Karlstad Business School
Handelshögskolan vid Karlstads universitet

Henrik Jufors
Per Karlsson

Fund managers and analysts relation to sustainability

The investment decision, motives for sustainable investments and configuration of the sustainability reports

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Supervisor: Markus Fellesson

Karlstad Business School
Karlstad University SE-651 88 Karlstad Sweden
Phone:+46 54 700 10 00 Fax: +46 54 700 14 97
E-mail: handels@kau.se www.hhk.kau.se

Foreword

We would like to thank the respondents for their participation and the valuable information they provided. We would also like to thank our supervisor Markus Fellesson for his helpful comments and guidance along the way.

We hereby guarantee the authors have contributed equally to the completion of the study.

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Henrik Jufors

Per Karlsson

Abstract

The concept of sustainable development has increased a lot in recent times and has spread throughout society. A group traditionally known for focusing on financial aspects is the investors, but because of the increased focus on sustainability from different stakeholders many of them also focus on including corporate social responsibility information in their investment decisions. Through a qualitative approach this study is meant to explore how investors, especially fund managers, implement sustainability data into their investment decisions, what motivates them to invest sustainably and how they perceive the configuration of the reports. To achieve this purpose, eleven respondents with considerable knowledge and experience of working with sustainability were interviewed.

The results indicate that the respondents do use sustainability data in their investment decision and that they also use different kind of sources for obtaining this information. There are several different reasons why they work with sustainable investments including minimizing risks, profits, customer demand and personal interests. Lastly, there is a desire among the respondents for a standardized framework regarding the sustainability reports similar to the financial equivalent.

List of abbreviations

CSR – Corporate Social Responsibility

GRI – Global Reporting Initiative

EMH – Efficient Market Hypothesis

ESG – Environmental Social and Governance

SRI – Socially Responsible Investments

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1. Introduction

Sustainable development is a hot topic these days among many groups throughout our society. Fund managers are usually associated with an interest in financial information, but due to the increased focus of sustainable development from different stakeholders they now have more factors to consider in their investment decisions, such as CSR information. How do they handle these new circumstances?

1.1. Background

One of the most common definitions of sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Isaksson et al. 2015, p. 339). In this day and age it is a very important issue which Sachs (2015) describes as "the greatest, most complicated challenge humanity has ever faced" (Sachs 2015, p. 506). Due to this increased focus on social and environmental issues, many stakeholders throughout society demand that companies take responsibility and act in a more sustainable way (McWilliams & Siegel 2001; Milne & Gray 2013; Székely & Knirsch 2005; Waddock et al. 2002). To meet these demands, many companies devote resources to Corporate Social Responsibility (CSR) which can be defined as "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams & Siegel 2001, p.117). By incorporating CSR actions in their business models, companies strive to find a balance between the economic, social and environmental business activities which is also known as the Triple-Bottom-Line approach (Habek & Wolniak 2016). Many companies nowadays also provide sustainability reports which the Global Reporting Initiative (GRI) define as "a report published by a company or organization about the economic, environmental, and social impacts caused by its everyday activities" (Global Reporting Initiative 2017). The overall purpose of the reports is to demonstrate organizational values and governance models while also connecting the strategy and commitment to a worldwide sustainable economy (Global Reporting Initiative 2017). With that being said, both CSR activities and CSR reports are becoming very important factors for companies that take this issue seriously as a result of stakeholder demands (Vartiak 2016).

1.2. Problem Discussion

As the concept of sustainable development has kept growing in recent times, investors in particular have shown more interest in CSR reports. A study conducted by the European Sustainable Investment Forum (Eurosif) and the Association of Chartered Certified Accountants (ACCA) in 2013 showed that 90% of the interviewed investors believe sustainability and CSR reports are essential for large companies (Blue and Green Tomorrow 2013). This is interesting because from a historical point of view, it has mainly been the financial reports that have provided investors with the appropriate information they need in order to make economic decisions about where to invest their capital (Deegan & Unerman 2011). Therefore it's obvious that investors have started to use new kinds of information to gather CSR information such as the CSR reports. Then an interesting question is, why and how do they use it? It is also interesting to think about what has caused investors to start using other input beside the financial reports. Is it only a matter of making better economic decisions or can there be other reasons as the notion of the triple bottom line indicate?

Another issue is the lack of a standardized framework to use in order to establish the CSR reports (Groenewald & Powell 2016). As such, reports can look very different for different companies. Meanwhile the financial reports are regulated through different kinds of laws, regulations and so on which makes it easier to compare (Deegan & Unerman 2011). How do investors feel about this current situation?

These are interesting questions on their own, but studying it from a fund manager perspective is also interesting because they have historically been known to try to maximize profits. However, nowadays they also have to focus on sustainability since the demand for such actions has increased from all kinds of stakeholders (McWilliams & Siegel 2001). Furthermore, professional fund managers are also responsible for very large amounts of capital and a recent article from Kullving (2017) has shown that Sweden is currently at the top of the leaderboard among countries with the most sustainability-oriented fund managers. With all this in mind, it would be interesting to study what their investment decisions are based on, why they invest sustainably and how they perceive the current framework of sustainability reports.

1.3. Purpose of the study

The purpose of this study is to investigate fund managers and analysts relation to three different sustainability themes; what input they use, and how, in their investment decision, their motives for sustainable investments and their opinions on the current configuration of the CSR reports.

2. Theoretical Framework

In this chapter we will present theories linked to the three main themes this paper intends to investigate further; the investment decision, motives for sustainable investments and the configuration of the CSR reports.

2.1. The investment decision

The Efficient Market Hypothesis (EMH) assumes capital markets will react efficiently and in an unbiased manner to publicly available information. According to EMH, the competition for information drives investors and financial analysts to use many different sources (Deegan & Unerman 2011). They look at financial information in order to find appropriate economic data that adds value (Barker 1999). They also study CSR information such as social- and environmental aspects in order to get a closer look of the nature of the company (Duuren et al. 2016; Przychodzen et al. 2016; Renneboog et al. 2007). In order to get an overview of which companies are suitable for investments and which ones to exclude, many fund managers also use positive- and negative screening (Duuren et al. 2016). Meeting with companies on a regular basis and actively trying to influence their environmental, social and governance behavior are important parts of the continuous monitoring process (Duuren et al. 2016).

2.1.1. Financial information

The financial reports serve the purpose of providing stakeholders with the information necessary for them to be able to make economic decisions. The process of providing this type of information is strictly regulated through rules, laws and frameworks controlled by international bodies such as The International Accounting Standards Board (IASB) and The Financial Accounting Standards Board (FASB). These bodies aim to harmonize the financial accounting between different countries. Due to their work, the financial reports have become more standardized and the regulations have also increased because of the financial crisis that occurred a few years ago (Deegan & Unerman 2011). IASB:s conceptual framework provides the companies that are obeyed to establish their financial reports in accordance with IFRS with guidance how to do so. The conceptual framework states that the financial reports should consist of a number of qualitative characteristics such as understandability, relevance, materiality and comparability. The framework identifies a number of stakeholders but it's particularly investors as a group that is the main focus of the financial reports. The financial reports should mainly be designed to provide investors with the appropriate information they need to make economic decisions (Deegan & Unerman 2011).

