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Integration of Environmental Social and Governance Factors into Investment Decisions: Practices, Engagement and Greenwashing in a Latin American Asset Management Context.

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1. Abstract

This research analyses how asset management companies in Latin America engage in creating a positive impact on society through Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) implementation. The study investigates how asset management companies incorporate ESG elements into their business decision-making, including investment decisions, and the factors that drive or hinder their adoption of fully integrated ESG investment approaches.

The methods of this study consist of 8 semi-structured interviews of approximately 45 minutes with investment decision-makers in Latin America in the asset management industry. The results reveal that ESG integration is driven by the desire to mitigate risk in investments. Asset managers recognize that ESG factors can have a relevant impact on investment returns, and are one of the main motivations for considering them when making investment decisions. However, the study also reaffirms that the asset management industry faces several challenges in fully adopting ESG integration, one of which is the lack of relevant ESG information.

Additionally, the study found that asset managers engage in greenwashing tactics to claim sustainability and attract responsible investors. The issue of short-termism is a significant challenge for promoting sustainable investment strategies. This translates into a lack of demand for sustainable products and services, as customers prioritize profitability over sustainability, indicating a disconnect between their values and purchasing behaviour.

The findings of the study have important implications for both the academic community and the business world, particularly in Latin America. Regulators should be aware of the risks of overreliance on third-party providers in the asset management sector. The confirmation of greenwashing practices highlights the need for investment firms to be more transparent and the necessity for stricter legal frameworks for this phenomenon.

Declaration

I, Nicolás Ramírez de Arellano Alvarez, identified by the student number 21127468, hereby declare that this research has been composed by myself and all content presented in the thesis has been acknowledged and referenced correctly. This work has never been submitted to any institution or university for the award of Master's Degree.

Signature of research student: Nicolás Ramírez de Arellano Alvarez

Date: 08th May 2023

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I would like to take this opportunity to express my sincere gratitude to the individuals who have been instrumental in helping me complete this thesis.

First and foremost, I dedicate this work to the memory of my beloved grandfather Arturo Alvarez who was a constant source of inspiration and encouragement for me. He instilled in me a passion for learning and pushed me to pursue my aspirations.

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2. Introduction

In recent years, the concept of CSR has gained considerable attention as organizations strive to be more accountable for their actions and impact on society and the environment. The United Nations Social Development Goals (SDGs) have provided a framework for businesses to align their CSR strategies with global sustainable development objectives. As part of this, the importance of ESG factors has been increasingly recognized, leading to the emergence of responsible investment as a crucial area of focus. However, despite growing interest in sustainable practices, concerns remain around the extent to which organizations are truly committed to sustainability and the potential for greenwashing.

The revised literature aims to explore the various theories, approaches, and impacts of CSR and sustainable investment, as well as the role of asset managers in promoting and engaging in sustainable practices. Immediate action is needed to address the impact of human activities on the planet and combat wealth and power inequality.

The state of our global civilization is becoming increasingly uncertain as we move toward the future. The impact of exponential growth in a finite environment, namely the earth, is becoming increasingly difficult to grasp (Brown, 2012). At this point in time, it is well known that human activities such as deforestation, pollution, and the emission of greenhouse gases are causing irreversible damage to the planet's ecosystems and resources, while also contributing to climate change, sea level rise, and extreme weather events. Furthermore, the unequal distribution of wealth over space and time, coupled with the exploitation of natural resources, has created a situation where a small portion of the world's population holds a disproportionate amount of power and resources. This broader political and socio-economic failure has the potential to lead to societal collapse, making it crucial that we take immediate and effective action to address these issues(Heikkurinen & Bonnedahl, 2013).

Natural disasters have become more frequent and costly, with economic losses increasing substantially over the years. For instance, in 1980, there were 249 natural disaster-related incidents, which increased to 848 in 2018. When adjusted for inflation, the economic losses increased from 60 billion to 350 billion within the same time period (European Central Bank, 2020).

The world must reduce emissions by at least 45% by 2030 in order to adhere to the Paris Agreement's mandate of keeping global warming to 1.5 degrees (United Nations, 2022a). This makes it essential for businesses to assume responsibility for sustainability beyond just upholding societal norms and generating profit. According to Heikkurinen and Bonnedahl (2013), such corporate sustainability duties also include socio-cultural well-being and ecological stewardship.

In response to different social, environmental, and economic constraints, many companies are boosting their corporate social responsibility policies (Commission of the European Communities, 2001). Corporate social responsibility is the voluntary assumption of obligations that go above and beyond typical regulatory and conventional requirements with the goal of raising the bar for social development, environmental protection, and the observance of fundamental rights. It also entails adopting an open governance approach that balances the interests of various stakeholders in an overarching strategy of quality and sustainability (Commission of the European Communities, 2001).

In order to reshape the reforms of the business sector and identify balanced institutions and supporting regimes, it is essential to examine the potential and constraints of corporate responsibility for sustainability (Heikkurinen & Bonnedahl, 2013). Companies can help create a brighter future for everyone by accepting this duty.

The recognition of concerns related to future generations and other species has increasingly become a worldwide agreement and at the heart of this consensus is the utilization of Earth's natural resources and the methods through which they are converted (Cochrane, 2006). In the past, development goals were often equated with economic growth, but in recent years, there has been a shift towards considering broader social and environmental factors as equally important. This evolution is reflected in the UN Human Development Report, which has been used to assess well-being since 1991 (Cochrane, 2006).

In 2015, the United Nations adopted the Sustainable Development Goals, a set of policies aimed at mobilizing the international community to take action to eradicate poverty, safeguard the planet, and ensure that every person in the world has access to peace and prosperity by 2030 (United Nations Development Programme, 2023). The SDGs consist of 17 interconnected goals, highlighting the need for development to strive for a balance between social, economic, and environmental sustainability, and acknowledging that decisions made in one front will have an impact on outcomes in other areas (United Nations Development Programme, 2023).

In a speech for the European Central Bank in 2020, Lagarde highlighted the importance of the financial sector in providing sufficient funding to help national economies around the world adapt to the current economic climate and successfully make the switch to a low-carbon economy. In order to achieve the UN Sustainable Development Goals for sustainability, the asset management sector is crucial. Therefore, in order to effectively address these issues and ensure sustainable growth and long-term success, the financial industry must incorporate corporate social responsibility within its operations. Delaying the reduction in emissions could cause the economy to shift in an unplanned and disruptive way, necessitating the prioritization of ethical and sustainable behaviors to provide enough finance of both the right kind and quantity (European Central Bank, 2020).

Asset managers have the perfect opportunity to favorably impact CSR initiatives and the adoption of corporate governance changes in terms of resource mobilization. Institutional investors are now able to confront management on pressing issues because of their fiduciary duty to act in the best interests of other stakeholders. This concentration of shares and power into a relatively limited number of hands has made this possible (Olatubosun and Nyazenga, 2019).

The asset management industry plays a fundamental role in achieving the United Nations Sustainable Development Goals. With assets under management of $111.2 trillion in 2020, according to PwC (2023), and an expected increase to $145.4 trillion by 2025, the industry has the potential and capacity to drive significant change towards a more sustainable future. This is particularly important given the urgency to transition to a low-carbon economy and address the pressing issue of climate change. By leveraging existing resources and capital, the industry can finance sustainable projects and support companies that prioritize ESG considerations. In this way, the asset management industry can make a valuable contribution to achieving the SDGs.

This increased focus on sustainability and the adoption of the SDGs may have added another layer of pressure upon institutional investors in developing countries, to consider ESG in addition to traditional investment practices (Olatubosun and Nyazenga, 2019). As we continue to strive towards sustainable development, it is crucial that we consider the complex and interconnected nature of these issues and work towards solutions that promote long-term well-being for both current and future generations.

To this end, a recent study conducted semi-structured interviews with Latin American asset managers to investigate asset management companies' practices in Latin America regarding the incorporation of ESG factors in investment decision-making and CSR activities. The study aims to identify the challenges and opportunities faced by the industry in creating real social impact through ESG and CSR implementation. Its objective is to understand how asset managers in Latin America are using ESG and CSR strategies to make a positive impact on society.

This study offers valuable insights into the asset management industry's practices in Latin America, filling a crucial gap in current knowledge. Despite the growing number of investors and industry expansion in the region, there has been a scarcity of research examining these practices, as most literature and studies concentrate on developed markets where the industry is more established, and data is more readily available. As a result, our understanding of the unique characteristics of the asset management industry in Latin America is limited.

This research seeks to address this gap by providing an updated view of the current practices of the asset management industry in Latin America and providing valuable insights for investors, regulators, and other stakeholders. By examining the industry's practices, investment strategies, and points of view from the participants, this research can shed light on important aspects of the industry and provide insights into its potential for growth and development.

3. Literature Review.

3.1 The United Nations Social Development Goals as a Responsibility of Everyone

Lagarde (2020) stated that the frequency of natural disaster-related catastrophes rose from 249 in 1980 to 848 in 2018. During the same time frame, the economic losses also surged from 60 billion to 350 billion, when adjusted for inflation (European Central Bank, 2020).

According to the United Nations (2022a), the world must cut emissions by at least 45% from 2010 levels by 2030 in order to adhere to the Paris Agreement's aim of keeping global warming to 1.5 degrees. Additionally, McGlade and Ekins (2015) estimate that 33% of oil reserves, 50% of gas reserves and 80% of coal reserves should remain unburnable from 2010 to 2050 to achieve the target of 2°C of global warming. In the same way, Welsby *et al.* (2021) exposed that 60% of methane gas and oil and 90% of coal reserves must be kept unextracted to achieve a 1.5°C with a 50% of probability.

This evidence highlights the urgent need for collective action to address climate change and facilitate a transition toward a sustainable and resilient future. The consequences of inaction may lead to a point of no return for humanity, underscoring the critical importance of immediate action toward climate change mitigation and adaptation efforts.

The urgency to combat climate change is what led the United Nations to develop the UN SDGs or Sustainable Development Goals, which are a series of measures adopted by the United Nations in 2015 with the objective of calling the international community to action to eliminate poverty, protect the planet and ensure that every person in the planet has access to peace and prosperity by 2030 (United Nations Development Programme, 2023). The 17 SDGs are linked to one another suggesting that development should aim for a balance between social, economic, and environmental sustainability and that actions done in one area will affect results in other areas (United Nations Development Programme, 2023).

The 17 goals are as follows: No Poverty, Zero Hunger, Good Health and Well-being, Quality Education, Gender Equality, Clean Water and Sanitation, Affordable and Clean Energy, Decent Work and Economic Growth, Industry, Innovation and Infrastructure, Reduced Inequalities, Sustainable Cities and Communities, Responsible Consumption and Production, Climate Action, Life Below Water, Life On Land, Peace, Justice and Strong Institutions, Partnerships for the Goals (United Nations, 2023a).

The SDGs emerged from the Rio+20 conference in 2012, where the United Nations High-Level Political Forum on Sustainable Development was established and member states agreed to adopt "The Future We Want" document. The General Assembly created a 30-member Open Working Group in 2013 to develop a proposition for the SDGs (United Nations, 2015a). In 2015, the 2030 Agenda for Sustainable Development was approved, with 17 SDGs at its nucleus. Governments worldwide adopted the agenda and committed to eradicating poverty, hunger, AIDS, and gender-based discrimination (United Nations Development Programme, 2023).

Achieving these goals requires creativity, technology, and financial support from all sectors of society. The nine societal sectors, called "Major Groups," established by Agenda 21, will play a vital role in promoting widespread participation in UN initiatives for sustainable development (Sustainable Development Knowledge Platform, 2015).The SDGs, together with the Paris Agreement on Climate Change, provide a foundation for low-carbon sustainable development in a changing climate.

The financial sector's role in achieving a low-carbon economy cannot be emphasized enough. The International Energy Agency (2021) has indicated that an investment of $4.4 trillion per year from 2021 to 2030 is necessary to achieve net-zero emissions by 2050 and limit global temperature increase to 1.5°C. The asset management industry, which had assets under management of $111.2 trillion in 2020, as per PwC (2023), has the potential to facilitate this transition.

According to a speech by Lagarde for the European Central Bank (2020), the financial sector will be crucial in mobilizing and providing the funds required for the transformation and assisting global economies in adapting to the economic context. However, a decrease in emissions might need to be more drastic if intervention is delayed, which could cause an unorganized and disruptive transition. The financial sector's role is essential in meeting the UN SDGs, including Affordable and Clean Energy, Sustainable Cities and Communities, and Climate Action, as well as financing projects related to clean water and sanitation, innovation, and infrastructure. Therefore, it is crucial to integrate corporate social responsibility within its operations to ensure the industry's sustainable growth and long-term success.

3.2 Corporate Social Responsibility Theory and Approaches.

CSR or Corporate Social Responsibility has been defined by Carroll (1991) as a business's self-imposed efforts to operate in a sustainable manner that considers economic, social, and environmental factors. These initiatives could go beyond what the corporation is legally required to do and could encompass moral, charitable, or environmentally friendly efforts that benefit both society and the enterprise (Carroll, 1991).

