How sustainable funds assess sustainable investments

An investigation of how fund managers of sustainable funds assess investments using ESG-factors in Sweden

Oscar Wikström

Degree project/Independent project • 30 credits
Swedish University of Agricultural Sciences, SLU
Faculty of Natural Resources and Agricultural Sciences / Department of Economics
Agricultural programme – Economics and Management
Degree project/SLU, Department of Economic, 1470 • ISSN 1401-4084
Uppsala 2022

How sustainable funds assess sustainable investments. An investigation of how fund managers of sustainable funds assess investments using ESG-factors in Sweden

Oscar Wikström

Supervisor:	**Karin Hakelius, Swedish University of Agricultural Sciences, Department of Economics**
Examiner:	Richard Ferguson, Swedish University of Agricultural Sciences, Department of Economics

Credits:	30 credits
Level:	A2E
Course title:	Master Thesis in Business Administration
Course code:	EX0906
Programme/education:	Agricultural Programme – Economics and Management
Course coordinating dept:	Department of Economics
Place of publication:	Uppsala
Year of publication:	2022
Copyright:	All featured images are used with permission from the owner.
Title of series:	Degree project/SLU, Department of Economics
Part number:	1470
ISSN:	1401-4084
Keywords:	Sustainable investment, ESG Assessment, Sustainable Funds, Fund Manager, SRI, Financial Sustainability

Swedish University of Agricultural Sciences
Faculty of Natural Resources and Agricultural Sciences
Department of Economics

Abstract

Sustainability focus within businesses has gained increased attention in recent decades, not least in the financial market in recent years. Even though sustainability has received increasing consideration and attention, research still shows that the concept is difficult to define as many definitions exist and at least as many approaches to achieving it. This means that the concept also becomes difficult to measure in practice.

In step with the increased attention to sustainability in the financial market, demand has also followed. To meet demand, many of today's financial institutions today offer sustainable funds. Sustainable funds are put together and managed by fund managers who work for the fund companies. Due to this, this study aimed to explore how sustainability is understood and integrated with the help of Environmental, Social and Governance factors and how these are assessed by fund managers in Sweden.

The study was conducted through a qualitative content analysis of three semi-structured interviews with three fund managers in Sweden. The study found that the understanding and definition of sustainability distinguish fund managers from each other and there is no clear consensus on the concept. It is through their understanding of the concept that sustainability is integrated into the investment processes using sustainable investment strategies and compliance with corporate policies. However, it is difficult to give a clear answer on how Environmental, Social and Governance factors are assessed as the fund managers rather assess an assessment already made and subsequently use different types of sustainable investment strategies to create an appropriate investment.

Keywords: Sustainable investment, ESG Assessment, Sustainable Funds, Fund Manager, SRI, Financial Sustainability

Table of contents

Prologue

Agriculture is a crucial practice for human survival (Arora 2018). Its importance has been so crucial that entire societies have been shaped according to the needs of agriculture. Ever since the industrial revolution, agricultural practices have become increasingly efficient, which has led to global food systems succeeding in producing more and more food, even more food per capita (Loring & Sanyal 2021). Even though more and more food is being produced, there are communities on a global level that suffer from famine at the same time as other communities that, as a result of eating too much, suffer from obesity- and related diseases, illustrating a skewed distribution of resources (Arora 2018).

Developments in agriculture practice has over the past half century gone from diversification to favor specialization (Mazoyer & Roudart 2006). Specialization means instead of having a wide range of products, the average farmer focuses on a few high-quality products. Productivity has increased due to technological progress and policies that have favored production maximization to meet market demand (Mazoyer & Roudart 2006).

The improvement in efficiency is seen as a technological success as more and more people can benefit from the improvements (Campbell et al. 2017). Despite the development being a success, it has entailed large non economical costs, such as social and environmental costs (Campbell et al. 2017). Some of the costs have arisen from new land being taken over for use as productive farmland and the use of chemical fertilizers and pesticides has been promoted through regulations (Arora 2018). Changed land use and the use of chemicals have meant that social and natural values have been overlooked in favor of producing food.

The agricultural sector is different from many other sectors, mainly due to its importance for its crucial product, food, and how the industry affects the environment and society (van Mil et al. 2014). The sector has a profound impact on the world economy, trade, and global political stability.

The agricultural sector's system consists of several components, partly the components that are necessary for the actual food production, distribution, and value creation as well as the requirements placed on the food such that it must be healthy, tasty, safe, affordable, sustainably produced in sufficient quantity (Allen & McGlade 1987; van Mil et al. 2014). Because of these components and how they are affected by each other and their continuously change, the agricultural sector is considered a complex system. The agricultural system interacts with other complex systems such as the economic, healthcare, and socio-cultural systems (van Mil et al. 2014). Due to its importance and impact, great attention is paid to the safety and security of agricultural products. Furthermore, the industry receives attention through debates about different types of regulations and how agriculture practices affect society and nature (Mazoyer & Roudart 2006).

As the sector is constantly undergoing continuously change, it is important for the agriculture and food industry's value creation process to gain a better understanding of its customers and what is demanded (Wikström et al. 2010). The change mainly takes the form of trends, customer requirements and new technology. Due to the continuously change, which gives rise to a complexity in the value creation process, it is crucial that the customer ends up in focus so that the companies can deliver products of high value in an efficient course (Wikström et al. 2010).

The agriculture and food industry faces several global challenges such as climate change, biodiversity loss and freshwater contamination (Evans et al. 2019). Issues of how scarce natural resources should be managed such as land and water need to be addressed, in addition to that the question of how different types of market fluctuations should be treated, such as volatility in price and demand of agricultural in- and output goods (FAO 2016). Furthermore, malnutrition and hunger are increasing globally and the ability of today's food system to provide for future generations is doubtful, based on the expected effects of climate change, population growth and the supply chain weaknesses that were demonstrated during COVID-19 (Laborde et al. 2020). Due to these circumstances, researchers call for a rapid and profound change of the current agriculture and food system (Searchinger et al. 2019; Rockström et al. 2020).

To address these challenges and support a transition to a more sustainable system several global initiatives have been undertaken such as the Paris Agreement, Agenda 2030 and not least, the European Union has adopted a new growth strategy which have many overarching goals aimed at the challenges facing the agriculture and food industry (EC 2019; FAO 2016). The financial sector plays an important role in accelerating and achieving the goals within the initiatives (Larris 2021). Not least, the financial sector plays an important role in coping with the local as well as global challenges facing the agricultural and food industry (McIntosh & Mansini 2020; World Bank 2020).

Due to the role of the financial sector for the agriculture and food industry along with how they are interconnected to cope with their sustainability challenges and how the two complex system interconnects, this thesis will focus on the financial sector and how institutional investors supports a transition to a more sustainable financial market that will support the needed change within the agriculture and food industry.

1. Introduction

1.1 Background

Mankind faces many significant challenges that require us to change our lifestyle and consumption to a more sustainable approach, including environmental, social, and economic considerations (BlackRock 2020). To address these challenges, several international, as well as global, initiatives have been taken. Since 2019, the European Union (EU) has adopted a new growth strategy, the Green Deal, with the primary goal of the EU transitioning to a sustainable economic model to achieve climate neutrality by 2050 (EC 2019). The European Commission's (EC's) roadmap for the Green Deal includes several initiatives in the area of sustainable financing. The EC has concluded that public funds are insufficient to achieve the objectives set, including the objectives of the Paris Agreement (Larris 2021). The Paris Agreement is a global climate agreement adopted by the United Nations (UN) in 2015a. The agreement covers 29 articles that set out how member states are expected to work on climate issues (UN 2015). The main task of the agreement is to limit global temperature increase through reduced emissions, and to support those affected by the effects of climate change. Article two of the agreement deals with, among other things, how financial flows must be compatible with low greenhouse gas emissions and a resilient climate to achieve the agreement's goals.

In addition to the Paris Agreement, Agenda 2030 was also adopted by the UN in 2015 (UN 2015b). Transforming our world: the 2030 Agenda for Sustainable Development is an agenda for change towards a sustainable society. Agenda 2030 contains 17 goals for sustainable development, Sustainable Development Goals (SDGs), which in many cases are linked to the goals of the Paris Agreement. In the degree of achieving these goals, Sweden is in second place globally (Sachs et al. 2021). Sweden's high ranking is largely due to the large investments made in the Swedish financial market, where the government encourages financial players to adopt a sustainability perspective where traditional investments are moved to a more sustainable alternative. An example would be moving from fossil fuels to renewable energy sources or placing the investment in a company setting minimum requirements for the working conditions of subcontractors. (Ministry of Finance 2018). To achieve the goals of the agreements, the EC wants to utilize EUR 1 trillion in green investments. The financial market plays a crucial role in realizing this change (Larris 2021.).

In 2020, investments in sustainable funds available to European investors almost doubled compared to 2019 with a net flow of EUR 233 billion. During the last quarter of 2020, the transaction volume was approximately EUR 100 billion, which accounted for 45% of total European fund flows (Morningstar 2020) The fact that demand for various sustainable savings and investments forms has increased significantly in recent years is also supported by a report from Nordea (2020). The high inflows can be explained by various factors which are mostly within the area of legislation, the so-called disclosure regulation where the date for the first periodic reporting is January 1, 2023 (Swedish Financial Supervisory Authority 2020).

Another contributing factor to the high inflows is that investors see that sustainable funds can match and even in some cases perform better than traditional funds (BlackRock 2020). The COVID-19 pandemic has also accelerated investors' understanding and interest in sustainability and in particular climate change (BlackRock 2020). It has become important for investors to know that they are contributing to sustainable development. This means that our savings will be affected by our choices, which leads to fund companies' offer in sustainable and or responsible investments. The fund companies' sustainable investments mean that the fund companies at the time of investment consider how the companies they invest in openly report their sustainability work containing the environment, social responsibility, and corporate governance (BlackRock 2020).

The fund companies themselves take a position on how their own sustainability work is to be conducted in each fund portfolio (Swedish Investment Fund

Association n.d.). Progress has gone from funds excluding certain industries such as alcohol, tobacco, and weapons, to a greater focus on companies that are considered role models, or a more activist behavior where the owner influences the company in the desired direction. For fund investors, it is important that there is clear information about how the sustainability work is conducted, everything to facilitate the individual's decision to act in a sustainable way.