There are several studies that show what kind of financial information investors mainly look at when they evaluate companies. Barker (1999) argues that fund managers use accounting information that is value relevant and reliable. Furthermore, the author argues that they discount the information that adds value but at the same time is regarded as uncertain. Barker (1999) believes terminal value is important because of the uncertainty of future outcome of cash flow. He also writes that dividend yield and Price/Earnings (P/E) ratio are used as a basis for investment decisions (Barker 1999). Analysts often choose to look at P/E models or multiperiod discounted cash flows as their dominant valuation model (Demirakos et al. 2004). The fact that cash-flow-based valuation seems to be more significant than accrual based information is a conclusion drawn by Imam et al. (2008). Furthermore, a study conducted by Brown et al. (2015) showed that many investors prefer private communication with the management rather than the actual financial information. The authors also say that another indicator investors look for is high quality earnings which mean they are sustainable and repeatable while also reflecting economic reality. However, Socially Responsible Investments (SRI) are based on more than just financial returns, it also involves looking closely at the nature of the company (Cowton & Sandberg 2012).

2.1.2. CSR information

SRI investments include focusing on environmental, social and governance criteria which are often known as ESG factors (Duuren et al. 2016; Przychodzen et al. 2016; Renneboog et al. 2007). ESG is often referred to as the three pillars of sustainability and has many labels such as "Ethical, Green, Impact, Mission, Responsible, Socially Responsible, Sustainable and Values, which embrace strategies (including environmental, social and corporate governance criteria) to generate long-term competitive financial returns and positive societal impact." (Przychodzen et al. 2016 p. 1). One very relevant purpose of implementing ESG in the investment process is that fund managers get a deeper understanding of the companies they are interested in, which makes them more aware of the business and helps to protect them against risks (Duuren et al. 2016; Przychodzen et al. 2016). However, there are also studies showing that investors seem to value information about social and environmental issues that in some way is financially related, while other non-financial information doesn't seem to be helpful (Moneva & Cuellar 2009).

The ESG dimensions are analyzed in order to make sure the companies act sustainably. Commonly used strategies in the ESG analysis are positive and negative screening, communicating with the companies and its board members and studying the CSR reports. Positive screening includes focusing on specific industries while negative screening means certain companies or industries are excluded from the continuous analysis (Duuren et al. 2016).

The concept of SRI has grown so much in recent times that a number of international conventions have been established to make it easier to invest responsibly (Borglund et al. 2010). Examples of international conventions that fund managers implement in their investment strategy are the Principles for Responsible Investment (PRI) and the UN Global Compact. PRI, which was created in 2006 by the United Nations together with a group of the world's largest institutional investors, is the world's leading proponent of responsible investments. Their goal is for investors to implement ESG factors in their investment- and ownership decisions in order to create enhanced returns and manage risks in a better way (UNPRI 2017). Since the start, the PRI has grown to include over 1300 signatories representing over $45 trillion (Majoch et al. 2017). The UN Global Compact is an initiative that encourages companies to act sustainably by following their ten principles on human rights, labor, environment and anti-corruption (UN Global Compact 2017).

2.1.3. Screening

According to Duuren et al. (2016), it's common for fund managers to use negative- and positive screening in order to exclude and include certain companies in their investment process. Eurosif (2016) also highlights this and says that excluding certain kinds of unethical companies, also known as negative screening, has historically been the most popular method. In recent times it has also become more common to combine this with positive screening which is based on actively choosing to invest in companies based on sustainability criteria (Fairtradecenter 2012). Some examples of common exclusions (negative screening) are adult entertainment, alcohol, animal testing, firearms and weapons, gambling, nuclear power and tobacco. Furthermore, some examples of positive screens are board diversity, environmental impact, human rights, labor relations and corporate governance (Geddes 2012). Using these screening methods is a good way of minimizing short-term risk, according to a study conducted by Przychodzen et al. (2016). Furthermore, it also enables a removal of unsustainable companies from the investment-horizon (Duuren et al. 2016).

Some commonly used databases for screening purposes are Bloomberg, Sustainalytics, MSCI, IW Financial, EIRIS and Asset4 from Thomson Reuters. These firms collect information from different objective sources, while some also provide interpretation and recommendation. They offer the capability of rating companies based on for example corporate governance, labor practices, human rights and animal rights. They also provide information regarding any involvement in unethical business like tobacco, alcohol and weapons (Geddes 2012).

2.1.4. Continuous monitoring

Nowadays, as the demand for sustainability is growing stronger, investors often seek long-term relationships with organizations. Council on Business and Society (2013) emphasizes good corporate governance as an important factor for investors in their investment process. According to Duuren et al. (2016), this includes meeting and discussing issues with the management and the board of companies and trying to make them perform better regarding ESG factors. Furthermore, the authors argue that governance is closely related to the quality of the management and for many professional asset managers, governance is rated as more important than environmental and social issues (Duuren et al. 2016). Council on Business and Society (2013) exemplifies the importance of corporate governance by looking at the long-term investor Norges Bank Investment Management, which is the asset manager of Norway's sovereign wealth fund, with $650 billion in assets. For NBIM, corporate governance is the foundation for building long-term relationships with organizations (Council on Business and Society 2013).

Another monitoring method is activism, also known as nomination committees, which is a way of influencing the annual meetings by proposing what the board should discuss (Duuren et al. 2016). In Sweden, the nomination committees are shareholder-based and consist of the chairman of the board along with three to five of the largest investors (Gates & Young 2013). "Nowadays, shareholder activism refers to the interest of shareholders in shaping the direction of their company through their participation in the normal processes that shape the company, such as voting through proxies during a shareholder meeting" (Hartmann 2014, p.5).

2.2. Motives for sustainable investments

Integrating Corporate Social Responsibility information in the investment decision is a way for investors to potentially maximize long-term interest and value for shareholders (Kocmanová et al. 2012). Cheng et al. (2014) claim investors prefer to invest in companies that devote resources to their CSR performance and CSR reports because it reduces the informational asymmetry due to the increased transparency. SRI also minimizes risk because it implies investing in responsible companies that value social and environmental factors and not only financial growth (Renneboog et al. 2007). Furthermore, it reduces potential risk factors because fund managers get a deeper understanding of the companies and more awareness of how their business works (Duuren et al. 2016; Przychodzen et al. 2016). Besides decreasing risk, sustainable investing can also be profitable for the investors.

Gómes-Bezares et al. (2016) support the positive economic relationship between sustainability and profits. They claim sustainable companies generate higher returns over time compared to those who don't devote resources to sustainable matters. Therefore they believe CSR dimensions are important for investors to look at in their investment process. Their studies also show the stock price of sustainable companies is more stable than others, which signals that sustainable companies are less risky to invest in (Gómes-Bezares et al. 2016). On the other hand, there are also studies that question the profitability of SRI. Przychodzen et al. (2016) have found that many fund managers perceive ESG as something that doesn't necessarily create long term value. Another study has found that CSR reports don't add financial value, so fund managers should prefer investing in companies fully devoted towards creating profit instead (Cardamone et al. 2012). The relevance of the sustainability reports is often questioned by many investors due to what they describe as a lack of depth and being too short term focused (Childress et al. 2016). It has also been shown, through a study from Laskin (2016), that CSR information is rated as the least valuable source of information by investors.

Another motive for sustainable investments is because of the growing interest from clients. Many of them have become more aware of social and environmental issues in recent times, and along with other stakeholders they demand that companies take responsibility and act in a more sustainable way.

Therefore, companies are encouraged to devote resources to be able to meet these kinds of demands and expectations from the stakeholders (McWilliams & Siegel 2001; Milne & Gray 2013; Székely & Knirsch 2005; Waddock et al. 2002).

