Responsible Finance

Concepts, Tools, Impact measurement

Joel Diener; M. Sc.

Zusammenfassung und Beiträge der kumulativen Dissertation im Rahmen der Erlangung des akademischen Grads Doctor rerum politicarum

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Joel Diener

Kurzzusammenfassung

In Anbetracht großer globaler Herausforderungen ist in den letzten Jahren die Frage, wie mit nachhaltiger Geldanlage ein positiver Einfluss auf die Erreichung von Nachhaltigkeitszielen genommen werden kann, immer weiter in den Fokus geraten (Wins und Zwergel, 2016; Bauer et al., 2019; Barber et al., 2021). Dieses Verständnis hat sich jedoch bei zahlreichen Anbietern von Nachhaltigkeitsfonds noch nicht durchgesetzt (Peillex und Ureche-Rangau, 2016; van Duuren et al., 2016), und auch die akademische Auseinandersetzung mit nachhaltiger Geldanlage fokussiert sich bisher vor allem auf eine Analyse der finanziellen Auswirkungen dieser Anlageform (Capelle-Blancard und Monjon, 2012; Dumas und Louche, 2016). Eine weitere Lücke in der akademischen Betrachtung ist eine ausführliche Auseinandersetzung mit der Praxis christlich geprägter Geldanlage. Die folgende **Abbildung 1** gibt einen Überblick über die Zusammenhänge zwischen den einzelnen Beiträgen dieser Dissertation:

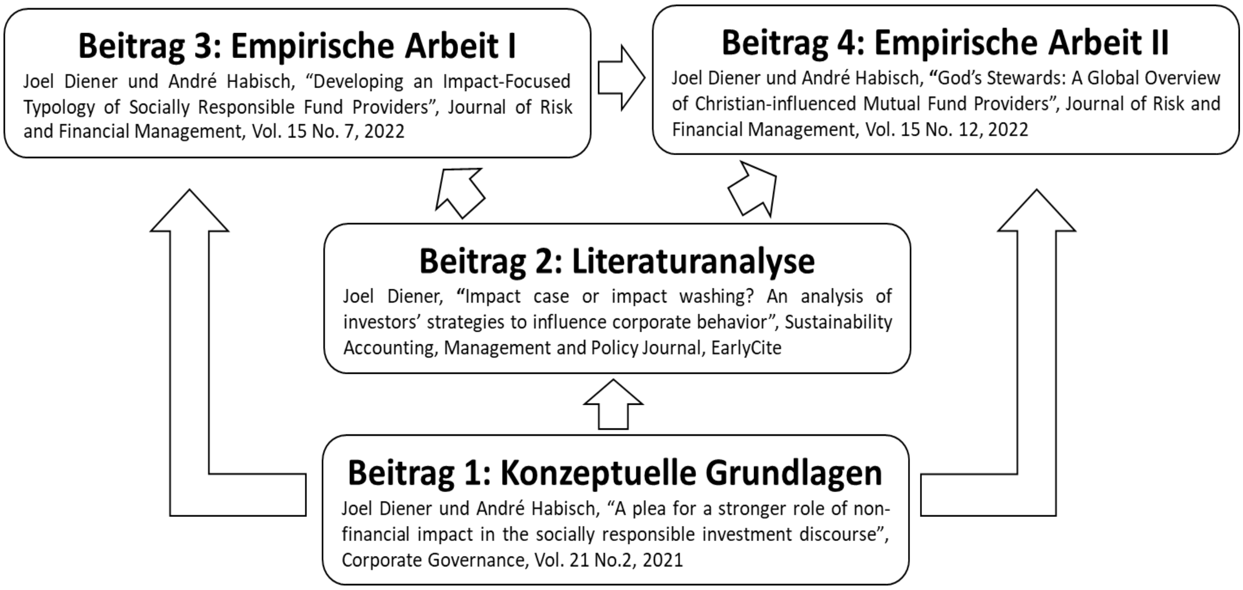

Abbildung 1: Zusammenfassende Darstellung der Beiträge zur kumulativen Dissertation

Beitrag 1 entwickelt die konzeptuelle Grundlage für die weiteren Artikel. Darauf aufbauend wird in Beitrag 2 Literatur zu der Frage analysiert, welche Anlagetechniken bevorzugt werden sollten, um eine Verbesserung der Nachhaltigkeitsleistung der Portfoliounternehmen zu erreichen. Beitrag 3, eine empirische Studie, verwendet die Erkenntnisse der ersten beiden Beiträge, um zu untersuchen, ob und - wenn ja - wie eine Einflussnahme auf die Nachhaltigkeitsleistung der Portfoliounternehmen in den Anlagepolitiken der Anbieter von Nachhaltigkeitsfonds verankert ist. Beitrag 4, ebenfalls eine empirische Studie, beleuchtet die Praxis christlich geprägter Nachhaltigkeitsfonds. Zum einen wird analysiert, welche Filter und Anlagetechniken verwendet werden. Zum anderen wird ein Teil des in Beitrag 3 entwickelte Kategorie-Systems genutzt, um zu ermitteln, wie wichtig die Verbesserung der Nachhaltigkeitsleistung der Portfoliounternehmen für die Fondsanbieter ist.