According to the United Nations (2023b), achieving sustainable development will require both the public and private sectors to work together. The UN that the private sector's active participation, particularly through public-private partnerships, can contribute to sustainable development. Therefore, the UN supports national regulatory and policy frameworks that enable businesses to advance sustainable development initiatives while considering the importance of corporate social responsibility (United Nations, 2023b). Additionally, the United Nations calls on the private sector to adopt responsible business practices, as outlined by the United Nations Global Compact (United Nations, 2023b).

Furthermore, the UN (2023b), also calls on businesses, governments, and other relevant parties to provide models for best practices in corporate sustainability reporting, paying special attention to the requirements of developing nations. Including sustainability reporting, according to the UN (2023b), is crucial and can speed up efforts toward sustainable development by learning from the successes of already-in-place frameworks. It is important to note that opinions on the level of accountability that corporations should have for having a beneficial impact on the world differ. The shareholder theory, which emphasizes maximizing shareholder value, the stakeholder theory, which advocates for balancing the interests of all stakeholders, and the integrative approach, which looks for common ground between these two perspectives, are probably the main approaches that are frequently discussed.

3.2.1 Shareholder Theory.

Friedman proposes the shareholder theory and argues that the social responsibility of businesses is to increase profits (Friedman, 1970), and that companies should do so within the framework of the law and ethical custom. Friedman (1970) states, "There is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

This theory has been widely criticized and seems like an archaic and antiquated way of doing business in modern times for its narrow view of corporate social responsibility. The financial success of a company cannot depend on the satisfaction of a single group, and in consequence business must have broader responsibilities towards society.

The author disagrees with the idea that businesses should be socially responsible by supporting social causes, such as environmental conservation or education, arguing that such actions are actually detrimental to the social good as these are the responsibilities of individuals or governments (Friedman, 1970). However, Friedman does not consider in this theory that companies have a social license to operate, or in other words, companies have an unwritten agreement with their stakeholders that the company's operations are acceptable and the benefits of its activities. Companies may encounter opposition, protests, legal issues, or even brand damage in the absence of social acceptance and support, which can ultimately result in financial losses.

To summarize these ideas, Friedman basically stresses the significance of a company's financial performance and makes the case that individuals and governments, not businesses, should be held accountable for social responsibility. Friedman (1970), contends that companies should prioritize their primary goal of turning a profit since doing so will ultimately benefit society at large by fostering economic growth and prosperity.

3.2.2 Stakeholder Theory

In contrast, Freeman and McVea (2001), proposed the stakeholder approach to strategic management as an alternative to the traditional shareholder theory put forward by Friedman. The stakeholder approach takes into account the interests of all stakeholders, including customers, employees, suppliers, and the community, instead of solely maximizing shareholder value. By prioritizing the interests of all stakeholders over short-term profits for shareholders, the stakeholder approach seeks to achieve long-term success for the company. The approach emphasizes the importance of creating value for all parties involved and aligning their interests in the same direction. However, balancing the conflicting interests of many stakeholder groups can be complex, and prioritizing one group's needs over another can lead to conflicts and potentially significant effects on the company. It is, therefore, crucial to comprehend each group's interests and identify strategies to integrate them into the organization's objectives.

Freeman and McVea's stakeholder theory presents a more comprehensive approach to strategic management than Friedman's shareholder theory. It seeks to understand the needs of all stakeholders without prioritizing any particular group and is consistent with the concept of the social license to operate. However, practical implementation can be complex. The stakeholder theory and shareholder theory are not necessarily opposing but rather complementary. While the shareholder theory aims to maximize profits for owners, creating value for other stakeholders is crucial for long-term success. Benefits for stakeholders, such as a favorable work environment or social and environmental responsibility, can lead to increased profits for shareholders. Therefore, the stakeholder theory emphasizes the importance of considering all stakeholders' interests to achieve long-term success, while the shareholder theory focuses on maximizing profits for owners.

3.2.3 Integrative Approach

According to Hahn et al. (2014), the integrative approach to corporate sustainability emphasizes the simultaneous integration of economic, environmental, and social elements, recognizing that a company's success is interdependent with the well-being of its stakeholders and the environment. This approach goes beyond the stakeholder theory and the conventional group of economic, environmental, and social dimensions, by acknowledging that disputes in corporate sustainability arise between various levels, in change processes, and within a specific time and space context. The integrative method assumes that businesses must recognize corporate sustainability issues and pursue many sustainability goals at once, even if they appear to be in conflict with one another. In contrast to the stakeholder theory, which emphasizes the correlation between a company's success and the satisfaction of its stakeholders, the integrated approach acknowledges that a company's ability to combine economic, social, and environmental sustainability goals determines its success or failure, providing a more comprehensive framework for implementing sustainable business practices.

Given the current state of the sector, it is acceptable to say that the shareholder model is inappropriate since it puts the interests of shareholders ahead of those of all other stakeholders, potentially having negative consequences for the environment, customers, and employees in the pursuit of short-term financial gains, while the stakeholder approach seems to be a less evolved theory of the integrative approach where the ESG elements are hardly balanced.

In today's business environment, companies are expected to migrate from the shareholder approach and adopt the integrative approach. This means that they need to consider the economic, environmental, and social dimensions of their operations without prioritizing one over the other. However, many companies still prioritize the interests of their shareholders over other stakeholders and remain stuck in the shareholder theory. This creates a tension between the ideal of corporate sustainability and the reality of corporate practices. Companies need to recognize the interdependence between their success and the well-being of their stakeholders and the environment and work towards balancing their economic, environmental, and social responsibilities.

3.3 The Importance of Environmental, Social, and Governance

This is where the ESG framework comes in, the integrative approach to CSR involves incorporating ESG criteria into a company's overall strategy and decision-making process. The ESG framework enables stakeholders to evaluate a company's sustainability and ethical impact by considering a range of factors beyond just financial performance. By assessing ESG variables, stakeholders can gain a better understanding of a company's long-term potential and risks, as well as whether the company is aligned with the principles of corporate sustainability. Therefore, the ESG framework is a crucial component of an integrative approach to CSR.

The concept of ESG has yet to receive a precise definition, but it is widely used to describe sustainable concerns that international market participants consider when determining how to conduct business, as noted by Ioana (2020). ESG typically refers to one or more of the following issues: non-financial issues with a medium to long-term horizon, climate change, environmental damage and waste, working conditions, international, national, or local issues, executive pay, governance, and bribery and corruption (Ioana, 2020).

In contrast, Peterdy (2022) provides a more accurate definition of ESG, describing it as a framework for assessing a company's sustainability and ethical impact across environmental, social, and governance criteria. ESG goes beyond environmental issues and takes a comprehensive approach by considering social and governance aspects (Peterdy, 2022). Both authors agree that ESG is critical for long-term success because it can provide insights into a company's potential and risks. However, Peterdy's description offers a more thorough and accurate explanation of ESG than Ioana's concept.

ESG is likely to be accepted by the financial sector as the obvious and straightforward route to sustainable investments, but Antoncic (2021) questions whether capital allocation needs to be optimized in order to save the world and all life within it, or if we are simply missing the chance to do so.

"Full ESG integration" was defined by Eccles and Kastrapeli (2017, p. 11) as "Investing with a systematic and explicit inclusion of ESG risks and opportunities in investment analysis". The vast majority of investment management professionals believe that the right ESG strategy can improve the long-term performance of assets, according to polls. That typically involves fully integrating ESG factors into the investment process in a way that minimizes ESG risks and maximizes ESG opportunities.

According to the results it might be suggested that the integration of the three dimensions of business operations is the fundamental mechanism of business sustainability. It can also be assumed from the results that sustainable development cannot be achieved without a combination of economic growth, environmental preservation, and social justice. These three aspects are interconnected and dependent on each other and represent an important contribution to understanding business sustainability.

3.4 Responsible Investment as per United Nations

The Principles for Responsible Investment, or PRI, are arguably the most important implementation instrument used by the sector to include ESG concerns into investment choices. These principles were established in 2005 as a result of a United Nations initiative in which a selection of the largest institutional investors were requested to take part in the creation of PRI (United Nations, 2022b). These principles are intended to create a framework to achieve the UN sustainability goals.

These principles are the following:

- Principle 1: Integrate ESG factors into the decision-making process and investment analysis.
- Principle 2: Actively exercise ownership and incorporate ESG elements into practices and policies.
- Principle 3: Demand appropriate ESG disclosure from the invested companies.
- Principle 4: Encourage the industry to accept and implement the principles.
- Principle 5: Achieve joint cooperation among the industry to increase the effectiveness of the implementation of the principles.
- Principle 6: Report on our efforts and advancements in putting the principles into practice.

(United Nations, 2022c).

3.4.1 ESG Integration

In order to integrate ESG factors, managers employ a variety of methods and procedures. According to Cappucci (2018), an extensive number of managers employ a range of techniques, either in conjunction or specially designed for particular asset classes or products. Performance could be further harmed by ineffective ESG integration, which could make it more complicated, impede, or slow down the investing process (Cappucci, 2018).

In a similar manner Van Duuren et al. (2016) found that most investment managers preferred to incorporate sustainability concerns by conducting evaluation at the company level (81%) and through modified research components like ratings (45%), compared to analysis at the country level (29%) and unaltered raw data (30%). According to the data provided by these authors, the interview sample may not have properly incorporated ESG issues.

Overall, these writers complement each other studies by highlighting the significance of successful ESG integration and the necessity for investment managers to employ a variety of strategies while also guaranteeing that they are compromised to do so effectively. While different managers might favour particular methods or depths of investigation when integrating ESG factors, it is essential to constantly assess and enhance the integration procedure to realize the potential advantages of ESG investment.

The idea that asset managers should fully include ESG issues is supported by a number of recent studies. Amir Amel-Zadeh and Serafeim polled senior investment managers from conventional (not explicitly socially responsible) investment managers in 2018 to obtain information. Full ESG integration obtained the highest grade of any ESG strategy, according to the authors, who found that 63% of respondents felt that it has a favourable impact on investment performance (Amel-Zadeh and Serafeim, 2018).

Other recent surveys supporting this point suggest that the majority of investment managers have not implemented a comprehensive ESG integration strategy. According to a survey by State Street, only 21% of institutional investors utilize full ESG integration, either alone or in conjunction with other approaches, as reported by Eccles and Kastrapeli (2017). Consistent with the previous findings, Van Duuren, Plantinga, and Scholtens (2016) conducted a study that revealed that most investment managers' self-reported ESG ratings are fairly average. More than one hundred portfolio managers were surveyed online, and the findings indicated that managers' average self-reported ESG integration score, measured on a scale of one to four where 1 represents no integration and four represents full integration of ESG factors, was 2.33 (Van Duuren et al., 2016).

Cappucci (2018) notes that although many investors and investment managers are incorporating ESG factors into their investment processes, very few have done so entirely. For the majority of American investment managers, ESG is mostly considered a customer relations concern. While most investment managers adhere to the principles of sustainable investment promoted by PRI, they are not entirely committed to ESG practices, and only a few exceptional companies appear to be using ESG components to generate alpha. This creates a paradox since full ESG integration into the investment process is the only means of obtaining the most benefits of ESG incorporation, yet so few investment managers have adopted this strategy (Cappucci, 2018). Thus, the actual ESG inclusion practices differ considerably from the ideal of total integration, as highlighted by Cappucci (2018).

It is possible to partially respond to this question by analyzing the results of the CFA Institute survey of its members realized in 2017 to determine how they incorporate ESG issues into their investment decision-making processes. As reported by the CFA Institute (2017), 59% of respondents take ESG factors into account throughout the entire investment analysis and decision-making process. However, the same investors exhibited poor intentionality towards ESG indicators in the subsequent questions. Twenty-eight percent of respondents did not know the appropriate amount to spend on independent verification of ESG reporting, and 28% stated that they receive training on the use of ESG factors (CFA Institute, 2017).

This indicates that many investors had received insufficient training on the use of ESG factors and were unaware of the proper expenditures for independent verification of ESG reporting hindering the full ESG implementation. This implies that, despite the fact that ESG considerations are being integrated into investment decisions to some extent, there is a need for greater knowledge and education about ESG indicators and the significance of those indicators in the process of making investments.

3.5 The Impact of Corporate Sustainability on Organizational Processes and Performance

Eccles, Ioannou, and Serafeim (2014) analyzed a matched sample of 180 US corporations to examine the effects of corporate sustainability on organizational processes and performance. The study categorized the companies into two groups based on their voluntary adoption of sustainability policies: High Sustainability and Low Sustainability. According to the study's findings, "High Sustainability" companies outperformed "Low Sustainability" companies in terms of annual abnormal performance (Eccles, Ioannou, and Serafeim, 2014). This findings demonstrate that the integration of CSR into the business model is not only possible but also profitable, in most cases even more profitable than not incorporating sustainability factors.

A Complementary perspective on the benefits of sustainability practices in financial performance may be provided by Soler Domínguez et al. (2020). This author went beyond the previously mentioned investigation and linked sustainability and financial performance in the socially responsible (SR) mutual fund sector. The study assessed the sustainability of the funds by examining their portfolio exposures to carbon and fossil fuel activities and using environmental scores as a metric. The sample for the study comprised a huge sample of SR mutual funds mainly from Europe, the United States, and Canada. The study analyzed the performance of SR funds based on environmental scores and explored the correlation between the level of carbon risk and fossil fuel involvement in portfolios with the performance of SR funds. The study found that mutual funds with higher levels of sustainability exhibited superior performance compared to those with greater exposure to carbon and fossil fuel industries. These results were consistent across the major markets examined, suggesting a move towards sustainable investing (Soler Domínguez et al., 2020).

