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SUSTAINABLE INVESTMENT SUCCESS: INSIGHTS FROM FINANCIAL EXPERTS AND SCHOLARS

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ABSTRACT

The aim of this paper is to understand the success of sustainable investments of financial corporations and understand the differences of view on this matter from financial corporations' perspectives and the perspective of scholars. The significance of this research is increased by importance of immediate actions for sustainable future and increased concerns about sustainability activities of financial institutions. The data collection included both primary (interviews) and secondary data. The primary data collection was conducted from scholars and financial market representatives. The secondary data was collected mainly from sustainability reports of financial institutions. Researcher conclusions highlight the reality of difference in opinions of scholars and financial representatives about sustainable investments.

Keywords: Investment, finance, sustainability, green investments, environment, social, governance.

A S E R C

INTRODUCTION

Economic growth over two hundred years has changed the world that we live in immensely. Human civilization is continuing to expand and resources like water, energy, and land are becoming increasingly scarce (Wilmoth et al., 2022). Plastic waste fuel bases energy sources, animal cruelty and so many more had and still have a place in the economic system. Therefore, Planets need care that the sustainability approach can offer, and the significance of sustainability cannot be underestimated. It is thus essential that we learn to use these resources in a responsible, sustainable manner. This means using resources in ways that do not deplete them, create pollution, or damage the environment, but also in a way that is economically feasible and equitable. Sustainability can be achieved using renewable energy sources such as solar and wind, the conservation of water and energy, and the efficient utilization of resources (UNDP, 2020). Additionally, it is important to participate in sustainable activities such as recycling, composting, and minimizing waste. By embracing sustainable practices, we can ensure that our planet is preserved for future generations. Undeniably, all these solutions for a sustainable future need significant support from the financial sector (UNDP, 2020).

There is no doubt that the financial sector plays a magnificent role in the future development of technologies and practices that will eventually reach sustainability goals (Bakken,2021). According to the Harvard Extension School publication, the role of financial sectors affects all spectators of a sustainable future which could include funding renewable energy sources, researching technological development, and many more. Furthermore, by the definition of Harvard Extension School, Sustainable Finance could be identified as "investment decisions that take into account the environmental, social, and governance factors of an economic activity or project."

During the last decades, significant changes and efforts have been put into meeting sustainable goals from many fields, including financial sectors (Pérez et al., 2022). According to research done by McKinsey Sustainability, more than 90 percent of Standard & Poor's 500 companies, which includes companies like JPMorgan Chase, Bank of America, Citigroup, and many more started publishing Environmental, Social, and Governance reports (Pérez et al., 2022). Furthermore, as it was stated in a report conducted by Ernst & Young, which is one of the leading auditing, assurance, consulting, tax, and investment banking, 78% of investors are willing to invest in sustainable investments, even though it could decline their short-term profit. (Abu-Shakra, 2022)

Among financial achievements, international agreements and cooperation played an important role in developing a view of sustainable leaving. To achieve sustainability goals and prevent upcoming disasters Conference of the Parties 21 has signed an international treaty on climate change, The Paris Agreement, which could be identified as a major milestone for future development. ("The Paris Agreement", n.d) The most important urgent goal in the agreement was to prevent increasing global temperature to 2 degrees Celsius.

Even though the sustainable approach to investments grew immensely in throw last decades, many doubts about its successes from the public, authorities, and scholars are not vanishing away. Concerns about the impact of sustainable investments which are considering social governance and environmental factors had a place in many publications by scholars. A

recent publication in Harvard Business Review argues that notwithstanding the popularity of sustainable investments, they could not show real impact on solving key problems that Planet is facing. The publication shows that companies are using sustainability as a propaganda and marketing tool to attract stakeholders, however, the numbers shown on companies' reports do not declare the truth. ("ESG investing isn't designed to save the planet", 2022).

A recent publication of London Business School has reflected on the words of Fiona Reynolds who was a chief executive officer in Principles for Responsible Investment a United Nations-supported international network of financial institutions by the time of publication. She claimed that reaching the goal of the Paris Agreement of a global average temperature of 1.5 degrees seemed nearly impossible by the given deadline, therefore postponing this goal will mean that governments will force companies to count down this operation more rapidly in near future. (Benson & Villiers, 2020). Evermore research conducted by Ernst & Young claimed that 99% of investors believe in the significant importance of reporting about environmental social and governance factors, however, 76% have doubts about the reliability of this report in the matter of highlighting positive and neglecting to show negative sides. (Abu-Shakra, 2022).

In light of those circumstances, the objective of this research is to understand the success of sustainable investments of financial corporations and understand the differences of view on this matter from financial corporations' perspectives and the perspective of scholars. In order to explore this objective in a meaningful manner this thesis identifies and replies to questions:

1. What could be identified as successful sustainable investments from the perspective of financial institutions?
2. What could be identified as successful sustainable investments from the perspective of scholars?
3. Is the data provided by financial institutions such as published sustainability reports showing a real positive impact on this issue or they are published to attract and manipulate stakeholders and the public?