Gliederung

1. Überblick über die einzelnen Beiträge

Die vorliegende Dissertation vertieft das theoretische Verständnis sowohl von nachhaltiger als auch von christlich geprägter Geldanlage und möchte dadurch eine Professionalisierung der Branche fördern. Sie baut auf der Masterarbeit des Promovenden über christlich geprägte Nachhaltigkeitsfonds auf und wird als kumulative Promotionsschrift mit den folgenden vier Beiträgen vorgelegt:

Beitrag 1: “A plea for a stronger role of non-financial impact in the socially responsible investment discourse”

Autoren: Joel Diener und André Habisch

Veröffentlicht in: *Corporate Governance* [1], Vol. 21 No.2, 2021

Doi: 10.1108/CG-01-2020-0039

Beitrag 2: “Impact case or impact washing? An analysis of investors’ strategies to influence corporate behavior”

Autor: Joel Diener

Veröffentlicht in: *Sustainability Accounting, Management and Policy Journal* [2] Vol. ahead-of-print No. ahead-of-print

Doi: 10.1108/SAMPJ-02-2022-0088

Beitrag 3: “Developing an Impact-Focused Typology of Socially Responsible Fund Providers”

Autoren: Joel Diener und André Habisch

Veröffentlicht in: *Journal of Risk and Financial Management* [3], Vol. 15 No. 7, 2022

Doi: 10.3390/jrfm15070298

Beitrag 4: “God’s Stewards: A Global Overview of Christian-influenced Mutual Fund Providers”

Autoren: Joel Diener und André Habisch

Veröffentlicht in: *Journal of Risk and Financial Management* [4], Vol. 15 No. 12, 2022

Doi: 10.3390/jrfm15120547

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[1] C-Journal gemäß VHB Jourqual3

[2] B-Journal gemäß Australian Business Deans Council Quality List, äquivalent zu VHB Jourqual3

[3] B-Journal gemäß Australian Business Deans Council Quality List, äquivalent zu VHB Jourqual3

[4] B-Journal gemäß Australian Business Deans Council Quality List, äquivalent zu VHB Jourqual3

2. Zusammenfassung der kumulativen Dissertation

2.1 Problemstellung und Zielsetzung

In den letzten zwei Jahrzehnten hat sich nachhaltige Geldanlage (engl. "Socially Responsible Investing", kurz SRI) zu einer Multi-Billionen-Dollar-Industrie entwickelt. Laut einer Schätzung der Investorenvereinigung „Principles for Responsible Investment“ (PRI) werden mittlerweile weltweit bei Vermögenswerten von ungefähr 120 Billionen US-Dollar Nachhaltigkeitsaspekte in die Anlageentscheidungen integriert (PRI, 2021). In Anbetracht großer globaler Herausforderungen wie dem Klimawandel oder der Erreichung der von den Vereinten Nationen im Jahr 2015 beschlossenen nachhaltigen Entwicklungsziele (engl. „Sustainable Development Goals“, kurz SDG) ist in den letzten Jahren die Frage, wie mit diesen Vermögenswerten ein positiver Einfluss auf Nachhaltigkeitsindikatoren genommen werden kann, immer stärker ins Blickfeld gerückt: Kunden von Vermögensverwaltern fordern einen aktiven Einfluss auf die Portfoliounternehmen (Wins und Zwergel, 2016; Bauer et al., 2019; Barber et al., 2021), die PRI haben kürzlich eine Wirkungsperspektive in die jährliche Beurteilung ihrer Unterzeichner aufgenommen (PRI, 2020), und auf regulatorischer Ebene gibt es z.B. mit der EU-Taxonomie für nachhaltige Finanzen (Europäisches Parlament, 2020) sowie dem Aktionsplan für eine grünere und sauberere Wirtschaft (Europäische Kommission, 2018) Bestrebungen, nachhaltige Geldanlage zu nutzen, um die Klima- und Energieziele des Pariser Abkommens zu erreichen.

Eine Vorreiterrolle bei der Beantwortung dieser Frage nimmt ein Teilsegment der nachhaltigen Geldanlage ein, nämlich Anbieter, die zusätzlich zu Nachhaltigkeitsaspekten noch religiöse Überzeugungen in ihrer Anlagepolitik berücksichtigen. Diese Gruppe verwaltet mehrere Billionen Dollar [5] und nutzt diesen Einfluss, um den Klimawandel zu bekämpfen (ICCR, 2015) oder die SDGs voranzubringen (Palmer und Moss, 2017). Auch waren glaubensorientierte Investoren unter den ersten Unterzeichnern der PRI (Bifulco, 2018), und sie gehören regelmäßig zu den aktivsten Einreichern von Aktionärsanträgen zu Nachhaltigkeitsaspekten in den Vereinigten Staaten (US SIF, 2018).

[5] Es gibt zwar keine Statistiken darüber, wie viel Vermögen glaubensorientierte Investoren besitzen, es gibt jedoch deutliche Hinweise auf eine enorme Anhäufung von Vermögenswerten durch glaubensorientierte Organisationen. So gehen Bhagwat und Palmer (2009) davon aus, dass mehr als 7 % der weltweiten Landfläche im Besitz religiöser Institutionen sind, und die jüngsten Daten des Interfaith Center on Corporate Responsibility besagen, dass dessen Mitglieder für mehr als 4 Billionen US-Dollar Vermögen verantwortlich sind (ICCR, 2021).

Im Gegensatz hierzu sind die weitreichenden Möglichkeiten, über den Kapitalmarkt die Entscheidungen von Unternehmen zu beeinflussen, bei zahlreichen Anbietern von (säkularen) Nachhaltigkeitsfonds noch nicht ins Blickfeld gerückt (Crifo und Forget, 2013; Peillex und Ureche-Rangau, 2016; van Duuren et al., 2016). Auch die akademische Auseinandersetzung mit nachhaltiger Geldanlage fokussiert sich bisher vor allem auf eine Betrachtung der finanziellen Auswirkungen, und eine „wirksame" Anlagepolitik wird größtenteils mit quantitativ messbarem finanziellem Erfolg oder Misserfolg gleichgesetzt (Hoepner und McMillan, 2009; Capelle-Blancard und Monjon, 2012; Dumas und Louche, 2016).