One standard used by many actors to analyze corporate sustainability is ESG which is an acronym for Environment, Social and Governance (Swedish Investment Fund Association n.d.), where several criteria are set to measure factors concerning the environment, society, and corporate governance. The standard forms the basis for investors to be able to assess investment decisions. The environmental criteria report companies' environmental work and how its business affects its surroundings. Social criteria report how a company works with relationships with its employees, suppliers, customers, and the society in which the company conducts its business. Governance deals with the company's management, executive, audits, and internal controls as well as shareholder rights (Swedish Investment Fund Association n.d.). Studies have documented that ESG information is associated with numerous economically meaningful effects. Specifically, ESG disclosures are associated with lower capital constraints (Cheng et al. 2014) and lower costs of capital (Dhaliwal et al. 2011).

1.2 Problem

As the demand for sustainable investments has increased in recent years, there is a natural increase in the supply of sustainable funds (Fair Trade Center 2010). Today, all major Swedish banks offer some form of sustainable or responsible fund to their customers. Sustainable investment, also called Socially Responsible Investment (SRI), which is an umbrella term that describes a certain type of investment where some form of non-financial factors are taken into account (Blowfield and Murray 2011). The non-financial factors refer to social, environmental, and ethical considerations. Examples of common non-financial factors are how the company takes human rights into account, how the company affects the environment in which it operates and risks of corruption. In practice, this means that the investor incorporates the non-financial factors and their risks in the financial analysis.

Swedish SRI funds are not covered by any legal framework but are largely based on voluntary initiatives (Eurosif 2018). The Swedish market is described as a mature market where effectively all major players have some kind of framework for how they work with sustainable investments and an attitude policy to ESG or ethical issues. One of the most comprehensive initiatives is called the Principles for Responsible Investment (PRI). PRI is an initiative supported by the UN and is based on six principles that serve as guidelines for responsible investment (UNPRI 2015). A large proportion of the principles within PRI are based on the ESG factors. Global Compact (GC) (2015) is a UN initiative that has been well received in Sweden. The initiative is based on ten principles that encourage companies to act responsibly by adopting sustainability policies and reporting the implications of business operations.

As mentioned in the background, studies have shown that effective sustainability work can bring benefits to the individual company. At the same time, research points out that the concept of sustainability is difficult to measure because the concept itself lacks a rigorous definition (Howard 2016). The claim that sustainability is difficult to measure is supported by research that examines how different sustainability rating providers rank companies and assess the sustainability level of the same and similar companies. A study by Dorfleitner et al. (2015) compares three sustainability rating providers in their sustainability assessment of more than 8 500 companies. The researchers conclude that as a stakeholder, it is important to critically evaluate each ESG rating model as ESG measurement concepts seem to lack convergence. In other words, the same and similar companies are assessed in different ways depending on which rating model has been used and which sustainability rating provider made the assessment.

Sustainability is a topic that has gained increasing focus in the financial world. But as a saver, it can be difficult to navigate among responsible funds to find the right one. This is due to the lack of clear requirements that ensure what is believed to be promised (Berner 2015). For an investment to be seen as sustainable, several non-financial considerations must be taken into account in addition to the financial aspect (EU-Commission 2020). In investment strategies, it has become more common to integrate ESG-factors in investment decisions. Even though the incorporation of these factors has become more common in investments, not least in sustainable funds, there is no standardization for how these factors are to be assessed, rather it is up to the individual investor (van Duuren et al. 2015). Furthermore, the topic of how ESG is assessed and integrated from a responsible fund manager's perspective is rather unexplored, especially in markets that are considered mature and lack legal regulations. Earlier research within the area of sustainable investing often tends to focus on performance.

Against this background, it is of interest to examine how sustainable fund managers in a mature market integrate ESG factors and how these are assessed in investment decisions in parallel with the fund providing financial returns to fund holders.

1.3 Aim and research questions

The aim of this thesis is to explore how sustainable funds perceive and integrate sustainability using ESG factors in their investment assessments. To achieve the aim and gain an understanding of the investment assessment process in sustainable funds, the following research questions have been formulated:

- How do fund managers perceive sustainability and sustainable development?
- How is sustainability integrated into fund managers' daily activities?
- How is ESG assessed and applied in investment assessments?

1.4 Delimitations

This thesis is confined to Swedish sustainable funds because the Swedish market is acknowledged as a mature market (Eurosif 2018). Many major players have been active for more than ten years in terms of the sustainable investment perspective. Most of the large fund companies have an ESG or ethical investment policy as well as a framework for their investments. In the 1980s, exclusion strategies were mainly used, and now they use a combination of exclusion strategies and more all-encompassing strategies (covering everything and all that is relevant) such as integration and engagement (Eurosif 2018).

1.5 Structure of the thesis

The thesis consists of seven sections. The first section is an introduction that describes the background to the subject that leads to the problem and subsequently presents the aim and appurtenant research questions. The second section goes through in detail the theoretical framework used in the study. The third section deals with the methodology and quality criteria that shaped the execution of the study.

Section four presents the respondents and data obtained from the interviews. In section five the collected data is analyzed, with help of the theory section followed by section six, where findings are discussed on a deeper and broader level. The thesis ends with section seven, where the aim and research questions are repeated and answered concisely.

2. Literature and theoretical framework

2.1 Sustainability

One of the most used and quoted definitions of sustainable development is the one presented by the Brundtland Commission in 1987 at the UN World Conference. It reads: "A development that meets the needs of the present without compromising the ability of future generations to meet their own needs." (WCED 1987:43).

Sustainable development can be seen as a tool, or the process required, to achieve sustainability (Bebbington & Gray 2001). Triple Bottom Line (TBL) is a concept that forms the basis for achieving sustainable development. Furthermore, the concept was developed to concretize what the sustainability work within organizations should look like (Elkington 1999). Elkington (1999) believes that traditional business economics principles are too limited to be able to satisfy sustainable development and therefore other factors need to be considered. In addition to the economic aspect, social and environmental aspects are also considered in the TBL perspective. In the TBL perspective, sustainability within the business is achieved when economic growth, social justice and environmental quality are met without one having a negative effect on the other. The basis for TBL is that organizations can be held responsible for their activities and how it affects their environment, i.e., the three dimensions that constitute sustainability (Elkington 1999). Gray (2006) believes that there is a conflict of interest within TBL. The interest is in conflict between responsibility and the financial self-interest. This conflict means that responsibility will never be taken by companies as long as there are no compelling or obvious incentives to act in a certain way

(Gray 2006). According to Adam and Frost (2008), operational integration of sustainability is a strong indicator that sustainability work within the organization is taken seriously and successfully. By operational integration is meant that sustainability is integrated in the level that is responsible for the daily activities. Operational integration of sustainability is also the most difficult challenge for organizations because it is required that the entire organization understands the sustainability work (Epstein et al. 2010).

Even though the concept of sustainability has received more and more focus in recent years, the concept itself is still difficult to gather under a common definition (Howard 2016). As early as 1996, research showed that there were as many as over 300 definitions of what the concept of sustainability means and that the number was growing all the time (Dobson 1996). According to Howard (2016), one possible reason why the concept of sustainability is difficult to define is because it is difficult to measure in absolute numbers. Connelly (2007) states that the definition of sustainability is rather fluent and that there are many perspectives in how to achieve it. According to Sievänen et al. (2013), the individual understanding and definition of sustainability is based on cultural differences, previous experience, and the life situation the person is in.

To be able to measure and grasp the concept of sustainability in the thesis and have a starting point for what sustainability is in the financial world, the EC definition will be used. The concept of financial sustainability was discussed and defined during the 2015 Paris Agreement meeting (UN 2015a). The EC defines financial sustainability as a process in which ESG factors are considered in the investment analysis in the financial sector (European Commission 2018). Environmental considerations can include emission minimizations, circular economy transition, or the promotion of biodiversity. Social considerations can relate to equality, human rights, or inclusiveness. Governance refers to the governance of both public and private institutions. For example, it can be a question of what management structures look like or employee relations.

2.2 Global Compact

On January 1, 2016, a UN Summit on the 17 SDGs was decided in the 2030 Agenda for Sustainable Development (UN Global Compact 2015). The defined SDGs not only govern where we need to be by 2030 to create a sustainable world, they also describe new markets and opportunities for companies all over the world (UN Global Compact 2015). If the world is to succeed meeting these goals by 2030, the world needs to implement the global goals within local businesses (Gifford 2010). The GC is committed to being a leading catalyst for this transformation. The 17 goals have 169 milestones, which define which world the UN is aiming for, and how to get there (UN Global Compact 2004). The global goals create a map of how, by 2030, the world needs to work to eliminate extreme poverty, fight injustice and protect the planet (Gifford 2010). Organizations that join the GC commit to the ten principles below:

Human rights

PRINCIPLE 1: Support and respect international human rights in the sphere of corporate influence

PRINCIPLE 2: Ensure that their own companies are not involved in human rights violations

Labor law

PRINCIPLE 3: Upholding freedom of association and recognizing the right to collective bargaining

PRINCIPLE 4: Eliminate all forms of forced labor

PRINCIPLE 5: Abolish child labor

PRINCIPLE 6: Eliminate discrimination in recruitment and tasks

Environment

PRINCIPLE 7: Support the precautionary principle regarding environmental risks

PRINCIPLE 8: Take initiatives to strengthen greater environmental awareness

PRINCIPLE 9: Encourage the development of environmentally friendly technologies

Anti-corruption

PRINCIPLE 10: Fight all forms of corruption, including extortion and bribery (UN Global Compact 2015)

2.3 Principles of Responsible Investment

PRI is the world's largest and leading responsible investment network. The purpose of the PRI is to understand the investment implications of ESG factors, and additionally to support its international network of investors who use ESG factors in their investment decisions and ownership decisions (UNPRI 2015). PRI works for a sustainable global financial system (UNPRI 2015). By promoting governance, integrity, and accountability, and by removing any barriers to a sustainable financial system that lies by introducing policies and governing documents in market practice and regulation (Gifford 2010).