Through literature review, theoretical information, and research design, this thesis aims to provide a deeper understanding of the topic. The Research Methodology chapter highlights the chosen methodology for this research. Moving further, the Data Collection and Analysis chapter gives detailed information about how data for this research was contained and examined. Chapter five examines the corporate governance framework, strategic goals of major financial institutions to pinpoint the critical elements that affect financial institutions' long-term investment performance and gauge their chances of experiencing continuous development and financial success. To deeply investigate the topic and achieve the research objective, chapter six investigates in-depth interviews results. Research concludes with Conclusion, Limitation and Future research directions.

1. LITERATURE REVIEW

In the article "Alternative Approaches and Climate Clubs: Overcoming Free riding in International Climate Policy" by William Nordhaus, sustainable finance is defined as "the use of financial tools, such as green bonds, carbon offset markets, and green financing, to

encourage investments in activities that reduce emissions, promote resource efficiency, and support sustainable development (Nordhaus, 2015). The article further states that sustainable finance can help address the issue of free riding in international climate policy by providing incentives for countries to reduce their emissions.

The article by William Nordhaus examines the issue of free riding in international climate policy and proposes alternative approaches for addressing it. He suggests that sustainable finance may be the most effective way of encouraging countries to reduce their emissions, as it provides incentives for them to do so (Nordhaus, 2015). Additionally, it creates financial incentives for them to invest in activities that reduce emissions and promote sustainable development. The article argues that the use of sustainable finance can help to overcome the problem of free riding in international climate policy.

The 'Financing the Green Transitions' paper discusses the challenges faced in financing green infrastructure projects and explores potential solutions to overcome these obstacles (Monaca et al., 2019). One of the main issues is the limited availability of public funding, which makes it necessary to engage private sector investment to meet decarbonization targets. The paper notes that green bonds, while a successful asset class, are primarily used for refinancing and are insufficient to meet the scale of capital deployment required to address climate goals (Monaca et al., 2019). As such, the paper suggests other financial solutions, such as project preparation facilities (PPFs), development finance institutions (DFI) co-lending, aggregation, and securitization.

The paper also highlights the considerable capital appetite for environmental and clean energy investing, with estimates of $30.7 trillion of assets under management (AUM) being invested in environmental, social, and governance (ESG) investing (Monaca et al., 2019). Initiatives such as the Climate Endowment and the Principles for Responsible Investment indicate the ambition of mainstream financial institutions to continue to grow ESG investment practices.

Overall, the paper emphasizes the importance of public intervention as a catalyst for unlocking private funds, as well as the need for innovative financial solutions to enable the growth and scale of green infrastructure projects.

According to the report "Mobilizing capital for a sustainable economy," a sustainable financial system is crucial for achieving Europe's environmental and social goals. The report proposes various strategies to mobilize capital from private investors, institutional investors, and public institutions, including tax incentives, sustainable finance standards, green bond markets, and public-private partnerships (High-Level Expert Group on Sustainable Finance, 2017). To achieve a sustainable financial system, the report emphasizes the need for international cooperation and the alignment of financial regulations and standards across different countries and regions. This will help ensure that sustainable investments are incentivized and rewarded across the global financial system.

1.1 Measuring Sustainable investment.

According to the OECD report, the private sector could help to reach the 2030 Agenda goals in three main ways: impact, mobilizing, and alignment (Boiardi, 2020). The report highlights that impact has two main components within achieving those goals firths to enable possessively influencing people and the Planet through some operations; second, to be able

to measure and manage these impacts outcomes as correctly as possible. (Boiardi, 2020) On the other hand financial sector can mobilize capital now used for other purposes to be used for sustainability goals. Furthermore, the financial sector should be aligned with the goals and missions of sustainability and meet one or more SDGs.

The report also states the importance of harmonizing the measurement of impact and how it is necessary to integrate it into investors' decision-making process for conceptualizing, identifying, and measuring the effects of sustainable projects, investments, and organizations (Boiardi, 2020). The existing lack of harmonization effectively encourages SDG washing and damages the credibility of initiatives for social impact and sustainable investing. SDG-washing is the practice of highlighting the positive influence of (financial) goods and services on one of the Sustainable Development Goals (SDGs) while ignoring the harm they do to others. SDG washing is the practice of stating that existing financial products "affect" a particular SDG without being honest about their actual impact; this technique is known as impact labeling.

Furthermore, there are many ways to measure the impact of investments, like the Impact Rate of Return (IRR) framework (Buffet & Eimicke, 2018) or the Social Return on Investment (SROI) framework (SVUK, 2012). Although diverse approaches have been established to serve different reasons, harmonizing effect measurement methodologies is a challenging task. Depending on their impact strategy, different investors evaluate their success using different metrics (Gianoncelli et al., 2019). Depending on their size and stage of growth, the underlying investments' capacity for data gathering and reporting varies. Investors must, therefore, continuously strike a balance between assessing data accurately and avoiding the creation of onerous reporting requirements. The research advises impact investors to implement more consistent and exacting impact measurement techniques to overcome these difficulties. It also highlights how significant it is to work with investees to determine and assess the social and environmental results of their financial commitments. The paper also emphasizes how crucial it is for impact investors to be transparent and accountable, as well as how important it is for them to report on their impact results and learn from their successes and failures.