Natürlich ist die Wertentwicklung ein wichtiges und relevantes Thema, doch durch deren Überbetonung vernachlässigt die Forschung bisher die Frage, welche Rolle nachhaltige Finanzprodukte bei der Erreichung von Nachhaltigkeitszielen spielen könnten. Studien wie von Dimson et al. (2015) oder von Hoepner et al. (2022), die diese nicht-finanzielle Wirksamkeit untersuchen, bleiben daher Einzelfälle. Insbesondere fehlt nach wie vor eine Wirkungsbetrachtung der gesamten Anlagepolitik unter Berücksichtigung der gewählten Anlagetechniken. Somit bildet der aktuelle Forschungsstand zur Wirkung nachhaltiger Geldanlage nur einen Teil der Realität ab, und das Potential, ungefähr 36% aller professionell verwalteten Vermögenswerte (GSIA, 2020) auf einer fundierten akademischen Grundlage zielgerichtet einzusetzen, wird nicht gehoben.

Außerdem fehlt in der akademischen Betrachtung bisher eine ausführliche Auseinandersetzung mit der Praxis religiöser Geldanlage. Insbesondere für christlich geprägte Geldanlage fehlen aktuelle Studien: die wenigen Untersuchungen in diesem Themenfeld konzentrieren sich - analog zu nachhaltiger Geldanlage - auf den Vergleich der Wertentwicklung (Naber, 2001; Kurtz und Di Bartolomeo, 2005; Boasson et al., 2006; Adams und Ahmed, 2013).

Die vorliegende Dissertation vertieft das theoretische Verständnis sowohl von nachhaltiger als auch von christlich geprägter Geldanlage. Es wird untersucht, wie entsprechende Anlageformen in der Praxis aussehen und welche Anlagetechniken verwendet werden. Ein besonderer Schwerpunkt liegt hierbei auf der Frage, welche Anlagetechniken wirksam im Sinne einer Verbesserung der Nachhaltigkeitsleistung der Portfoliounternehmen sind, und ob (und wenn ja, wie) dieser Aspekt von den Anbietern berücksichtigt wird. Die damit geschaffene Transparenz soll eine Professionalisierung entsprechender Angebote ermöglichen. Damit soll diese Dissertation dem Anspruch des Autors gerecht werden, dass betriebswirtschaftliche Forschung einen Praxisbezug besitzen sollte.

2.2 Details zu den Veröffentlichungen

Die Dissertation besteht aus vier Beiträgen. Die folgende **Abbildung 1** gibt einen graphischen Überblick über die Zusammenhänge zwischen den einzelnen Beiträgen dieser Dissertation:

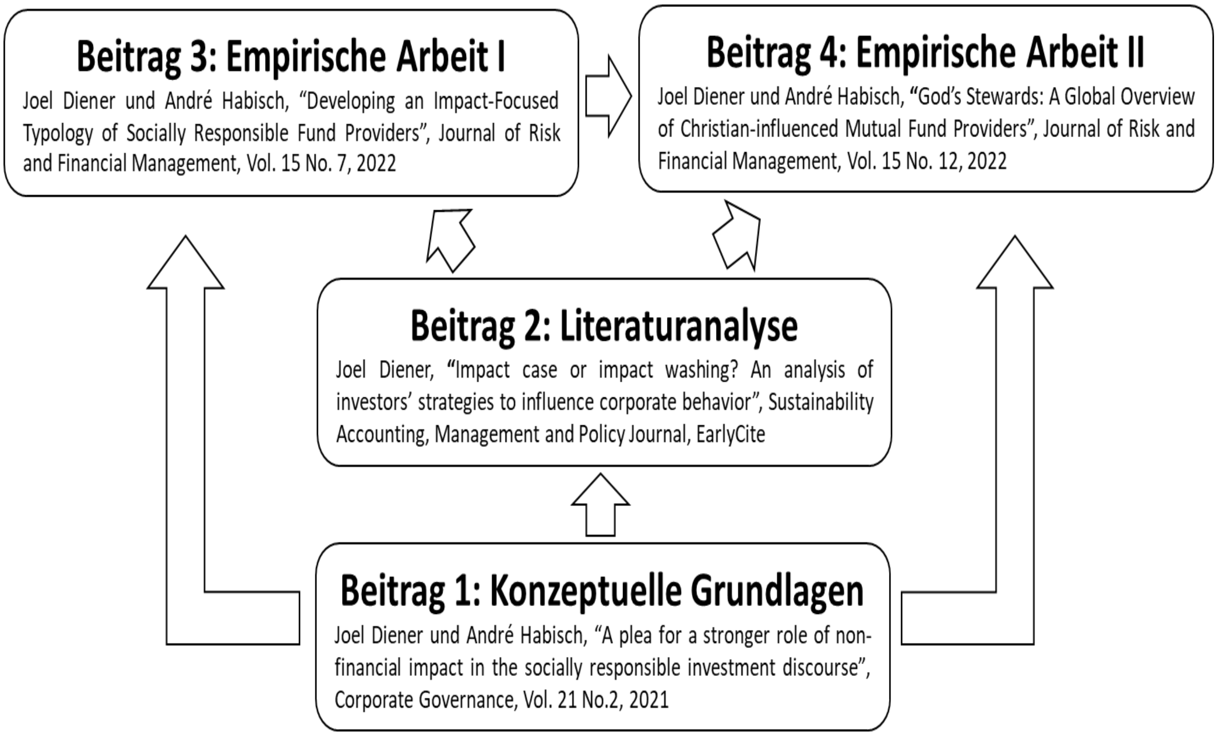

Abbildung 1: Zusammenfassende Darstellung der Beiträge zur kumulativen Dissertation

Beitrag 1 entwickelt die konzeptuelle Grundlage für die weiteren Artikel. Diese wird in Beitrag 2 um eine ausführliche Literaturanalyse ergänzt und dadurch weiter substanziiert. Aufbauend auf diesen theoretischen Vorarbeiten werden in den Beiträgen 3 und 4 empirische Analysen durchgeführt. Methodisch wurde hier jeweils ein interdisziplinärer Ansatz mit Analysewerkzeugen aus der Soziologie gewählt. Beitrag 3 greift auf die typenbildende qualitative Inhaltsanalyse nach Kuckartz (2016) zurück und Beitrag 4 auf die inhaltlich strukturierende qualitative Inhaltsanalyse nach Kuckartz (2018). Dabei wurde das in Beitrag 3 entwickelte Kategorie-System in Teilen ebenfalls für Beitrag 4 verwendet.