The PRI acts in long-term investments in the financial markets and economies in which they operate and ultimately to benefit the environment and society (Gond & Piani 2013). PRI's mission is to help to create an economically efficient and sustainable global financial system which is a necessity for long-term value creation (Gond & Piani 2013). The PRI cooperates with global organizations but is not associated with any government or organization.
The basic philosophy behind the organization is that environmental and social considerations are relevant factors in investment decisions and therefore should be considered by responsible investors (UNPRI 2015). The PRI initiative revolves around six principles:

> *PRINCIPLE 1*: We will incorporate ESG issues into investment analysis and decision-making processes.
> *PRINCIPLE 2*: We will be active owners and incorporate ESG issues into our ownership policies and practices.
> *PRINCIPLE 3*: We will request appropriate information on ESG issues from the entities in which we invest.
> *PRINCIPLE 4*: We will promote acceptance and implementation of the principles in the investment industry.
> *PRINCIPLE 5*: We will work together to increase our effectiveness in the implementation of the principles.
> *PRINCIPLE 6*: We will each report on our activities and on the progress towards implementing the principles. (UNPRI 2015)

2.4 Defining a responsible fund

A fund consists of a number of different securities, such as shares or bonds. The person who invests in a fund is called a fund unit holder and the person who manages is called a fund manager. When an investor has found and invested in a fund that suits his savings, it is then the fund manager who decides the composition of the various securities. Thus, the fund unit holder does not own the entire fund with securities, but as the name implies, only a proportion of the fund (Swedish Investment Fund Association n.d.). The fund manager works for a fund company where the manager usually, together with several managers, administers the fund. The manager's task is to determine the set of securities that the fund is to invest based on the fund regulations approved by Sweden’s Financial Supervisory Authority (Karlsson 2008). The fund rules regulate the rules set for the specific fund, for example the focus on investments, how sales and redemptions are to take place and what fees are to be charged (Swedish Investment Fund Association n.d.). In other words, the rules are based on laws and regulations as well as investment philosophies.

The European Sustainable Investment Forum (Eurosif) is Europe's largest network for organizations that in some way work with sustainable investments, the majority of which are capital owners and managers (Eurosif 2021). Together with many other major financial players, they define sustainable and responsible investments as investments with a long-term horizon and ESG integrated throughout the investment process (Eurosif 2014). The entire investment process means everything from research to analysis and selection. The ESG evaluation will help to accommodate long-term returns for investors and society by influencing companies' behavior towards sustainable development (Eurosif 2014). If a fund is thus considered responsible and sustainable, all underlying securities should therefore have been individually evaluated on the basis of ESG factors.

2.5 Socially Responsible Investing and ESG integration

SRI has its roots in value-based investments where religious values around ethics and morals laid the foundation for how capital should be invested (John Hill 2020). In practice, this has meant that companies or industries that have been considered to violate the values have been excluded from the selection and investment process. Over the years, SRI seems to have shifted its focus from excluding value-breaking or socially or environmentally harmful entrepreneurship to a rather inclusive focus, where the focus of investments has been to find entrepreneurs that promote sustainable development and are pragmatic about societal challenges.

As mentioned, SRI has shifted its focus over time. Today, many researchers suggest that SRI is rather an umbrella concept for all investments with an element of ethical, social, or environmental consideration (Richardson 2009; Sparkes & Cowton 2004). Sandberg et al's. (2009) explanation of why SRI has become an umbrella concept is due to ambiguity around many similar terms. Terms such as sustainable investment, ethical investment, responsible investment, and social investment are used to explain more or less the same phenomena. All these terms are based on integrating non-financial factors into the investment process.

SRI is about considering a wider perspective on an investment. The wider perspective can be explained as the importance of a broad stakeholder focus (Van Duuren et al. 2015). Both direct stakeholders such as subcontractors or employees to indirect stakeholders, such as perceiving the environment in which the company operates as a stakeholder and having to analyze how the company's operations affect its environment. A clear example of the shift within SRI is how large investments have been made in recent years in areas that work to minimize harmful emissions, such as renewable energy. This contrasts with how companies were previously excluded due to their emissions.

In the literature review, many different definitions were found of what is meant by the term SRI. However, there still seems to be a predominant consensus that SRI is all investments that simultaneously consider the ESG factors in addition to the financial aspect (Eurosif 2021; Blowfield & Murray 2011). However, it is important to point out that it is up to each individual investor how these factors are weighed and assessed (Howard 2016). This means that two investors can analyze a possible investment in two very different ways depending on how the two investors weigh the different factors and their implications.

A sustainability perspective on investments is also to be seen as a risk minimization. Sjöström (2014) states that an extensive analysis of the investment object's ESG factors also minimizes unexpected risks by identifying possible pitfalls. Through a thorough analysis, unidentified opportunities can also be identified and thus motivate the investments due to their rediscovered potential. Several reports address the same phenomenon that ESG investments can be seen as a risk-minimizing strategy (Mallin et al., 1995; Kreander et al., 2005; Bauer et al., 2005). That sustainable investments are associated with lower risk compared to traditional investments implies a certain advantage and is according to Yue et al. (2020) one of the underlying explanations for the growing inflows and increased interest in sustainable funds in recent years.

In addition to the investment being sustainable, based on the ESG aspects, it is also important to be reminded of perhaps the most significant part of the investment, the financial one. For an investment to be attractive to the investor, it must also generate an economic value (Yue et al. 2020).

Research in this area does not seem to be able to significantly show whether sustainable investments versus traditional investments generate greater returns (Statman & Glushkov 2016). Thus, there is not enough evidence that an investor who invests sustainably must sacrifice financial returns just for the simple reason that he wants to invest sustainably.

According to Sjöström (2014), both the SRI and ESG terms can be used to describe the same thing where the meaning means that companies take into account non-financial information, i.e., environmental, social and governance factors in investment decisions.

2.6 Responsible investment strategies

The process of approaching potential investments can be simply divided into two steps. The first part of the process is the collection of relevant information. The information must be relevant in the sense that it can rationalize decision-making. The second step is the evaluation of the relevant information and a hypothesis about how the decision affects the future (Bouwman et al. 1987). Traditionally, the so-called Sharpe ratio has been a measure for making a reasonable balance between expected return and risk regarding the investment (Sharpe 1994). According to Ziolo et al. (2020), sustainability has gained an increased focus in the areas of finance and investment as sustainability in society has received increased attention. This has led investors to take greater account of sustainability-related factors in decision-making.

Sustainable investment strategies are about setting long-term goals and action plans for the investment itself so that it can live up to the set sustainability requirements (Borglund et al. 2012). In the literature on sustainable investment strategies, it appears the strategies are used either individually or in combination with each other, which is common and thus creates new unique strategies (Hayat & Orsagh 2015).

One strategy that has gained more space among investment strategies in recent years is voting and engagement (Kolstad 2015). Within this strategy, the invested capital is viewed as a tool to be able to influence management and thus the company's direction and view of sustainability (Van Duuren et al. 2016). This investment strategy means that the investor works actively with the investment through communication with the management of the company. According to Bakshi (2006), an open dialogue between the investor and the management team can benefit society by stimulating positive changes within the company.

Another well-used strategy is the best-in-class strategy. The strategy aims to include companies that are the best or have made major improvements in a certain area, industry or in some other other aspect (Borglund 2012). Gangi & Varrone (2018) view the best-in-class strategy as a type of positive screening where companies are selected depending on whether they live up to a specific standard or reflect beneficial initiatives. This can, for example, be about how different companies have scored based on their level of fulfillment of different ESG criteria.

A third strategy that is recurring in the literature is sustainability themed investment (Wood & Hoff 2007; Blanc et al. 2009). Sustainability themed investment involves investing in a specific theme or asset that can promote sustainable development. According to Blanc et al. (2009), it is common for fund managers to bring in portfolio companies that, in their opinion, offer sustainable solutions for society. These can be, for example, products or services that are good for the environment, welfare or that encourage fair trade (Wood & Hoff 2007). This type of strategy is seen as a strategy using positive screening since it rather includes companies with high ESG performance rather than excluding companies performing poorly (Folqué et al. 2021). Humphey & Tan (2013) describe the strategy as a strategy that focuses on investments within companies that promote desirable and sustainable behaviors that are reflected through their offered products or services.

The most common strategy within responsible investing is exclusion (Global Sustainable Investment Alliance 2019; Eurosif 2018). Exclusion is a type of negative screening in which companies and industries are excluded based on social, environmental, or ethical considerations (Renneboog et al. 2008; Trinks & Scholtens 2017). Exclusion of companies in arms, tobacco, gambling, or pornography is not uncommon for this type of strategy as in some respects they do not meet the social or environmental requirements set for the investment portfolio (Eurosif 2014).

2.7 Theoretical synthesis

Sustainability is an attention-grabbing and discussed topic. In the literature, the concept is very broad as many definitions exist and how to achieve it. In the thesis different perspective on sustainability is discussed and why the concept is difficult to define. To get a starting point in the thesis, sustainability is broadly defined using the three elements: economy, social and environment. Furthermore, what is meant by financial sustainability is also defined. Financial sustainability is that non-financial factors are analyzed in financial decisions. The theory section also defines what a sustainable fund is and what it means. A fund is considered as sustainable, if all underlying securities have been individually evaluated based on ESG factors.

GC and PRI are two voluntary initiatives that have been widely spread in the financial world. The initiatives are based on principles that relate to how investors should work towards non-financial goals in their strategies for working towards a sustainable economy. According to the literature, these initiatives are widespread in the Swedish financial market.

SRI and ESG integration are about having a broader perspective on investments beyond the economic aspect. There is much to suggest that the integration of non-financial factors has become increasingly common. This type of integration can also be seen as an extensive risk analysis. Sustainable investment strategies deal with existing strategies for integrating ESG factors into investment decisions.

3. Method

3.1 Research design

For research that intends to answer how and why specific phenomena occur, the qualitative research method is suitable (Bryman & Bell 2017). In qualitative studies, the respondent's experiences are often focused on and interpreted on the basis of his or her perception of the situation (David & Sutton 2016). Furthermore, a qualitative approach provides a better approach to being able to understand real-world phenomena created by humans rather than generalizing the result (Creswell 2007). Based on the objective of this thesis, it can be said that a qualitative research method is best suited as the purpose is to investigate and understand how investment assessments are made rather than to explain the mechanism.

According to Bryman and Bell (2017), it is not always sufficient to investigate a single case and especially not when comparisons and parables are to be drawn between investigated phenomena. In order to be able to compare, more studied cases are needed and therefore a comparative study is advocated. The choice of comparative study is based on the fact that fund portfolios look very different and thus the decision-making process for the choice of underlying securities should also look different. By identifying similarities and differences between the cases, the theoretical reflections in the analysis are promoted, which can provide a deeper understanding of the result. A deeper understanding would not have been achievable with only one point of view on how the ESG factors should be assessed in investment decisions.

A hermeneutic philosophy is used in this essay. Unlike positivism, hermeneutics takes into account people's experiences and feelings about experienced events (Thurén 2007). Since the purpose of the thesis is to explore from the fund managers' perspective rather than finding the absolute truth, a hermeneutic approach is justified. Furthermore, an inductive approach is adopted. As SRI is a complex subject that is not based on any direct law or regulations but rather on fluid perceptions that tend to change over time, an inductive research strategy has been adopted. An inductive approach is usually linked to qualitative research (Bryman & Bell 2017). The inductive approach means that empiricism is acquired through our senses (Thomassen 2007). Empiricism can be used to discover things in our environment and formulate theories by identifying patterns. In practice, the inductive approach meant that no hypotheses were made in advance and the thesis design was close to the empirical evidence. However, it should be added that the design of the interview questions was based on the literature on the subject.