The report's main points emphasize the growing significance of impact investing in bringing about social and environmental change, as well as the necessity for impact investors to implement best practices in impact measuring to make sure that their investments are having the desired effects (Gianoncelli et al., 2019). However, the quality of data collection systems and the availability of data vary widely among industries and nations, making it harder to standardize effect measurement methodologies (Boiardi, 2020). For instance, the process of completing an SROI analysis would be difficult and expensive if there were insufficient data to establish a precise baseline.

Several projects have been started in recent years to standardize the effect measurement procedure and to create a comprehensive impact measurement framework for investors. These projects had two main goals: to combine the fundamental components of all impact assessment frameworks into meta-frameworks that could be applied with various methodologies or to unite several organizations around a shared problem and discover a solution. (Boiardi, 2020)

Impact measurement standards, certifications, and ratings serve as guidelines for how an organization or investor should report on the impact made or as evidence that the impact made by an investor is of a given caliber (Boiardi, 2020). Regarding the other categories, investors and businesses can choose to focus their efforts on maximizing their positive social impact, or they can choose to manage the risks related to a potential negative social impact. Impact measurement standards, certifications, and ratings can be targeted at either group (Boiardi, 2020). A variety of standards have been introduced in recent years, but despite these efforts, there isn't a single standard that has been adopted by all investors and businesses that enables communication of impact results in a comparable and clear manner to all stakeholders. The standard setting is a laborious process that takes time since it requires significant engagement with numerous interested parties.

A set of business measurement and disclosure requirements have been created by the Sustainability Accounting Standards Board (SASB) (SASB, 2022). Within a certain industry, the SASB has selected a set of metrics that are financially relevant. A company can demonstrate how committed it is to release financially significant sustainability information by reporting on such indicators. The SASB standards, which are established at the company level, enable investors to contrast various possible investments within the same industry (SASB, 2022). The GRI taxonomy, in a similar manner, "helps firms understand and explain their influence on crucial sustainability concerns such as climate change, human rights, governance, and social wellbeing" (Hulst, 2012).

The metrics and indicators category includes databases of indicators that investors can use to measure outputs and outcomes, (ii) offer standard definitions of measurements of outputs, outcomes, and impacts that facilitate comparisons between investments, and (iii) serve as data repositories that aid in creating baselines in various industries. (Boiardi, 2020)

Despite the existence of databases of indicators, investors typically still apply their own measurements. There is currently a dearth of standardized definitions for measurements that are used to evaluate investments and measure effects, which creates a barrier to entry for new investors and diminishes the efficiency of current investors (Boiardi, 2020). Investors utilize a variety of indications, some of which are conflicting and frequently challenging to combine.

The Harmonized Indicators for Private Sector Operations (HIPSO) and the Global Impact Investing Network's (GIIN) of the Impact Reporting and Investment Stand (IRIS) Catalogue of Metrics (GIIN, 2020) are two often referenced databases of indicators (Boiardi, 2020). HIPSO is a collection of 38 indicators spread across 15 sectors that 25 international finance institutions (IFIs) use to monitor progress on development. The GIIN's portfolio offers a wide range of indicators, arranged by industry, that investors can use to gauge their outputs and results (Boiardi, 2020).

2. RESEARCH METHODOLOGY

To meet the research objective for this study, an exploratory qualitative research design was employed. Exploratory research designs were created with the intent of discovering new information, insight, and meaning as well as studying topics that had not previously been examined (Kabir, 2016). With the purpose of replying to all questions of this research, both primary and secondary data collection methods were implemented. Both approaches have

their potential as well as limitations; however, while using them together, those methods complement each other. According to Syed Muhammad Sajjad Kabir's "Methods of Data Collection" book from Curtin University, combining secondary and primary data could enhance the quality and richness of study findings.

Qualitative research methods are beneficial when exploring complex and nuanced phenomena, such as how people who work in financial institutions, such as banks and investment firms, view the subject from various angles. Nevertheless, on the other hand, these methods can also be used to see the subject from the viewpoint of academics who thoroughly understand the subject. When there is little or no prior study on the subject topic, exploratory qualitative investigations are frequently performed (Tremblay et al., 2021). An exploratory investigation aims to learn more about the subject of the study and to develop theories or questions for additional research (Stebbins, 2001). Through qualitative research, the study can also examine how the opinions of two counter parties differ.

The research will gather data from financial institutions and scholars to understand their views on sustainable investments. The information is gathered through in-depth interviews with academics and financial firms (Braun, Clarke, & Gray, 2017). The interviews, which will take place in person or over video conference, will be taped and then transcribed for analysis.

The goal of in-depth interviews is to thoroughly understand a person's experiences, beliefs, attitudes, and viewpoints on a particular subject or phenomenon. Braun, Clarke, and Gray, (2017) states that open-ended questions are used in in-depth interviews so that participants can express their experiences, opinions, and attitudes in their own words. With other words in this approach, the interviewer and participant have a one-on-one conversation during which the interviewer poses open-ended questions and encourages the participant to express their ideas freely (Braun, Clarke, & Gray, 2017).

The study participants were purposefully selected employees working in different companies as financial analysts and scholars including professors with Doctor of Philosophy (PhD) degree or who is pursuing to get PhD degree. Financial industry representatives who worked for various local as well as global companies in those nations. The participants were all working as full-time financial analysts for multiple companies. The number of people interviewed included three financial analysts and an equal number of academics. The research placed special emphasis on the experience area of the participants for them to respond to or provide details about sustainable finance. The researcher used purposive sampling to select employees for face-to-face interviews (Seidman, 2019). Seidman (2019) states that a random sample cannot be used for interviews because research participants must sign consent forms.