Die wesentlichen Ergebnisse der einzelnen Beiträge werden nun kurz vorgestellt.

Beitrag 1: A plea for a stronger role of non-financial impact in the socially responsible investment discourse

Eine frühere Version dieses Artikels wurde bei der Konferenz „Business in Society: Measuring Impact and Creating Change" im Jahre 2019 in Berlin präsentiert.

Der Beitrag legt die konzeptuellen Grundlagen dieser Dissertation und widmet sich einem vermeintlichen Paradoxon: trotz stetig wachsendem Marktanteil und damit zunehmendem Einfluss von nachhaltiger Geldanlage haben sich zahlreiche Nachhaltigkeitsindikatoren nicht nur nicht verbessert, sondern teilweise sogar verschlechtert (Moore et al., 2012; WWF, Zoological Society of London und Global Footprint Network, 2016; SDSN und IEEP, 2019). Die vorgeschlagene Erklärung der Autoren dafür ist, dass die Möglichkeit, über den Kapitalmarkt Unternehmen zu nachhaltigerem Handeln zu bewegen, bisher weder bei den Anbietern von Nachhaltigkeitsfonds (Crifo und Forget, 2013; Peillex und Ureche-Rangau, 2016; van Duuren et al., 2016) noch in der Wissenschaft (Hoepner und McMillan, 2009; Capelle-Blancard und Monjon, 2012; Dumas und Louche, 2016) ins Blickfeld gerückt ist und das Kapital daher nicht zielgerichtet eingesetzt wird.

Zur Überprüfung dieser These wird im ersten Teil dieses Artikels untersucht, aus welcher Perspektive Wissenschaft, Fondsgesellschaften, Kunden und EU-Politik nachhaltige Geldanlage betrachten. Außerdem wird die Selbstdarstellung des Sektors untersucht. Während die ersten beiden Gruppen vor allem finanzielle Auswirkungen von nachhaltiger Geldanlage betonen, unterstreichen die drei letztgenannten die Wichtigkeit, Einfluss auf das Unternehmensverhalten zu nehmen.

Im zweiten Teil wird argumentiert, dass nachhaltige Geldanlage, die die Wünsche der Kunden berücksichtigt, eine ESRI-Perspektive (engl. „equilibrated Socially Responsible Investing", kurz ESRI) einnehmen sollte: Statt einer einseitigen Ausrichtung auf die finanzielle Leistung sollten zukünftig finanzielle und nicht-finanzielle Aspekte ausbalanciert werden. Außerdem wird die Wirksamkeit des „Aktionsplan für eine grünere und sauberere Wirtschaft" der Europäischen Kommission untersucht (Europäische Kommission, 2018). Die meisten Maßnahmen, wie z. B. ein einheitliches Klassifizierungssystem für nachhaltige Geschäftspraktiken oder eine Klarstellung der treuhänderischen Pflichten von Investoren, stehen im Einklang mit der vorgeschlagenen ESRI-Perspektive. An einem entscheidenden Punkt hat der Aktionsplan jedoch eine große Schwäche: Die Rolle des Managements von Nachhaltigkeitsfonds als Transmissionsmechanismus für Nachhaltigkeitsverbesserungen der Portfoliounternehmen wird überhaupt nicht adressiert.

Idee und Konzept wurden gemeinsam mit Prof. Dr. André Habisch erarbeitet. Qualitative Auswertung und Einbettung in die Literatur erfolgten ebenfalls gemeinsam. Literaturrecherche, Datenerhebung und quantitative Auswertung der Daten übernahm überwiegend der Promotionskandidat.

Beitrag 2: Impact case or impact washing? An analysis of investors' strategies to influence corporate behavior

Der Beitrag widmet sich der Forschungsfrage, welche Anlagetechniken bevorzugt werden sollten, um die Nachhaltigkeitsleistung der Portfoliounternehmen zu verbessern. Zuerst wird in einem historischen Vergleich herausgearbeitet, wie sich die Perspektive auf nachhaltige Geldanlage im Lauf der Jahrzehnte verändert hat: während es in den Anfangsjahren darum ging, ein Portfolio zu erstellen, das frei von Unternehmen mit umstrittenen Geschäftspraktiken ist (Kreander et al., 2004; Renneboog et al., 2008), geht es heutzutage darum, ein Portfolio so zu erstellen, dass es zur Verbesserung von Nachhaltigkeitsindikatoren beiträgt (PRI, 2020; Fouche, 2021). Anhand dieser Wirkungsprämisse wird dann die Literatur zu nachhaltiger Geldanlage nach Studien durchsucht, die sich mit der Wirkung einzelner Anlagetechniken beschäftigen.