3.2 Literature review

To develop an understanding and grasp definitions of the subject, the literature review began with reading the book "Environmental, Social and Governance (ESG) Investing - A Balanced Analysis of Theory and Practice of a Sustainable Portfolio" by John Hill (2020). The book laid the foundation for the understanding of the concepts of ESG and SRI. In the book, the concepts were explained as contextualizing words, which means that there is a common ground for the concepts, but the regular definitions tend to differ depending on the messenger and recipient. With that knowledge in mind, a more extensive literature search was conducted on research databases with peer-reviewed articles. Databases used were Primo, Google Scholar and Web of Science. The searches abounded around the keywords; sustainable investments, ESG investments, responsible and investment, responsible, sustainable fund managers, sustainable funds, and SRI. These were used in various combinations in order to produce as relevant literature as possible.

3.3 Unit of analysis

The unit of analysis in this thesis will be the fund managers of responsible funds and how they assess ESG factors in investment decisions. In the first instance, fund managers' own experiences will be collected through interviews and secondly the collected data will be analyzed with the help of existing theory based on their own narratives.

3.4 Data collection

This study consists of primary data. Primary data can, for example, consist of interviews or observations (Hulten et al. 2007). In this case, the primary data consists of information collected from interviews, which is also the most common collection method (Bryman & Bell 2017). The interviews are with fund managers for funds that consider themselves sustainable or responsible. By conducting interviews, the interviewer can control the interview by reformulating and asking follow-up questions, which means that the information obtained correlates more adequately with the purpose of the study (Bryman & Bell 2017).

3.4.1 Selection and Interviews

The selection of in-depth interview objects will be adapted to their attributes. Denscombe (2014) describes this type of selection as appropriate selection. The sample is selected according to its relevance to the research and is based on their knowledge or experience in the field (Denscombe 2014). With appropriate selection, the researcher has the opportunity to choose the objects that he believes will have the greatest value for the project (Denscombe 2014). The purpose of this type of selection in the essay is to get equivalent respondents to be able to make comparisons and comparisons among themselves. Svensson et al. (1996) describe two types of interviews, standardized and non-standardized. The standardized type is best suited for quantitative research as it often consists of questionnaires or the like. The non-standardized interview is described as a conversation where the questions are developed from the previous answers. Bryman & Bell 2017 describes the semi-structured interview in a similar way. In the semi-structured interview, the respondent is allowed to speak more freely because it gives the interviewer space to ask follow-up questions and explain ambiguities (Bryman & Bell 2017). Thus, semi-structured interviews result in more detailed answers. Due to the fact that the purpose of this essay is to investigate and explore rather than explain, detailed answers are requested and thus a semi-structured interview is chosen. An interview guide has been prepared (see appendix x) where the interview questions relate to different themes that are relevant to the essay. The different themes correspond to the theoretical framework of the essay. Furthermore, a balance was made between sending the questions by hand or not. The decision was not to provide the questions in advance due to the respondent not being able to pre-formulate answers. If the answers to the questions are considered insufficient, the interviewer can, with the help of the semi-structured interview, ask follow-up questions and thus obtain more information.

3.4.2 Data analysis

In order to systematically analyze the collected data, Corley & Gioia's (2013) analysis method for qualitative data has been used. The analysis method belongs to the focus on qualitative content analysis (Corley & Gioia 2013). A Content analysis focus is suitable to be able to identify themes and enable interpretations of the collected material (Smith et al. 1999). To enable an accurate analysis, the interviews were transcribed which made it possible to go through the interview material several times. The analytical method consisted of three steps. The first step of the analysis consisted of dividing the transcript into units that contained important information. The units could be divided into either sentences, parts of a sentence or several sentences. Step two was to code the units in words or phrases that describe the content and relate to the theoretical themes of the thesis. The last step was to interpret and reflect the content based on the theoretical framework.

3.5 Ethical considerations

In research studies, ethical dilemmas can arise and therefore it is important to reflect on honesty and transparency in relation to research. Jacobsen (2002) describes three criteria for avoiding ethical dilemmas in connection with data collection and publication. The three criteria are consent, confidentiality, and consequences. Consent is that the person participating in the study must participate voluntarily. Confidentiality means that the information collected does not restrict the respondent's privacy or integrity. Consequences mean that the reproduction of the respondent's story must be described in such a way that it makes it impossible to misinterpret the reproduced information. Bryman & Bell (2017) describe what they call an important research principle from an ethical point of view. The principle is that the researcher must provide the respondent with enough information so that he or she can make an informed decision about whether he or she wants to participate in the study or not.

In this essay, honesty and transparency have been at the center of data collection. This is due to the respondents being able to make an informed decision about their participation in the study. The respondents have been told how the information will be used to achieve the purpose of the essay. Furthermore, the respondents are anonymous, which meant that they could talk more freely without having to consider any corporate policy. The information presented about each respondent is so scarce that it creates an understanding of their tasks and goals, but neither the organization nor the respondent themself can be identified.

3.6 Quality assurance

Validity and reliability are two criteria for assessing quality in research (Bryman & Bell 2017). However, researchers believe that these quality criteria are difficult to apply in qualitative research and that a different approach is needed for quality assessment (Patton 1999; Bryman & Bell 2017). The reason why other criteria are applied in qualitative research depends on the design and goals of the research

(Sohlberg & Sohlberg 2013). Qualitative research usually places greater focus on interpreting and creating understanding, while quantitative focus on measurability and generalization (David & Sutton 2016). Lincoln & Guba (1985) have developed the quality criteria validity and reliability in order to be applied in qualitative research. The validity criterion is based on the four sub-criteria credibility, transferability, dependability, and confirmability. To ensure quality and contribute to valuable knowledge within the subject, each criterion is discussed below.

3.6.1 Credibility

According to Bryman & Bell (2017), this criterion means how well the researcher has followed practice and generally accepted rules in research. Yin (2014) states that credibility in research means that the studied social reality is perceived and retold in a correct way. In order to reach justified conclusions. To achieve this, respondent validation can be used (Bryman & Bell 2017). Respondent validation means that the collected data is reviewed with the respondent in order to validate or correct data in order to approach the social reality that has been studied. In order not to reproduce misleading information, transcription with any questions has been reviewed with the respondents. Shenton (2004) describes credibility as how well the research agrees with reality from both a theoretical and empirical perspective. This seems to be fulfilled as much of the material collected is in line with the study's theoretical framework.

3.6.2 Transferability

Transferability is about how the study results can be used in other contexts and points in time. The context in qualitative research is often unique when a specific group or a smaller number of objects are studied (Bryman & Bell 2017). Due to the fact that it can be difficult to freeze a specific social context and in this case a context where new definitions and conceptualizations of sustainability develop in step with new knowledge, it is not entirely certain that the result can be transferred to other contexts or points in time. However, the thesis can serve as a guideline for similar contexts.

3.6.3 Dependability

The dependability criterion means that the researcher ensures that a complete account of the research process is prepared and presented (Bryman & Bell 2017). In practice, this means that all steps are presented and how and why the researcher did as he did. To ensure dependability in this thesis, each step has been documented, presented, and argued for based on the literature. In the choice not to present the respondents´ identities, transparency was weighed against the respondents' integrity. The reason why the respondents' integrity weighed more heavily was that it was a prerequisite for them to participate and be able to speak freely.

3.6.4 Confirmability

Confirmability is about how well the researcher stays objective in his research. This criterion is challenging in qualitative research as something must always be interpreted in some sense. Furthermore, the interpretation depends on the researcher's experiences, knowledge, and background (Bryman & Bell 2017). Due to this, the interview questions were carefully examined before they were used so as not to be leading or add value in any way. In the analysis of the empiric, emphasis has been placed on clarifying how the analysis has been performed to give the reader an understanding of how the author of this essay has interpreted collected data with the help of literature. This is due to an effort to act objectively.

3.6.5 Reliability

This criterion aims for the research to contribute to an understanding of the social environment that is examined and give a fair picture of this (Bryman & Bell 2017). Furthermore, the criterion should be used to identify improvement or potential for change in the social situation in which the participants find themselves. As sustainability and sustainable development is a constantly discussed theme with new theories and perspectives, the author of this essay hopes to contribute to further reflection on sustainability issues in the daily work of fund managers.

4. Empirical data

4.1 General information about respondents

Below, general information about the respondents is presented to give the reader an idea of who the respondents are.

4.1.1 Manager A

Manager A manages most funds with a sustainable focus and has done so for about 10 years. In addition to the 10 years in the position of fund manager, Manager A has been in contact with the stock market for approximately a total of 30 years through other types of roles.

Manager A further explains that during these 10 years, the job has changed a lot. More specifically, it is the view of sustainability and how to integrate the concept into daily operations. The company that Manager A works for is a global asset manager that is active in the Swedish market and has been for over 20 years. Manager A describes the company's goals as helping more and more people plan for their future financial well-being. In the company's efforts to achieve its goal, a long-term sustainability perspective is integrated throughout the business.

4.1.2 Manager B

Manager B has worked as a fund manager since 2011 and has been active in the financial market throughout his professional life. According to Manager B, the fund company's goal is to offer cost-effective investment alternatives that help savers get a long-term good return on their savings. Furthermore, management takes place exclusively in the interests of savers. Manager B says that consideration is given to the environment and ethics in the administration without restricting the overall goal of high returns. According to Manager B:

> Some people have the opinion that environmental considerations are at the expense of the return, I am not prepared to agree, and, in some cases, it is rather the opposite

4.1.3 Manager C

Manager C has worked for one year at the current fund company but has worked for a total of two years as a fund manager and a total of five years in the financial market. The company she works for offers a modern savings alternative for their customers by taking responsibility for society's development through well thought through and targeted investments.

4.2 Prevailing view of sustainable development and sustainability

Manager A says he uses the Brundtland report's definition of sustainable development and states that it is "a development that satisfies today's needs without jeopardizing the future generations’ opportunities to satisfy its needs". Manager A says that the concept is about a perspective that is based on people's and societies' needs, conditions, and challenges. According to Manager A, the basic principle is that economic, social, and environmental conditions and processes are integrated and in such a way that they function as each other's conditions and opportunities. Manager A finds the concept of sustainability more difficult to concretize and says that the concept for him is about value creation. Value creation by taking advantage of opportunities and reducing risks in the short, medium and, above all, long-term. Manager A adds that transparency and openness are also important factors in that value creation and that new and development of old business models is therefore required.