The researcher contacted the participants via email and provided a detailed explanation of the research procedure through an "Inquiry Letter".

3. DATA COLLECTION AND ANALYSIS

3.1 Primary Data Collection

Six participants received emails from the researcher outlining the entire research process (Creswell, 2012). Even though all six individuals were approved to participate in the study,

only four could meet with the researcher in person and receive consent documents. Two online interviews over Teams for various reasons were implemented. The consent forms were electronically emailed to the emails of all participants before the interview and were signed in person and electronically by participants.

Interviews were conducted as part of the initial data collection strategy. After the interviews, the researcher conducted data by listening to the tapes and transcribing the interviews. According to Seidman (2019), the interview transcriptionist has a more in-depth comprehension of the facts. Schutz, Walsh, and Lehnert (1967) add that although it may be challenging to grasp others fully, it is possible to understand their behavior. While transcribing, the researcher understood the emotions and perspectives academics and program directors were expressing. The researcher went over the transcripts several times to look for recurring themes. The researcher created a data analysis chart to record each query's responses to guarantee correctness. The researcher categorized the comments after reviewing the transcripts several times and noting their similarities and variations; as a result, four important themes influencing successful sustainable investments were discovered.

3.2 Secondary Data Collection

In order to reply to the question of this research, it is essential to understand what is determined as a successful sustainable investment for financial institutions and what sustainable investment practices, strategies, and achievements they are reporting (Almadi, 2021). With the aim of getting insight into their sustainable investment strategies, the sustainability reports of Morgan Stanley, JP Morgan, and Citigroup were examined for this purpose. The 2021 sustainability reports were gathered from the websites of Morgan Stanley, JP Morgan, and Citigroup. An approach known as qualitative content analysis was used to examine the reports. The information gathered covered the banks' sustainable investing goals, policies, strategies, and results. At the same time, recurring themes, and patterns in the sustainability reports of the three banks' sustainable investment policies are noticeable. The study found that all three banks prioritized environmental sustainability, with goals and regulations pertaining to supply chains, renewable energy, and climate change.

3.3 Trustworthiness

In qualitative research, trustworthiness is one of the key points to give special attention (Matthews & Kostelis, 2019). Yin (2016) notes that for making qualitative research credible and trustworthy, research procedures ought to be transparent. All obtained data should be available for analysis, and research procedures should be understandable to other people. Yin (2016) states that while interviewing, the researcher cannot harm people; on the contrary, the researcher should choose words carefully in order not to hurt others. Beyond coding participants' names, the researcher also reported participants' responses without distorting the meaning or including any opinion. The researcher should be interested in and consider the concerns of participants because everyone wants to be heard and understood (Eikenberry, 2011). Leavy (2020) highlights that for accuracy, it is important to ask research participants to read and check their transcribed interviews.

Inviting study participants to evaluate and confirm their interview transcripts through member checking is crucial, which entails paraphrasing or summarizing the participants' comments (Leavy, 2020). In addition to allowing readers to fix any mistakes made during the

interview process, this shows that the researcher has presented the data precisely as it was collected (Lincoln & Guba, 1993). A copy of each participant's transcript was given to them. Then, the researcher invited them to evaluate it and make any required adjustments so that the study would still be considered valid (Lincoln & Guba, 1993).

3.4 Ethical Procedures

It is essential to maintain participants' rights and privacy when collecting data (Creswell, 2012). Participants must be informed of how their privacy will be protected and what will happen to their data once the study is over. According to Wiles (2012), confidentiality indicates that the information gathered will not be shared and that the participants' rights will be upheld. To preserve participants' privacy, all information gathered should be destroyed if individuals decide not to participate in the study.

To prevent unintentional disclosure, all recorded information, including transcripts, consent forms, and audiotapes, should be preserved in a secure area (Seidman, 2006). In addition, participants' names should be coded to protect their privacy, and neither their answers nor identities should be disclosed to anyone (Creswell, 2012). To preserve ethical processes and foster participant trust, it is critical to protect the privacy and anonymity of research participants.

4. EVALUATING FINANCIAL INSTITUTIONS' EFFORTS IN SUSTAINABLE INVESTING

This paper will focus on sustainable investments made by financial institutions or, in other terms, financial intermediaries. Financial intermediaries are financial institutions developed to help money move between investors and savers. Financial intermediaries that provide this purpose include banks, investment firms, insurance providers, and credit unions (Bodie, Kane, & Marcus, 2011).

4.1 Morgan Stanley

Incorporating sustainability into their core businesses and supporting operations is part of Morgan Stanley's strategy (Morgan Stanley & Co. LLC, 2022. To collect money for environmental initiatives, such as those aimed at plastic recovery and recycling, the Global Capital Markets team, for instance, underwrote $65 billion in green, sustainability, and blue bonds in 2020 (Institute for Sustainable Investing, 2021). The company also served as the joint book runner for Coca-Cola FEMSA's $705 million green bond, the biggest ever issued by a Latin American company. This bond would help the company fulfill its commitments to plastics, including the requirement that 50% of its bottles contain recycled polyethylene thallophyte.