Die drei Anlagetechniken zur Verbesserung der Nachhaltigkeitsleistung, zu denen es die umfangreichste Forschung gibt und die daher Gegenstand dieses Artikels sind, sind Ausschlüsse bzw. Negativkriterien, Positivansätze [6] und Aktionärsengagement. Bei Ausschlüssen wird in bestimmte Unternehmen nicht investiert, um deren Kapitalkosten zu erhöhen. Analog dazu zielen Positivansätze darauf ab, die Finanzierungsbedingungen für besonders vorbildliche Unternehmen zu verbessern (Schäfer, 2014). Die dritte Anlagetechnik, das Aktionärsengagement, umfasst alle Aktivitäten, bei denen Aktionärsrechte genutzt werden, um direkten Einfluss auf die Entscheidungen des Managements zu nehmen. Dies kann durch Gespräche, Anträge auf Hauptversammlungen oder die Ausübung von Stimmrechten geschehen (Louche, 2015).

Es zeigt sich, dass es gravierende Unterschiede in Bezug auf die Wirksamkeit der drei Anlagetechniken gibt. Obwohl sie nach wie vor am häufigsten verwendet werden, haben Ausschlüsse nur eine sehr begrenzte Nachhaltigkeitswirkung. Die am seltensten genutzte Anlagetechnik, Aktionärsengagement, führt hingegen zu den aussichtsreichsten Ergebnissen. Autoren wie Dimson et al. (2015), Kölbel et al. (2020) oder Hoepner et al. (2022) zeigen, dass Aktionärsengagement die Entscheidungen des Managements wirksam beeinflussen kann. Daher sollte nachhaltige Geldanlage, unter der neuen Wirkungsprämisse, Aktionärsengagement praktizieren und Ausschlüsse sollten in den Hintergrund treten. Zum Abschluss dieses Artikels wird exemplarisch die Anlagepolitik einer Schweizer Bank vorgestellt, die einen besonderen Schwerpunkt auf das als sehr wirksam identifizierte Aktionärsengagement legt.

Dieser Beitrag ist in Alleinautorschaft entstanden.

[6] In der Literatur wird hier manchmal noch weiter in Positivkriterien und Best-in-Class-Ansätze differenziert. Da es sich bei Letzterem jedoch um eine Variante von Ersterem handelt (Renneboog, 2008; Viviers und Eccles, 2012), werden beide Anlagetechniken in diesem Artikel gemeinsam betrachtet.

Beitrag 3: Developing an Impact-Focused Typology of Socially Responsible Fund Providers

In diesem Beitrag wird untersucht, ob und wenn ja, wie eine Einflussnahme auf die Nachhaltigkeitsleistung der Portfoliounternehmen in den Anlagepolitiken der Anbieter von Nachhaltigkeitsfonds verankert ist. Zur Strukturierung der Ergebnisse wurde gemäß der typenbildenden qualitativen Inhaltsanalyse nach Kuckartz (2016) eine Typologie der Fondsanbieter entwickelt. Dieses Vorgehen wird in **Abbildung 2** schematisch dargestellt:

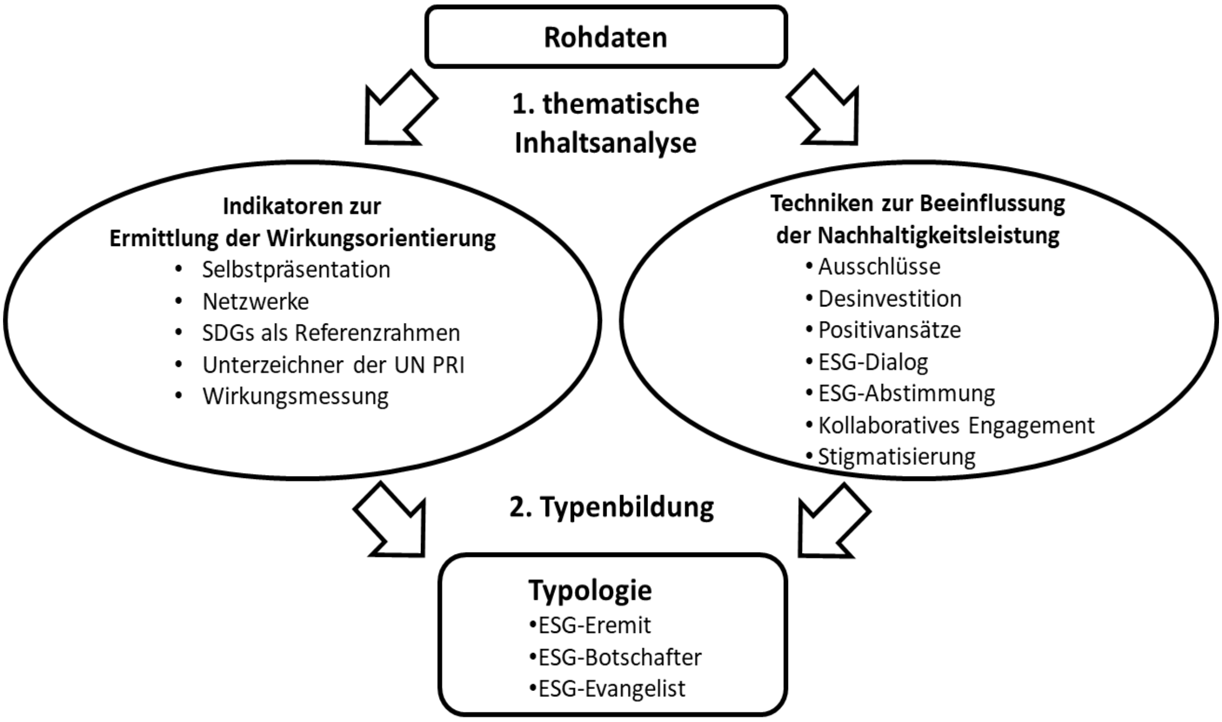

Abbildung 2: Methodisches Vorgehen

Im ersten Schritt, der thematischen Inhaltsanalyse, wurde ein Kategorie-System mit zwölf Kriterien aufgestellt. Die Indikatoren zur Ermittlung der Wirkungsorientierung wurden komplett neu entwickelt und dienen dazu, Fondsanbieter, die eine Verbesserung der Nachhaltigkeitsleistung der Portfoliounternehmen hoch priorisieren, von solchen zu unterscheiden, bei denen dies nur eine untergeordnete Rolle spielt. Die Techniken zur Beeinflussung der Nachhaltigkeitsleistung zeigen, wie diese angekündigte Verbesserung erzielt werden soll. Ein besonderer Schwerpunkt wurde auf die Nachhaltigkeitswirksamkeit der jeweiligen Anlagetechniken gelegt, also auf die Frage, wie wirksam - nach aktuellem Stand der Forschung - die einzelnen Techniken sind, Nachhaltigkeitsindikatoren zu verbessern. Im zweiten Schritt wurde dieses Kategorie-System verwendet, um eine Typologie der Fondsanbieter zu erstellen.