Legitimacy theory can also help explain why Socially Responsible Investing has become more popular over the years, as it points out that organizations want to have the image of operating within the bounds and norms of the society. In other words, they want to be viewed as legitimate. These bounds and norms change over time which means it's important for organizations to respond to what is currently seen as ethical behavior (Deegan & Unerman 2011). There are several core elements in the legitimation process which Johnson et al. (2006) identify. The construction of legitimation involves processes where beliefs of how things should be done are included. This creates some sort of expectation of what is likely to happen in certain situations. Also, validation by the local community is important in order to acquire legitimacy. As such, the idea or concept needs to be connected with the existing local culture to gain acceptance (Johnson et al. 2006). Traditionally, organizations strived for profit maximization in order to be seen as legitimate. This has changed over time, and nowadays it's important for successful companies to focus on human and environmental factors as well (Deegan & Unerman 2011). Another theory in the context of legitimacy is institutional theory which tries to explain why organizations within the same sector usually have similar characteristics and structure. A dimension of institutional theory is normative isomorphism which claims that people who work within similar areas usually have similar backgrounds as well (Deegan & Unerman 2011).

2.3. Configuration of the CSR reports

Groenewald and Powell (2016) write that sustainability reports differ to a high extent between companies since there is currently no standardized framework to use in order to establish the reports. This lack of a standardized common framework makes the reports less qualitative (Dawkins & Lewis 2003) and makes investors question their overall credibility (Lock & Seele 2016). Furthermore, investors complain about a lack of comparability between companies and that the non-financial information should be better integrated with the financial information (ACCA & Eurosif 2013). Based on a PwC study Herz and Rogers (2016) refer to, 79% of the surveyed investors were not satisfied with the comparability of CSR reporting between companies that operate in the same industries.

Another issue is brought up by Brown-Liburd and Zamora (2015) who point out that CSR reports may not always be 100% objective, and need to be independently assured in order to be trusted. It is also important that the reports include economic, environmental and social information, but only to the fact that it is relevant for the stakeholders. This is also known as the materiality principle according to Global Reporting Initiative (2017). It is the interests of the stakeholders that should determine the configuration of the reports and what the content of the reports should be (Larsson & Ljungdahl 2008). Therefore, companies have to actively communicate with their stakeholders so the reports become relevant from their point of view (Frostenson et al. 2012). On the other hand, Herz and Rogers (2016) critique how broad the term stakeholder is as it includes anyone in business with the company, anyone who uses their products, people living in places where the company operates and anyone affected by the company's future actions. This can potentially make the reports too broad and investors might question its usefulness (Herz & Rogers 2016). Lastly, CSR reports can also lack depth since it's the companies themselves that choose what is relevant to include, which potentially makes them less relevant (Childress et al. 2016).

3. Methodology

This chapter intends to present how the study was done and explain the different choices that have been made. It is also important to critically assess the work that has been done, and therefore a section has been devoted to discuss and clarify these issues

3.1. Methodological approach

The choice of an appropriate research method depends on how the researchers define the problem, purpose and research questions (Bryman & Bell 2013; Ekengren & Hinnfors 2012). Based on the purpose of this study, a qualitative approach is more suitable since it is a relatively unexplored subject which needs a deeper investigation (Holme & Solvang 1997; Jacobsen 2002). The purpose of this study would not be achieved based on a quantitative approach since it would be too shallow and not provide a possibility to create a deeper understanding of the phenomenon. Furthermore, this qualitative study is conducted through a deductive approach which is a strategy used to grasp reality according to Jacobsen (2002).

A deductive strategy means the researcher makes empirical investigations based on theory and the inductive approach means the opposite where the empirical observations are the foundation for developing theories (Bryman & Bell 2013; Jacobsen 2002). Proponents of the deductive approach believe the best way of working is to gather some kind of expectations of what reality looks like and then collect empirical data in order to conclude if the reality looks like the expectations or not, according to Jacobsen (2002). Since it is unclear how fund managers relate to sustainability and CSR data compared to financial aspects, a mapping of the current theory was necessary in order to create an initial picture of how reality might look like before testing this theory through empirical observations. Therefore, a deductive approach is suitable for this study. However, the authors have also been receptive to adding theories and new ideas connected to the themes along the way. The result has been a study mostly based on theories but also with elements of the authors own explanations and interpretations.

There are several ways to work with and analyze a research question. The most important factor is that the dimensions match the purpose of the thesis (Bryman & Bell 2013; Jacobsen 2002). The design can be either intensive or extensive. An intensive approach is based on deep investigations of a few units, while the extensive approach relies on investigating a large sample of units, oftentimes several thousands. The most intensive studies focus on very few objects, sometimes only one, in order to get a complete picture of a certain phenomenon (Jacobsen 2002). Since it was necessary to gather a proper amount of empirical data, that was not possible for this paper. However, it is still based on an intensive approach due to the deep investigation of the respondents which also fits the purpose. The strength of intensive studies is that the data oftentimes is very relevant due to the low amount of investigated units. As a result, the research is detailed and insightful and has good internal validity (Jacobsen 2002). Using an extensive approach has several downsides. The empirical data is relatively shallow and too controlled by the questions in the surveys. Furthermore, it doesn't give any details of what the individuals really feel about a certain aspect. As such it is very important to decide what is most important; relevance or generalization (Jacobsen 2002).

3.2. Selection of respondents

First of all, it is necessary to get an overview of who the potential respondents are (Jacobsen 2002). This was done by looking at different rankings of sustainable funds which were available at Morningstar and Dagens Industri. Those rankings listed a number of different funds that could potentially serve as respondents for this paper. It was necessary to try to contact respondents that had substantial knowledge of sustainable investing and corporate social responsibility reports in order to provide good information. This is what Jacobsen (2002) describes as "information" criteria. Since the selection criteria should be based on the purpose of the study, which is an in depth analysis of fund managers and ESG analysts relation to sustainability and CSR reports, the "information" criteria fits perfectly.

3.2.1. The respondents

The following eleven persons have been kind enough to participate in this thesis. The presentation includes their background and current employments.

Respondent A

He has 20 years of experience in the financial sector after receiving a Bachelor degree in Business and Administration. He worked as an analyst between 1997 and 2004, first at Hagströmer & Qviberg and then at Alfred Berg. In the year of 2004 he started to work at his current place of employment. He has worked there both as an analyst of different sectors such as commodity, chemistry and workshop and as a portfolio manager. Earlier, he has managed a fund called the commodity - and forestry fund. The fund he currently manages is worth approximately 13 billion Swedish crowns.

Respondent B

He has studied international economics at Uppsala University and has over twenty years of fund managing experience. Nowadays he is responsible for managing all the Swedish stocks that the fund owns, which is currently valued at around 60 billion Swedish crowns.

Respondent C

He has a one year master degree in economics from Uppsala University. Since 2006 he has been working at his current company, and been a fund manager there since 2008.

Respondent D

He has a Bachelor degree in Political Science and English literature and also a master degree in cultural sustainability at Oslo University. After his studies, he has worked as an environmental advisor at a company called Grip before he started working for his current employer, first as an analyst and then as a leader for the team responsible for managing sustainable investment. The mission of the team is to make sure they don't invest in companies that violate international norms and conventions. They are also currently working on establishing a sustainability rating of over 2500 companies.

Respondent E

He has a master degree in finance from Stockholm School of Economics. He has been working at his current place of employment since 2015. His current job is to support the equity fund managers by doing deals, keeping track of the funds and to have a general overview of what is going on. He also analyses potential companies they want to invest in.

Respondent F

He has an MBA degree from Stockholm University. He started working in 1985 as a stockbroker. Since then he has been both an analyst and fund manager at Carnegie before moving on to working as a fund manager in 2007.

Nowadays he is responsible for managing a fund which is responsible for around 23 billion Swedish crowns.

Respondent G

He has worked for his current employer for two and a half years. Currently, he is head of responsible investments and is actively involved in managing a Swedish fund. He is responsible for making the sustainability analysis of companies. He has a degree in economics with focus on development economics and developing countries. Before his current employment, he worked eight years at Ges-Invest where he helped institutional investors to develop and implement policies for responsible investments, and six years at Handelsbanken where he worked with back-office funds, private banking and institutional fund sales.

