While Respondent A uses external data vendors and the ratings and rankings provided by them, Lundin employs external managers who are responsible for investing most of the funds at IMAS. This influences his ability to actively be involved in the investments, which does not go beyond the choice of the employed manager and the requirements under which they work. Therefore, the thematic investment strategy suits the structure and process of investment management where external managers are being used in order to integrate ESG in a robust manner, as described by Lundin.

We research and diligence the external managers we work with. Of course we have a view on the themes we want to engage in and what kind of sustainable business and

asset classes we want to be in, but when it comes to the pure data analytics we hire external managers to perform that on behalf of us.

In contrast, Ripman who also employs thematic investing, constitutes as a large investor with a sole focus on finding firms which he believes has the ability to contribute to improved sustainability through their business model. This allows for a larger focus on this type of strategy compared to a small investor, such as Respondent A and Lundin. Furthermore, one can assume that such focus allows for knowledge and expertise regarding the implementation and execution of the strategy to be significantly improved. In terms of similarities and differences between large and small investors when it comes to positive screening, overlay/portfolio tilt strategy, relative/best in class screening and risk factor/risk premium, it is hard to derive any due to their low implementation. While being four of the least used strategies by the investors, it is worth noting that positive screening and overlay/portfolio tilt are used as a complement to other strategies, constituting one part of multiple strategies in order to integrate ESG information into investment decisions.

5. Analysis

In this chapter, the results from the interviews are analyzed in accordance with previous research presented in the literature review. The structure of this chapter follows the result, where each ESG integration strategy is analyzed in regard to how investors work with the strategy as well as potential differences in how they implement the strategy depending on investor size.

5.1 Engagement/active ownership

The engagement/active ownership strategy was highlighted by several of the respondents, and in particular the large investors, as a strategy which they put much focus on. This is in line with the reasoning by Amel-Zadeh and Serafeim (2018) and Eccles and Klimenko (2019), who describe how this strategy often involves investors engaging deeply with the firms. The respondents describe how they assume an active role as investors when implementing the strategy, substantiating the finding from Eurosif (2018) that the strategy is most common among investors who take on an active role in the relationship with the firm. This is illustrated by Ripman, who describes that the engagement is not solely on portfolio level but for the investor as a whole, including all of the holdings in the firm. This could potentially be connected to the finding of Dimson et al. (2015) that the success of the engagement is connected to the size of the investor attempting to implement the strategy. Thus, the chance of having conducive engagements may be improved for an investor who organizes their engagement/active ownership strategy on an organizational wide level. Further the use of engagement/active ownership implies that the investor has achieved a higher level of ESG integration in their investment management process on all levels, in line with the reasoning of Royal and O'Donnell (2013) regarding different levels of strategy generations.

The use of the engagement/active ownership strategy is further illustrated by Barrs and what he describes as being a “constructivist” in terms of aiding the firms in which they invest to improve in certain areas of weaknesses. Moreover, Barrs and Rehn describe how they engage with firms in order to obtain qualitative information, which they use in their decision-making process and attempts to improve the firms in which they invest. This highlight both the findings from Van Duuren et al. (2016) as well as Eccles et al. (2017). In order for the strategy to work, due to the higher level of ESG integration, the investors require more information in order to implement the strategy in accordance with Van Duuren et al. (2016). Furthermore, the strategy

requires high levels of practitioner expertise and knowledge regarding how to process the data implemented into the investment decision as described by Eccles et al. (2017). Moreover, the high use of the engagement/active ownership strategy can be traced to the findings of In et al. (2019) and Chatterji et al. (2009) regarding issues of quantitative metrics and ratings, resulting in investors struggling with choosing the right information on which they base their investment decisions. This can also be connected to the reasoning by Ripman and Rehn and how the strategy is used as a means to deal with negative incident problems. Here, one of the reasons for why the strategy is preferred can be due to the lack of trust in the underlying information quality resulting in investors attempting to collect information directly from the firms. Thus, the use of the strategy in combination with qualitative information forms a bridge to overcome the barriers of underlying trust in information quality and lack of knowledge which is prevalent in the metrics and ratings.