Im Ergebnis werden drei Typen unterschieden: ESG-Eremiten, ESG-Botschafter und ESG-Evangelisten. ESG-Eremiten zeichnen sich durch eine eher schwache Wirkungsorientierung aus, das bedeutet, dass für ESG-Eremiten eine Verbesserung der Nachhaltigkeitsleistung der Portfoliounternehmen eine geringe Priorität hat. Sie neigen dazu, Anlagetechniken wie z. B. Ausschlüsse oder Desinvestitionen zu verwenden, durch die Portfolien entstehen, die frei von Unternehmen mit umstrittenen Geschäftspraktiken sind. Allerdings haben diese Techniken eine geringe Nachhaltigkeitswirksamkeit, da das Unternehmensmanagement dadurch kaum beeinflusst werden kann. ESG-Botschafter haben eine deutlich stärkere Wirkungsorientierung. ESG-Botschafter arbeiten zwar ebenfalls mit Ausschlüssen und Desinvestitionen, verwenden jedoch ergänzend Positivansätze, eine Anlagetechnik mit einer deutlich größeren Nachhaltigkeitswirksamkeit. ESG-Evangelisten zeigen die stärkste Wirkungsorientierung. Sie greifen auf die gleichen Anlagetechniken wie ESG-Botschafter zurück und nutzen zusätzlich verschiedene Formen des Aktionärsengagements, was nach aktuellem Forschungsstand die größte Nachhaltigkeitswirksamkeit hat.

Idee und Konzept wurden gemeinsam mit Prof. Dr. André Habisch erarbeitet. Qualitative Auswertung und Einbettung in die Literatur erfolgten ebenfalls gemeinsam. Literaturrecherche, Datenerhebung und quantitative Auswertung der Daten übernahm überwiegend der Promotionskandidat.

Beitrag 4: God's Stewards: A Global Overview of Christian-influenced Mutual Fund Providers

In diesem Beitrag wird die Praxis christlich geprägter Nachhaltigkeitsfonds untersucht. Einerseits wird analysiert, welche Filter und Anlagetechniken eingesetzt werden. Andererseits wird betrachtet, wie wichtig die Verbesserung der Nachhaltigkeitsleistung der Portfoliounternehmen für die Fondsanbieter ist.

Das erste Ergebnis ist, dass die von den Anbietern verwendeten Filter erhebliche Ähnlichkeiten aufweisen: Mehr als 75 % der Anbieter filtern anhand derselben zehn (von insgesamt 15) Kriterien. Diese Homogenität zeigt sich jedoch nur, wenn man die Stichprobe als Ganzes betrachtet; vergleicht man stattdessen europäische Anbieter mit ihren US-amerikanischen Pendants, zeigen sich bei einigen Kriterien große Unterschiede: Während beispielsweise europäische Anbieter fast ausnahmslos die Themen „Klimawandel“ und „Waffen“ beachten, tut dies nur rund die Hälfte der US-amerikanischen Anbieter. Es wird daher vermutet, dass soziale und politische Faktoren bei der Festlegung der Filter eine wichtige Rolle spielen. Auch innerhalb der verschiedenen Konfessionen gibt es ein hohes Maß an Heterogenität: Auf katholischer Seite waren sieben Filter bei mindestens 80 % der Anbieter zu finden - auf protestantischer Seite sogar nur sechs Filter. Die von uns vorgeschlagene Erklärung dafür ist, dass die progressive oder konservative Auslegung der christlichen Bibel für die Auswahl der Filter wichtiger ist als die konfessionelle Bezeichnung „katholisch“ oder „evangelisch“.

Das zweite Ergebnis ist, dass die Anlagetechniken, z. B. Ausschlüsse oder Aktionärsengagement, von den Anbietern ebenfalls sehr heterogen eingesetzt werden. Nur Ausschlüsse (100%), Positivansätze (78%) und Aktionärsengagement (64%) werden von mehr als der Hälfte der Anbieter praktiziert. Interessanterweise sind mit Positivansätze und Aktionärsengagement zwei Techniken weit verbreitet, die in der Literatur als sehr effektiv identifiziert worden sind, um Unternehmensentscheidungen zu beeinflussen (siehe z.B. Slager und Chapple, 2015; Zerbib, 2019; Kölbel et al., 2020 oder Hoepner et al., 2022).

Das dritte Ergebnis ist, dass mit rund 70% die Mehrheit der Anbieter das Ziel hat, Umwelt und Gesellschaft positiv zu beeinflussen. Zusammengenommen deuten unsere Ergebnisse darauf hin, dass die Verbesserung der Nachhaltigkeitsleistung ihrer Portfoliounternehmen ein Kernelement einer christlich geprägten Anlagepolitik ist. Die Anlagepolitik der christlich geprägten Nachhaltigkeitsfonds steht damit im Einklang mit dem Verhalten zahlreicher christlicher Investoren, die schon lange ihren finanziellen Einfluss nutzen, um soziale und ökologische Verbesserungen zu erreichen (Teoh et al., 1999; Bifulco, 2018).