Respondent H

She has an MBA degree from Stockholm School of Economics. She is currently Head of Sustainable Value Creation at the fund where she works. She has been in the organization for twenty five years, and has worked with sustainable development since 2002. Her current employment includes helping the fund managers to implement sustainability aspects in their investment decisions.

Respondent I

He has an MBA degree from the Swedish University of Agricultural Sciences. He has over ten years of experience working at MÖ Fondkommission and Börsinsikt. He is currently a fund manager and analyst.

Respondent J

He has studied economics at Lund University. He has over 30 years of experience. His current duties are mainly aimed towards taking care of their institutional investors.

Respondent K

She is currently head of environmental, social and governance issues (ESG). She has a degree in agronomy with an environmental focus from the Swedish University of Agricultural Sciences, and has worked in the finance sector since 1999. She has worked at her current place of employment since 2015, with previous employments as senior advisor at Hallvarsson & Halvarsson and as an ESG analyst at Swedbank Robur and GES Investment Services.

3.3. Collection of data

The empirical data was gathered through open individual interviews. In such interviews, the conversation is built up like a normal dialogue, and can be done either by telephone or face to face. Most times there are few or no limits regarding what the interviewee can say. The advantages of using this method is that it makes it easier to ask follow-up questions and get more in-depth answers, which in turn makes the analysis easier (Jacobsen 2002). The interviews were semi-structured, which means they weren't completely open since certain questions were prepared beforehand in order to have a certain degree of structure (Bryman & Bell 2013). All the respondents were given the interview questions a few days before the actual interviews were done, which is an advantage since it makes the respondents more prepared (Jacobsen 2002). The interviews were done by telephone and recorded after the respondents agreed to it. Recording interviews is preferable because it guarantees that all the empirical material is available and can be thoroughly reviewed and analyzed (Barriball & While 1994).

Regarding the theoretical data, it was collected by studying mainly peer reviewed articles, but also by reading articles from well-known newspapers and reviewing student literature. The peer reviewed articles were mostly written in the past five years, which is good because it is important to refer to new and relevant theory. The newspapers were also relevant because it gave access to sustainability rankings that were appropriate for this study. In order to further explain some of the information in the theoretical framework, student literature was preferable.

3.3.1. Processing and analysis of the data

According to Bryman and Bell (2013), striving to find categories in the collected material in order to generate theory is called grounded theory. One part of grounded theory is "open coding" which implies that the data is broken down, researched, compared, contextualized and categorized. This particular method was applied in this study which resulted in three separate themes; the investment decision, motives for sustainable investments and the configuration of CSR reports. After the theoretical framework was sorted out based on the themes, the transcribed empirical data was managed in the same way. The strength of transcribing interviews is that it guarantees all the data is available and nothing is forgotten, which can easily happen by only listening to a recording (Jacobsen 2002). The analysis was then created by matching the theory with the empirical findings, as well as describing new theoretical findings from this particular study.

3.3.2. Research ethics

When research is done, there are several ethical rules that are important to consider. These include confidentiality and anonymity (Bryman & Bell 2013; Ekengren & Hinnfors 2012). Other rules that are essential to consider are free will and integrity, while ethical principles that are of importance are requirements of information, consent, usefulness and false pretense (Bryman & Bell 2013). Furthermore, Ekengren and Hinnfors (2012) provide other ethical issues the researcher has to acknowledge about plagiarism and communication of the results.

In a research context, confidentiality means the researcher knows who has been interviewed but it can't be known who has said what in the study. If confidentiality has been promised, no one outside of the research team should be able to link specific data to specific individuals. Therefore, it's important that the interviewees aren't named in such a way that it is possible to understand who has been interviewed (Ekengren & Hinnfors 2012). This study has named the people who were interviewed but didn't require anonymity, but their answers have been presented in such a way that it's impossible to know who said what. This means that the confidentiality rule has been considered. The respondents were informed they could be anonymous in the study if that's what they preferred, before the interviews were started. Although most of them didn't mind if their names were presented in the thesis, some of them wanted to be unnamed. As such, the anonymity rule was contemplated.

The respondents were told by email and also at the beginning of the phone calls that they were free to decide for themselves whether they wanted to take part in the study. Since the respondents were fully aware that their participation was completely voluntary before the actual interviews were done, the aspect of free will has been considered.

Regarding the information requirement, the respondents were given an overview of the study by presenting the purpose and other similar input several days before the actual interviews. This information was provided through e-mail. It is also ethically correct to ask the respondents if they think it's okay to record the phone calls or if they would prefer that the information is written down directly instead (Ekengren & Hinnfors 2012), which was also done in this study. Furthermore, the fact that the interviews were coded and transcribed gives further proof that the information requirement was met. The gathered empirical data from the respondents will not be used for any other purpose besides completing this thesis, which indicates that the demand of usefulness has been considered.

By referencing and using quotes when data was retrieved from other studies, this study has distinguished between the original sources and own thoughts in order to both protect and give credit to the original authors. Therefore, there's no occurrence of plagiarism in this study. According to Ekengren and Hinnfors (2012) it's also ethically correct to ask the respondents if they want to take part of the results or other printouts of their answers, in order to make sure that their input has been presented properly. This was done during the interviews and the respondents that were concerned with this were given what they asked for. Also, the respondents received the final version of the study.

3.4. Reliability and validity

Judging reliability and validity from research implies critically assessing the quality of the collected data. The validity can be split into internal- and external validity. The internal validity refers to the validity of the results (Jacobsen 2002). There are two ways to control the internal validity. The first way is to ask the respondents about the research and conclusion and see if they can validate the findings. Since the authors can sometimes lose track of reality, it is always good to discuss their findings with others who have good knowledge and experience within that field. The other way is if the authors critically review the results themselves by reviewing the used sources and the information obtained from them (Jacobsen 2002). For this study, the findings have been discussed with some of the respondents and our supervisor while the scientific articles have been checked to make sure they are peer reviewed. Overall, this indicates that the research from this thesis has proper internal validity.

External validity refers to whether the research can be generalized or not, in other words; can it be used in other contexts? (Bryman & Bell 2013; Jacobsen 2002). First of all, it is important to note that the purpose of qualitative research is not to generalize the findings (Holme & Solvang 1997; Jacobsen 2002). As this study is qualitative, the results cannot be generalized. The purpose is rather to get a deeper understanding of fund manager's relationship toward sustainability, which has been accomplished in this paper. In summary, the external validity can therefore be questioned.

Internal reliability is decided based on whether those that have done the research have interpreted the input in the same way (Bryman & Bell 2013). For this particular study, the authors have cooperated to make sure all interpretations and judgements are aligned, and therefore it can be concluded that the internal reliability is good.

External reliability can be explained as how likely it is that the study can be repeated (Bryman & Bell 2013). This is generally difficult within qualitative research because external reliability requires that the environment where the study was done can be recreated so that others can achieve similar results. There are currently no obstacles in the way of performing a similar study, so therefore the external reliability seems to be good. However, the circumstances can change quickly depending on external decisions like for example an implementation of a common framework for CSR reports.

Lastly, the respondents get affected by the researcher in different ways which can affect the results (Jacobsen 2002). Since the study is based on telephone interviews it can't be argued that the respondents were affected due to physical circumstances. Furthermore, the interviews took place in the respondent's own offices which indicates that they were comfortable. This argument also strengthens the reliability of this study.