The engagement/active ownership strategy was used and implemented to a higher degree amongst the large investors relative to the small investors. This finding is in line with the results from Amel-Zadeh and Serafeim (2018), who in their survey finds that 43 percent of large investors and 34 percent of small investors use the strategy. The primary reasons for the higher implementation rate and usage of large investors analogous to small investors are due to the size factor and geographical scope. As described by Dimson et al. (2015), the effectiveness and the benefits from the engagement/active ownership are dependent upon the size of the party endeavoring the strategy. The party can consist of either one sole large investor or in a coordinated effort encompassing several smaller investors representing an investor coalition. The coalition aspect further adds a layer of complexity to the engagement/active ownership strategy. The coalition aspect was highlighted by two of the respondents. Sandahl who constitutes a large investor and Respondent D who constitutes a small investor. Respondent D points out that for them as a small investor, the strategy is not applicable since they are unable to constitute as a significant owner of a firm due to their size. Sandahl further outlines that several of their commitments to the strategy are made in investors' coalition – indicating that also large investors are compelled to use coalitions as a means to undertake the strategy. Notwithstanding if the strategy is undertaken by a sole investor or by several investors in a coalition, one thing is abundantly clear, size matters. The importance of size and resources are in line with Royal and O'Donnell (2013) and Van Duuren et al. (2016). Engagement/active ownership is a strategy that is not a first- and second-generation (Royal & O'Donnell, 2013) type of integration strategy and thus it requires more information and resources (Van Duuren

et al., 2016) relative to other strategies. Hence, size and resources are required on behalf of an investor in order to be able to undertake the strategy. The resources intensity of the strategy could conceivably be the reason for the lower number of small investors implementing the strategy.

An interesting contribution to the discussion about the engagement/active ownership strategy and investor size is the factor of geographical scope. Ekman, a large investor, outlined that their scope of investments is global, covering several thousand firms dispersed across the world. As such, Ekman states it is impossible for them to have engagement processes with thousands of firms with the manpower currently at the firm. Hence, Ekman is unable to act as an active investor in line with the definition by Eurosif (2018). As a large investor, Ekman is one of the few respondents who have a global mandate with the majority of both large and small investors focusing on the Nordic region. The reasoning by Ekman highlights that the geographical scope of investments can constitute a barrier to integrate the engagement/active ownership strategy. Moreover, it further demonstrates that the strategy is not accessible to anyone, since there are resource requirements which inhibit investors to pursue implementation as outlined by Royal and O'Donnell (2013) and Van Duuren et al. (2016).

The one sole small investor using the strategy, Respondent A, is one of the larger small investors meaning that they constitute a small investor but are similar to a large investor in terms of relative AUM. For these respondents, the engagement/active ownership strategy constitutes a fundamental linchpin in their investment process by virtue of enabling them to direct engagement in which qualitative information can be obtained. The gathering of qualitative information seems to be one way for the respondents to overcome the ESG information standardization problem as well as the issue of low correlation and comparability of ESG ratings and scores as pointed out by Chatterji et al. (2009). This further accentuates the importance of resources to overcome the integration barrier in line with Eccles et al. (2017). The small implementation rate of the strategy amongst small investors with only one sole investor (Respondent A) stating they use the strategy, contradicts the findings from Amel-Zadeh and Serafeim (2018). As such, small investors are unable to overcome the integration barrier by implementing the strategy due to their inherent size and resource constraints (Dimson et al., 2015). This inhibits small investors from obtaining the same volumes of qualitative information – possibly enforcing them to put relatively greater trust in information provided by external vendors. Moreover, due the size and resource constraint, it is conceivable to assume

that smaller investors have an arduous time to move beyond the first- and second-generation type of integration described by Royal and O'Donnell (2013). Hence, small investors run the risk of falling behind large investors in the quest for ESG integration.