Since 2013, the firm has promoted green, social, sustainable, and sustainability-related bond transactions. As a result, the bank has contributed to financing around $300 billion in such transactions over the years, demonstrating its steadfast dedication to sustainability and responsible investing (Morgan Stanley & Co. LLC, 2022). By assisting more than $150 billion in green, social, sustainable, and sustainability-related bond deals in 2021, Morgan Stanley remained a pioneer in sustainable finance. Various projects, including those involving renewable energy, sustainable infrastructure, and affordable housing, have been made possible thanks to these transactions.

The firm is dedicated to transactions that focus on sustainability and has taken part in several noteworthy projects. In one of the deals, the bank acted as the joint worldwide coordinator and book-runner for Acciona Energa's initial public offering (IPO), the biggest IPO by a European renewable energy business in the previous five years. (Morgan Stanley & Co. LLC, 2022) The presence of Morgan Stanley in Acciona Energa's initial public offering (IPO) demonstrates the bank's commitment to promoting sustainable energy initiatives. Acciona Energy is a leading global operator of renewable energy projects.

4.2 JPMorgan Chase

JP Morgan tries to include ESG factors in its operations, products, and services because it acknowledges the significance of these issues in business. In addition, they hope to benefit their clients, staff, and local communities using sustainable development techniques.

To combat climate change and promote sustainable development, JP Morgan set a Sustainable Development Target in 2021 to fund and facilitate the use of more than $2.5 trillion over ten years (JPMorgan Chase & Co, 2022). By putting their goals into action and utilizing their skills and knowledge, this target furthers their goals by offering funding and guidance that promotes economic growth and contributes to resolving significant global issues.

Three crucial areas are the emphasis of the Sustainable Development Target: community development, green energy, and development finance. JP Morgan wants to hasten the adoption of solutions for cleaner energy sources and ease the transition to a low-carbon economy under the green category (JPMorgan Chase & Co, 2022). By engaging in activities like underwriting green bonds, financing to support the building of sustainable infrastructure, and raising capital for cutting-edge clean technology businesses.

The firm has set a goal of financing and facilitating $1 trillion by 2030 to encourage the development of greener energy sources and the shift to a low-carbon economy (JPMorgan Chase & Co, 2022). Renewable energy, clean technology, waste management, conservation, sustainable transportation, green buildings, and energy efficiency are permissible corporate activities. By financing and facilitating roughly $106 billion in favor of renewable energy and sustainable transport in 2021, the corporation made progress toward the target. The initiatives included:

- Issuing green bonds for corporate and governmental issuers.
- Providing capital raising and advising services to electric vehicle ("EV") companies.
- Providing loans to startup renewable energy businesses.

This organization's primary objective is to provide cash and knowledge to its clients, especially during the low-carbon transition (JPMorgan Chase & Co, 2022). The company offers specialized advice and solutions to support the reduction of emissions and the development of new technologies or solutions to solve the climate challenge, intending to assist clients in adapting and expanding their businesses in a fast-changing world. The company can provide various cutting-edge solutions due to extending its capabilities, which is helping in developing the market for green and sustainable financing.

4.3 Citigroup

Citigroup has made important ESG commitments, promising to achieve net-zero greenhouse gas (GHG) emissions by 2050 and to invest $1 trillion in sustainable finance by 2030 to address the effects of climate change and other crucial environmental and social issues that are in line with the Sustainable Development Goals (SDGs) of the United Nations (Citigroup Inc, 2022). These responsibilities are a part of the company's ESG strategy, which is a crucial component of its business model and essential to its growth strategy.

The organization made a $1 trillion pledge in April 2021. By doing this, they increased their initial target for environmental funding from $250 billion by 2025 to $500 billion by 2030. The pledge aims to finance and support various climate solutions, including water conservation, clean technology, renewable energy, and sustainable transportation. The group also pledged $500 billion for social finance initiatives, including investments in healthcare, affordable housing, basic infrastructure, and food security. The joint $1 trillion commitment intends to hasten the shift to a sustainable, low-carbon economy that satisfies society's social, economic, and environmental needs.

4.4 Summary

According to the sustainability reports that Morgan Stanley, JP Morgan, and Citi Group each published in 2021, it is evident that major financial organizations have made tremendous progress in promoting sustainability and addressing problems like climate change, social inequality, and healthcare access.

All three banks have set ambitious sustainability objectives and taken practical steps to realize them. For instance, they have introduced sustainable financing products like green bonds and loans with sustainability criteria that reward businesses for increasing their sustainability performance. They have also made significant investments in sustainable infrastructure and renewable energy projects.

5. EXPLORING FINANCIAL ANALYSTS' AND SCHOLARS' VIEWS ON SUSTAINABLE INVESTMENTS

5.1 Template Analysis

To be able to have an optimal interview structure and receive clear responses, interview questions were prepared in line with four different themes: determination of sustainable investments and their place in broader efforts of sustainability, sustainable investments, and financial return, role of financial institutions on promoting sustainable investments, and view on achievements of financial institutions in sustainable investments. The following matrix for the template analysis reveals the comparison of the answers of scholars and financial analysts.