However, a study conducted by Barnett and Salomon in 2006 found that there is a complex relationship between financial and social performance in ESG strategies. The study shows that as companies increase their sustainability efforts, their financial performance initially declines before stabilizing and then improving. This indicates that there is a balance between short-term financial gains and long-term sustainability initiatives. The study also highlights that socially responsible investment funds with the least amount of ethical screening had the poorest financial performance. This suggests a correlation between social responsibility and financial returns.

Overall, the evidence suggests that funds with greater sustainability intensity also have higher financial performance in the long run. However, it is essential to find a balance between short-term financial gains and long-term sustainability efforts. Therefore, socially responsible investing and the integration of CSR into investment decisions are crucial to take advantage of the potential benefits of incorporating ESG factors.

Even though the evidence suggests that sustainable investing and the integration of CSR into investment decisions leads to higher returns, it is important to carefully analyze the nature of these profits. Eccles, Ioannou, and Serafeim (2014) suggested that the higher stock returns of high Sustainability firms may be attributed to price pressure resulting from the emergence of Socially Responsible Investing, where institutional investors have significantly increased their assets under management by incorporating ESG factors into their investment decisions.

To determine whether the increase in stock returns is due solely to price pressure, the authors decided to examine accounting performance measures, as they are less likely to be affected by price pressure in stock markets and can dispel doubts about stock price as a performance measure in the presence of market inefficiencies. The study's findings suggest that High Sustainability firms exhibit significantly better accounting rates of return compared to traditional firms, which results in superior stock market performance. These findings suggest that the stock market outperformance of High Sustainability firms is driven by their robust accounting profitability and confirms the overperformance of sustainable investing over traditional investing.

3.6 Asset Managers’ Engagement in Sustainable Investment and Practices of Greenwashing

Even though the evidence suggests that high sustainability investing leads to organic overperformance compared to traditional investing, some asset management firms seem not to follow this path completely. This might be attributed to inadequate training, a deficient standardization of ratings and measurements that complicate the implementation, a focus on short-term profits, or just a lack of interest in creating a real impact on society.

According to Murray and Peetz (2016), investment managers are dealing with a shift in customer preference for products that are more sustainable. Similarly to this, OECD (2017) acknowledged that pension trusts and other institutional investors have put a lot of pressure on the asset management sector to adopt "greener" sustainable investments. Furthermore, Jessop (2021) notes that one-third of the assets controlled in five of the largest markets globally now have an ESG focus, which may confirm the trend toward increased ESG.

Asset managers recently must compete not solely in terms of profit production but also in demonstrating their suitability for certain investment criteria, some of which include sustainability. This could be helpful in clarifying the growing practice of "greenwashing" among some fund managers, who, in an effort to draw in investors, overstate their environmental efforts and label funds as "ESG" or "sustainable" (Antoncic, 2021).

Regardless of the prior fund-level ESG performance, Kim and Yoon (2020) found that signatories who committed to embrace ESG boosted assets under management significantly for the following quarters at the time of joining PRI. The results indicate that there is no evidence of enhancement when looking at the ESG ratings of these funds (Kim and Yoon, 2020). Additionally, these funds increase the fees that managers can charge simply for designating their funds as "ESG" (Kim and Yoon, 2020). The study demonstrates that signatory funds vote less on environmental issues and that environmental conflicts for corporations in their portfolios rise after signing (Kim and Yoon, 2020). Overall, Kim and Yoon (2020) ultimately reached the conclusion that only a small percentage of funds actually enhance ESG, while the majority rely on their PRI prestige to raise money without significantly altering ESG.

According to Delmas and Burbano (2011, p. 64) greenwashing is the act of “misleading consumers about firm environmental performance or the environmental benefits of a product or service”. In other words, greenwashing is the practice of businesses misrepresenting their services or goods as sustainable or environmentally friendly with the intention to influence users into believing they are choosing wisely for the environment. It's basically a marketing strategy employed by companies to make their goods appear more friendly to the environment than they actually are in order to attract environmentally aware clients.

Murugaboopathy and Jessop (2021) reached three asset managers, DWS, BMO, and Fidelity, who had recently changed some of their funds, and learned that asset managers frequently altered a fund's aim exclusively for promotional purposes without modifying the fund's structure or strategy for investing. Sometimes the old fund is just maintained for logistical reasons to incorporate an entirely new set of assets.

To sum up, the majority asset managers states that they incorporate ESG factors into their investment decision-making process up to a point, but studies indicate that the majority of industry participants engage in some level of greenwashing by integrating these factors in a very subpar and mediocre way. Despite their belief that full adoption of ESG is the best method to optimize performance, interviews reveal that the majority of asset managers have poor implementation performance. The findings might also imply that managers and investment firms are more focused on growing their assets under management by leveraging the trend and demand for sustainable investing than they are on using sustainable investment to actually make a positive social impact.

3.7 Summary of the Research and Statement of Research Gaps.

The utilization of self-reported data might be an important problem when analyzing the sustainability of the companies. This leads to reporting bias and represents a drawback in the current knowledge of ESG measurement. Organizations might be driven to highlight their ESG performance, which could result in a lack of transparency and accuracy in reporting. In some instances, businesses may even engage in "greenwashing," promoting their operations as more environmentally friendly or socially conscious than they actually are.

Additionally, it is also crucial to understand that the present literature and studies on ESG investing frequently fall short of fully assessing the influence of CSR factors on investment outcomes and consequences. Also, no methodology has been developed to evaluate how adding ESG considerations to investment decision-making affects other stakeholders including employees, customers, and the environment. It seems not to be a process that does sufficiently take into account how these considerations may affect society over time.

It is significant to note as well that the existing literature on CSR and the integration of ESG is based on studies of developed markets. As a result, there is little information available about the opportunities and problems related to ESG integration in emerging countries. Given the increasing relevance of developing markets in the global economy, this is a substantial gap in the research. It is important to comprehend how ESG factors can be integrated into investment decision-making in these contexts as these markets continue to grow and draw investment.

The focus on large publicly traded companies, while there is little study on ESG integration in smaller enterprises, is another relevant drawback of the current ESG investing literature. This is a significant gap in the literature since small businesses are vital to the economy and are important for creating jobs and stimulating innovation. Smaller businesses, on the other hand, might encounter difficulties incorporating ESG issues into their operational and investment decision-making processes due to the restricted availability of ESG data and resources.

3.7.1 Research Questions

1. How does the asset management industry in Latin America engage in creating a real impact on society through CSR and ESG implementation?
2. How do asset management companies in the region incorporate environmental, social, and governance elements into business decision-making, including investment decisions?
3. Why are companies reluctant to engage in or commit to a fully integrated ESG investment approach?

3.7.2 Objectives

Sustainable investing has been more popular recently, with asset managers and investors increasingly taking ESG aspects into account when making investment decisions.

This study aims to undertake a thorough review of the present methods used by asset management firms in Latin America to include ESG factors into their investment decision-making process. The goal of this research is to specifically examine the degree to which ESG elements are now included into asset management organizations' investment decision-making processes, the variables that affect their incorporation, and the benefits and drawbacks of ESG integration.

This thesis seeks to determine if asset managers and investors prioritize sustainable investments or utilize greenwashing techniques to increase the amount of money under management. The investigation will look into if asset managers and investors truly support sustainable investment practices or whether they merely employ them as a strategy for client acquisition or client retention. The study will investigate the factors that influence asset managers' and investors' decisions to include sustainable investments in their portfolios, the degree to which these investments are consistent with the investors' stated sustainability objectives, and the presence of greenwashing practices in sustainable investing.

This thesis aims to identify the primary obstacles hindering the Latin American asset management industry's adoption of an integrated ESG investment approach. Despite the increasing attention given to ESG factors in investment decision-making, many asset managers and investors have not yet fully incorporated ESG concerns into their investment processes. The study will explore the underlying reasons for this, including issues such as inadequate training, investment short-termism, and non-uniform ESG data, that limit the successful implementation of a fully integrated ESG investment approach.

4. Research Method

People frequently accept sensory knowledge as fact because it offers a degree of proof that is simple to comprehend and refute (Williams, 2007). The traditional notion of absolute truth is, however, questioned by the postpositivist approach by questioning presumptions and considering many viewpoints (Williams, 2007). By doing this, researchers hope to offer a more in-depth explanation of a certain occurrence (Williams, 2007). In this way, research techniques can contribute to extending our knowledge past the limits of sensory awareness and offer a deeper comprehension of processes.

Alharahsheh and Pius (2020) assert that methodology is concerned with the overall research strategy used to conduct research; thus, this could determine the methodologies to be used and conform with the specified research approach. Furthermore, the methodology does not outline a specific course of action to be followed; rather, it concentrates attention on the nature of the procedure used to achieve the research's goal (Alharahsheh and Pius, 2020).

4.1 Research Philosophy

The research philosophy was defined by Saunders, Lewis & Thornhill (2019, p. 130) as “a system of beliefs and assumptions about the development of knowledge". The choice of a research philosophy is one of the most important considerations a researcher must make before starting a project. According to Saunders, Lewis & Thornhill (2019), this decision is crucial since it will ultimately influence the choice of research methodologies as it helps define the researcher's perspective on the world. The assumptions supporting the research strategy and the methodologies used as a component of that plan will be determined by the research philosophy that has been chosen (Saunders, Lewis, & Thornhill, 2019). Hence, before choosing a research philosophy, a researcher must carefully analyze their own ideas about the world and the nature of knowledge (Saunders, Lewis, & Thornhill, 2019).

Quantitative and qualitative are two types of research methods. Quantitative research aims to collect numerical data, analyze patterns, and make predictions. Creswell (2012) argues that this method uses statistical analysis to support or refute knowledge claims. On the other hand, qualitative research seeks to collect non-numerical information to understand concepts, opinions, or experiences in the world. Alharahsheh and Pius (2020) describe qualitative research as focusing on meaning and process, which is specific and less general in nature. The current research will use a qualitative approach to investigate the experiences, attitudes, and perceptions of the asset management industry participants in integrating ESG elements into investment decisions. Qualitative analysis will provide insights and interpretations to arrive at reasonable conclusions and achieve a better understanding of the current practices.

According to Saunders, Lewis, & Thornhill (2019), epistemology is a field of study concerned with the constitution of acceptable knowledge. In this regard, the author classifies three principles as part of the assumptions of epistemology into three: positivism, realism and interpretivism.

The use of positivism in social science research is limited due to the complexity and difficulty in regulating all the factors of social phenomena. However, positivism remains a popular philosophical viewpoint in natural science for generating generalizations through empirical data and unbiased observation (Alharahsheh and Pius, 2020). Realism, a branch of epistemology similar to positivism, asserts that things exist independently of human consciousness and what our senses reveal to us is the truth (Saunders et al., 2019).

Given the nature of the research, interpretivism will be adopted as a research philosophy. Interpretivism emphasizes the subjective experience and acknowledges that meanings and interpretations created by people have greater depth and cannot be investigated in the same manner as physical reality. It promotes an alternative method of social science study that takes into consideration the complexity and diversity of social reality. Both Alharahsheh and Pius (2020) and Saunders et al. (2019) agree that interpretivism is a crucial strategy for comprehending the complexity of social reality. The writers suggest that in order to fully understand the social phenomena being studied, the researcher must assume an empathic stance and use qualitative methods.

Having said that, it is clear that interpretivism suits very well this research due to the fact that the topic cannot simply be reduced to numerical statistics, and it is crucial to comprehend the complex human experiences and behaviors of investment managers at the moment of doing investment decisions as well as how they interact and engage with corporate social responsibility.

Understanding how managers or firms participate in CSR practices depends heavily on the subjective meanings and interpretations of those being researched. The interpretive approach acknowledges the significance of context and the particularity of each circumstance, enabling the research to comprehend the social phenomenon of current practices on a deeper level. Interpretivism can unveil the motives, beliefs, and values that affect investment managers' decision-making with regard to ESG aspects by probing and comprehending their experiences, perspectives, and ideas.

4.2 Research Approach

Additionally, the research might take two different approaches, deductive or inductive. According to Locke (2007), the deductive approach intends to move from the broad to the specific. This includes stating a hypothesis and then collecting relevant data in order to test the theory. On the other hand Woiceshyn and Daellenbach, (2018) explain that inductive research is a scientific approach that starts with the observation of interesting phenomena. Inductive research does not start with an established theory that needs to be verified or improved, unlike deductive research. Rather, the goal of inductive inquiry is to define and clarify the phenomenon being studied (Woiceshyn and Daellenbach, 2018).

The current research aims to produce new insights and knowledge about the social context in which the asset management group operates, particularly with regard to their motivations for applying ESG elements to investment decisions. The inductive approach was found to be ideally suited for this research, as it allowed for a deep and multi-faceted understanding of the subject matter. The researcher used qualitative methods such as interviews and observations to collect data and gain a comprehensive understanding of the subjective experiences and perspectives of those in the industry.

The inductive approach was also useful in creating new hypotheses and ideas based on empirical facts and observations. By remaining open to new data and insights, the research aimed to generate a detailed picture of the challenges faced by the industry in implementing ESG practices. Through interviews with industry managers, the research aimed to identify the barriers to full implementation of ESG practices in the industry.