3.5. Methodological criticism

This thesis is a qualitative study which means there will always be a certain degree of subjectivity involved, which is hard to neglect (Bryman & Bell 2013). There is also a risk that the authors don't interpret all the data correctly since they don't have work experience connected to CSR and sustainability (Thurén 2014). Qualitative studies also make it difficult to generalize the results. (Bryman & Bell 2013; Jacobsen 2002). The authors are aware of the subjectivity and potential lack of correct interpretations. However, this is a thesis conducted on a one-year master level which implies that the authors have a good general knowledge of this subject. In this paper it is not possible to draw any general conclusions but that is not the purpose of a qualitative study. The purpose is rather to understand and develop certain concepts and phenomena (Jacobsen 2002).

A deductive approach often indicates that the researchers only collect data they think is relevant and useful based on their initial expectations before the start of the project, which may limit the range of information. This means there is a risk that important information is overlooked. At the same time, human beings do not have the capacity of gathering all relevant information (Jacobsen 2002). The authors felt it was important to have some kind of framework of what reality looks like in order to not miss relevant information, and therefore a deductive approach was appropriate.

This study was based on the information criteria which emphasize the importance of knowing how much knowledge the respondents possess beforehand, this can be regarded as a criticism according to Jacobsen (2002). Since the respondents were working at well-known funds high up in the hierarchy and most of them also had many years of experience, it is reasonable to assume they have deep knowledge of the research questions. Another approach, according to Jacobsen (2002), is to use a snowball selection. This was not appropriate because this study wanted respondents independent from each other and working at different funds, in order to maximize the potential of getting objective empirical data.

It is also important to note that the initial goal was to focus only on fund managers, but due to a relatively poor response (more than half of the potential respondents declined an interview) it was decided to also include some ESG analysts as respondents. The ESG analysts were chosen because they have substantial knowledge of sustainability and their main task is to provide fund managers with CSR data. Since one of the themes of this study was to investigate how CSR information is used in the investment decision, it may not be suitable to talk to ESG analysts instead of fund managers since they don't make the final investment decisions.

In an interview, the interviewee might have to interact with an unknown person who may ask sensitive questions. There is a risk that the answers might not be honest. However, since the interviews for this study were done by telephone, the respondents were likely to feel more relaxed and comfortable (Jacobsen 2002). It is possible that the researchers would have gotten better information from face-to-face interviews since it makes it more personal, but due to cost-related reasons such an approach was not possible as the respondents were spread out through Sweden.

Although the paper is written in English, many of the references are written in Swedish. This can potentially lead to some information being lost in the translation process since the author's native language is Swedish. Furthermore, it makes it difficult for non-foreign readers to verify and critically assess the Swedish references.

All the references in this paper are not peer reviewed articles, which can make some readers question the reliability of the theoretical framework. The information from sources that were not peer reviewed was only used to expand a few of the arguments and didn’t have any sort of major impact on the overall purpose of the paper.

4. Empirical results

In this chapter, we report our empirical findings along the three main themes of our study; the investment decision, the motives for sustainable investments and the configuration of the CSR-reports. How do the respondents practically embed sustainability in their investment decisions and what information do they use? Why do they consider sustainability aspects at all? What are their opinions of the CSR reports based on how they are currently configured?

4.1. The investment decision

Our respondents work actively with sustainable investments. As such, they often follow international conventions which enable them to exclude companies that violate those terms before getting into the analysis of financial- and CSR data. It is only natural that their overall investment process varies from person to person, but in general our respondents combine the financial information with the CSR information to create a foundation for their investment decisions. Besides the annual reports, they also tend to use external databases such as Sustainalytics, Bloomberg and MSCI as well as external consultants that provide additional information of the companies they already are owners of or want to invest in. As responsible investors a common theme also seems to be reoccurring meetings and dialogues with the management of those companies.

4.1.1. Financial information

A common theme among most of our respondents is that they review the financial reports a few years back in time in order to gain knowledge of how the companies have performed in the past. The most common factors they study are cash flows, different kinds of margins (such as debt/equity and price/earnings ratios) and dividends. Some other factors mentioned by the respondents are Economic Value Added and economic growth. When this information has been analyzed, the respondents have a better picture of the company's financial situation. Those companies that pass this sort of "initial screening test" are then further analyzed by studying other factors such as sustainability information.

4.1.2. CSR information

CSR information gives our respondents a chance to explore what actions the companies have taken historically in order to develop their sustainability work while also getting information about current and future activities. Looking closely at CSR information is important for all our respondents, but there is a difference in in how they gather the data. While most of them study the CSR reports in detail, others evaluate the information indirectly through external databases like Sustainalytics.

We have also discovered that our respondents study companies in two different ways. The first approach is to look at different issues depending on what sector a specific company operates in. For example in the clothing industry, one respondent informs us that he studies supply chains and working conditions in the countries of concern, but also how they handle and manage the cotton. Meanwhile, in the industrial sector, he considers safety issues and for example from where the steel that is used for production is obtained. Another respondent says it’s important to focus on the information that is most financially relevant in a specific sector. He exemplifies by mentioning the industry- and energy sector where he focuses on energy effectiveness and emissions.

The other approach some of our respondents use is to study factors based on specific problems that companies might have, rather than looking at certain information just because a company operates in a specific sector. This is based on the idea that every company has its own unique set of problems and possibilities and therefore it would be foolish not to focus on those factors. One respondent develops his thoughts by telling us that he focuses on data and issues that stick out, rather than investigating everything in detail.

Although the interviewees have different ways of assembling CSR information, many of them have mentioned some similar factors that are interesting to investigate further. These include supply chains, products and product processes. Another important part of the sustainability analysis, which several of our respondents have mentioned, is to make sure the companies CSR statements are anchored to the underlying business and that they know what they are talking about.

One respondent emphasized looking at how companies are exposed towards current and interesting trends such as water, climate and health, while another respondent mentioned factors like where the fabrics are located and the risk of companies using child labor. A very interesting idea was brought up by the same respondent when he said it is important to be aware of technical shifts that might occur. He exemplifies by mentioning Eniro, whose previous business idea were telephone books. Due to the development of the internet that idea quickly went down the drain.

4.1.3. Screening

All of our respondents use financial- and CSR screening as part of their investment decision, which makes it easier to decide which companies are interesting to look closer at as well as which ones they can exclude. The financial screening, as previously mentioned, can consist of studying financial input such as cash flows, dividends, price/earnings and other marginal factors. The most commonly used database among the respondents for CSR screening purposes is Sustainalytics, while several also mention Bloomberg and MSCI. Sustainalytics, for example, consists of an ESG-analysis and a function that monitors if companies are involved in controversies, quality problems, corruption and so on. All respondents agree the main purpose of screening is to help them figure out which companies are the most interesting to potentially invest in. Therefore, screening is seen as an important part of the investment process, but many other aspects matters as well. It can be concluded that the respondents use the input from the databases but also try to create their own conclusions of how the companies currently are performing.

There is a difference among the respondents regarding how much they value the input from these databases. While some view it mainly as supporting data, others rely more heavily on those numbers in their investment decisions. It seems this is based on the size of the fund and how much resources they have that can be fully devoted to CSR research. The correlation seems to be that as the amount of resources increase, the emphasis of the screening data decreases. For instance, the bigger funds generally have employed ESG-analysts that possess a lot of knowledge within the area and therefore it's only natural that they have resources to make their own analysis compared to the smaller funds that don't have the same possibilities. Another decisive factor regarding how much the respondents use screening is the number of shareholdings in the portfolio and where those companies are located. Funds that operate on a global scale have to rely more on screening methods compared to funds that focus for example only on the Swedish market. The two main reasons for this is that first of all, the global funds usually have many more holdings in their portfolio and secondly, it requires a lot more time and resources to continuously visit all those companies. One of our respondents tells us that he and his team have invested in several thousands of companies and therefore it's hard to keep track of all of them individually.