5.2 Determination of sustainable investments and their place in broader efforts of sustainability.

Based on the interview responses, the analysts generally agree that sustainable investments prioritize environmental, social, and governance factors in addition to financial returns.

One of the analysts mentioned clean energy as the focus, such as solar technology, as a critical factor in determining whether an investment is sustainable. They suggested that

investing in solar technology could be an excellent example of a sustainable investment because it supports building solar energy infrastructure, which can provide clean energy to communities without a significant negative impact on the environment.

The analyst also noted that investors could make sustainable investments in this area without technical knowledge of solar technology. Instead, they suggested that investors can support solar companies financially, allowing them to build enough solar energy infrastructure to power entire neighborhoods. By doing so, investors can earn returns while contributing to a cleaner, more sustainable future.

Consider the Source of the Investment: Another analyst emphasized the importance of considering the source of the investment. For example, if the investment was made using money earned through environmentally harmful industries, it might not be considered a genuinely sustainable investment. But, she emphasized, *'… if your company works in the oil and gas industry, it is killing the environment in the medical golf, and you are trying to invest in sustainable investments and clear your karma. So, it is not a real, sustainable investment for me….'* The analyst suggested that individuals should start by looking at their sources of income before making sustainable investments.

On the other hand, based on the interviews with scholars, sustainable investments can be defined differently depending on the perspective. For example, one scholar emphasized the importance of measuring the resources and energy flows involved in investment activity and determining whether they exceed the regeneration rate of natural resources. Metrics used in sustainable investments should be grounded in biophysical reality.

Another scholar mentioned that financial institutions, such as banks, must meet specific sustainability requirements and regulations published by organizations such as the Basel Committee. Profitability should not be the sole focus of sustainable investments.

The third scholar noted two approaches to sustainable investments: one that focuses on financial returns and another that prioritizes improving environmental conditions and avoiding further ecological harm. The latter approach is more complex but should be a priority.

The respondents agree that sustainable investing is crucial in promoting sustainable development and addressing global challenges such as climate change and inequality. Investing in companies that prioritize ESG principles can contribute to a more sustainable future and encourage positive change, but also highlight the need for more outstanding education and understanding among investors.

5.3 Sustainable investments and financial return

The financial analyst states that people in the investment market, especially older generations, prioritize financial returns over environmental and social impact proposed by analysts. As a result, they do not fully comprehend the damage caused by non-sustainable activities and do not believe they will see the consequences of these actions in their daily lives. The financial analyst suggests that they approach investment decisions by evaluating the potential return on investment considering the impact on the climate. They believe that in the modern era, it is evident that climate change is having adverse effects and that active efforts must be made to mitigate these risks. By investing in sectors that have a significant positive impact on the climate, the returns on investment could also be higher.

The financial analyst highlights the critical role that financial institutions play in promoting sustainable practices among the companies in which they invest. By integrating environmental, social, and governance (ESG) criteria into investment decisions and engaging with companies to encourage positive change, financial institutions can help drive the transition to a more sustainable economy.

On the contrary, based on the responses provided by scholars, there are challenges in balancing financial returns with environmental and social impact when making investment decisions. The first respondent suggests that profit maximization dominates the finance industry, and decision-makers may prioritize profits over social and environmental impact, even if a company is socially valuable and profitable. This is partly due to the control exerted by a small number of influential organizations that control 80% of the network. The second respondent notes that some changes are occurring in the industry, with management issues such as auditing and rating systems potentially leading to a more balanced approach in reporting. However, shareholders are still pressured to prioritize short-term financial returns and a lack of consideration for environmental and social factors. Finally, the third respondent suggests banks set prices based on credit rating. While there may be a relationship between credit rating and ecological, social, and governance factors, credit rating agencies have yet to incorporate this into their assessments fully.

5.4 Place of financial institutions on promoting sustainable investments

Due to the many loans and advances they typically provide, the respondent explained that investment banks could not directly advance sustainable household investments. However, they can partner with large firms, such as General Electric, with expertise in renewable technology and similar fields. In addition, the investment bank can offer research facilities to aid in developing renewable energy projects. As these projects are brought to the market, the bank can highlight its partnership with these firms, demonstrating its commitment to promoting sustainability. This approach benefits the environment and presents a positive image for the bank.

In terms of individuals, the respondent noted that people often feel they lack the resources to invest in renewable sources or solar technology. However, as more investments become securitized, even those who don't have direct investments in renewable energy can still contribute to sustainability efforts indirectly. For example, securitized instruments that underlie real estate can be tied to sustainable practices, and investments in such instruments can indirectly support sustainable efforts.

The respondent also discussed the increasing awareness of the impact of climate change on individuals, as people are beginning to see the effects of climate change in their own lives. This awareness is leading to a shift in mindset towards sustainability, with people recognizing the need for sustainable practices in all areas of life, from water conservation to reduction in cigarette consumption. The respondent expressed optimism for positive changes in the future, such as the restoration of the ozone layer and the removal of carbon emissions. Financial institutions can play a vital role in promoting sustainability through partnerships with firms with expertise in sustainable practices and by investing in securitized instruments tied to sustainable practices.

Analysts also highlighted that financial institutions should be transparent about all ranges of their products and the financial return of those products. As many believe sustainable investments are profitable more in the long run. Simultaneously financial corporations should increase awareness about sustainable products and target the right segment of customers willing to invest in sustainability.