Overall, the inductive approach adopted in this research allowed for a thorough investigation of the complexities involved in implementing ESG practices. The research aimed to contribute to a more robust understanding of this important issue, thereby providing fresh insights that may not have been obvious through other research methods.

4.5 Research Strategy

When conducting research, there are several strategies to consider, such as action research, descriptive research, case study, or grounded theory. Each method has its own unique set of objectives and methods.

For instance, action research emphasizes collaboration and real-world application to identify issues and provide solutions (Erro Garcés and Alfaro-Tanco, 2020). Descriptive research, on the other hand, aims to gather information through tools like questionnaires, interviews, or observations to provide a precise characterization of existing events (Atmowardoyo, 2018). The selection of a research approach is usually influenced by the objectives and questions of the study.

Similarly, two qualitative research methodologies with different qualities are grounded theory and case studies (Mfinanga, Mrosso and Bishibura, 2019). While case study strategy focuses on creating an in-depth description and study of one or more examples, grounded theory aims to create a theory based on evidence from the field (Mfinanga, Mrosso and Bishibura, 2019). Grounded theory is the best method for establishing a theory's foundation in participants' perspectives, while a case study provides an in-depth understanding of a case or instances (Mfinanga, Mrosso and Bishibura, 2019).

The current investigation utilizes the case study strategy, a method commonly used for investigating "how" or "why" questions when the researcher has minimal control over the studied events and when the emphasis is on a real-world phenomenon (Yin, 1989). While a case study's main purpose is not necessarily to provide a comprehensive or precise depiction of events, it does offer a valuable opportunity for discussion and debate and can supplement existing knowledge on a topic. The aim of this investigation is to establish a solid and current foundation for the asset management industry, contributing to both future discourse and present understanding.

The case study approach was chosen because it enables an in-depth analysis of numerous cases in the asset management sector in Latin America, which offers a solid understanding of the research issue. The case study strategy can effectively examine an asset management firm's ESG practices, decision-making procedures, and social impact in the context of the asset management industry. In this way, the research can discover common themes, trends, and best practices that could be applied generally across the sector by analyzing a range of examples.

A strategy based on a case study approach can provide insightful information on several facets of ESG integration in the asset management sector. The investigation under this approach can determine the variables that affect ESG decision-making and its impact on investment performance by examining the 8 interviews carried on with investment decision-makers. Furthermore, case studies offer a special chance to look at the difficulties and opportunities that come up when asset managers and businesses try to incorporate ESG factors into their investment processes.

4.6 Research Choice and Time-Horizon

Research investigations can be categorized into monomethod and multimethod studies. Monomethod studies utilize only one approach, either quantitative or qualitative, to examine data. In contrast, multimethod studies employ various quantitative or qualitative techniques, while mixed methods research combines both approaches (Molina Azorín and Cameron, 2010).

For this study, a monomethod approach using qualitative techniques will be utilized. This approach allows for a comprehensive understanding of the complex and multifaceted ESG and CSR issues being investigated. Through interviews with asset management industry professionals, the study aims to gain insight into the factors that influence ESG decision-making, such as company culture, client demand, and related practices. This method provides an opportunity to uncover challenges and opportunities associated with the ESG investment process and offers a deep understanding of how ESG considerations factor into investment choices.

The study did not use mixed method or multimethod research due to the larger sample size required to collect both qualitative and quantitative data. This was not feasible as participants in the asset management industry may be difficult to access or have time constraints. Additionally, the depth and complexity of the research issues made mixed methods or multimethods impractical. Interviews, as a qualitative research method, were deemed more appropriate for gaining detailed insights into the complex issues of ESG and CSR concerns. A qualitative monomethod approach, such as through interviews, provided a thorough understanding of the study questions that may not have been achievable through the use of only quantitative data.

In terms of time horizon, the research followed a cross-sectional technique which allowed the collection of data from a variety of participants at a specific point in time. A cross-sectional method would allow the investigation to learn more about how the asset management industry is currently engaging with ESG and CSR concerns and how they are implementing these factors into their corporate decision-making.

A longitudinal strategy, in contrast, collects data over a longer time frame, frequently years or even decades. This strategy was not suitable for the investigation because it would probably require a large amount of time to observe changes in the firm's behaviour and industry's trends over an extended period of time given the industry's rapid rate of change.

4.7 Data Collection and Analysis Techniques and Procedures

Thematic analysis is a widely recognized method for analyzing underlying themes and trends in academic research datasets (Mohammed Ibrahim, 2012). This method is particularly useful in identifying reasons for specific events, providing a structured approach to data analysis, and determining how frequently certain issues arise within the broader content (Mohammed Ibrahim, 2012). Participant interpretations are crucial in this process as they offer the strongest rationale for participants' actions, thoughts, and behaviors (Mohammed Ibrahim, 2012). Such an approach enables researchers to better understand the complexity and ambiguity of the data, thereby enhancing the overall significance of the research.

Thematic analysis was a critical tool utilized in this research to identify and analyze common patterns and themes in the interviews with asset managers. By transcribing and coding the interviews, the research team was able to identify the most common topics related to ESG integration and gain a deeper understanding of the culture and ideologies behind the implementation. Thematic analysis allowed for the identification of key themes such as clients' education, lack of demand for sustainable products, and risk management motivation, which may not have been immediately apparent without a systematic and rigorous analysis of the data. By analyzing these themes, the research was able to draw meaningful conclusions about the priorities and challenges faced by asset managers in incorporating ESG factors into their investment decision-making processes. Overall, the use of thematic analysis enabled a more precise and insightful understanding of the complex and multifaceted topic of ESG integration in the asset management industry.

As a former employee of a financial services firm with an equity research and financial background, I have access to asset managers, portfolio managers, and research analysts who essentially reflect the target sample needed for the project. As previously mentioned, the data collection will follow a mono method with a cross-sectional approach. The collected information will come in the form of interviews which at the same time will be transcribed into written information to be carefully analyzed to discover patterns and themes. The idea is to get between 6 and 8 industry participants which allows the investigation to understand the qualities, viewpoints, actions, or attitudes of the decision-makers in the asset management industry.

The duration of the interviews is flexible, ranging from 30 to 45 minutes, as it largely depends on the willingness of the interviewee to delve deeper into the discussed topics and the extent to which they provide valuable information. In addition to this, all interviews will be conducted as part of the data-gathering process in an anonymous way to ensure confidentiality.

Depending on the participants' choices, the interviews may be done in-person or remotely. In order to get in-depth responses from the participants, the researcher will ask open-ended questions during the interviews. To make sure the questions are pertinent and acceptable, they may be modified or improved as the research develops. After the interviews are over, the tapes will be transcribed, and the information will be examined to find themes and patterns. To guarantee that their answers are truthful, the participants' anonymity will be protected throughout the data collection procedure.

The following list provides details on the participants who were interviewed for this study, including their current positions, the dates when the interviews were conducted, and the duration of each interview. In order to ensure the anonymity of the interviewees, we have decided not to disclose the names of the companies they work for. This decision was made because revealing the names of the companies could potentially compromise the privacy of our participants due to the specific positions they hold within their organizations. Therefore, we have taken great care to safeguard the confidentiality of the information shared by our interviewees throughout this study.

Table 1- Research Participants

PSEUDONYM	POSITION	DATE	DURATION	MODE
ED	Investment Analyst	05/04/2023	32	Online
CH	Senior Investment Analyst	06/04/2023	29	Online
MC	Research Analyst	09/04/2023	31	Online
DC	Fixed Income Investment Analyst	09/04/2023	30	Online
JO	Portfolio Manager	10/04/2023	36	Online
FB	Head of Asset Allocation	10/04/2023	55	Online
MR	Head of Sustainable Investment	11/04/2023	49	Online
CC	Head of Investment Solutions	14/04/2023	45	Online

4.8 Research Ethics

Prior to their involvement in the interviews for this particular study, informed consent was obtained from each participant. The participants were made aware that taking part in the study was completely voluntary and that they might leave at any time without facing any repercussions. The researchers of the study will also address any queries or worries that the participants may have prior to the interview. Prior to the interview, securing the research subjects' informed consent was essential.

The goal of the study, the procedures involved, and any hazards of participation were also disclosed to interview subjects. To identify and reduce any potential hazards that might develop throughout the research process, a detailed risk assessment was carried out. The dangers that have been highlighted include confidentiality breaches, which could result in reputational damage given the sensitive topics covered in the interviews, data misinterpretation, and social or legal concerns.

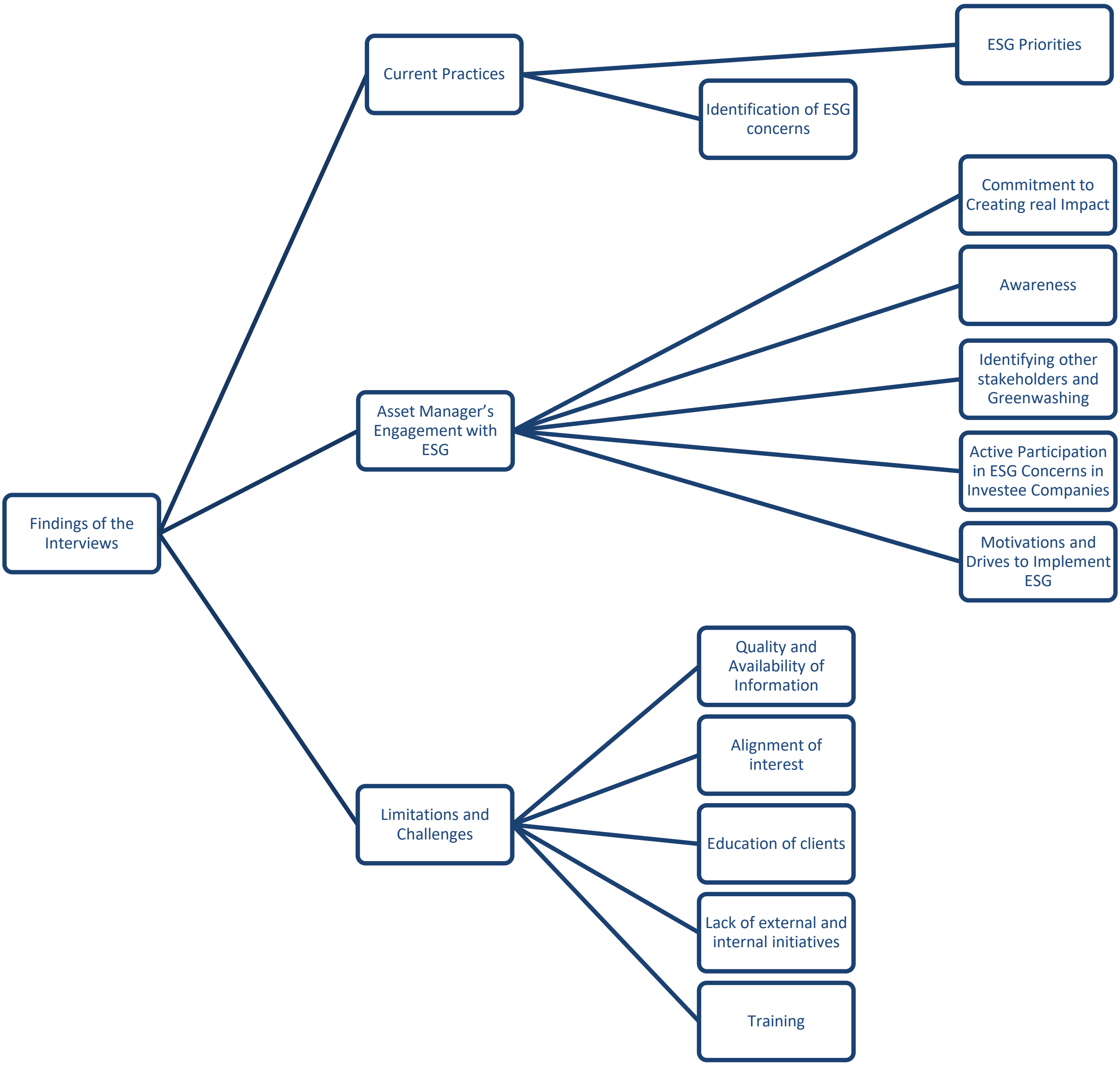
All personal information that may be used to identify participants in this study, such as names and the businesses they work for, was omitted from the transcripts, and participants were referred to by pseudonyms in the discussion and results. Treatment of the data took all necessary precautions to guarantee that study participants' privacy and confidentiality were maintained at all times in order to prevent any risks or harm. The investigator will carefully examine and interpret the data using the right procedures and follow up with the participants for additional clarification as needed to verify the accuracy of the interpretation. The researcher will make sure that the participants' anonymity is safeguarded and that the data obtained is utilized only for research purposes in order to reduce any social or legal dangers.

In that sense, interviews are recorded on audio and video with the participants' full consent as part of data gathering and storage. Without involving any other people, word processing software was used to transcribing audio recordings. To maintain participant confidentiality, the audio and video recordings are destroyed after the data has been transcribed. Only the researcher has access to the transcripts, which are kept on a computer that is password-protected and in a closed folder. Through the course of the study, these safeguards assist in preserving the participants' anonymity and privacy while lowering the possibility of unintentional breaches. The study will uphold ethical standards and foster participant confidence and goodwill by making sure that the participants' information is treated with care and respect.