Two of the respondents have a critical view of how some of their competitors in the Swedish market do their sustainability screening. They feel it's an "easy-way-out" to rely only on external databases like Sustainalytics instead of actually visiting the companies and studying the CSR reports. By letting someone else do the work, the screening method of using external databases also makes it easier to put the blame on others if something goes wrong. The respondents also doubt how accurate those databases are since they don't think the people working there actually visit and actively communicate with many of the companies they report on. On the other hand, one of the respondents thinks very highly of Sustainalytics. This is because he believes companies often provide CSR reports that are well written and informative, but doesn't include negative information such as quality problems or involvement in cartels which he can find out later by using Sustainalytics.

4.1.4. Continuous monitoring

After our respondents and their team have made an investment, it's obviously very important to make sure those companies keep focusing on sustainability and CSR issues to the extent that both the investors and their clients are satisfied. Ways of achieving this is for example by using governance tactics such as participating in nomination committees, attending shareholder meetings and having a continuous dialogue with the companies. Furthermore, it is also quite common to use the previously mentioned screening process as yet another part of the monitoring work.

All the interviewees believe governance is a vital part of their continuous monitoring process, but there is a difference in what methods they primarily use for this cause. There is a slight predominance of being part of nomination committees among our respondents. One of our respondents explains that these committees usually consist of three to four of the biggest owners along with the company president. Together they come up with proposals of what should be discussed in the annual meeting. In practice this gives them an opportunity to influence what the board discusses at the meetings, which means they can for example bring up questions related to sustainability which are hopefully approved at the annual meeting.

Another collective approach among all our respondents is to have a continuous dialogue and meetings with the management of the companies they invest in. This gives them a chance to clear up any questions they might have, or something that has caught their attention in the screening process.

There seems to be varying thoughts about nomination committees and their importance. The positive aspects are associated with power and that it's an excellent way to influence companies and ensure that certain demands are properly met. Others think it limits their way of managing their holdings since they commit too much of their capital to individual companies which reduces their freedom to buy and sell as they want. Furthermore, it requires a deeper commitment than they are willing to engage in says one of the respondents.

4.2. Motives for sustainable investments

There seems to be four major reasons why our respondents are keen on researching CSR information and working with sustainable investments. Being aware of risks and opportunities, making profits, customer demand and personal interest are empirical findings that explain what motives our respondents have.

4.2.1. Risks and opportunities

Understanding the risks and opportunities of a certain company is essential for our respondents, and they all have a common attitude on this topic. They feel that using and studying CSR information results in a deeper understanding of how the companies manage their sustainability which in turn leads to a better overall investment decision. The information is also used to assess the maturity level of the company and how far they have proceeded in the sustainability area. One of the interviewees says he always makes an assessment of how likely the company is to create long term value by evaluating if they have a sustainable business model or not. Sustainability is so important for him that he will probably refrain from investing in a company that has good financials and can be bought at a good price, but are lacking in their CSR work. Another respondent explains that analyzing CSR information makes it easier to compare companies in specific sectors, since it gives them extra data in their overall investment decision.

4.2.2. Profits

Besides getting a deeper understanding of companies, our respondents also agree there is a positive correlation between CSR and financial return. In other words, sustainable investments are more likely to generate higher long term profits compared to investments in companies that don't focus as much on those issues. One respondent thinks it's a positive sign when companies take sustainability seriously because it shows they are responsible and oftentimes indicates that the rest of the business is also in good order. Another respondent believes engaging in sustainability may have some short term financial drawbacks, but in the long run it can create more effective solutions and an increase in productivity and ROE. He says it gives a long term competitive edge and a lower risk for the investors. Sustainable investments will hopefully generate satisfying profits within three to five years says one of the interviewed fund managers.

Although the respondents agree on the positive correlation between sustainability and financial return, the skill of the individual fund manager is also an important factor. One respondent emphasizes that it's up the fund managers themselves to be able to select which companies that are the most profitable. Just because a fund is labeled as sustainable doesn't automatically guarantee good returns he says.

Looking into CSR and sustainability information can result in good profits, but it can also give protection from financial losses. All our respondents tell stories of when they have refrained from and/or withdrawn investments due to a lack of sustainability. The previously mentioned screening process provides information of which companies are suitable to invest in and which ones they can exclude from further analysis, so it works as a sort of investment filter. Furthermore, some of our respondents can also refrain from investing based on information from external consultants or when they make their own in-depth analysis of a certain company.

Our respondents generally withdraw from made investments when they feel there is a lack of communication and cooperation. If the respondents think the companies have done something wrong and yet they don't listen to the critique and act accordingly, then they will discontinue their partnership. An example of a withdrawal was when a respondent excluded a company that delivers measuring systems. The reason was because they weren't able to provide satisfying information about their supply chains in China and therefore it was difficult to judge them in that aspect. Another similar example is when a Swedish multinational petroleum company faced a lot of criticism due to their operations in Sudan. This company didn't cooperate with one of our respondents or listened to his demands, which was the reason for withdrawing their investment. Other times the withdrawals are made simply because companies act in a very unethical way, for instance by using child labor or taking part in other inhumane activities. For example an Indian company that had a lot of fatal accidents in the workplace which weren't improved while also being involved in controversial cole projects. That resulted in an immediate withdrawal from our respondent.

4.2.3. Demand from customers

It is recurrent among the respondents that there has been a growing awareness and demand from both private and institutional clients for sustainable investments in recent times. As a result, they offer ethical funds that only invest in sustainable companies nowadays. The institutional investors our respondents work with don't want to contribute to global warming and therefore many funds have created fossil free options for them. One of our interviewees believes it creates a certain type of culture at his company since they always do what they believe to be in the best interest of their customers. He says the concept of putting their customers first is firmly established from top to bottom in their organization.

4.2.4. Personal interests

For most of the respondents, personal opinions and interests have also been a contributing factor to their sustainability work. They also think it's positive if their colleagues are involved and informed in this matter. One of the interviewed fund managers says it's regarded as a big risk if you don't have the necessary knowledge in the sustainability field of things like governance and environmental issues. Sometimes the sustainability interests are anchored in the underlying organization from top to bottom. One example is a family owned fund where the owner wants the employees to actively work with sustainable investments. Another example is a fund where these issues are anchored throughout the whole organization including the CEO, board members and so on. Employing people that truly believe sustainability is an important matter will eventually create an organizational culture that doesn't change just because certain individuals leave the company. The sustainability focus will continue no matter what.

4.3. Configuration of the CSR reports

Due to the current lack of a common framework, our respondents have similar thoughts and comments about the sustainability reports and how they are configured. First of all, they feel the reports are currently hard to compare since they look different for different companies. One fund manager exemplifies by discussing water usage. A certain company might consume a lot more water since their business idea requires it, while another company really only needs it so their employees can wash their hands and so on. Then it's only natural that one company is "less sustainable" than the other, but really there is no point in comparing that information because it's not relevant at all he says. A similar insight from another respondent is that the reports oftentimes are very contradictory. He exemplifies this by explaining about an asian company that manufactures solar cells. That company receives poor sustainability rankings because they have too much overall consumption in their production process, but in the end their products are very beneficial for the environment.

Another negative aspect caused by the lack of a common framework is that several respondents feel concerned about the fact that companies can avoid disclosing certain information in the reports. This enables them to focus on positive aspects and avoid the negative ones. For example, one of our respondents explain they have to report on how much carbon dioxide they have in their funds, but the actual companies causing the emissions don't necessarily provide those numbers in their reports which is problematic. Another respondent feels it's not a big issue on the Swedish market since he oftentimes knows the companies quite well, but it can be more difficult to assess reports from foreign companies.