By contrast, scholars have more skeptical opinions on financial institutions' sustainable operation and overall place in achieving sustainability. Companies are increasingly adopting sustainable practices for various reasons, but marketing is one of the main drivers. Consumers are more aware of the impact of their purchasing decisions on the environment and society, and they are seeking out products and services that align with their values. Companies demonstrating their commitment to sustainability can gain a competitive advantage by attracting and retaining customers who prioritize ethical and environmentally responsible behavior.

However, companies are also facing increasing pressure from regulations and institutional investors to adopt sustainable practices. Governments worldwide are implementing regulations to reduce carbon emissions and protect natural resources, and institutions like the World Bank are investing in projects promoting sustainability. As a result, companies that fail to prioritize sustainability may face legal and financial consequences, as well as representational damage.

Despite these trends, there is also a risk of "greenwashing," which refers to companies making false or exaggerated claims about their environmental or social impact in order to appeal to consumers or investors. One of the scholars highlighted, *'You don't have to worry about lowering your emissions. You can continue as you wish, and we will come up to you with creative financial solutions that, in the accounts, you will look fine.'* Greenwashing can undermine public trust in sustainable practices and gives difficulties for consumers to make informed decisions about the products and services they choose to support.

Based on what you've described, the speaker is skeptical about the sustainability industry and its motivations. They suggest that many companies are using sustainability as a marketing tool rather than truly committing to sustainable practices. They also criticize the financial industry's involvement in sustainability, arguing that they need to be ecologically literate and that their solutions often prioritize financial gains over environmental concerns.

In particular, the speaker takes issue with carbon trading and emission credits, which they argue allow companies to continue business as usual while appearing more sustainable on paper. This practice, known as "deep greenwashing," can give companies a false sense of security that they are making a difference when they may not be reducing their emissions at all.

5.5 View on achievements of financial institutions in sustainable investments.

The interviewee from the annalist's side believes that sustainable reports done by companies are essential, as they put them on the map of those who are contributing towards climate change. Additionally, investors and stakeholders are not just investing for money but also for the causes they believe in. Therefore, it is crucial for companies to show investors what their money is being spent on and what they are supporting. Sustainability reports also serve as a barometer for checking how the company is performing or how they are contributing towards climate change when compared to other counterparts.

On the other side, the interviewee stated that companies that made pledges for the Paris Agreement goals would only achieve them for their reputation, and if they failed, it would be a huge failure on their reputation, and their clients would lose their trust in the company. They also believe that measurement tools for sustainable investments, like GIIN, can guide sustainable investment decisions but should not be relied on solely. It is important to conduct thorough research and consider a range of factors when evaluating potential investments.

Overall, analysts agreed that sustainability reports are necessary for evaluating a company's commitment to ESG principles and progress towards sustainability goals. However, they also both mention that companies and financial institutions may sometimes exaggerate their sustainability achievements, highlighting positive aspects while downplaying negative impacts.

One of the analysts stated that reports clarify sustainable investment in the market, but they need to be checked by another organization like financial reports are checked by audits. Furthermore, the interviewee believes that companies are forced to provide those reports to show their achievements and to be professional in this field. It is important to conduct thorough research and consider a range of factors when evaluating potential investments.

In response to the question of whether companies who made pledges for the Paris Agreement will be able to achieve them, the three replies from scholars' perspectives provide different insides.

The first response suggests that while companies may be able to show statistics that they have achieved their pledges, it is still being determined whether they will have a real impact. In addition, the reply to notes that some countries, such as Germany, are struggling to meet their commitments, and companies may not be able to fulfill their promises either. However, the reply acknowledges that it is an important topic, and the pledges are a message to others.

The second response views the pledges as a positive demonstration of growing awareness but also needs to be more specific about whether they will be fulfilled. The reply to notes that companies may use pledges for marketing purposes, and if they are delayed, there may be no significant consequences. However, the reply also emphasizes the importance of knowledge and training to help companies make profitable investments in sustainability.

The third response takes a more critical stance, suggesting that some companies may need to be more genuinely committed to sustainability and may engage in greenwashing. The reply argues that companies need to measure their ecological regenerative capacities, but many may still need to start doing so. The response also notes that not all companies are bad, but there is a tendency for big businesses to search for solutions that are convenient for them.

Overall, the three responses share the view that the pledges made by companies for the Paris Agreement are essential. Still, they differ in their level of optimism about whether the pledges will be fulfilled and whether companies are genuinely committed to sustainability. The first and second replies suggest that companies may need help to fulfill their promises. In contrast, the third reply is more skeptical about whether some companies are genuinely committed to sustainability.

Currently, sustainable reports by companies are often seen as a superficial exercise, with companies exaggerating and lying about their achievements in sustainability, according to

interviews from scholars' perspectives. However, if these reports are combined with proper regulatory changes and used as feedback tools for companies to improve their performance, they can be beneficial. The key is to ensure that the reports are not just lip service and are genuinely used to improve sustainability practices. The example of credit rating agencies is cited as a parallel, where the tool was initially misused but later became a useful feedback tool. The potential for sustainable reporting is there, but it depends on the intention of the companies and how the reports are used.