For Manager B, sustainability implies helping to deal with problems that involve risks for future generations. "For me, the concept of sustainability means collectivist responsibility." He emphasizes that a balance is required in society where different interests are weighed together, and he explains that, for example, economic gain cannot be made at the expense of other important areas, such as the environment or social security. Manager B further describes how sustainable development is the development required to achieve sustainability. At the same time, Manager B reflects on how sustainable development is about closing cycles and utilizing resources so that they are used in an efficient manner. Manager B explains how his job directly contributes to financial sustainability by offering people a savings option to secure their future finances. He also describes how the company in a more indirect way contributes to sustainable development by directing investments towards such companies and areas that work towards the UN's Sustainable Development Goals.

Manager C talks about how sustainable development means that you must redress areas where society risks degradation. She develops that these can be areas that directly pose an environmental danger by destroying unique ecosystems, pollutants or socially vulnerable or marginalized groups within society. She believes that the first step in sustainable development is to identify and illustrate these areas and then find solutions. She believes that the concept of sustainability is part of sustainable development. That the solutions to the problems in sustainable development must be done in a responsible way so as not to create new problems that risk degrading society.

4.3 How sustainability is integrated in daily activities

Manager A explains that sustainability is integrated into the entire business through the adoption of a long-term and broad stakeholder perspective. Manager A develops the reasoning and says that it is required that you, for example, see the environment and everything else that the company directly or indirectly affects as stakeholders and make an interest assessment when making decisions. Manager A explains how it servs in practice:

> To achieve this in practice, the company has established policies that govern the activities within the company and how we as representatives should act externally.

According to Manager A, sustainable investments are first and foremost about creating a good financial return for customers. He further states that another important part is the administration in evaluating issues of environment, social responsibility and the actions of companies and these issues cannot be overlooked.

Manager B says that the ambition for the company is to make a difference by giving companies the opportunity to develop in a sustainable direction, but also to influence the financial market in the same direction. Manager B explains how sustainability is incorporated into his daily work by balancing non-financial with financial factors in the investment process. "I cannot stare blindly at the lowest emissions or lowest energy costs when a financial return is expected." In the balance, neither financial nor non-financial should weigh heavier than the other, it is rather an assessment that must be made from time to time and case to case. On the other hand, Manager B points out that the basic service that the company offers is to deliver financial returns but emphasizes that it must be done in an ethical way.

Manager B explains that sustainability is integrated throughout their whole business process because even after the investment process, they are involved and influence companies by being active owners. This is done according to Manager B because they want to take responsibility for how their investments affect the outside world. The active ownership is based on managing the company according to the same values as the fund company's, this is done by, among other things, attending general meetings, voting, dialogue with management and expressing their expectations as owners.

Manager C says that for her investments to be seen as responsible, she needs to use a sustainability perspective throughout the investment process. She explains that she needs to form an understanding on how an investment will affect before she makes a decision. Once an understanding has been formed, she can decide on whether she, with the help of her resources, can take responsibility for how the investment affects the company and then how that company affects its surroundings. Manager C explains that it is not only on the basis of her own understanding that she integrates sustainability, but that she follows the company's policies and practices that are developed to address sustainability issues.

4.4 Impact of voluntary initiatives

4.4.1 Global Compact

Manager A is familiar with the GC but believes that the initiative itself does not directly affect his work worth mentioning. Manager A explains that according to him, he sees the principles as a matter of course that must be followed to contribute to sustainable development, regardless of the initiative's existence or not. As Manager A says:

> These principles should be seen as a standard to be able to call something responsible or sustainable.

Although the principles that make up the GC itself are not included in all specific fund regulations that the company manages, they have an impact on how the company's operations are managed and there is no principle that the company opposes.

Manager B explains that the GC together with Agenda 2030 forms the basis for the fund company's sustainability work. Manager B further explains that these standards define the company's sustainability goals and how the fund managers should address sustainability risks in the management. The sustainability goals mean that the company must adapt its strategies to work towards meeting the goals. In practice, this requires fund managers to consider factors that may affect human rights, work, the environment, and anti-corruption in their decision-making processes, but also how to promote overall societal development.

Manager C explains that the GC, together with delivering returns to customers, forms the basis for her work. Manager C talks about how the GC relates to areas that are required for a tolerable world to exist. She means that she takes the principles seriously because it is in these areas that responsibility is required to create sustainable development.

4.4.2 Principles of Responsible Investment

PRI are an important part of Manager A's work. Many of the principles are about how ESG issues should be addressed in investment processes, but also how ESG issues and risks related to these factors should be treated more generally. Manager A says that the first principle is the one that affects his work the most, then it is other departments that are affected more or less by the other principles. Manager A gives an example of how the principles are more or less important depending on the work role within the company:

> The first principle affects me the most because it is part of my work role to perform investment analyses. However, being an active owner is not included in my role, however, it is important for the investment decision if our working group for corporate management gets an opportunity to influence the company, I made the decision to invest in.

Manager B says that the fund company has signed the PRI, which means for everyone within the company that they must abide to these. He further explains that almost all principles affect his work in one way or another. The first principle means that in practice he must incorporate ESG issues in his investment analyses. Manager B explains that second principle is followed by him, together with other senior managers, making sure to be active owners in the companies they have invested in.

Manager B explains that the third principle is important for following up the sustainability work in the organizations they have invested in. Manager B states:

> … if they do not live up to the requirements, they can be expected to lose us as a financially strong owner.

The fourth principle does not mean much to the individual fund manager in his professional practice according to Manager B, however, the implication of the principle means that the fund managers together with the company they work for constantly push the issue of sustainability in the contexts in which they attend. Manager B states:

> It can be about talking to customers or even competitors about how we can and should tackle difficult but important issues in a common way.

The fifth principle affects fund managers in such a way that they must constantly evaluate their work in development to follow the principles in an effective and efficient manner. The sixth principle is about how the fund company reports on its progress in the application of the principles, which Manager B emphasizes that it is presented in the sustainability report.

Manager C says she knows the Principles of Responsible Investment but nothing that she follows literally. She means that the principles in some respects are very broad and therefore difficult to understand the meaning of these in practice. On the other hand, she supports the initiative even though she thinks development is required. She further explains that many of the principles are embedded in her investment practice and in the fund company's policies, even if they are formulated in a different way, which Manager C thinks is clearer.

4.5 ESG assessment

To make it into Manager A's watch list, it is required that the companies live up to certain standards. The standard consists partly of ratings on how companies perform in ESG areas, as well as that the company performing well in financial terms. The company then receives an ESG rating based on its fulfilment level of non-financial factors. Manager A explains that the ESG rating is supposed to reflect how well companies' fulfilment degree of corporate social responsibility is. Manager A says that he does not directly use any external tool but uses an in-house tool for rating.

> But of course, I glance at how third-party companies have rated to get an idea of what others think

According to Manager A, this is because he does not know how third-party companies make their ratings and is therefore more comfortable with a tool he knows.

When the first cut of the watch list is ready, Manager A usually focuses on narrowing the list even more to companies that have great development potential or are at the forefront in niche areas. The narrowing can, for example, be focused on companies that lack money and thus the technology to incorporate their ideas, companies that have succeeded in making major cuts in emissions or companies performing well in the upcycling industry.

Manager A further explains that it is he himself in the end who makes the decisive decision whether an investment should be made or not. Important factors for decision-making are the probable financial future of the company and governance factors. Manager A states:

> If a company scores high in governance, it means in many cases that the company is managed in a good way and in this way can minimize future risks in other areas and thus have a greater potential to achieve its latent value.

According to Manager A, non-financial factors are nowadays a hygiene factor in investment analysis. He develops the reasoning that the concept of sustainability is no longer just a word but a must as it first has become a demand and then an expectation among customers. Not least, it is a way of managing risk. During his years as a fund manager, Manager A has experienced that risk management has changed a lot. Initially, there was a lot of focus on the conventional risk-adjusted return, the Sharpe ratio. Over time, people also began to look at non-financial risks. This could include how the company you invest in handles subcontractors, working conditions and how large emissions the company has compared with others in the same industry. Manager A believes that most things can affect a company's value and therefore the most important ones should be included in the investment analysis and the less important not forgotten.

Manager B says that he starts from the fund rules when he starts an investment process. "I see the fund rules as a big framework I can move within." Manager B says that great consideration is given to sustainability issues when he makes his analyzes. He oversees the funds that Manager B is responsible for so that he does not invest in companies that violate international standards. These are companies that in no way live up to the principles that the GC deals with. Manager B often uses thematic investments as the first step in his investment strategy when building a portfolio. He explains that this is done by setting a theme for where the investment should end up, for example in cleantech or in other industries that directly have a positive impact on the environment. Furthermore, Manager B explains that he uses several different types of strategies in his processes. This may involve opting out of various companies that do not live up to the requirements set within the fund. It can also be about choosing companies that show that they have potential or are good in certain areas. Manager B explains that the strategy depends on the end goal and that he does not see a certain type of strategy as an exclusion from any other strategy. Manager B explains that sometimes the strategy chain for an investment can be very long. As Manager B says:

> First, I can exclude companies that do not meet the standard, then I select companies within a certain area and then exclude again on something that I do not want to include.

Manager B describes that based on a selected risk level where non-financial and financial risks are added together, he wants to achieve a long-term high return that exceeds the benchmark index. To quantify the non-financial risks, an ESG analysis is performed before each investment decision. This analysis is done using an internal tool. The assessment is made through a measurement within each ESG area and how the company performs within these. Manager B states:

> Should it be the case that something emerges that does not align with our values, we will not continue with the investment process.

Manager B does not take the help of any third-party companies for sustainability data. He justifies this decision by saying that all tools are very different because they have emphasized different factors. He goes on to say that he experiences it as if the ESG rating for large multinational companies usually matches well with the third-party companies, but the smaller the companies become, the more the ratings differ, which creates confusion. Manager B further explains that this confusion becomes a worry when he must avoid green and blue washing in his daily activities and therefore is better off using a well-known tool.

According to Manager C, she never really makes her own assessment of how various non-financial factors should be assessed. She develops her reasoning by saying that she uses third-party companies that provide data on how companies perform in ESG areas. Manager C then assesses the data provided to see if it matches the requirements she has. She also says that she uses 3 different third-party companies and that the reason for this is that the results can vary between them and then she wants to create her own opinion based on the information available.