5. Findings

The following findings of interviews explore the integration of ESG concerns within the asset management industry, organized into three categories: “current practices”, “asset manager's engagement with ESG”, and “limitations and challenges”. The section on current practices focuses on the tools and processes utilized by asset managers to identify and apply ESG concerns in their investment decisions. The Asset Manager's Engagement with ESG section investigates the level of commitment and motivations of the industry toward CSR and ESG practices. Lastly, the Limitations and Challenges section identifies the main impediments the industry faces in integrating ESG into investment decisions. The structure of the findings can be navigated through the next graph:

Figure 1- Research Findings Diagram



5.1 Current Practices

5.1.1 ESG Priorities

When it comes to incorporating environmental, social, and governance considerations into investment decision-making, managers recognize that the specific focus will vary depending on the industry and asset class. For instance, asset managers are likely to place more emphasis on environmental factors when analyzing mining companies, while banks may require more scrutiny on governance issues. In Addition, bond funds may not prioritize ESG considerations in the same way as equity funds. Nonetheless, most managers agree that the "E" in ESG is likely the most crucial factor in their investment process, as it's the area where the industry is facing the most regulatory and investor pressure. Some of them also think is the area where can more effectively pursue a genuine change. The "G" factor is the second most relevant, as it's relatively easy to identify within companies. Finally, the "S" factor, which pertains to social challenges, might be the hardest to measure impact, and therefore, is considered the least important among the three factors.

In this regard, CC stated "*The company I work for has declared that climate change is one of the main issues. Yeah, I would say that's the main focus regarding sustainability and sustainable investing and it's somewhere where we think that we can make a difference*."

Consistently with that statement, FB mentioned "*The most common for a quality assessment, I think it's governance. I think it's the easiest one to identify for example, which companies are transparent or not, which ones disclose adequately the information or have understandable accounting practices. I think that's very easily identifiable by an analyst. On the other hand, social and environmental issues require a bit more knowledge, skills and time.*"

5.1.2 Identification of ESG Concerns

The study found that the process of identifying relevant ESG concerns is generally disorganized and relies on a case-by-case approach, although the level of organization varies. The lack of standardized processes makes investing a highly artisanal task. Moreover, decision factors are highly subjective and depend on the analyst responsible for the investment decision.

The research findings indicate that the process of identifying ESG concerns can be more disorganized among companies and managers who have a low interest in these matters. However, it is important to note that not all companies and managers fall into this category, and there are many who are actively working to improve their ESG practices. It was also discovered that many managers are actively trying to improve their ESG implementation by following international guidelines such as the PRI. By adopting these principles, managers intend to benchmark their ESG practices against global best practices and improve their transparency, accountability, and overall performance in this area.

Asset managers have various tools at their disposal for identifying ESG concerns, however investors rely heavily on the information that companies publish on their official websites. This includes information about their sustainability practices, social and environmental impact, and corporate governance. In addition, investors also turn to public information sources such as news articles, controversy reports, ratings and scores provided by third-party ESG information providers. For instance, CC stated, *"We use public information on a regular basis, our investment analysts are following news and controversies through public information and company releases, but on a daily basis we also believe in the importance of corporate access."*

The research findings suggest that asset managers also rely significantly on third-party information providers such as MSCI, Refinitiv, Moody's, and Standard and Poor's to identify ESG concerns in the companies they invest in. Among these providers, MSCI was the most frequently mentioned in the interviews. Asset managers use these providers' ratings, ratios, and scores of sustainability to pinpoint important issues related to the companies. Based on this information, managers tend to employ different types of screening. CH for example mentioned in this regard, "*We look at the MSCI reports that we pay for, so the information is already a bit digested on what you should look at for each company but also we do look at maybe previews, lawsuits that the company has had or even news and consumer complaints*" In the same way MC mentioned, *"We use MSCI, so through this data provider we get some scorings from an ESG certified company. There are many options in the market but that's the one we use the most."*

One commonly used method is negative screening, which aims to exclude companies or industries from their investment portfolios based on specific criteria. This helps managers avoid companies that are considered detrimental to ESG goals, such as those involved in tobacco, fossil fuels, or arms manufacturing. Another strategy is best-in-class screening, which involves identifying companies that excel in ESG factors compared to their industry peers, rather than simply avoiding those that perform poorly in these areas. MC explained that after using third-party information they analyze the data to use negative screening, *"Through this provider, we actually take a first look on what the company is doing, what's the score of the company and if the company has any controversial reports. Once we do this, we try to analyze the information by ourselves because that's the first part of the negative screening."*

Incorporating non-financial information, particularly environmental, social, and governance (ESG) factors, into investment decision-making is a complex and challenging process for asset managers. However, research has shown that many managers do not consistently prioritize ESG factors, resulting in an ad hoc and artisanal approach to integrating ESG concerns into investment decisions. Instead, the process often relies heavily on the subjective judgment of individual analysts. As MR explained, *"It's a combination of international standards and then internal judgment and criteria of the investment teams."*

5.2 Asset Manager's Engagement with ESG

5.2.1 Awareness

The research found that asset managers are facing increasing pressure to integrate ESG factors into their investment decisions. Regulators and pension funds have been pushing for ESG integration, but the primary source of pressure comes from a new generation of investors who prioritize responsible and sustainable investing. These investors are more concerned about the impact of their investments and want to know how their money is being used. As a result, asset managers recognized the importance of incorporating ESG considerations into their investment strategies to meet the evolving demands of the market. The managers that showed less commitment recognized that eventually will need to be more active in the field to ensure the sustainability of the business.

CC explained very well the nature of the ESG pressure *"The clients are ever more demanding for you to have an approach to responsible investing, especially the new generations and institutional investors like pension funds and insurance companies, who are themselves receiving a lot of pressure from their stakeholders and local regulators to include ESG factors into consideration. So, of course, they, in turn, demand us as investment managers to also implement some ESG standards in our investment processes."* While in a very similar way, FB said *"I think maybe new generations of investors are starting to recognize themselves as more responsible for what their investment produces to its overall. So I think, this awareness maybe is also a matter of how different generations have been educated and being more sensitive to certain subjects such as climate change."*

5.2.2 Commitment to Creating Real Impact

The findings of the study revealed a mixed result, indicating that there is no homogeneity in the level of ESG integration across organizations. The responses from the managers varied significantly when they were asked about the reasons for implementing ESG and why it matters. While some managers displayed a clear understanding of the importance of ESG integration, others seemed nervous and provided vague and politically motivated responses. While some managers openly expressed a genuine interest in creating a positive impact in society in a very passionate way through the responsible allocation of capital, others were more skeptical about ESG and displayed an ideology motivated mainly by profitability and viewed ESG only as a means of financial benefit.

As previously mentioned, the study revealed a spectrum of motivations and commitments to ESG integration among investment decision-makers. Some managers, such as ED, CH, and MC, displayed a limited understanding of the topic and demonstrated relatively low interest in the implementation of CSR principles. These managers showed little motivation beyond profitability to integrate ESG into investment decisions, which led to poor and inefficient processes.

On the contrary, the study identified a group of investment decision-makers, including FB, MR, and CC, who were highly committed to ESG integration and demonstrated a genuine interest in creating a positive impact on society through the responsible allocation of capital.

These managers recognized the importance of ESG integration as a means of creating a sustainable future for their organizations and society as a whole. They also exhibited a strong sense of responsibility towards society and the environment, recognizing the importance of integrating ESG principles beyond financial gain into their organizations. Their motivations were grounded in a desire to make a positive difference in the world through their commitment to Corporate Social Responsibility.

In addition, the study also identified a group of investment decision-makers, including JO and DC, who exhibited a sound understanding of ESG principles and recognized the current importance of their integration into investment decisions. These managers showed a willingness to incorporate ESG factors where possible but did not display the same level of passion as the highly committed group. Their motivations were primarily focused on financial performance, while also recognizing the growing importance of ESG in the market and the potential impact on their investments. This group's approach to ESG integration demonstrated a more rational balance between financial and social responsibility.

The responses from managers regarding the importance of ESG integration were mixed, as revealed in the study. For example, during the interview, ED stated when talking about ESG integration, *"I don't have to do that. I can, and sometimes I do because I really think that yes, these items can lead to higher growth in the long term for the companies but is not something I commonly do."* On the other hand, CC expressed his belief in the significance of ESG by saying*, "I think it matters because we as investment managers have a larger responsibility in terms of providing capital, we have a very nice opportunity to actually become an agent of change."* Similarly, DC stated, *"Since we provide capital, we are also responsible for enabling the change that we want to see."* These last two responses contrast with the first, highlighting differing ideologies regarding ESG.

In opposition to this ideology, and despite all the challenges, a small fraction of the survey managers such as MR and CC expressed a strong commitment to fully integrating ESG principles into their investment strategies. These managers seem to follow an integrative approach by embedding ESG practices deeply into the culture of their company and reiterating their commitment to CSR principles (Hahn et al., 2014).CC mentioned that the approach followed by his company is full ESG integration, so every investment analyst has to go through a very extensive assessment of the different ESG issues.

He stated in this regard *"The ESG assessment is very integral. It's a very fundamental part of that assessment. We believe this is the right way to do this, and we don't have a separate specialized team of analysts like it's an additional layer of analysis. Once the financial analysis assesses the company or the investment thesis, we have decided to integrate the process, like going through educating all investment professionals, portfolio managers, and investment analysts. So it's really a part of the culture of the company. Of course, you will find many other investment managers who prefer to have a separate team of ESG analysts. But that's not the way we decided to do it because we thought it was easier to actually permeate the investment culture and philosophy of the company when everyone is involved from the PM to the trader and also, of course, having the support of the ESG analysts."*

5.2.3 Identifying Other Stakeholders and Greenwashing

The research findings regarding the offering and promotion of sustainable products and services were varied. Some managers acknowledged the significance of offering such products, despite exhibiting a low interest in the matter, prioritizing profits above all else. However, these managers recognized that sustainable products could potentially increase assets under management and capture additional demand, leading them to consider offering these products despite their lack of ESG processes. It was discovered that some of these companies have been active in the matter even when ESG motivation and processes are not clearly identifiable.

For example, ED mentioned that only a small part of the company focuses on ESG matters and that the company is interested in increasing the ESG area to catch the additional demand and benefit from the ESG trend, he mentioned, *"First of all, the company that I work for has just an area that focuses on this ESG concept, this is something that the company has been improving and has been putting more attention on this to making it bigger because we see a lot of demand for these new investors looking for this ESG products. In the end, we do look at long-term trends and the company is pinpointing that front. So there is interest in benefiting* *from that trend. So something that works for the company is that they open the market, they can offer more loans for example, so they can expand their portfolio."*

The study also revealed that managers who were actively implementing ESG strategies expressed a desire to offer more sustainable products. However, they faced resistance from clients within the industry who were not well-educated in the matter. These clients were often skeptical about the impact of sustainable and thematic investments on investment performance and profitability, which poses a challenge for the new products to be offered, however this finding will be discussed in mor detail in the "limitation and challenges section."

The study revealed that asset managers encountered difficulties in identifying stakeholders who could benefit from the availability of more sustainable products and services. Although managers acknowledged the potential advantages for investors and society in general, they found it challenging to offer a detailed breakdown of these benefits. When asked about this issue, managers often hesitated, rambled, or diverted from the question. Furthermore, they commonly admitted that their clients already had access to high-quality investments that offered long-term financial returns and improved risk management. However, they failed to provide clear explanations of how sustainable investments could benefit different segments of society or how these benefits could be achieved. Notably, managers tended to focus only on clients as the main beneficiaries of sustainable investments, ignoring other potential stakeholders.

For example, when talking about other stakeholders who could benefit form more sustainable products ED mentioned *"I think that yes, but mostly investors for sure, mostly investors, and secondly, probably just normal people that have something related with the company, but not as much as the investor. And maybe maybe maybe, I don't know the employees? Yeah, I'm not sure."*

CH and DC both gave imprecise responses when asked about the benefits of sustainable products and services. CH stated, "*Yes, that as well because in the end it's, uh. It does give you a better vision of the world.*" DC expressed a similar sentiment, saying, "*Of course, you have the benefit, you know the moral benefits and you are adding something to society.*" Neither CH nor DC provided any specific details to support their answers.

5.2.4 Active Participation in ESG Concerns in Investee Companies

Asset managers are professionals or firms that manage investment portfolios on behalf of their clients. When asset manager invests in a company's shares on behalf of their clients, they may be granted certain voting rights as a shareholder because of their partial ownership of the companies they invest in (as the shares they hold in their portfolios).

Voting rights are a way for shareholders to have a say in the decisions made by the company. For example, shareholders may be able to vote on who serves on the board of directors, whether to approve mergers or acquisitions, or in this case, any ESG concern.