5.2 Full integration into individual stock valuation

The rather frequent use of the full integration into individual stock valuation strategy indicates that most of the respondents are aware of the fact that in order to have successful ESG integration, they need to move beyond first and second generation of ESG investment as outlined by Royal and O'Donnell (2013). The findings regarding the use of the strategy of full integration into individual stock valuation substantiates the research both from Van Duuren et al. (2016) as well as Schramade (2016), as the respondents in this study draw parallels to the use of the traditional fundamental equity analysis when attempting to incorporate ESG information into their investment decisions. However, one can assume that the implementation of the strategy is a rather new occurrence since Respondent B and Respondent E only have been working with integrating ESG information into the financial analysis for a couple of years. This suggests that the practitioners' knowledge and expertise regarding the integration of ESG information has been lacking, in accordance with the findings from Eccles et al. (2017) and High Meadows Institute (2019). The reason for why the respondents now express awareness and discuss the strategy as a way to integrate ESG into investment decisions. This could be attributed to the fact that ESG has been obtaining more focus the last couple of years, alongside the increased focus on ESG in investment management, resulting in better knowledge in terms of how to integrate it.

However, in contrast to the findings from Van Duuren et al. (2016) and Schramade (2016), this study finds that several of the respondents prefer to use raw data rather than using aggregated data such as ratings and rankings. This can be connected to In et al. (2019) and Chatterji et al. (2009) and their finding that the lack of comparability leads to issues of choosing the right metrics and subsequently the right information, resulting in the investors preferring to use raw data. The majority of the respondents, who use the strategy of full integration into individual stock valuation, describe that they either buy aggregated data from external data vendors in order to attain the underlying raw data, or obtain the raw data through their own data gathering. Further, the respondents underline this reasoning through discussions regarding the inherent pitfalls in trusting the aggregated data provided by the vendors, resulting in them wanting to aggregate or gather the data themselves. This indicates that more resources are spent on the

gathering of data than what Van Duuren et al. (2016) and Schramade (2016) previously have found. This also signals that there has been an increase in education and practitioner knowledge in regard to ESG information being integrated into the investment decisions, as the respondents illustrate that they are aware of pitfalls and have come up with ways to work around this, in line with the findings of Eccles et al. (2017) who stated that increased education and knowledge would be the main tool in overcoming ESG integration barriers.

Interestingly, several of the respondents highlight the use of not only quantitative information but also the fact that they spend much time focusing on additional qualitative information. This is interesting since the strategy of full integration into individual stock valuation could be regarded as a highly quantitative strategy, with its roots in traditional fundamental equity analysis. This is in line with Royal and O'Donnell (2013), that the power of the investor lies within their ability to interpret information, both qualitative and quantitative, and to know the firms in which they invest in order to predict the outcome of future investments. This is highlighted by several of the respondents of the thesis, who point out that they put a large focus on getting to know the firms, both in terms of strengths but also weaknesses in order to support the firms to improve, subsequently increasing the chance of them being a viable investment. Furthermore, this highlights the findings from Eccles et al. (2017) regarding the lack of trust in the underlying information quality and how the investors in order to bridge this gap searches for additional, maybe less traditional, information. Further, the reasoning among the respondents also shows how they cope with the barriers presented by In et al. (2019) and Chatterji et al. (2009) regarding lack of comparability among metrics. The results indicate that the knowledge of where potential pitfalls is in terms of quality in information has grown substantially, resulting in quantitative ESG metrics and scores often being trumped by qualitative information retrieved directly from the firms when the respondents are making investment decisions.

The full integration strategy was recognized and implemented by large investors solely. As described by the large investors Ekman and Respondent B, many of the large investors are not using aggregated scores, ratings or rankings computed by external data vendors. Instead, they either buy the unprocessed raw data or collect raw data themselves from corporate reporting, sustainability reports and NGO and subsequently perform ESG information analysis in-house. This enables these large investors to get raw ESG information, which can be processed and modified in accordance with their investment philosophy and strategy. The findings from the

large investors are not in line with the findings from Van Duuren et al. (2016) and Schramade (2016) that outline that investors prefer ESG ratings over unprocessed raw data. By virtue of the non-existing implementation on behalf of small investors, large investors suggestively possess advantages in terms of resources, expertise and knowledge in line with Eccles et al. (2017) and High Meadows Institute (2019) to look beyond aggregated data and its potential quality problem and instead construct their own pool of ESG information in which quality can be ensured. The findings from Van Duuren et al. (2016) and Schramade (2016) outlining that investors prefer ESG ratings over unprocessed raw data is interesting relative to the statements by Respondent E, who points out that using aggregated ESG scores, ratings or rankings are difficult to use in strategies that demand more qualified ESG information, such as the full integration strategy. Since no small investor explicitly stated the strategy or any additional reasoning to why they don't implement it, the reasons why they avoid the strategy are ambiguous.