Idee und Konzept wurden gemeinsam mit Prof. Dr. André Habisch erarbeitet. Qualitative Auswertung und Einbettung in die Literatur erfolgten ebenfalls gemeinsam. Literaturrecherche, Datenerhebung und quantitative Auswertung der Daten übernahm überwiegend der Promotionskandidat.

2.3 Ausblick

Zahlreiche aktuelle Entwicklungen werden die Praxis nachhaltiger und christlich geprägter Geldanlage in Zukunft beeinflussen: Themen wie Waffenherstellung, Klimawandel oder Atomkraft werden in der öffentlichen Debatte derzeit neu bewertet; mit der EU-Taxonomie für nachhaltige Finanzen und den nachhaltigen Entwicklungszielen der Vereinten Nationen beeinflussen zwei internationale Rahmenwerke zunehmend die Gestaltung nachhaltiger Geldanlage; Nachhaltigkeitsinvestoren verzeichnen zwar erste Achtungserfolge, wie den Einzug des Hedge Fonds „Engine No. 1" in den Aufsichtsrat des Ölkonzern Exxon Mobil (Hiller and Herbst-Bayliss, 2021); dem gegenüber stehen jedoch große Skandale wie bei der Deutsche-Bank-Tochter DWS oder bei der Bank of New York Mellon (Schiffler, 2022); und schließlich gewinnt die Frage, welche Rolle nachhaltige Geldanlage bei der Erreichung globaler Nachhaltigkeitsziele spielen sollte, weiter an Dynamik. Interessanterweise sollen laut der jüngsten Verordnung über nachhaltigkeitsbezogene Offenlegungspflichten im Finanzdienstleistungssektor (engl. Sustainable Finance Disclosure Regulation, kurz SFDR) nachhaltige Finanzprodukte zukünftig gemäß ihrer Nachhaltigkeitswirkung klassifiziert werden; die Fondsanbieter müssen diese Information in standardisierter Form den Kunden zur Verfügung stellen (Europäische Kommission, 2022). Je nach praktischer Umsetzung wird in Zukunft vielleicht nicht mehr zwischen vermeintlich guten und schlechten Unternehmen unterschieden, sondern zwischen Unternehmen, die sich verbessern, und Unternehmen, die stagnieren oder sich sogar zurückentwickeln. Damit würde eine Kernforderungen dieser Dissertation tatsächlich in die Praxis umgesetzt werden.

In Anbetracht der großen (Nachhaltigkeits-) Herausforderungen, vor denen wir als Weltgemeinschaft stehen, hege ich auch darum die Hoffnung, dass die großen Mengen an Kapital, die nachhaltige Geldanlage mittlerweile vereint, jetzt endlich zielgerichtet eingesetzt werden, um soziale und ökologische Verbesserungen zu erreichen. Sollte diese Dissertation dazu einen Beitrag geleistet haben, so wäre ich mehr als zufrieden.

3. Abstracts

Beitrag 1

"A plea for a stronger role of non-financial impact in the socially responsible investment discourse"

Joel Diener and André Habisch

Ingolstadt School of Management, Professorship for Christian Social Ethics and Social Policy, Catholic University, Eichstätt-Ingolstadt, Auf der Schanz 49, 85049 Ingolstadt, Germany

Abstract:

Purpose – This paper aims to emphasize the importance and current deficits of non-financial impact (NFI) assessment of socially responsible investment (SRI) with reference to the action plan of the European Commission (EC) for a greener and cleaner economy.

Design/methodology/approach – The importance and current deficits of NFI assessment are evaluated theoretically and condensed to an equilibrated socially responsible investment (ESRI) perspective, based on a narrative literature review of highly ranked academic journals.

Findings – Due to a deficient exploration of NFI in theory and practice, the role of SRI funds for sustainability transition has not yet been adequately discussed. This has enabled a situation where a constantly rising market share of SRI has not led to similar sustainability achievements. This strongly contrasts with investors' expectations, the self-portrayal of the sector and the goals of the EC's action plan. As a solution, the developed ESRI perspective elevates NFI as a second cornerstone for theory and practice. ESRI, contrary to the EC, sets a primer on the role of SRI fundmanagement for achieving sustainability goals.

Originality/value – This study reveals how SRI theory and practice neglect the importance of NFI. The presented ESRI perspective enables scholars to examine SRI practices more holistically through a new theoretical lens. One special focus is on the role of SRI fund management as a transmission mechanism to push portfolio companies' business practices toward more sustainable behavior.

Keywords: Corporate social responsibility (CSR), Socially responsible investment (SRI), Environment, Social, Governance (ESG), Equilibrated socially responsible investment (ESRI), Non-financial impact (NFI)

Paper type: Conceptual paper

Published in: *Corporate Governance*, Vol. 21 No.2, 2021, https://doi.org/10.1108/CG-01-2020-0039

<u>Beitrag 2</u>

"Impact case or impact washing? An analysis of investors' strategies to influence corporate behavior"

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Abstract:

Purpose – This paper aims to substantiate the premise that the very task of socially responsible investment (SRI) today is to achieve impact. Based on extensive empirical studies on how different strategies deliver on this impact premise, it recommends changing the current strategy mix from a focus on exclusion to shareholder engagement.

Design/methodology/approach – Based on an extensive review of the SRI literature, various SRI strategies are theoretically evaluated. Subsequently, an example of a bank that applies a sophisticated engagement strategy is presented.

Findings – It is shown that there are indeed severe differences in the effects of exclusion, positive approaches and shareholder engagement. Impact-oriented investment products should use engagement strategies.

Practical implications – By providing an empirically based rationale for shareholder engagement, this article gives those who practice it a moral and economic justification. Instead of having to defend why there are seemingly unethical companies in their portfolio, they can go on the offense and counter that the "pure" role models are actually "impact washers".