According to the findings of the interviews, the companies managed by the surveyed asset managers do not commonly exercise their voting rights to influence the decisions or operations of the company in favor of ESG. While some managers were not able to provide a clear explanation for this trend, others stated that their limited size in the industry means that they do not hold any relevant voting rights that could significantly influence the outcomes of such matters. MR said in this regard *“We don't exercise voting rights because… not even just for ESG in general, we don't go to general meetings, we don't have like a team that analyzes the proposals that the companies are going to present that determine how we're gonna vote, that's not something that we usually do.”*

In addition, CC mentioned when talking about voting rights *“I would say it's not that common, is not like we do it in every shareholder’s meeting that we attend, but we have done that in the past three years, especially in a few cases where we have concluded that it was absolutely relevant.”* He also highlighted that they do not hold significant voting rights either. *“We don't have controlling or significant stakes of any company or the outstanding debt of any corporate existing commissioner.”*

5.2.5 Motivations and Drives to Implement ESG

Similarly to the level of commitment among asset managers, the motivations and drivers for ESG implementation in investment decision-making varied widely among asset managers. While some managers recognized the financial benefits of investing in companies with strong

ESG practices, others were motivated by ethical considerations, such as promoting social responsibility and environmental sustainability.

Interviewees recognized that ESG practices can create better returns in the long run, and some asset managers have reported that integrating these factors has opened new markets and increased assets under management which in some cases is the main motivation. However, it is important to note that some managers see ESG integration and positive performance as a way of fulfilling their fiduciary duty to clients. This refers to the legal and ethical obligation that requires investment managers to act in the best interests of their clients. Some of the managers were also motivated by the genuine intention of fostering a change in the world and society by allocating capital responsibly.

However, one of the key findings of this study was that many of the interviewed asset managers reported risk mitigation as one of the most significant motivations for incorporating environmental, social, and governance factors into their investment processes. By assessing ESG factors such as a company's environmental impact, labor practices, and corporate governance, asset managers can better identify and manage potential risks, such as regulatory or reputational risks. The findings suggest that risk mitigation is a key driver of ESG integration among asset managers, as they seek to provide long-term, sustainable returns for their clients while minimizing potential risks and ensuring the durability of the business.

In this regard, FB said during the interview *"Top themes do not necessarily have to be about being a more responsible investor in terms of values, but also as a matter of risk mitigation. We want to do good for the planet and for our society, but we can also understand sustainability as durability. So, if we focus on the long term, we have to consider certain risks that may materialize, maybe not this year or the next, but within the next one or two decades. You never know, but those are risks that you bear and that can make your investment go negative at any time. If you look back and think about which companies have gone out of business in the last decades, you will surely identify companies that have had bad accounting practices, bad environmental scandals, or social scandals."*

MR also emphasized that one important motivation for ESG implementation for asset managers is risk mitigation, however MR also highlighted her personal motivation to become an agent of change through the use of ESG implementation when talking about the importance of it *"So the first one is to use ESG as a tool for our investment process to make more informed investment decisions and that has a bias towards mitigating ESG financially material risks. That's the first one. And the second one is being more proactive in channeling and mobilizing private money toward sustainable projects. I personally think that's the one that I'm more passionate about. I think that's the one that is more necessary and that can actually change stuff"*

In addition, and as mentioned before, the durability of the business is another relevant motivation for the surveyed participants. Interviewees are aware that the risk of not complying with emerging ESG regulations is that it could jeopardize the long-term sustainability and durability of the investment business itself. Firms that fail to integrate ESG considerations into their investment strategies could face reputational damage, financial losses, and legal liabilities.

DC explained that *"The main benefit is it's also related to sustainability, sustainability in the business because at some point it will be a requirement, it will not be an edge, it will be a requirement that asset management firms have an ESG view at least or that they have some say about it and then that they have certain scores, that they have certain measures that they know what they are doing, that they know what they are investing in. So it's a matter of just being in business first."*

5.3 Limitations and Challenges

5.3.1 Quality and Availability of Information

The study's findings confirmed that the current state of ESG information is inadequate, characterized by poor quality and limited availability. Asset managers reported facing constant challenges in accessing the necessary information to make informed ESG-related decisions, resulting in a reliance on subjective judgments to fill gaps in their decision-making process. This approach heavily relies on investment analysts and leads to a lack of standardization in the investment process.

MR exposed this situation very well during the interview when talking about the difficulties of the ESG implementation when she mentioned *"It's a challenge because you have to define many things that are not defined. You have to define first what you're asking, what ESG issues are material and relevant for me to evaluate, and according to what. Second, to find the data, to find sources of data because sometimes companies have a sustainability report, but sometimes they don't. Data providers have lower coverage in data."*

The availability of data presents a significant obstacle to the integration of ESG factors into investment decisions. The majority of data is concentrated on large companies in developed markets, while smaller companies and those in less developed markets often lack the necessary relevant information for investors to take reasonable and informed decisions.

DC explained during the interview that the biggest challenge in ESG investing is the availability of information for certain companies. His company has found that it's mainly available for larger companies such as blue chips, large and mid-caps in Europe. However, for smaller companies, particularly those in other countries, the data is either scarce or difficult to obtain, making it challenging to conduct a comparative analysis.

Besides the availability of the information, the quality and comparability of data is another of the most important drawbacks for the industry in this regard. Managers find it difficult to interpret the information provided by the companies and compare it to contrast the performance in certain fields and for this reason, they rely on third-party providers. For instance, FB said, *"Not all of the companies might give you the same figure or the same data. And so how do you interpret or understand this data? Well, you go to a third-party provider, but one might give you a scale from 1 to 5 when others use stars or colors or maybe they all use the same scale, let's say a scale of 1 to 10 but maybe the same company from one provider will score 6 while the other one might score 9. For what reason?"* Being coherent with what FB mentioned, DC stated as well *"Comparability remains an issue, and it's challenging to ensure that we are comparing apples to apples."* Consequently, ESG investing remains highly specialized and is an artisanal task that requires significant effort to gather relevant and reliable information.

Another relevant factor related to the unavailability of information is the lack of relevant data about the sustainability and practices of countries. Some managers explained that a very significant part of their investments lay in sovereign bonds or government bonds which are debt securities that governments have to raise money and finance their operations. CC for example mentioned that there is no process to assess the level of sustainability of the country and there is still a lot of confusion about how to approach this situation. CC in this regard mentioned, *“It is very difficult for us to measure the impact of sovereign debt. Sovereign bonds are a very significant portion of the total portfolios that we manage but there's no common methodology to assess how governments are actually implementing easier standards. And that's actually something that PRI is working on a global scale.”*

5.3.2 Alignment of Interest

The interviews revealed that none of the managers receive any form of compensation related to ESG performance. Only one respondent mentioned that a small portion of their variable salary is dependent on the implementation of these factors, which is a positive step, but not enough to fully align their economic interests with ESG concerns. In summary, the managers do not have any significant financial motivation or alignment of interests in this area. FB mentioned that he thinks it would be a “good way of aligning people faster” while MC also commented “For time being, we're not having any of that and this is relevant pushbacks.”

5.3.3 Education of Clients

Based on the interviews conducted, it appears that managers believe that ESG investing is a crucial long-term strategy. Unfortunately, some fund managers have struggled to transmit this concept to clients who are more concerned with immediate results. As a consequence, the ESG industry has yet to see a significant demand for sustainable products, which has made educating customers a significant challenge. As MR pointed out, *"We are internally discussing how we can push this, and the wall that we're facing is that we need demand. Well, we need that our clients are willing to put money in these funds in Latin America, institutional investors are aware of ESG and are already committing but are not ready yet. The short-term vision in general of our clients, of ourselves, and of the industry in general is a challenge. Our clients are constantly checking the performance of the fund, and their investments are not patient."*

During the interviews, CC also mentioned that investors are eager to invest in sustainable products. However, when it comes to excluding financially attractive but unsustainable options, such as oil companies, some investors hesitate or refuse to do so. As CC stated*, "I would say that one of the things that have been making it more difficult is that not every investor is willing to, for example, exclude some names in their portfolios."* CC explained that this reluctance to exclude unsustainable options has made it challenging to fully embrace ESG investing, but it highlights the importance of continuing to educate investors on the long-term benefits of sustainable investment options.

5.3.4 Lack of External and Internal Initiatives

During the interviews, most of the managers expressed the belief that significant progress on ESG initiatives would require action from two different sources. Firstly, they noted that their own company's management would need to take a more proactive stance on ESG issues and prioritize them more effectively within their business strategy. Secondly, the managers indicated that additional pressure from the government and regulators would be necessary to increase the overall effort and focus on ESG initiatives. Without these two sources of motivation, the managers were concerned that progress on ESG initiatives would be limited and that the status quo would continue. In other words, the managers recognized that there was a need for more comprehensive and coordinated efforts from multiple stakeholders in order to truly drive meaningful change in the area of ESG.

For instance DC mentioned that in order to give more weight in to ESG factors when investing it would be necessary an initiative form the company DC work for *" It would have to be an initiative by management of my company in order for it to become, you know like a custom or something."*

JO said in this regard that *"The government should push with more intensity these kinds of initiatives. I would say that the regulator can be the driver for this intensity that you mention."* With the same point of view MR also answered, *" More regulation is a big driver, so regulation has to evolve as well, because then when the regulator asks us for something, we might have a fine if we don't do it or could cause a bad reputation in the industry, then that definitely is a trigger to be more active and to move faster."*

5.3.5 Training

During the investigation, it became evident that there is a significant variance in the level of training amongst asset managers. Some individuals disclosed that they received no formal training and had to learn on the job. For those who did receive training, the most notable programs mentioned were the Chartered Financial Analyst (CFA) exams, which is a globally recognized professional designation offered by the CFA Institute to finance and investment professionals. The CFA program covers a broad range of topics, including sustainable investing. The second most mentioned program was the Global Association of Risk Professionals (GARP), a non-profit organization that provides professional certifications and educational programs in risk management.

Seven out of 8 of the participants held either a CFA credential, an ESG CFA, or both, which covered topics related to ESG integration. However, the ESG CFA was more specifically focused on the matter. Additionally, three of the participants held certifications on ESG by GARP and all of them mention at least one certification on the topic.

In summary, the study found that asset managers' commitment to ESG integration varies, with some focused on creating a positive impact while others prioritize expanding their client base. The majority of managers tend to prioritize the environmental aspect of ESG. In addition, they typically rely on third-party information providers in their integration process. It is also noticed that managers often struggle to identify stakeholders who could benefit from sustainable products and services. Finally, the study suggests that the main limitations of incorporating ESG into investment decisions are the unavailability of data and a lack of standardized information. These findings highlight the need for additional efforts to encourage asset managers to embrace sustainable practices and address the challenges associated with ESG integration.

6. Discussion

This research aimed to explore the asset management industry's engagement in creating a real impact on society through the implementation of CSR and ESG practices. The study investigated how asset management companies in Latin America incorporate ESG elements into their decision-making processes, including investment decisions. Additionally, this research sought to understand the reasons behind companies' reluctance to fully commit to an integrated ESG investment approach, if it is the case. By addressing these research questions, this study contributes to the understanding of the asset management industry's role in a not deeply explored region. Through a thorough analysis of the industry's engagement in CSR and ESG implementation, this research provides insights into the drivers and barriers to the adoption of these practices, thus helping to identify strategies that can encourage greater adoption of sustainable investment practices.

6.1 Incorporating ESG Elements into Business Decision-Making: The Role of Asset Management Companies in Responsible Investment

6.1.1 Environmental Prioritization

The findings regarding the ESG efforts of asset managers reveal a concerning trend. The study indicates that asset managers tend to prioritize the environmental and governance aspects of ESG investing over the social component. This is partly due to the perception that environmental and governance issues offer more significant opportunities for change and are easier to apply. However, social issues are more challenging to measure and assess, making them less attractive to asset managers.

The tendency of asset managers to prioritize environmental and governance aspects over social components in ESG investing could limit its potential impact and fail to address critical social issues. Surprisingly, this finding was not previously highlighted in current revised literature, such as studies conducted by Van Duuren et al. (2016) or Cappucci (2018), emphasizing the importance of ongoing research in this field to identify trends and potential areas for improvement.

Despite the challenge of measuring their impact, the finance industry must recognize the significance of addressing social issues in investment decision-making processes. Incorporating ESG factors in investment strategies could considerably enhance overall ESG impact and contribute to a more sustainable and equitable society. However, the social component of ESG investing is more challenging to measure, and the industry must allocate the required resources to ensure it is not neglected.

6.1.2 Integration and Awareness

The asset managers interviewed in this study consistently expressed the belief that incorporating ESG factors into investment processes has the potential to deliver superior long-term performance while creating positive social and environmental impacts. This aligns with the findings of Eccles, Ioannou, and Serafeim (2014), who found that companies can implement socially and environmentally responsible policies while still creating shareholder wealth.

According to the current research, a significant number of asset managers in Latin America recognize that ESG practices have the potential to provide better long-term investment returns. This is again consistent with previous studies conducted by Eccles and Kastrapeli in 2017, which indicated that most investment management experts believe that a successful ESG strategy can improve long-term investment performance. Similarly, Amel-Zadeh and Serafeim's 2018 study found that 63% of respondents agreed that ESG integration has a positive impact on investment performance. These studies suggest that managers in general believe that ESG practices can be an effective strategy to enhance long-term investment performance, and many investment managers are aware of this potential. These findings support the current idea that investment managers recognize the potential of ESG practices to improve long-term investment performance.