Notwithstanding, the ambiguous absence could potentially be attributable that small investors lack the required traits outlined in Eccles et al. (2017) and High Meadows Institute (2019) to implement full integration into individual stock valuation. The non-existing implementation rate of full integration strategy amongst small investors suggests that the task of accumulating, processing and subsequently integrating ESG information into full integration strategy is a too arduous task. This is problematic since it essentially excludes small investors from using the strategy. An ineptitude of processing and using raw data leaves small investors with the sole option of using ESG information from external data vendors. As such, they end up in the midst of the issue of data vendor information quality as outlined by Chatterji et al. (2009). This is concerning since this call into question whether or not small investors are able to overcome the integration barrier due to their limited resources and knowledge and thus run the risk of being unable to achieve valuable ESG integration in line with Schramade (2016).

5.3 Negative screening

Negative screening is a strategy which relies to a large extent on quantitative ESG information as it is implemented. One of the findings is that the respondents express that the strategy is used in the same manner throughout the entire organization, rather than for single portfolios. The reason for this could potentially be connected to the findings from Dimson et al. (2015) regarding how investor size allows for the investor to have a larger impact on the firms. When the exclusion criterias are the same throughout the entire investment process regardless of the

portfolio, this puts additional pressure on the firms to conform to the investor views of sustainability and sustainable business practices compared to if all portfolios had their own exclusion criterias.

Another finding is that negative screening never is implemented in isolation, but in combination with other strategies. This indicates that the findings from Eurosif (2018) and the study by Royal and O'Donnell (2013), where the screening strategies are categorized as strategies of lower integration, are acknowledged by the respondents and are used in combination with other strategies in order to achieve a higher form of integration. Furthermore, the use of negative screening in combination with other strategies supports the inclination of previous research by Eccles et al. (2017) that there are issues of trust in the regards to the quality of the underlying information. Several potential scenarios were discussed by the respondents, where the lack of quality in the underlying information could lead to potentially deceptive outcomes when using negative screening. One where metrics failed to include all scopes of sustainability regarding the business, and two the risk of screening away businesses that at a certain point in time can be deemed less sustainable, but that have viable ideas for how to transform to become more sustainable in the future. This indicates that there is an awareness among several of the respondents in the thesis regarding the inherent issues when using negative screening, albeit the strategy being one of the most commonly used.

The results regarding negative screening show that investors put a great deal of emphasis on qualitative information gathered through communication with firms that constitute potential investments, in order to understand their views on sustainability, future transformations and risks. This shows that the respondents are aware of the barrier to ESG integration in terms of a lack of comparability in metrics and lack of underlying information quality, as presented by In et al. (2019), Chatterji et al. (2009) and Eccles et al. (2017), and how they work with especially communication with the firms in order to overcome this. Furthermore, this is in line with what High Meadows Institute (2019) regards as imperative for the integration of ESG information into investment decisions, that investors possess high levels of knowledge and expertise regarding how to handle certain types of information and what value certain information should be assigned.

The great majority of large and small investors outline that they are implementing the negative screening strategy to implement ESG information into investment decisions, which is in line

with the findings from Amel-Zadeh and Serafeim (2018). The design of the implementation varied amongst the smaller investors with some using external data vendors and some using external managers. This could potentially indicate varying resource restrictions among the investors. The high implementation rate of negative screening amongst small investors is in line with Van Duuren et al. (2016) that investors prefer to use aggregated ESG information as opposed to raw unprocessed data. Since negative screening is one of the strategies requiring the lowest volume and sophistication in terms of information as outlined by Amel-Zadeh and Serafeim (2018) and Royal and O'Donnell (2013), this could be a reason for the high implementation rate amongst especially small investors but also large investors. Negative screening, in contrast to the other widely recognized strategies such as engagement/active ownership and full integration into stock valuation, are more easily accessible for investors since it is less sophisticated with no requirement constraints (Royal & O'Donnell, 2013). Notwithstanding the resource and knowledge perspective outlined by Eccles et al. (2017) and High Meadows Institute (2019), even though small investors might be restricted to use more sophisticated investment strategies they seem to possess necessary expertise and knowledge to use negative screening.