Other respondents have also mentioned that the CSR reports usually have too much text and "storytelling", rather than focusing on concrete numbers and hard facts. It's also quite common that the CSR-report issued by companies become like a sort of "check list" instead of focusing on reporting on the underlying business, which is criticized by some of the respondents. Therefore, it's important that the companies can relate to the report and know what they are talking about, instead of just using it to make themselves look good for marketing purposes. Our respondents believe a good overall solution to these problems is to implement some sort of standardization of the reports. On the other hand, there are also ideas that a stricter framework can slow down the transitioning period. Companies need flexibility.

5. Analysis

The analysis is divided into the three themes; the investment decision, motives for sustainable investments and the configuration of the CSR-reports. The goal for this chapter is to connect relevant theory with the empirical findings, as well as trying to connect the themes to see how they relate to each other.

5.1. The investment decision

The respondents in this study use both financial and CSR information in their investment decisions. It's also obvious that they use different sources of information, at least when it comes to CSR information. This is supported by The Efficient Market Hypothesis which presumes capital markets will react in an efficient and unbiased manner to information available to the public. Investors and financial analysts use many different sources due to the competition for information (Deegan & Unerman 2011). According to EMH, the respondents perceive CSR information as an additional source of information that helps them to make rational decisions since the market works efficiently and in an unbiased manner. Since people make rational decisions it also indicates that what is perceived as interesting and relevant when it comes to information varies. Therefore, the respondents regard different kind of financial- and CSR information as relevant and important.

The respondents seem to have similar patterns of what they deem as important financial information. First of all, studying financial reports a few years back in time to get information of their past performance is a natural first step. Other financial parameters all the respondents look at are dividends, P/E ratios and cash flows, which is supported by Barker (1999), Demirakos et al. (2004) and Imam et al. (2008). The financial analysis can be seen as an initial screening test according to one of the respondents, and those companies that pass the test are then further analyzed by studying CSR information. This is in line with Duuren et al (2016) and Eurosif (2016) who say the screening process is a way to exclude companies in their investment process.

The empirical data shows there are two main patterns of how to study companies CSR work. The first approach is to look at issues connected to the specific sector a company operates within. For example in the clothing industry, one of the respondents says he studies supply chains and working conditions including how they manage the cotton. Meanwhile, in the industry sector, he studies for example safety issues and where the steel used for production has been obtained. It is also important to focus on the information that is the most financially relevant in a specific sector, which is supported by Moneva and Cuellar (2009) since they claim that investors seem to value information about social and environmental issues that is financially related in some way. The other approach some of the respondents use is to study company-specific issues rather than sector-specific ones. This enables them to focus on the unique problems (and possibilities) of specific companies. Studying company specific or sector specific issues is a way for the investors to reduce the information asymmetry and increase their knowledge of the companies, which can be derived to the discussion provided by Cheng et al. (2014).

Another method all the respondents like to use in order to receive further input of companies CSR work is screening. Screening allows them to efficiently exclude companies that are not suitable for investments due to a lack of sustainability in one way or another, which is known as negative screening (Duuren et al. 2016; Eurosif 2016). A logical assumption is that the screening process can be viewed as a kind of risk-minimization tool since a screening process provides information that might not be available in the financial- and CSR reports, which is discussed by Przychodzen et al. (2016). Interestingly enough, the empirical data shows there is a difference regarding how much the respondents actually value the input from these databases. This seems to be based on the size of the fund and how much resources they can fully devote towards CSR research. As the amount of resources increase, the emphasis of the screening data decreases. A logical conclusion of this statement is that the bigger funds usually have employed ESG-analysts that make their own in-depth analysis of the companies they want to invest in, while the smaller funds don't have the same possibilities. Furthermore, the empirical data from the respondents suggests that funds with a large amount of holdings in other countries also rely more on the screening data because it's quite difficult to set up continuous meetings and so on.

Corporate governance is important for our respondents in their investment process. This is the foundation for their continuous monitoring process of companies they have invested in, to ensure they keep track of sustainability and CSR issues in their daily work. Brown et al. (2015) conclude that many investors even prefer communication with the management of a company rather than the actual financial information. Dureen et al. (2016) also say that corporate governance is rated as more important than environmental and social issues among fund managers. Therefore it can be argued that corporate governance is a very effective way of influencing companies. Among our respondents, the most frequent method in the context of governance is to be part of nomination committees. However, a few of the respondents do not want to be part of nomination committees since they feel it requires them to commit too much of their capital to individual companies which reduces their freedom to buy and sell as they want. A logical reasoning of this information is that these respondents do not want to commit a substantial amount of capital to a specific company as there is always a risk of something unexpected to happen, which in turn has a negative effect on their profits.

Overall the investment decision looks pretty much the same among our respondents. The similarities can perhaps be explained by institutional theory, which assumes organizations within the same sector are usually structured the same way and do things in a similar fashion (Deegan & Unerman 2011). Therefore, the desire to be perceived as legitimate can be displayed as not wanting to deviate from other companies and colleagues in the same sector. If the funds look the same and manage things in the same way they will be viewed as legitimate by society. A dimension of institutional theory is normative isomorphism which assumes that organizations look the same because they usually consist of people with the same values, backgrounds and so on (Deegan & Unerman 2011). Many of the fund managers and ESG analysts indeed have the same values and backgrounds, for example when it comes to education level, which explains the similar approach to the investment decision.

5.2. Motives for sustainable investments

There are four major aspects motivating the respondents to invest sustainably; being aware of risks and opportunities, making profits, customer demand and personal interest. Understanding risks and opportunities associated with specific companies is important for all the respondents, and using and studying CSR information results in a deeper understanding of how the companies operate and also helps to assess the maturity of the company and how far they have proceeded in the sustainability area (Duuren et al. 2016; Przychodzen et al. 2016). Sustainability is so important for one of the respondents that he will probably refrain from investing in a company that has good financials and can be bought at a good price, but is lacking in their CSR work, since it is a big risk factor.

Beside the benefit of getting a deeper understanding and insight of the companies, the respondents also agree there is a positive correlation between CSR and financial returns. One of the respondents explains that sustainable investments can have some negative financial short term effects, but in the long run it can increase the productivity and return on investment. He believes it gives a long term competitive edge and a lower risk for the investors, which is supported by Gómes-Bezares et al. (2016) who reveal that sustainable companies oftentimes have a more stable stock price which signals that they are less risky to invest in. Even though the respondents agree on the positive correlation between sustainability and financial return, another important factor is the skill of the individual fund manager. At the end of the day it is up to the fund managers themselves to decide where to invest, and just because a fund is sustainable doesn't automatically guarantee good returns, according to one of the respondents. A possible explanation for this is that there is currently no standardized framework for the CSR reports and therefore the investors have to be more reliant on their own skills and experience, compared to the financial reports where everyone has access to the same information. Investigating CSR and sustainability information can be very profitable, but it can also give protection from financial losses. All the respondents have refrained from and/or withdrawn investments due to a lack of sustainability in specific companies, mainly thanks to the screening process but also due to information from external consultants or their own in-depth analysis of a certain company. This can be related to Przychodzen et al. (2016) who say that screening methods is a good way of minimizing short-term risk, and Duuren et al. (2016) who say screening enables a removal of unsustainable companies from the investment horizon.

Another reason why sustainable investments have increased among the respondents is because of a growing awareness and demand from private customers and institutional clients for sustainable investments. Many of the funds where the interviewees work have for example created fossil free funds for the institutional investors who oftentimes don't want to contribute to global warming. Legitimacy theory can largely explain why socially responsible investing has increased in recent years. Organizations want to be seen as operating within the bounds and norms of the society, which means they want to be viewed as legitimate. Since these bounds and norms change over time it's important for the organizations to respond to what is currently deemed as ethical behavior (Deegan & Unerman 2011). In order to acquire legitimacy, the local community needs to validate those actions. Therefore, the idea or concept needs to be connected with the existing local culture in order to be accepted (Johnson et al. 2006).