Manager C explains how she sees the ESG analysis as part of a risk analysis. She believes that if there are risks linked to ESG areas, one should be aware of these and how these may affect in the future. Manager C states:

> It is similar to a company having poor liquidity and ties up even more in inventory, in the same way it will not be good if you are responsible for risks that you do not know if you will be able to handle.

She goes on to say that she does not pit different ESG areas against each other in the decision-making process, but that she makes an overall assessment.

5. Analysis

5.1 Perception of sustainable development and sustainability

The fund managers are using different definitions of sustainable development, but in some aspects, the same wording is linked to the definition of the Brundtland report (WCED 1987). Manager A directly quotes the Brundtland report and says that the concept is about a perspective that is based on people's and societies' needs, conditions, and challenges. The basic principle is that economic, social, and environmental conditions and processes are integrated and in such a way that they function as each other's conditions and opportunities.

Manager B is defining sustainable development as more of a movement talking about “collectivist responsibility." He emphasizes that a balance is required in society where different interests are weighed together, and he explains that, for example, economic gain cannot be made at the expense of other important areas, such as the environment or social security. Manager B’s statement can be compared to Elkington's (1996) TBL. TBL is about different societal interests being weighed together without it being at the expense of each other. Even if Manager B does not phrase it in the same way, one can sense there is the same type of word choice in the description. Manager C is addressing that you must support areas where society risks degradation. She develops that these can be areas that directly pose an environmental danger by destroying unique ecosystems, pollutants or socially vulnerable or marginalized groups within society.

According to Howard (2016), there is no agreed definition of sustainability. Howard's (2016) statement finds support among the respondents in the thesis since they do not seem to share the same definition of sustainability. There are many different points of view on this concept and on how it can be achieved (Connelly 2007). A clear definition of sustainable development has not been developed and as early as 1996, Dobson (1996) pointed out that there were over 300 definitions of the concept of sustainability and that the number was growing over time. Although the definition of the Brundtland report is generally quoted, it is possible to see where it falls short. The definition "sustainable development is development that meets today's needs without compromising the ability of future generations to meet their own needs" (WCED 1987:43). One can discern at least some contemplation arising from the word "needs" that are not defined. The definition does not offer any kind of time frame, as "generations" can only be vaguely interpreted. The number of definitions that exist for sustainable development thus makes it a topic that the uninitiated person cannot provide or develop.

The fund managers different understandings of sustainability may according to Sievänen et al. (2013) be due to cultural differences, differences in previous experiences and where the person are in their life. Manager A finds the concept of sustainability difficult to concretize and says that the concept for him is about value creation. Value creation by taking advantage of opportunities and reducing risks in long-term. According to Manager B does sustainability imply helping to deal with issues that involve risks for future generations. Manager C thinks that the concept of sustainability is part of sustainable development. That the solutions to the issues in sustainable development must be done in a responsible way so as not to create new problems that risk degrading society.

The interviews give a picture of a absent mutual definition amongst Swedish fund managers. Since sustainability and sustainable development are understood and defined in different ways amongst the fund managers, it is not inconceivable that sustainability is integrated in different ways in the investment processes.

5.2 How sustainability is integrated into daily activities

All three managers similarly describe that by taking into account and analyzing non-financial factors, they integrate sustainability issues into their daily activities and evaluations. This demonstrates according to Epstein et al. (2010) that the participating fund companies have overcome the biggest sustainability integration challenge by succeeding in integrating sustainability into the operational parts of the organization. Both respondents A and C describe how sustainability is incorporated in their company practices and policies and that they are based on these in their professional practices. Respondent B also talks about his company's approach in different situations but describes it as the company’s value base rather than policy. According to Adams and Frost (2008), the operational integration indicates that the entire organization is influenced by a sustainability perspective, which is also demonstrated when the respondents talk about their corporate policies and how it influences their daily activities.

Corporate policies, in turn, appear to be influenced by voluntary initiatives in the financial industry such as the GC and the PRI. All respondents are aware of the initiatives and the majority say that they are directly linked to their work. According to Manager A, the GC does not affect him directly because he says he still worked based on similar principles even though the GC did not exist. Due to that statement together with the two other respondents who follow the GC, it provides support for Eurosif's (2018) survey where they acknowledged that the Swedish market for sustainable investments is mature. By mature, it is meant that consideration of non-financial factors is a widespread phenomenon in the market.

5.3 ESG assessment and strategies

Researchers suggests that ESG analyzes are clearly linked to risk analyzes (Mallin et al., 1995; Kreander et al., 2005; Bauer et al., 2005). This statement is well supported by the data from the interviews. The data shows that all respondents link their investment processes to risk assessments and the main part reflects how they see their ESG analyzes as an extensive part of the risk analysis of an investment. This is in good agreement with Sjöström (2014) who believes that by adopting a sustainability perspective on investments, risk is also minimized. The respondents describe how an ESG analysis can help identify possible risk areas that would not have been identifiable in a financial analysis. Sjöström (2014) explains that this type of analysis is about minimizing unexpected risks by identifying them at an early stage. There is research that suggests that ESG analyzes are clearly linked to risk analyzes (Mallin et al., 1995; Kreander et al., 2005; Bauer et al., 2005).

According to Manager A, who has worked in the industry for a long time, a lot has happened in the role of fund manager and not least the view and management of risk. Sjöström (2014) explains that extensive risk analysis and mitigation is part of the sustainability perspective in the financial market. The change and the view of risk could be explained by the fact that the sustainability perspective has been given more space in the fund company scene under Manager A's ten years in the role. The fact that sustainability has gained increased focus in the financial market is supported by Ziolo et al. (2020) who believe that an increased focus in the industry is due to increased attention in society in general. Manager A's perceived change in the industry can also be explained by Townsend (2020). According to Townsend (2020), the development of investment strategies has gone from being simple to more complex and expanded non-financial perspectives.

Yue et al. (2020) argue that ESG investments suggest a certain advantage over traditional ones because ESG investments are associated with lower risk. According to Yue et al. (2020), an investment must also generate economic value. In accordance with Yue et al. It appears from the respondents that one of the basic goals in the companies' operations is to generate returns, otherwise they would not have existed from the beginning.

According to Statman & Glushkov (2016), there is not enough evidence to say that a sustainable investment must sacrifice financial returns to be sustainable. This is in line with Manager B's statement:

> Some people have the opinion that environmental considerations are at the expense of the return, I am not prepared to agree, and, in some cases, it is rather the opposite.

Manager B believes that even in some cases, sustainable investment generates more returns. There is support for the statement in the literature, but there does not seem to be a significant consensus on whether traditional versus sustainable investment generates the most return. Manager B’s statement also goes against Gray (2006). According to Gray (2006), responsibility conflicts with financial self-interest, which is why responsibility will never be taken as long as there is not sufficient incentive for it. It could also to some extent be interpreted as meaning that there is currently sufficient incentive for the fund manager to act responsibly.

All respondents seem to agree that investment strategies require long-term goals to live up to their companies' policies and fund regulations regarding sustainability issues. According to Borglund et al. (2012) Sustainable investment strategies are largely about setting long-term goals in order to be able to live up to the sustainability measures, as these are unattainable in the short term.

Based on the interviews, there seems to be a consensus among the respondents that there is no strategy that dominates but that several strategies are used together. According to Hayat & Orsagh (2015), it is common for the strategies to be used together and in this way create new unique strategies.

Manager B describes how he uses the engagement and voting strategy and that this is done by being active owners. By active owner, Manager B means that they participate in general meetings, vote, and have a dialogue with the management of the company to influence and steer the company in the right direction. According to Bakshi (2006), this type of strategy can lead to positive effects within society through an open dialogue with company management that can stimulate positive changes within the company. Even if Manager A does not participate as an active owner in the company he has invested in, he says that the possibility of active ownership affects the investment decision. The reason why it affects the decision is that there are other job groups within the same fund company that work with active ownership and thus the engagement and voting strategy.

One entity that emerges from the interviews is that most strategies seem to be based on ESG data. That the strategies are based on ESG data is also evident in the literature, at least for at least one of the strategies included in the thesis theory. It is with the help of ESG data that positive and negative screenings are made depending on which direction the fund manager wants on the investment. Positive screening means that companies are selected thanks to the fact that they perform well in one or more non-financial areas (Gangi & Varrone 2018). Negative screening means that companies are excluded from the watch list because they do not live up to certain standards or are active in areas that are not considered sustainable (Renneboog et al. 2008). Manager B describes how he sometimes uses a sustainability-themed strategy in his investment decisions. This means that the investment is directed at certain industries, industries or companies that promote desirable and sustainable behaviors (Humphey & Tan 2013).

Most fund managers use company in-house tools when making their ESG assessments. Manager C is the only one that only uses external ESG data from sustainability rating providers. What does not appear in the interviews is whether different sustainability KPIs are set against each other and how they affect the ESG ratings. All fund managers who participate in the thesis use ready-made tools rather than assessing the various non-financial factor themselves. The underlying factors and how they are weighed for the specific ratings are not clear. Manager C also experiences this herself and explains that she only uses an assessment that has already been made and what she then does is use investment strategies to arrive at a decision that is in line with the regulations and policies she must follow.

The research on how in-house ESG tools perform is very limited, most likely because they are precisely intercompany and not available to the public. However, there is some research on how external sustainability rating providers are performed. Abhayawansa & Tyagi (2021) show in a study how different sustainability rating providers arrive at very different ESG analyses of the same and similar companies. Due to this, it is likely to assume that the in-house tools also perform in a similar way.

6. Discussion

ESG integration has its roots in value-based investments where ethics and morals laid the foundation for how capital should be invested (John Hill 2020). Based on the information from the interviews, it is not impossible to imagine that the respondents' perception and understanding of sustainability is based on ethical and moral values. This is based on the fact that all respondents have presented quite different definitions of sustainability, which can be understood as a subjective interpretation of the complexity of sustainability. Against this background, it is not unreasonable to assume that their sustainable investment practices are based on subjective values .

Although the respondents do not seem to have the same definition of what the concept of sustainability is, their description of sustainability includes the EC's (2018) concept of financial sustainability. The EC's (2018) definition of financial sustainability is that non-financial ESG factors must be taken into account when making investment decisions. The concept may seem very broad and unclear as it is not specified how the ESG factors are to be assessed or analyzed. A clearer definition would be desirable in order to harmonize the view of sustainability and how it should be applied in practice.