Sustainable reports by companies are necessary and can be helpful for investors, who may prefer companies that disclose information about their sustainability practices. However, the reports must include measurable metrics to be valid. Companies must implement transparency about their sustainability practices and how they measure them. The intention behind these reports is also essential, as there may be companies that manipulate the numbers to make themselves look better. Sustainable reporting can be a good thing if done honestly and transparently.

Sustainable reports by companies are becoming increasingly important in the investment world, with some fund managers creating funds focused on sustainable investments. However, the lack of standardization in these reports can make it difficult to compare companies' sustainability practices. Companies must be more transparent and include measurable metrics to make these reports more useful. Additionally, companies need to be held accountable for the information they include in these reports. The potential for sustainable reporting exists, but more work must be done to make it a reliable and meaningful tool.

Overall, all three replies agree that sustainable reporting by companies is critical and has potential. However, they differ in their opinions on the current state of sustainable reporting, with one reply seeing it as a superficial exercise, another reply seeing it as necessary but lacking in standardization and transparency, and the third reply seeing it as a growing trend in the investment world. They also agree on the importance of measurable metrics in these reports and the need for transparency and accountability.

5.6 Examination of interview responses

Notably, significant differences exist in their determination of what constitutes sustainable investments. While analysts prioritize intentions to invest in sustainable options that do not further harm the environment or society, scholars emphasize the importance of considering biophysical reality. Scholars argue that companies often neglect to sufficiently assess and understand the true impact of their actions on the biophysical reality, thereby undermining the effectiveness of their sustainability efforts. These findings suggest that a more comprehensive understanding of sustainability is necessary to effectively address environmental and social issues in the long-term.

A significant finding of this study is the lack of standardized regulations and metrics for sustainable investing that has been noted by both financial analysts and scholars. Both groups have expressed concern about the inconsistent and non-standardized nature of sustainability reports, as well as the metrics used to evaluate them. In response, there have been calls for the development of standardized reporting frameworks and metrics for sustainability, like the standardized financial reporting that is currently used.

Skepticism played a significant role in the responses of scholars to the issue of greenwashing. Many scholars expressed concerns that companies may manipulate their sustainability metrics to make them appear more attractive to stakeholders. This skepticism was often informed by a belief that companies prioritize profit over sustainability, and that they may use sustainability reporting to greenwash their operations and products.

6. CONCLUSION, LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

In conclusion, this research aimed to gain insights into the success of sustainable investments by financial corporations and understand the varying perspectives on this matter from both financial corporations and scholars.

The examination of financial institutions, including Morgan Stanley, JP Morgan, and Citi Group, revealed their strong commitment and substantial efforts towards sustainable investments. These institutions have implemented various initiatives and strategies aimed at integrating sustainability into their business practices. For instance, Morgan Stanley has pledged to mobilize $750 billion for sustainable finance by 2030, with a focus on renewable energy, clean technology, and sustainable development projects. JP Morgan has also made significant commitments, including a $200 billion target for financing clean energy projects and a commitment to facilitate $1 trillion for sustainable development through 2030. Similarly, Citi Group has set a goal to finance $1 trillion in climate change solutions by 2030, supporting renewable energy, sustainable transportation, and green building projects. These financial institutions have recognized the importance of addressing environmental and social challenges through their investments and have allocated substantial resources to advance sustainability across various sectors.

The primary data analysis confirmed the initial objective of this research, demonstrating a notable difference in viewpoints between financial analysts and scholars. Scholars emphasized the importance of incorporating biological measures in the measurement of sustainable investments, recognizing the need for comprehensive and holistic approaches. On the other hand, financial analysts seemed to place less emphasis on these biological measures.

Additionally, scholars highlighted concerns regarding greenwashing practices and the lack of robust regulations surrounding sustainable investments. These findings shed light on the challenges faced by industry and the need for increased transparency and accountability.

Overall, this research contributes to the existing knowledge by providing insights into the success and challenges of sustainable investments in financial corporations. It underscores the importance of bridging the gap between financial analysts and scholars to foster a comprehensive and effective approach to measuring and implementing sustainable investments. Addressing the concerns raised by scholars, such as the inclusion of biological measures and the development of robust regulations, can further enhance the impact of sustainable investments.

It is important to acknowledge the limitations of this research. One of the key limitations is the lack of standardized measurement practices for sustainable investments. The absence of universally accepted metrics and frameworks makes it challenging to comprehensively

examine the sustainability efforts of companies. Additionally, during the interviews conducted for this research, it was evident that many interviewees lacked knowledge about measurement practices in the context of sustainable investments. This limited understanding may have influenced the depth and accuracy of the insights obtained. Future studies could focus on developing and implementing standardized measurement methodologies to overcome this limitation and enable more robust assessments of companies' sustainability efforts.

Future research should focus on developing standardized frameworks and metrics that encompass both financial and biological aspects of sustainable investments. This will facilitate accurate measurement and evaluation of sustainable investment practices and contribute to the overall advancement of sustainable finance.

In summary, this research highlights the significance of sustainable investments in the financial sector and emphasizes the need for collaboration between stakeholders to achieve meaningful and impactful outcomes. By addressing the identified challenges and working towards a common understanding, financial institutions, scholars, and regulators can collectively contribute to a more sustainable future.

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