Legitimacy theory is also applicable on the profit motive because if the fund is not perceived as being legitimate, the profit might decline since the clients turn somewhere else. According to legitimacy theory there's also reason to believe our respondents follow the recommendations of international conventions because their clients believe that this is important. By operating in accordance with the conventions, their might obtain legitimacy from the customers. According to the EMH individuals make rational decisions on an efficient market. Therefore it's only logical that the respondents want the customers to perceive them as legitimate since it creates trust and most likely a larger customer base, resulting in greater profits for the respondents. So by being rational, they will obtain legitimacy and increase the profits. The similarities in the respondent's investment process can also partially be explained by institutional theory, since acting similarly to other companies also gives a sort of legitimacy. This is basically because the customers have certain expectations from previous experiences that need to be met properly.

Personal interest has also been a recurrent explanation of why the respondents work with sustainable investments. One reason is because it's a big risk factor if a fund manager doesn't have the necessary knowledge in the sustainability field of things like governance and environmental issues, says one of the respondents. If all employees are personally dedicated to sustainability in general, it creates a certain type of culture throughout an organization that will be continuous even if some of the staff is replaced by others. Based on the efficient market hypothesis, the market works in an efficient and unbiased manner and therefore people make rational decisions. Since personal interests is one of the motives for sustainable investments, the respondents have other interests that not are perceived as being rational according to EMH. Therefore, the EMH needs to be examined further.

5.3. Configuration of the CSR reports

There seems to be similar opinions about the sustainability reports and how they are configured among the respondents. According to Groenewald and Powell (2016) the reports differ between companies due to a lack of a common framework. One of the respondents exemplifies by talking about comparing water usage. A certain company might consume a lot more water since their business idea requires it, while another company really only needs it so their employees can wash their hands and so on. Then it's only natural that one company is "less sustainable" than the other, but really there is no point in comparing that information because it's not relevant at all he says. This lack of a standardized framework creates a scenario where it's hard for the respondents to compare companies to each other since the reports are less qualitative (Dawkins & Lewis 2003) and makes investors question their overall credibility (Lock & Seele 2016).

Several respondents are also worried that companies can potentially avoid disclosing certain information in the reports because of the lack of a framework. This is in line with a study done by Brown-Liburd and Zamora (2016), who conclude that the CSR reports may not always be fully objective. Larsson and Ljungdahl (2008) believe the reports should be based on the interests of the stakeholders, but that does not seem to be the case since companies are able to hide negative aspects and focus only on the positives. It is therefore necessary that the companies have an active dialogue with their stakeholders and make the reports useful from their perspective as well, which is brought up by Frostenson et al. (2012). One respondent explains that it's hard for his fund to know how much carbon dioxide the companies they have holdings in are emitting since they don't necessarily include that in their reports. This is a good example of Childress et al. (2016) arguments, saying that the reports lack depth since the companies themselves choose what to include in the reports, which makes them less relevant for the stakeholders.

Brown-Liburd and Zamora (2015) point out that the reports should be based on environmental, social and economic aspects but only regarding information that is relevant for the stakeholders. Some respondents have indeed been critical to the excessive amounts of information in the CSR reports, and one respondent says they need to be more focused on concrete numbers and hard facts in order to be useful. Other critique from the respondents is that the reports have become a sort of "check-list" for the companies, meaning that it's not really connected to the underlying business but rather just something they give out to “get it done”. It seems these companies want to be viewed as legitimate by their surroundings without devoting much time and resources, which can be regarded as an “easy-way-out”. A probable solution to this issue, as well as the previously mentioned ones, is to create and implement a common framework similar to how the financial reports are structured. Such action would increase the comparability of the reports as well as provide better guidance of how they should be structured.

The lack of a standardized framework for the CSR reports can have both positive and negative impacts on the investment decision. The negative aspect is that it makes it harder to compare companies to each other since they oftentimes don’t provide the same information. This creates a situation where the respondents have to use other input in their investment decisions such as databases like Sustainalytics, external consultants, dialogue with the companies and so on. The lack of a proper framework creates a certain degree of uncertainty, which perhaps is why the respondents explain that one of the motives for sustainable investments is that they get a deeper understanding of the companies which reduces the risk. By including sustainability data in the investment process, and not only financial information, they get a better overall knowledge of the companies. However, if the respondents are able to interpret the information in the CSR reports better than other actors on the market, then they all of a sudden have a potentially big edge compared to their competition which can generate good profits.

6. Conclusions

This chapter presents conclusive remarks based on the three previously mentioned themes. Suggestions for further research are also presented.

The purpose of this study was to investigate fund managers and ESG analyst's relation to three different sustainability themes; what input they use, and how, in their investment decision, their motives for sustainable investments and their opinions on the current configuration of the CSR reports. This was done by interviewing eleven respondents with good knowledge of the subjects. It is also important to point out that the conclusions from the study cannot be generalized, but that is not the purpose of qualitative studies. Instead the focus has been to get a deeper knowledge of the themes based on the empirical data from the respondents.

The respondents in this study use both financial and CSR information in their investment decisions. All the respondents use screening methods to be able to include and/or exclude companies from their investment plans. After the initial investment is done, the respondents say that governance is a very important factor in order to continue their monitoring. This includes continuous communication with both the companies and external consultants, as well as participating in nomination committees and attending shareholder meetings. A conclusion that can be drawn is that the respondents have several ways of gathering information, which is necessary in that kind of environment with a lot of competition. If one company has access to more information than another that will most likely give them an edge. Another conclusion is that the respondent's investment decisions are generally very similar to one another. This supports the idea that organizations within the same sector oftentimes are structured the same way and do things in a similar fashion.

Based on the respondent's answer, it can be concluded that there are four major motives for sustainable investments; it raises awareness of risks and opportunities, creates profit, satisfies customer demand and several respondents also have a personal interest in these matters. Since it is important to be viewed as legitimate by the local community, it is key for the respondents to offer their clients sustainable investment options. By implementing sustainable investments the profit is likely to increase due to the positive correlation between sustainability and financial return. This goes hand in hand with the customer demand for sustainable investments since the profits are likely to increase if the funds operations are perceived as legitimate.

Sustainable investments include getting to know specific companies on a deeper level which makes the respondents more aware of potential risks and opportunities. It can also be concluded that several of the respondents are personally interested in sustainability, which makes it interesting and rewarding to work with. It also creates a certain kind of culture if all the employees of an organization are equally dedicated to sustainability.

Regarding the configuration of the CSR reports, the respondents criticize the lack of a common framework and the subjectivity of what is currently included in the reports. At the moment companies are allowed to choose for themselves what to include in the reports which means they can promote the positive aspects and minimize the negative ones. The respondents would prefer if the reports consisted of standardized and validated information, which is a sign of an efficient market. Furthermore, many of them also prefer to use more informal sources like dialogues with companies and/or external consultants in order to try to be one step ahead of the "efficient market". With that in mind, it is quite a paradox that the lack of standardization in the reports could potentially be an advantage. If the respondents can interpret the CSR reports better than their competitors, that can give them a huge edge and potentially create nice profits since they are more aware of the risks and opportunities of a certain company.

6.1. Future research

This study has focused on three general themes. Along the way it was discovered that databases such as Sustainalytics and Bloomberg are important tools for most of the respondents. Therefore it could be interesting to do some kind of in-depth study of these databases. What kind of information can be found? How do the people working there gather the information? Is there any reason to question the information in the databases?

Another suggestion is to do a follow up study in case a standardized framework is implemented for CSR reports in the future. What do the fund managers and analysts think about it compared to what this study has shown?

Lastly, it would be interesting to compare "green investors" with others to see what is different in their view of CSR. What are the concrete differences between them in their investment process?

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