Research indicates that the concept of sustainability is difficult to measure because the concept itself lacks a complete definition (Howard 2016). The claim that sustainability is difficult to measure is supported by Dorfleitner et al. (2015) who investigated how different suppliers of sustainability ratings rank and assess companies the same and similar companies based on their sustainability level. The study showed that the same and similar companies are assessed in different ways depending on which grading model has been used and which sustainability assessment supplier made the assessment. The interviewed fund managers use various ESG tools to set the ESG rating on which their investment decisions are based. This may mean that the funds make different considerations regarding one and the same investment from an ESG perspective. A standardization regarding the ESG valuation is ‘a must’ to ensure that investors could choose from the funds' offer and be sure that the ESG rating can be compared. It is about transparency and consumer information that can ultimately lead to investments being diverted to companies that have high ambitions to change or companies that have already made the journey.

The interviews show that, among other things, the investments are assessed from a governance perspective, but this can be interpreted as meaning that it is more a matter of ensuring that the management is competent with relevant experience to lead and develop the company. It may also be to some extent how you as an owner view your opportunities to control the company based on your own interests.

Non-financial factors regarding social, environmental, and ethical considerations are discussed in the literature (Blowfield and Murray 2011). The Swedish market is described as a mature market where all major players have some form of framework for how they work with sustainable investments and an attitude policy towards the ESG and ethical issues. The development has gone from funds that exclude certain industries such as alcohol, tobacco, and weapons to a greater focus on companies that are considered role models, or a more activist behavior where the owner influences the company in the desired direction (Eurosif 2014). For investors, it is important that there is clear information about how sustainability work is conducted, all to facilitate the individual's decision to act sustainably.

One possible future scenario is a harmonization of how the ESG factors is to be assessed. A possible risk in the future scenario is the cost of producing the data and who will bear this cost. Another risk associated with a hypothetical harmonization is if the complexity of the assessment model is too difficult to understand, this can lead to the possible development of the standard being complicated because few understand the basic model. An effort must always be to be able to deliver simple measurement values and understandable reporting as well as counteract costly complexity. Nevertheless, harmonization is necessary for consumers to be able to make an informed choice about their savings.

7. Conclusion

Sustainability has been established as a difficult-to-measure concept, while the literature suggests that the concept has become increasingly common in company practice, which may seem contradictory. Previous research in sustainable investments has usually focused on financial performance. Therefore, this thesis was intended to fill a gap in the literature on how the non-financial factors are assessed in practice. The aim of this thesis was to explore how sustainable funds perceive and integrate sustainability using ESG factors in their investment assessments. To achieve the aim following research questions were formed:

- How do fund managers perceive sustainability?
- How is sustainability integrated into fund managers’ daily activities?
- How is ESG assessed and applied in investment assessments?

The understanding and definition of sustainability distinguish fund managers from each other and there is no clear consensus on the concept. However, it is not ambiguous whether their definition of sustainability fits into the definition of sustainable finance. It is through their understanding of the concept that sustainability is integrated into the investment processes. Furthermore, recognized voluntary initiatives seem to have affected the financial market in that their frameworks and principles seem to be well recognized and utilized by the company's management as well as in the fund managers' operational decision-making processes.

The ESG analysis used by fund managers can to a large extent be seen as a risk mitigation method as many managers links the non-financial factors to risk.

However, it is difficult to give a clear answer on how ESG factors are assessed as the fund managers rather assess an assessment already made and subsequently use different types of investment strategies to create an appropriate investment. There does not seem to be one strategy that is more prominent than the other. The strategies seem to be used individually and together.

References

Adams, C. & Frost, G. (2008) Integrating sustainability reporting into management practices. Accounting Forum 32 p: 288-302.

Allen, P. M. & McGlade, J. M. (1987). Modelling complex human systems: a fisheries example. European Journal of Operational Research, 30(2), 147e167.

Arora, N.K. (2018). Agricultural sustainability and food security. Environmental Sustainability **1,** 217–219. https://doi.org/10.1007/s42398-018-00032-2

Bakshi, R. (2006) Transforming markets in the 21st century: Socially responsible investing as a tool, Elsevier Ltd. Futures 39, 523–533

Bauer, P., Koedijk, K. & Otten, R. (2005). International evidence on ethical mutual fund performance and investment style. J. Bank. Finance. 29, 1751–1767.

Bebbington, J. & Gray, R. (2001) An Account of Sustainability: Failure, Success and Reconceptualization. Critical Perspectives on Accounting, 12 (5), 557–87.

Beiting, C., Ioannou, I. & Serafeim, G. (2014). Corporate Social Responsibility and Access to Finance. Strategic Management Journal (forthcoming).

BlackRock. (2020). Sustainability Goes Mainstream. BlackRock. https://www.blackrock.com/corporate/literature/publication/blackrock-sustainability- survey.pdf

Blowfield, M. & Murray, A. (2011). Corporate Responsibility. New York: Oxford University Press.

Borglund, T., De Geer, H., Frostenson, M., Lerpold, L., Nordbrand, S., Sjöström, E. & Windell, K. (2012). CSR - corporate social responsibility: En guide till företagsansvar.

Bouwman, MJ., Frishkoff, PA. & Frishkoff, P. (1987). How do financial analysts make decisions? A process model of the investment screening decision. Accounting Organizations and Society. Vol. 12, No. 1. 1–29

Bryman, A. & Bell, E. (2017). Business research methods. 3. uppl. Oxford, London.

Carè, R. & Wendt, K. (2018). Social impact investing beyond the SIB.

Cham,Switzerland: Palgrave Macmillan. https://doi.org/10.1007/978-3-319-78322-2

Connelly, S. (2007) 'Mapping Sustainable Development as a Contested Concept', Local Environment 12, 3, 259–278.

David, M. & Sutton C.D. (2016) Samhällsvetenskaplig metod, Lund, Studentlitteratur.

Denscombe, M. (2014). The good research guide: For small-scale social research projects. Buckingham, England: Open University Press.

Dhaliwal, D.S., Li, O.Z., Tsang, A. & Yang, Y.G. (2011). Voluntary Nonfinancial Disclosure and the Cost of Equity Capital: The Initiation of Corporate Social

Responsibility Reporting. The Accounting Review, 86(1), 59–100. http://www.jstor.org/stable/29780225

Dobson, A. (1996). Environment Sustainabilities: An analysis and a typology. Environmental Politics, 5, 401–428.

Dorfleitner, G., Halbritter, G. & Nguyen, M. (2015) Measuring the level and risk of corporate responsibility – An empirical comparison of different ESG rating approaches. J Asset Manager **16,** 450–466. https://doi.org/10.1057/jam.2015.31

Drei, A., Le Guenedal, T., Lepetit, F., Mortier, V., Roncalli, T. & Sekine, T. (2020). ESG investing in recent years: New insights from old challenges. Amundi Discussion Paper, 42.

Drost, E.A. (2011). Validity and reliability in social science research. Education Research and perspectives, 38(1), pp.105-123

Elkington, J. (1999). Cannibals with forks: the tripple bottom line 21st century business. 2ed. Oxford: Capstone.

Epstein, MJ., Buhovac, AR. & Yuthas, K. (2010) Implementing sustainability: the role of leadership and organizational culture. IMS's fondation for applied research.

Eurosif. (2014). European SRI Study. http://www.eurosif.org/wpcontent/uploads/2014/09/Eurosif-SRI-Study-20142.pdf [2022-05-30]

Eurosif. (2018). European SRI Study. https://www.eurosif.org/wp content/uploads/2021/10/European-SRI-2018-Study.pdf [2022-05-30]

Eurosif. (2021). Eurosif report 2021 – Fostering Investor Impact. https://www.eurosif.org/wp-content/uploads/2021/11/2021-Eurosif-Report-Fostering-investor-impact.pdf [2022-05-30]

European Commission. (2019) The European Green Deal, COM/2019/640

European Commission. (2018). Overview of sustainable finance. https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_en

Evans, A. E., Mateo-Sagasta, J., Qadir, M., Boelee, E., & Ippolito, A. (2019). Agricultural water pollution: key knowledge gaps and research needs. Curr. Opin. Environ. Sustainabil. 36, 20–27. doi: 10.1016/j.cosust.2018.10.003

FAO. (2016). Food and Agriculture Organization of the United Nations, Sustainable Development Goals http://www.fao.org/sustainable-development-goals/en/ [2022-07-30]

Finansinspektionen. (2020). Nya regler om hållbarhetsrapportering. https://www.fi.se/sv/publicerat/nyheter/2020/nya-regler-om-hallbarhetsrapportering/ [2022-05-30]

Folqué, M., Escrig-Olmedo, E. & Santamaria Corzo, T. (2021). Sustainable development and financial system: Integrating ESG risks through sustainable investment strategies in a climate context.

Swedish Investment Fund Association (n.d.). Hållbara fonder. https://www.fondbolagen.se/fakta_index/hallbara-fonder/

Gangi, F. & Varrone, N. (2018). Screening activities by socially responsible funds: A matter of agency? Journal of Cleaner Production, **197**, 842– 855.

Gifford, J. (2010). Financial markets and the Global Compact: The principles for responsible investment. In Rasche, A., Kell, G. (Eds.), The United Nations

Global Compact: Achievements, trends, and challenges (pp. 195-214).
UN Global Compact (2004). Who cares wins. The global Compact. https://www.unepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_200 4.pdf [2022-05-30]

UN Global Compact (2015). Overview of the UN Global Compact. https://www.unglobalcompact.org/AboutTheGC/index.html [2022-05-30]

Golafshani, N. (2003). Understanding reliability and validity in qualitative research. The Qualitative Report 8, 597–607.

Gond, J.-P. & Piani, V. (2013) 'Enabling Institutional Investors' Collective Action: The Role of the Principles for Responsible Investment Initiative', Business & Society, 52(1), pp. 64–104.

Gray, R. (2006). Social, Environmental and Sustainability Reporting and Organisational value creation? Whose Value? Whose Creation? Accounting, Auditing & Accountability Journal, 19 (6), 793-819.

Hassel G.L. (2011). Ansvarsfulla investeringar och hållbar affärsutveckling. In Pricewaterhouse Coopers i Sverige, A B (Ed.), Hållbarutveckling - från risk till värde (pp. 13–20) Studentlitteratur

Hill, J. (2020). Environmental, Social and Governance (ESG) Investing – A Balanced Analysis of Theory and Practice of a Sustainable Portfolio. Elsevier Science Publishing 1st edition

Humphey, J. & Tan, D. (2013) Does it Really Hurt to be Responsible, Journal of Business Ethics, 122:375–386

Hortense, B. & CFA. (2021). Ett år av nya rekord för europeiska hållbara fonder. [Morningstar]

Howard, A. (2016). Painting by numbers - the difficulties of measuring sustainability. Schroders.