In regard to large investors, the great majority declared that they use the strategy but with a small subset of large investors that do not explicitly state that they use the strategy. This is arguably surprising in light of the discussion illustrating perhaps the greatest potential of the negative screening strategy; its accessibility. These investors do use some variation of negative screening entailing exclusion where non-viable investments are disregarded. The difference that is important to note, is that these investors do not use negative screening as the primary tool to integrate ESG information into investment decisions. Essentially all respondents, constituting both large and small investors with widely different capabilities in terms of resources, expertise and knowledge use negative screening as a first step. The majority then proceeds to carry forward with their universe of viable investment as a genesis for others, complementing strategies in line with the reasoning by Eurosif (2018). The small subset of large investors not following this approach, do not use a screened universe of investments as a provenance. Instead, their approach is characterized by a great deal of sophistication encompassing processing raw data, computation of their own metric and basically conducting all of the analysis and research in-house. As such, they are able to efficiently integrate ESG information into the valuation models and in the investment case (Schramade, 2016). The approach is in line with Schramade (2016) who outlines that these investors are the ones best

positioned to truly achieve full integration of ESG by virtue of moving beyond screening and engagement strategies.

5.4 Less prominent strategies

The strategies which were found by Amel-Zadeh and Serafeim (2018) to be implemented at a subordinate frequency; positive screening, thematic investing, overlay/portfolio tilt and best in class/relative screening, were in the same way found to be implemented by the respondents in the thesis to a lesser extent. The low use of positive screening seems to be connected to the large use of negative screening, perhaps not surprisingly since they were described as opposites by Amel-Zadeh and Serafeim (2018). None of the respondents who mentioned the strategy of positive screening, used negative screening to any larger extent in their implementation of ESG information into their investment decisions. Another potential reason for the low implementation of the strategy could be attributed to the knowledge gap described by High Meadows Institute (2019) and Eccles et al. (2017). The high implementation rate of negative screening can be connected to its relatively easy implementation, while it is much more complex to determine what “good” is in sustainability as there is a lack of common definitions regarding ESG and sustainability, resulting in the low application of positive screening. Therefore, in order to conduct positive screening in a manner which can be trusted, the investor is required to possess extensive knowledge regarding ESG, investing and firm specific information, something that is hard to achieve due to the lack of comparability found by In et al. (2019) and Chatterji et al. (2009).

For the respondents implementing thematic investing, this appeared to be the sole or dominant strategy in place, rendering focus to be on finding investments who embodied the vision of the strategy. This was illustrated by Ripman, where it was used to a large extent in a setting where focus was to find businesses that were sustainable to the core of their business idea. Furthermore, as described by Eurosif (2018), Ripman is an investor who bases his investment strategy to a large extent on the SDG’s, rendering this to be the main focus of his portfolio and subsequently being a good fit for the thematic investment strategy. A common understanding of what issues lies ahead, which can be achieved through the SDGs, might aid investors in the future who want to use thematic investing as a strategy, possibly resulting in it being used more commonly in the future.

An interesting finding regarding the overlay/tilt strategy was the fact that it was used in an opposite manner than its definition (Amel-Zadeh & Serafeim, 2018), by Marken. His main focus was not on attaining the best ESG score for the portfolio in terms of Co2 emissions, but rather to achieve what he believed to be a more sustainable outcome. For him, qualitative ESG information trumps quantitative ESG information or scores in terms of making investment decisions. This can potentially be attributed to investors' lack of trust in underlying information quality which has been found by In et al. (2019), and the fact that several of our respondents describe how they weigh the qualitative information higher than the quantitative. Subsequently leading them to make investment decisions which according to metrics or scores makes them less sustainable, in order to invest in firms which, they believe have the potential to contribute to future sustainability.