Previous studies such as Eccles and Kastrapeli (2017) and Amir Amel-Zadeh and Serafeim, CFA Institut among others, have suggested that an effective ESG strategy involves integrating ESG factors into the investment process to minimize risks and maximize opportunities. However, despite the potential benefits of ESG practices, most of these studies found that many investment managers have not yet implemented a comprehensive ESG integration strategy.

Similarly, the findings from interviews with Latin American asset managers suggest that they recognize the benefits of ESG practices to deliver better long-term investment returns. However, despite acknowledging these benefits, these asset managers have not fully integrated ESG factors into their investment processes in most cases. This finding is consistent with the broader research on investment managers worldwide and confirms the gap between recognizing the potential of ESG practices and fully integrating them into investment strategies. This represents an opportunity for Latin American asset managers to enhance their investment performance by fully integrating ESG factors into their investment processes.

6.1.3 Approach to ESG Integration and Third-Party Providers

The findings of this study regarding the asset managers' approach to ESG integration align with the previous survey conducted by Van Duuren et al. (2016), where was exposed that the majority of investment managers prefer to integrate ESG factors by conducting analysis at the company level, which involves assessing a company's policies, practices, and performance related to ESG criteria. This is consistent with the approach reported by asset managers in Latin America, who also prioritize analyzing companies at the corporate level to integrate ESG concerns into their investment processes.

Asset managers in Latin America rely heavily on third-party providers for ESG information, as reported in the study. This reliance is even higher than what was reported by Van Duuren et al. (2016), where only 45% of investment managers used modified research inputs such as ratings provided by third parties. This indicates that the use of third-party providers for ESG information is a common practice among asset managers globally. However, the reliance on third-party providers seems to be particularly relevant in Latin America, as 100% of the managers stated that they use this tool to integrate ESG factors into investment decisions.

The use of third-party providers has become a popular solution for asset managers to address the gaps in ESG information, especially for the region where these asset managers operate. However, while these providers can offer a helpful supplement to a firm's own data, they also introduce new challenges to the standardization of ESG assessment. According to the current interviews, managers recognized that the lack of consistency in third-party providers' approaches and criteria, as well as differences in the data they collect, can lead to discrepancies in ESG ratings and hinder the development of a uniform method for evaluation.

Asset managers mentioned that frequently depend on third-party information providers, such as MSCI or Refinitive, to obtain ESG data, aiming to supplement their own data and establish a uniform method for ESG assessment. However, third-party providers may employ their own approaches and criteria to appraise ESG factors, and the data they collect may differ in scope and quality. As a result, the collected data may not always align with the particular requirements or priorities of individual asset managers.

Asset managers who over-rely on third-party ESG data providers may face several challenges that could lead to poor investment decisions and potentially damaging outcomes. Firstly, it can create a false sense of security for asset managers, leading to a lack of due diligence in evaluating ESG risks and opportunities. Secondly, over-reliance on these sources of information can limit an asset manager's ability to fully engage with investee companies and understand their ESG practices and challenges. Finally, there is the risk that ESG data providers may have conflicts of interest when evaluating the sustainability of companies, potentially leading to inaccurate or incomplete assessments of ESG risks and opportunities. Therefore, it is crucial for asset managers to exercise caution, critically evaluate the data provided by third-party sources, and use it as a complement to their own data collection and analysis efforts.

The discovery that a substantial proportion of asset managers in Latin America depend on third-party providers for ESG information provides valuable insight into the industry's present practices in the region. This information adds to our existing knowledge of how ESG factors are being considered in investment decisions in Latin America, underscoring the importance of having reliable ESG information and research accessible in the region. Additionally, it highlights the necessity of assessing and studying the risks associated with relying too heavily on third-party providers for ESG information.

6.2 Engaging the Asset Management Industry in Creating a Real Impact on Society through CSR and ESG Implementation

6.2.1 Risk Management

One finding related to the motivations of asset managers to consider ESG in investment decisions, which is in line with previous research, emphasizes the significance of risk mitigation in ESG integration. In order to assess whether a firm is well-positioned for long-term success, Peterdy (2022) claims that ESG gives stakeholders information about the opportunities and dangers associated with the company. ESG variables including a company's environmental effect, labor standards, and corporate governance can aid in identifying and managing possible risks, such as reputational and regulatory issues. This is consistent with the goals of asset managers as described in the current study, who want to offer their clients long-term, sustainable returns while reducing any risks and guaranteeing the viability of the company. ESG performance was better able to manage risks and avoid crises.

As the findings of this study and existing literature suggest, risk mitigation is a crucial driver of ESG integration given that asset managers can better identify and manage potential risks, ultimately seeking to provide long-term, sustainable returns for their clients and protecting their investments while ensuring the durability of the business. This point is consistent with the idea of Eccles, Ioannou, and Serafeim (2014) who suggested that in the long run, integrating sustainability concerns into a company's business model and strategy can give it a competitive edge. The current research suggests that some Latin American asset managers are trying to achieve this by integrating this strategy and gaining an advantage over other competitors to attract more sophisticated clients from other parts of the world.

6.2.2 Greenwashing

To avoid misleading claims and prioritize genuine commitments to sustainability, the finance industry must incorporate all three dimensions of ESG and prioritize transparency, accountability, and commitment. Interviews suggest that greenwashing practices are prevalent in the investment industry, but the visibility and frequency of these practices depend on the knowledge and sophistication of the asset manager and their willingness to assert themselves as socially responsible. While a genuine commitment to sustainability should not increase the likelihood of greenwashing practices, the pressure on companies to present themselves as sustainable to appeal to socially conscious consumers and investors can lead to exaggerated or misleading ESG claims.

On one hand, it was found that asset managers with lower levels of knowledge and interest in ESG practices engaged in greenwashing tactics to claim sustainability and attract responsible investors. These practices were aimed at increasing assets under management and demonstrated a lack of transparency in their ESG strategies. These managers made only superficial efforts to explain how they incorporated sustainable practices into their investment decisions, indicating a lack of genuine commitment to ESG principles. This could be attributed to the fact that recently, asset managers must compete not only in terms of profit production but also in demonstrating their suitability for certain investment criteria, some of which include sustainability (Antoncic, 2021). The study found evidence suggesting that some asset managers may overstate their commitment to ESG to attract more assets under management as was also hypothesized by Antoncic, (2021), who raised the question about whether ESG is being used effectively to allocate capital towards sustainability, and whether there is an opportunity for more responsible capital allocation."

The study has revealed that asset managers with limited knowledge and interest in ESG practices engage in greenwashing tactics to attract responsible investors. These practices are employed to increase assets under management and demonstrate a lack of transparency in their ESG strategies. The managers only make superficial efforts to explain how they integrate sustainable practices into their investment decisions, indicating a lack of authentic commitment to ESG principles. This trend is due to asset managers' need to compete not only in terms of profit production but also in demonstrating their suitability for certain investment criteria, including sustainability. This has led to questions about whether ESG is being effectively used to allocate capital towards sustainability and the potential for more responsible capital allocation (Antoncic, 2021). Evidence suggests that some asset managers may overstate their commitment to ESG to attract more assets under management, as hypothesized by Antoncic (2021).

According to Kim and Yoon (2020), asset managers who are signatories to the Principles for Responsible Investment (PRI) and have committed to implementing ESG practices have seen significant growth in assets under management, regardless of their prior fund-level ESG performance. This finding suggests that investors are increasingly looking for fund managers who are committed to responsible investing.

The current study did not specifically examine PRI signatories, but it did uncover a concerning trend among asset managers. The study revealed that some managers tend to exaggerate their commitment to ESG in order to attract new funds, even when their actual level of commitment is low. This finding is consistent with the statements made by Kim and Yoon (2020), who also observed this practice in the industry.

On the other hand, it was also discovered that some more sophisticated managers who claimed a full ESG strategy and integrated sustainable practices into their business culture sometimes overstated their commitment to ESG principles. While their efforts were significantly more intensive than those of the less knowledgeable managers, their greenwashing practices were often more subtle. This became evident when managers did not clearly identify other groups or stakeholders beyond investors and clients who could also benefit from the offering of more sustainable products.

One of the practices discovered during the research that raised doubts about the sincerity of asset managers in implementing CSR and ESG considerations is their apparent unwillingness to use their voting rights to influence decisions regarding ESG issues within the companies they invest in. Despite advocating for ESG principles, some asset managers, even the most committed ones, are failing to exercise their power to push for change in the behavior of these companies. This could indicate that a significant portion of managers may not be taking ESG concerns into account when making decisions, or that asset managers may not be prioritizing ESG when making investment decisions on behalf of their clients. It highlights the need for greater awareness and engagement from asset managers on ESG issues and the importance of promoting sustainable practices in the industry.

The study has also uncovered an unexpected source of greenwashing linked to a potential issue of limited demand for sustainable products and services, hindering their supply. Asset managers who prioritize sustainability may struggle to promote sustainable practices if there is a lack of demand for sustainable products. The market demand for sustainable products may be low due to a lack of consumer awareness or understanding of the environmental impact of their purchasing decisions. Customers may want sustainable products as long as they are more profitable than regular investments but are unwilling to sacrifice their profits for sustainability, indicating a disconnect between their values and purchasing behavior.

This finding is particularly concerning given the urgent need for sustainable practices in the face of global challenges such as climate change and social concerns. It indicates that there may be a significant gap between the values and priorities of investors, and the actions of the industry. This information is significant as it could change industry actions and redefine the concept of greenwashing. The study found that committed managers are facing a challenge in increasing the supply of sustainable products due to limited demand.

The previously discussed study conducted by Barnett and Salomon in 2006 highlighted the complex relationship between financial and social performance in ESG strategies. It suggested that as businesses increase their sustainability initiatives, their financial performance may initially decline before stabilizing and then improving. This finding implies that there may be a trade-off between short-term financial gains and long-term sustainability initiatives. The interviews conducted with Latin American asset managers suggest that customers' prioritization of profitability over sustainability, may be related to this trade-off between short-term financial gains and long-term sustainability initiatives.

Furthermore, Murray and Peetz (2016) pointed out that there has been a growing shift in demand towards more sustainable products and services in the industry. This shift in demand is largely driven by increasing concerns about climate change, social inequality, and corporate governance. However, the findings of the current study suggest that the reality may not be so straightforward. While there is a growing awareness of the importance of sustainability among investors, it appears that this awareness has not yet translated into a significant shift in demand for sustainable products and services.

In this regard, the study highlights that the short-term focus of clients can create conflicts of interest between asset managers and other stakeholders. Clients may prioritize quick returns over sustainability, while asset managers may prioritize the long-term view and the interests of other stakeholders. This misalignment can force asset managers to prioritize short-term gains over long-term sustainability, posing a challenge to responsible investment strategies. The short-term focus of clients can also create a culture of short-termism within the industry, leading to a lack of commitment to responsible investment strategies. To address this, asset managers may need to engage in a dialogue with their clients, educating them about the importance of responsible investment and building trust through transparency about investment strategies and impact on the wider community.

During the interviews, the asset managers revealed that active participation and pressure from top management and regulators are necessary to promote ESG strategies. However, the short-termism ideology in society poses significant challenges to sustainable investment strategies. Overcoming this ideology is difficult because it is ingrained in the industry and broader society. Asset managers suggest that incentives and support from top management and regulators can help address this issue. However, until a cultural shift towards valuing long-term sustainability over short-term gains occurs, external pressure may not be enough. To achieve long-term sustainability, education, awareness-raising campaigns, and changes to incentives and industry structures are needed. Sustainable investments must be prioritized for the health of our planet, our quality of life, and future generations.

6.2.3 Certified Asset Managers

The apparent reluctance of some asset managers to exercise their voting rights to influence decisions regarding ESG issues within the companies they invest in raises doubts about their commitment to implementing CSR and ESG considerations, despite being certified and trained in ESG implementation. This suggests a need for greater awareness and engagement from asset managers on ESG issues to ensure that their ESG-related credentials are reflected in their investment decisions.

The study highlights that all the managers who participated in the research held some form of training, certification, or qualification in the field of ESG integration. The fact that the managers held some sort of ESG-related credential is a positive indicator that they are aware of the importance of ESG considerations in their work. The study notes that most of the managers held a CFA credential or a CFA ESG credential, which is considered the most famous and recognized certification internationally.

Previously, the literature review conducted as part of this investigation identified a possible factor hindering the full implementation of ESG practices - the lack of training in the industry. The CFA Institute conducted a survey in 2017 which revealed that only a small proportion of managers had received proper training in this area, despite this Institute being one of the most respected providers of certifications in the field. This lack of training was suggested as a significant barrier to the implementation of ESG practices, as managers may not have the knowledge or skills necessary to incorporate these practices effectively.

However, given that most managers hold prestigious certifications in the field, the study raises concerns that these credentials might function as another tool for greenwashing, where the managers use their qualifications to promote themselves as proactive and trained managers in the field, without necessarily implementing effective ESG practices. The study suggests that this assumption is supported by the finding of greenwashing activities in some of the managers who held these credentials. This highlights the need for the industry to take steps to ensure that the managers are not just using their credentials as a marketing tool but are genuinely committed to ESG considerations in their work.