Jacobsen, D. (2002). Vad, hur och varför: om metodval i företagsekonomi och andra samhällsvetenskapliga ämnen. Lund: Studentlitteratur.

Karlsson, I. (2008). Stora Aktiehandboken. AB Aktieskolan, Kalmar.

Kolstad, I. (2015). Three questions about engagement and exclusion in responsible investment. Business Ethics, 25(1), 45-58.

Kreander, N., Gray, R.H., Power, D.M. & Sinclair, C.D. (2005). Evaluating the performance of Ethical and Non-Ethical Funds: A Matched Pair Analysis. J. Bus. Financ. Account. 32, 1465–1493.

Larris, A. (2021). Nya regler på hållbarhetsområdet för fondförvaltare. https://www.fondbolagen.se/globalassets/regelverk/principiella-pm/hallbarhetsregler-for- fondforvaltare--uppdaterad.pdf [2022-05-30]

Laborde, D., Martin, W., Swinnen, J., & Vos, R. (2020). COVID-19 risks to global food security. Science 369, 500–502. doi: 10.1126/science.abc4765

Lincoln, Y.S., & Guba, E.G. (1985). Naturalistic Inquiry. Beverly Hills, CA: Sage Publications

Loring, P.A, & Sanyal, P. (2021.) Indicators of Complexity and Over-Complexification in Global Food Systems. Front. Sustain. Food Syst. 5:683100. doi: 10.3389/fsufs.2021.683100

Mallin, C.A., Saadouni, B., & Briston, R.J. (1995). The Financial Performance of Ethical Investment Funds. J. Bus. Financ. Account. 22, 483–496.

Mazoyer, M., & Roudart, L. (2006). A history of world agriculture: From the Neolithic age to the current crisis. New York: Monthly Review Press

McIntosh, C., & Mansini, C.S. (2018). The Use of Financial Technology in the Agriculture Sector. Asian Development Bank institute. ADBI Working Paper Series. No. 872.

van Mil, H.G, Foegeding, E., Windhab, E., Perrot, N., & van der Linden, E. (2014). A complex system approach to address world challenges in food and agriculture. Trends in food science & technology, vol. 40 (1), pp. 20–32 LONDON: Elsevier Ltd.

Patton, M.Q. (1999). Enhancing the Quality and Credibility of Qualitative Analysis. Health Services Research, 34, 1189–1208.

Renneboog, L., Ter Horst, J., & Zhang, C. (2008). The price of ethics and stakeholder governance: The performance of socially responsible mutual funds. Journal of Corporate Finance, 14(3), 302– 322.

Richardson, B. (2009). ‘Keeping Ethical Investment Ethical: Regulatory Issues for Investing for Sustainability’, Journal of Business Ethics 87(4), 555–572.

Rockström, J., Edenhofer, O., Gaertner, J., & DeClerck, F. (2020). Planet-proofing the global food system. Nat. Food 1, 3–5. doi: 10.1038/s43016-019-0010-4

Sandberg, J., Juravle, C., Hedesström, T.M. & Hamilton, I. (2009). The Heterogeneity of Socially Responsible Investment. Journal of Business Ethics, 87(4), 519–533. http://www.jstor.org/stable/40294943

Sachs, J.D. (2015). The Age of Sustainable Development. New York: Columbia University Press.

Searchinger, T., Waite, R., Hanson, C., Ranganathan, J., Dumas, P., Matthews, E., et al. (2019). Creating a Sustainable Food Future: A Menu of Solutions to Feed Nearly 10 Billion People by 2050. Final Report. WRI. Washington, DC.

Sievänen, R., Rita, H. & Scholtens, B. (2013). The drivers of responsible investment: The case of European pension funds. Journal of Business Ethics, 117(1), 137-151.

Sharpe, WF. (1994) The Sharpe Ratio. The Journal of Portfolio Management. Vol. 21. 49–58.

Shenton, A.K. (2004). Strategies for Ensuring Trustworthiness in Qualitative Research Projects. Education for Information, 22, 63–75.

Schueth, S. (2003). Socially Responsible Investing in the United States, Journal of Business Ethics, Vol. 43, No. 3.

Sjöström, E. (2014). Hållbara investeringar (1. uppl. ed.). Stockholm: Sanoma utbildning.

Statman, M. & Glushkov, D. (2016) Classifying and Measuring the Performance of Socially Responsible Mutual Funds. J. Portf. Manag. 42, 140–151.

Sohlberg, P. & Sohlberg, B. (2013). Kunskapens former: vetenskapsteori och forskningsmetod. (3., [kompletterade och utvidgade] uppl.) Stockholm: Liber

Sparkes, R. & C. J. Cowton: (2004). ‘The Maturing of Socially Responsible Investment: A Review of the Developing Link with Corporate Social Responsibility’, Journal of Business Ethics 52(1), 45–57.

Svensson, P.G., Starrin, B., Henriksson, B., Månsson, S.A., Renck, B. & Dahlgren, L. (1996). Kvalitativa studier i teori och praktik. Lund: Studentlitteratur

Swedish Ministry of Finance. (2018). Handlingsplan Agenda 2030. (Fi 2018:3). https://www.regeringen.se/49e20a/contentassets/60a67ba0ec8a4f27b04cc4098fa6f9fa/handlings plan-agenda-2030.pdf [2022-05-30]

Thomassen, M. (2007). Vetenskap, kunskap och praxis. Introduktion i vetenskapsfilosofi. Malmö: Gleerups.

Thurén, T. (2007). Vetenskapsteori för nybörjare. Stockholm: Liber

Townsend, B. (2020). From SRI to ESG: The origins of socially responsible and sustainable investing. The Journal of Impact and ESG Investing, **1**(1), 10– 25.

Trinks, P. J. & Scholtens, B. (2017). The opportunity cost of negative screening in socially responsible investing. Journal of Business Ethics, 140(2), 193– 208.

UN Framework Convention on Climate Change (2015a) Adoption of the Paris Agreement, 21st Conference of the Parties, Paris: United Nations

UN General Assembly, Transforming our world: the 2030 Agenda for Sustainable Development. (2015b). A/RES/70/1

UNPRI. (2015). The six principles. http://www.unpri.org/about-pri/the-six-principles/ [2022-05-30]

Van Duuren, E., Plantinga, A. & Scholtens, B. (2015). ESG integration and the investment management process: Fundamental investing reinvented. Journal of Business Ethics, 138 (3), 525-533.

Wikström, S., Hedbom, M., & Turesson, L. (2010). "Försäljning eller värde för konsumenterna? - Om livsmedelsföretagens problem med att skapa värde för konsumenterna". Företagsekonomiska institutet. Stockholms universitet.

World Bank. (2020). Agriculture Finance & Agriculture Insurance. https://www.worldbank.org/en/topic/financialsector/brief/agriculture-finance [2022-07-30]

World Commission on Environment and Development (WCED). (1987). Our common future, Report of the World Commission on Environment and Development, Oxford: Oxford University Press.

Yin, R.K. (2014). Case Study Research: design and methods. Fifth Edition. The United States of America: SAGE Publications, Inc.

Yue, X.G., Han, Y., Teresiene, D., Merkyte, J. & Liu, W. (2020). Sustainable Funds' Performance Evaluation. Sustainability, 12, 8034. https://doi.org/10.3390/su12198034

Ziolo, M., Bak, I., Sinha, R. & Datta, M. (2020). ESG Risk Perception in Sustainable Financial Decisions. Quantitative Methods Perspective. In: Experimental and Quantitative Methods in Contemporary Economics. Springer Nature. Chapter 12.

Popular science summary

Sustainability is a hot topic that has received increased attention in recent decades, not least in the financial market. Even though sustainability has received increasing consideration and attention, research still shows that the concept is difficult to define. Many definitions exist and at least as many approaches on how to achieve it. Researchers shows that the concept is not easy to concretize and that the concept means different depending on who you ask.

This creates a duality as one side shows how the consideration for sustainability-related issues has increased and on the other side the concept itself is very unclear. Then you can ask yourself the questions in what way has the consideration been made in practice and what does sustainability mean for those who actually work with it?

This study is based on conversations with three people who work with sustainability in the financial market. The conversations were about finding out how these people work and assess sustainability in their professional practices. The conversations showed that the people defined sustainability in different ways, even though there were similarities in their descriptions. It is important to have common goals on important issues, but even more important that we understand the goal before we start!

Appendix I – Interview guide for semi-structured interviews

Theories	**Question Themes**	**Operationalized questions**
	General	What role do you have and how long have you held that position? Can you briefly tell us about the company's goals?
Sustainability	Sustainability related	How would you define sustainable development and sustainability? In what way is sustainability or sustainable development integrated into your work? Can you describe what determines whether an investment is sustainable or responsible?
GC PRI	Voluntary initiatives	Do you know about the UN Global Compact? If so, what do you know? Do you intentionally or unintentionally follow some of its principles? Do you know the Principles of Responsible Investment (PRI)? If so, what do you know? Do the principles shape your work?
ESG integration Responsible strategies	Investment process	Do you have goals for an investment in addition to the fund rules? How do you generally do when analysing a possible investment? Can you describe how you integrate a sustainability perspective into your investment analysis?

Theories	**Question Themes**	**Operationalized questions**
ESG integration Responsible strategies	Investment process	Do you use any special strategies? Different types of screenings where you include and exclude? How do you weigh non-financial versus financial factors in an analysis? Do you follow any corporate practices or policies regarding sustainability when making investment decisions? If so, how much can you influence the decisions yourself? Do you make an ESG assessment when making an investment decision? If so, how is this assessment made? How is each individual factor weighed, is one more important than the other? Do you use a third-party company for sustainability assessments? What does a typical good investment look like, is sustainability an important factor in determining whether an investment is good or not? Do you have any opportunity to get involved in the invested companies? Does the possibility of being able to influence the investment decision affect?

Publishing and archiving

Approved students' theses at SLU are published electronically. As a student, you have the copyright to your own work and need to approve the electronic publishing. If you check the box for **YES**, the full text (pdf file) and metadata will be visible and searchable online. If you check the box for **NO**, only the metadata and the abstract will be visible and searchable online. Nevertheless, when the document is uploaded it will still be archived as a digital file. If you are more than one author, the checked box will be applied to all authors. Read about SLU's publishing agreement here:

- https://www.slu.se/en/subweb/library/publish-and-analyse/register-and-publish/agreement-for-publishing/.

☒ YES, I/we hereby give permission to publish the present thesis in accordance with the SLU agreement regarding the transfer of the right to publish a work.

☐ NO, I/we do not give permission to publish the present work. The work will still be archived and its metadata and abstract will be visible and searchable.