Two of the strategies brought up by Amel-Zadeh and Serafeim (2018) and Eccles and Klimenko (2019) were not described in any elaborate manner by the respondents in the thesis, this was risk factor/risk premium and the relative/best in class screening. This can potentially be due to the fact that they are more or less quantitative strategies which forces the investors to rely on quantitative ESG information which they, according to our results, often refrain from doing in favor of using qualitative ESG information to bridge potential information or knowledge gaps. The absence of use of the relative/best in class screening can also be in line with the discussion from Eurosif (2018), who defines relative/best in class strategy as being the same as positive screening thus explaining its absence in the discussions by the respondents. Therefore, the same reasoning can be made regarding relative/best in class screening and the issues of determining what is “good” or sustainable business practice due to the lack of definition, comparability and standardization of sustainability in general, and within investment management in particular.

Out of the less prominent strategies, only thematic investing was brought up at a frequency which can provide a scope of analysis and conclusions. Out of the rest of the strategies, relative/best in class screening and risk factor/risk premium was not mentioned at all and positive screening and overlay/portfolio tilt strategy was brought up at a scarce rate. However, as noted in Eurosif (2018), relative/best in class screening and positive screening can basically be regarded as the same strategy. Amel-Zadeh and Serafeim (2018) found a rather high discrepancy between large and small investors for positive screening and overlay/portfolio tilt at 23 percent vs 9 percent and 20 percent vs 11 percent. Moreover, relative/best in class

screening had a low divergence with 11 percent and 8 percent. The findings of this thesis can be regarded as antiquated with Amel-Zadeh and Serafeim (2018) in regard to positive screening, overlay/tilt and relative/best in class screening due to the lack of empirical material. In terms of thematic investing, the distribution of large and small investors implementing the strategy was fairly even. It has previously been noted amongst the small investors that some prefer using external ESG information provided by external data vendors and some investors prefer to use external managers. It is difficult to decipher which one of these approaches are the most efficient. However, one conceivable drawback with the first approach is that the investors are faced with the external data vendor ESG information quality issue as noted in In et al. (2019), Chatterji et al. (2009) and Schramade (2016). This could entail investors including ESG information of subpar quality which reduces the potency of the integration – possibly resulting in an inability to truly integrate ESG information into investment decisions. In contrast to the aforementioned approach, the technique of using external managers is one avenue of avoiding the concern of ESG information in line with In et al. (2019), Chatterji et al. (2009) and Schramade (2016). By using the latter approach, small investors can hire external managers based on questionnaires. Hence, small investors can avoid using external data vendor information and instead entrust themselves to an external manager who undertakes the ESG integration. Thereby, small investors can circumvent their own resource and knowledge deficiencies as well as eluding falling into the trap of integrating ESG information of inferior quality.

One difference of larger investors relative to smaller investors is their advantage of possessing greater amounts of resources, expertise and knowledge. This equips larger investors with the possibility to either choose the approach of using external data vendors or using external managers, but instead implement the strategy based on using raw data. Moreover, this enables larger investors to ensure ESG information quality since they can process and tailor the raw data to their specific requirements and objectives. As an example, Ripman points out that their focus is to find firms that can contribute to improved sustainability through their business model. With the reasoning and findings from In et al. (2019), Chatterji et al. (2009) and Schramade (2016) in mind, the objective of finding firms that can generate that kind of contribution are conceivably quite scarce using the techniques declared by small investors. In other words, the implementation of thematic investing seems to be possible for both small and large investors, but the rather low implementation rate suggests that achieving adequate efficiency can be troublesome. Once again, large investors can more efficiently overcome the

integration barrier relative to smaller investors by virtue of their greater resources, expertise and knowledge in line with Eccles et al. (2017), High Meadows Institute (2019) and Royal and O'Donnell (2013). As such, they have the possibility to move beyond the first- and second-generation implementation strategies in which qualitative information and ESG information can be integrated into the investment decision.

6. Conclusion

Lastly, this chapter presents the conclusion of the thesis as well as outlines its contribution to previous research. Furthermore, ideas for future research within the area of ESG integration within investment management is presented.