6.3 Understanding the Reluctance of Companies Towards Fully Integrated ESG Investment Approach

6.3.1 Standardization of Information

The financial industry's failure to obtain relevant environmental, social, and governance information is a significant and persistent challenge for asset managers. This issue is not only a gap in the research literature, but the industry itself acknowledges it. Smaller companies and businesses in less developed markets are especially vulnerable as they have limited ESG data available to them, and this restricts the asset manager’s ability to make informed decisions.

There is a very similar situation regarding sovereign debt, assessing sustainability in sovereign bonds is particularly difficult given the complex and diverse factors that need to be considered, such as environmental impact, social and human rights practices, corruption and transparency, and political stability. Quantifying these factors is not always possible, creating significant challenges for asset managers trying to make informed decisions.

Consequently, asset managers have to rely on incomplete or even inaccurate information when assessing these firms. This problem creates disorganized and non-standardized decision-making processes, hindering the industry's capacity to accurately evaluate ESG risks and opportunities. The subjective nature of the decision factors also increases the risk of overlooking important ESG concerns that could impact the long-term financial performance of the investment. Addressing these gaps in ESG information is crucial for the industry to move towards standardization, ensuring that companies, regardless of their size or location, are evaluated on the same criteria. Without standardization, the finance industry will continue to lack the ability to create a more sustainable and responsible finance sector.

6.3.2 Economic incentives

Certainly, the lack of economic incentives in the industry may be also driving greenwashing activities, where companies promote ESG concerns without fully committing to them. A study suggests that managers' interests may not be fully aligned with ESG objectives, and this can affect their decision-making. The fact that only one respondent mentioned having a small portion of their variable salary dependent on ESG implementation suggests that this is not a widespread practice in the industry. Even if some managers have financial incentives linked to ESG performance, the lack of a consistent approach suggests that ESG objectives are not a priority for the sector.

Asset managers are often incentivized to focus on short-term gains, such as quarterly returns, and this can lead to a situation where they prioritize short-term profits over longer-term investments in sustainability. This can lead to investments in unsustainable or socially harmful projects, which can have negative long-term consequences for both investors and society as a whole. It is crucial to ensure that asset managers' economic interests are aligned with the company's environmental and social objectives to prioritize sustainability and social responsibility alongside financial performance. This will ensure that investments are made with both short-term and long-term goals in mind and contribute to the long-term sustainability of the company and society.

6.4 Closure

Referring to a previous study (Eccles & Kastrapeli, 2017), it was found that asset managers have not fully integrated ESG practices. However, the reasons for this phenomenon were not explained. In contrast, the current investigation provides valuable insights into the issue. The study suggests that the lack of full ESG integration may be due to challenges related to obtaining reliable ESG data, such as data availability and comparability issues. The investigation's literature review identified a lack of training in the industry as another possible factor that hinders the full implementation of ESG practices as mentioned before.

However, the current study revealed that other factors may be more significant in hindering the adoption of ESG practices, such as short-termism and a lack of awareness among clients regarding sustainable investments. These factors were found to be transmitted to industry, preventing companies from fully incorporating ESG practices. The insights provided by the current investigation in this regard can help the industry to better focus its efforts to address the challenges of implementing ESG practices. By understanding the key factors that hinder the adoption of these practices, companies can develop targeted solutions to address them. By taking a more strategic and focused approach, the industry can make progress toward fully incorporating ESG practices and creating a more sustainable and responsible investment landscape.

The UN can take a number of steps to combat short-termism in the financial sector and advance sustainable development. First, the UN can educate financial institutions and investors about the harm that short-term thinking causes to sustainable development. Second, the UN can promote long-term investments in sustainable development by offering financial incentives like grants, tax rebates, and other rewards.

Thirdly, the UN can establish rules that encourage sustainable investment, like requiring ESG reporting and disclosing long-term plans, while enforcing sanctions against short-term thinking. Fourth, the UN can design SDG-related sustainable financial instruments that would encourage investors to put long-term sustainable development ahead of immediate financial gain. Last but not least, the UN may collaborate with other international bodies to create consensus norms for sustainable investing, ensuring that sustainable development is given priority above immediate financial advantages.

7. Conclusion

The research aimed to provide a comprehensive understanding of the asset management industry's engagement in creating a real impact on society through the implementation of CSR and ESG practices. This study addressed three research questions to achieve this aim. Firstly, the study examined how the asset management industry engages in creating a real impact on society through the implementation of CSR and ESG practices. Secondly, the research explored how asset management companies incorporate ESG elements into their decision-making processes, including investment decisions. Finally, the study aimed to understand the reasons behind companies' reluctance to fully commit to an integrated ESG investment approach.

One key finding of the study is that ESG integration is driven by the desire to mitigate risk in investments. Asset managers recognize that ESG factors can have a significant impact on investment returns, and are probably one of the main motivations for considering them when making investment decisions. This finding underscores the importance of ESG considerations in identifying and managing potential risks and highlights the critical role that ESG integration can play in avoiding future financial distress in investments. By incorporating ESG factors into their investment decisions, asset managers can better protect investments in the long term, and ensure the durability of their business.

However, the study also reaffirms that the asset management industry faces several challenges in fully adopting ESG integration, one of which is the lack of relevant ESG information. This is a persistent challenge for asset managers to get relevant information, particularly for smaller companies and businesses in less developed markets. The use of third-party ESG data providers can help asset managers fill gaps in ESG information but also poses challenges to the standardization of ESG assessment. Overreliance on third-party data can lead to a false sense of security and hinder the identification of relevant ESG risks. Asset managers should exercise caution and critically evaluate the data provided by third-party sources, taking steps to ensure that it is relevant, reliable, and comparable. Additionally, it's important to consider interdependence and objectivity as third-party providers may have conflicts of interest when evaluating the sustainability of companies. Ultimately, the use of third-party data should be viewed as a complement to asset managers' own data collection and analysis efforts.

Another challenge the industry faces is the prevalence of greenwashing practices. The study found that asset managers engage in greenwashing tactics to claim sustainability and attract responsible investors. However, the extent and sophistication of greenwashing practices vary among asset managers. Some managers with lower levels of knowledge and interest in ESG practices engage in more overt greenwashing tactics, while more sophisticated managers may engage in more subtle forms of greenwashing. The pressure companies face to present themselves as sustainable to appeal to socially conscious consumers and investors is a significant driver of these practices.

Probably the most significant discovery of the study is that the issue of greenwashing is not only prevalent in the industry but it also stems from a lack of demand for sustainable products and services. Despite some Latin American asset managers' efforts to increase the supply of sustainable products in the region, limited demand creates a challenge for the promotion and encouragement of sustainable practices. One reason for this limited demand is that customers prioritize profitability over sustainability, indicating a disconnect between their values and purchasing behavior. The issue of short-termism is a significant challenge for promoting sustainable investment strategies. The culture of short-term gains and profits prevalent in society creates conflicts of interest between asset managers and their clients, who prioritize quick returns over long-term sustainability. This culture can be deeply ingrained in the industry, leading to a lack of commitment to responsible investment strategies and a reluctance to take risks that may not pay off in

7.1 Implications for Theory and Practice

The findings of the study have important implications for both the academic community and the business world. The confirmation of the lack of relevant information for the Latin American region is significant because it highlights the need for further research in this area to gain a better understanding of sustainability practices and consumer behavior. This is particularly important given the growing demand for sustainable products and services globally and the potential for businesses to contribute to sustainable development in the region.

The discovery of overreliance on third-party providers in the asset management industry in Latin America is a new piece of information that adds to the current body of knowledge on sustainability in the region. Regulators should also be aware of this issue to avoid the potential risks of overreliance on third-party providers. It is important for regulators to implement measures to ensure that asset managers are not solely relying on third-party providers to meet their sustainability goals, but rather taking a more active role in developing their own sustainable practices. This would ensure a more robust and sustainable industry that is better equipped to address the challenges of climate change and contribute to a more sustainable future.

The study's findings on greenwashing practices in the industry are particularly significant. The confirmation of these practices highlights the need for businesses to be more transparent about their sustainability practices and to avoid misleading consumers and regulators with false claims about the environmental impact of their products or services. The subtle practices of greenwashing also add to the current understanding of the issue and highlight the need for further research in this area. However, the most significant finding of the study is the discovery of an unexpected source of greenwashing associated with the potential issue of limited demand for sustainable products and services. The study found that customers may be a source of greenwashing due to their short-term prioritization. This finding is particularly valuable because it highlights the need for businesses to focus on educating consumers about the long-term benefits of sustainable products and services. By doing so, investment firms can help to create a more sustainable consumer culture and reduce the potential for greenwashing practices to occur.

In practice, the findings of the study have several implications for investment managers operating in the Latin American region. Firstly, businesses need to be aware of the lack of relevant information in the region and the need for further research to understand sustainability practices. Secondly, the overreliance on third-party providers needs to be addressed, Thirdly, businesses need to be transparent about their sustainability practices and avoid misleading consumers with false claims about the environmental impact of their products or services.

Finally, the study's findings on the potential issue of limited demand for sustainable products and services highlight the need for asset managers and regulators to focus on educating consumers about the long-term benefits of sustainability. This could entail building marketing efforts that highlight the advantages of environmentally and socially responsible goods and services or forming alliances with businesses that have similar sustainability objectives. Businesses may contribute to the development of a more sustainable consumer culture and lessen the likelihood of greenwashing techniques being used by doing this.

7.2 Limitations of the Research

There are a few limitations to consider when evaluating the study that was conducted with eight Latin American asset managers. Firstly, the sample size is relatively small, consisting of only eight participants. This may limit the generalizability of the findings to other asset managers in the region or in other parts of the world.

Secondly, the study relied solely on interviews as the data collection method. While interviews can provide rich qualitative data, they may also be subject to bias, as the participants may not provide completely honest or accurate responses, or may present a certain image or narrative that they believe is expected of them. Because those who are willing to participate might not be representative of the larger population, this convenience sampling could introduce bias into the sample. The findings' ability to be applied to the wider population may be constrained by this. Additionally, the study did not involve any quantitative measures or analyses, which could provide more objective data on the integration of ESG elements into investment decisions.

Finally, the study focused solely on Latin American asset managers, which may limit its applicability to asset managers in other regions. The investment landscape and regulatory environment in Latin America may differ significantly from other regions, and this could impact the way asset managers approach ESG integration and greenwashing practices.

Overall, while the study provides valuable insights into how Latin American asset managers approach ESG integration and greenwashing practices, it is important to consider its limitations and potential weaknesses when interpreting the findings.

7.3 Avenues for Further Research

The findings of this study highlight several potential areas for future research in the asset management industry. One potential direction for further study is to investigate the effectiveness of different strategies for reducing the overreliance on third-party providers. Case studies of companies that have successfully developed their own sustainability strategies or evaluating the impact of regulations aimed at reducing the risk of overreliance could be conducted to better understand the most effective approaches for promoting sustainability in the industry.

Another area for future research is to explore the subtle practices of greenwashing in the industry. This could involve conducting more extensive surveys or interviews with companies and customers to better understand the drivers of greenwashing and its impact on the industry and consumers. Additionally, exploring the potential demand-side drivers of greenwashing, such as the limited demand for sustainable products and services, could help businesses promote sustainable consumption and reduce the risk of greenwashing.

Moreover, the asset management industry in Latin America requires more research on sustainability. This research should not only focus on this region but also include knowledge from other geographical areas. By comparing and contrasting the results with other regions, a comprehensive understanding of sustainability can be developed. Conducting more extensive studies could provide a better understanding of the current state of sustainability practices in the industry and the most effective approaches for promoting sustainability. Evaluating the effectiveness of different sustainability strategies or regulations could also be beneficial to the industry and help to reduce the risk of overreliance on third-party providers. Overall, future research in the asset management industry has the potential to significantly contribute to the development of more sustainable practices and promote sustainable development in the region.

In conclusion, the study's findings have important implications for the academic community and the investment world. The confirmation of the lack of relevant information and the overreliance on third-party providers are important contributions to the current body of knowledge on sustainability in the region. The study's findings on greenwashing practices also add to the understanding of the issue and highlight the need for further research in this area. The discovery of an unexpected source of greenwashing associated with limited demand for sustainable products and services is particularly valuable because it highlights the need for asset managers to focus on educating consumers about the long-term benefits of sustainability. By doing so, investment firms can help to create a more sustainable consumer culture and reduce the potential for greenwashing practices to occur.

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9. Appendices

Interview Questions

1. Where do you think is this recent drive for environmental and social responsibilities coming from? Why do you think it matters?
2. How do you integrate ESG concerns into investment decisions? Provide an example.
3. Which of the three ESG (environmental, social, and governance) issues—if any—do you consider most when making investment decisions? Why?
4. How do you identify relevant ESG issues?
5. Why do you include ESG issues in your investment research and decisions?
6. In the last three years, what actions has the company you work taken to relaunch an existing fund as ESG or sustainable?
7. How does/would the firm benefit from offering sustainable financial goods and services? How do other stakeholders benefit?
8. What rewards are there for ESG performance? How is it measured?
9. Have you or your company used your voting rights to influence the resolution of issues related to ESG in the last three years? If so, how? If not, why?
10. What would have to occur for you to take ESG factors into account when making financial decisions?
11. Have you ever been trained on how to include ESG factors into investment analyses or decisions? Explain how you have been trained/what training do you think you need.
12. What factors pose a challenge for your company to make investment decisions using non-financial information?