6.1 Conclusion and contribution

The purpose of this thesis is to augment the understanding of how investors within investment management work with investment strategies in practice in order to integrate ESG information into an investment decision. The thesis provides a contribution to previous research with a refinement of how investors within investment management integrate ESG information into investment decisions and how they overcome ESG integration barriers. Explicitly, the thesis contributes and refines the findings from Amel-Zadeh and Serafeim (2018), Van Duuren et al. (2016), Royal and O'Donnell (2013) and Schramade (2016). First, the thesis refines the findings from Amel and Serafeim (2018) by providing a deeper context on how investors work with the current investment strategies and why some investors seem to prefer some strategies relative to others. Second, the thesis refines Van Duuren et al. (2016) findings by outlining that investors who prefer ratings and rankings in general are small investors. The thesis further contributes to Royal and O'Donnell (2013) in two ways. First, investors are still leaning on an investment approach characterized by the first and second generation of ESG investment strategies. Second, the knowledge of investors is still lacking in some areas which potentially inhibits them to fully reap the rewards of ESG investments. Lastly, the thesis refines the findings by Schramade (2016) by outlining that the majority of investors are not capable of implementing ESG information into valuations models by virtue of a lack of knowledge. Thus, highlighting an area in which investors have potential to improve.

The thesis contributions and refinements are derived from three main findings. The first finding is the importance of qualitative information. Essentially all of the investors highlight how imperative qualitative information is in order to bridge ESG information gaps and/or knowledge gaps. This is regarded as a finding of utmost importance, since it has rarely been mentioned amongst previous literature. Our belief is that the notion is infrequently highlighted since the vast majority of previous literature employs a quantitative method in which the importance of qualitative information is presumptively arduous to capture. The second finding is that investors use multiple investment strategies as opposed to relying on one sole strategy in order to integrate ESG information. The great majority of investors use negative screening

as a genesis and then move beyond to other strategies contingent upon their size, resources and knowledge. This finding further reinforces how difficult it is for investors, regardless of size, to incorporate ESG information into investment decisions. The third, and last finding, is that size, amount of resources and the level of expertise within the investment management firms are vital in order to overcome the integration barrier. There is a clear discrepancy here between large and small investors. Small investors are restricted from pursuing engagement/active ownership and full integration into individual stock valuation since they lack the resources and knowledge to implement the strategies. Moreover, small investors seem to find it difficult to use and implement raw data, spurring them to bestow to aggregate ESG data from external data vendors. Hence, smaller investors in general face a more burdensome task of achieving full ESG information integration relative to large investors.

6.2 Suggestions for future research

The subject of ESG information in investment management is complex due to the low maturity of the area in terms of common definitions and lack of standardization. This results in large differences in implementation among practitioners depending on their knowledge, expertise, size and resources. One of the most interesting findings in this thesis is the frequent use of qualitative ESG information among the investors. Thus, it would be interesting to conduct a study which further investigates how investors use qualitative ESG information in investment management, looking further into how investors translate and incorporate it into their valuation processes. In line with this, it would also be interesting for future research to further investigate the implications of investors using aggregated data versus raw data, in order to see if and how this affects the ESG value of an investment.

Furthermore, this thesis has been conducted with investors established in Europe, more specifically Sweden, Norway and England, where the demand for integrating ESG into investment decisions has spurred investors to incorporate it into their investment decisions to a larger extent than elsewhere. Thus, we think it would be interesting to conduct research with investors on a more global scale in order to see if the results from this thesis are substantiated or if there are differences in how investors attempt to integrate ESG information into their investment decisions depending on their geographical location.

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Appendix

Interview guide

Introduction & Background

- Please present yourself shortly - what is your role in incorporating ESG?
- How embedded or integrated would you say that sustainability and ESG is in your organisation?
- How are you integrating ESG information into investment processes? What are your motivations for this process?

Regulations & Frameworks

- Do you believe that the ESG regulation and frameworks that are in use today are useful in regard to the incorporation of ESG into your investment decision?

ESG Data

- What sources of information regarding non-financial information and ESG do you use?
How often, how do you use them and why?
 - Corporate reporting or Sustainability reporting?
 - Vendors/ratings/rankings?
 - Direct engagement with companies/managers?
- What would you consider to be the most important factor/s of ESG information in regard to ESG integration?
- How do you perceive the quality of the sources of information that you use?
- Are there any difficulties connected to the information regarding ESG? If yes, how do you overcome them?

In the Future

- If possible, what would you change in terms of attaining or using non-financial information and ESG? Is there something lacking to what you use today? Elaborate.
- Would you like to see any changes in the future in regard to ESG incorporation into investment management?