Social implications – By emphasizing the primacy of the impact of investment products, the transmission mechanism of the capital market to create positive change for the environment and society is strengthened. This should lead to improvements in both areas.

Originality/value – While there are some other studies that examine investor impact in some way, they often do so in a context that is unrelated of sustainable investments. This study structures the empirical evidence on the effectiveness of exclusion, positive approaches and shareholder engagement and provides a recommended course of action for investors and policymakers.

Keywords: sustainable investments; impact generation; impact investing; exclusion; shareholder engagement

Paper type: Literature Review

Published in: *Sustainability Accounting, Management and Policy Journal*, Vol. ahead-of-print No. ahead-of-print, https://doi.org/10.1108/SAMPJ-02-2022-0088

Beitrag 3

"Developing an Impact-Focused Typology of Socially Responsible Fund Providers"

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Abstract:

The concept of investor impact of socially responsible investments is relatively new. Our article expands knowledge in this field by analyzing how investor impact is implemented in the ethical investment policies of 45 providers of publicly traded, socially responsible funds. Based on a typological content analysis, we first develop an impact-focused category system, which in the second step is used to distinguish three types of fund providers: ESG hermits, ESG ambassadors and ESG evangelists. Our results suggest that socially responsible fund providers with a stronger impact orientation, such as ESG evangelists, also employ strategies that are more likely to achieve investor impact. In contrast, fund providers with a weaker impact orientation, such as ESG hermits, focus more on purity aspects and therefore tend to utilize strategies that defend the purity claim but also show a weaker investor impact.

Keywords: investor impact; socially responsible investments; sustainable investing; SRI; shareholder engagement; sustainable development goals; typological content analysis

Paper type: Article

Published in: *Journal of Risk and Financial Management,* Vol. 15 No. 7, 2022, https://doi.org/10.3390/jrfm15070298

Beitrag 4

“God’s Stewards: A Global Overview of Christian-influenced Mutual Fund Providers”

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Abstract:

Despite a large amount of assets under management and a strong influence on the sustainable investment movement, very little is known about what ethical investing looks like from a Christian perspective. We therefore analyzed the ethical investment policies of a unique dataset of Christian-influenced mutual fund providers using a structured–thematic content analysis. In detail, we looked at investment screens, investment techniques, and the public presentation of non-financial investment objectives. We note that, by and large, there is no “Christian investing” in the sense of an ethical investment policy that most fund providers have similarly implemented. The proposed explanation for the diversity is that the policies are determined by differing approaches to interpreting biblical texts and by divergent social and political influence factors. However, we have detected a unifying element among most Christians-influenced mutual fund providers: the intention to positively influence their portfolio companies’ sustainability indicators.

Keywords: religion; faith-based investing; Christian finance; socially responsible investments; sustainable investing; SRI; thematic content analysis

Paper type: Article

Published in: *Journal of Risk and Financial Management,* Vol. 15 No. 12, 2022, https://doi.org/10.3390/jrfm15120547

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Beitrag 1: “A plea for a stronger role of non-financial impact in the socially responsible investment discourse”

Autoren: Joel Diener und André Habisch

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This paper emphasizes the importance and current deficits of non-financial impact (NFI) assessment of socially responsible investment (SRI) with reference to the action plan of the European Commission (EC) for a greener and cleaner economy.

The importance and current deficits of NFI assessment are evaluated theoretically and condensed to an equilibrated socially responsible investment (ESRI) perspective, based on a narrative literature review of highly ranked academic journals.

Due to a deficient exploration of NFI in theory and practice, the role of SRI funds for sustainability transition has not yet been adequately discussed. This has enabled a situation where a constantly rising market share of SRI has not led to similar sustainability achievements. This strongly contrasts with investors’ expectations, the self-portrayal of the sector and the goals of the EC’s action plan. As a solution, the developed ESRI perspective elevates NFI as a second cornerstone for theory and practice. ESRI, contrary to the EC, sets a primer on the role of SRI fund management for achieving sustainability goals.

This study reveals how SRI theory and practice neglect the importance of NFI. The presented ESRI perspective enables scholars to examine SRI practices more holistically through a new theoretical lens. One special focus is on the role of SRI fund management as a transmission mechanism to push portfolio companies’ business practices towards more sustainable behavior.

A Plea for a Stronger Role of Non-financial Impact in the Socially Responsible Investment Discourse

Journal:	*Corporate Governance*
Manuscript ID	CG-01-2020-0039.R2
Manuscript Type:	Original Article
Keywords:	non-financial impact (NFI), environment, social, governance (ESG), corporate social responsibility (CSR), socially responsible investment (SRI), equilibrated socially responsible investment (ESRI)

A plea for a stronger role of non-financial impact in the socially responsible investment discourse

Purpose

This paper emphasizes the importance and current deficits of non-financial impact (NFI) assessment of socially responsible investment (SRI) with reference to the action plan of the European Commission (EC) for a greener and cleaner economy.

Design/methodology/approach

The importance and current deficits of NFI assessment are evaluated theoretically and condensed to an equilibrated socially responsible investment (ESRI) perspective, based on a narrative literature review of highly ranked academic journals.

Findings

Due to a deficient exploration of NFI in theory and practice, the role of SRI funds for sustainability transition has not yet been adequately discussed. This has enabled a situation where a constantly rising market share of SRI has not led to similar sustainability achievements. This strongly contrasts with investors' expectations, the self-portrayal of the sector and the goals of the EC's action plan. As a solution, the developed ESRI perspective *elevates NFI as a second cornerstone* for theory and practice. ESRI, contrary to the EC, sets a primer on the role of SRI fund management for achieving sustainability goals.

Originality/value

This study reveals how SRI theory and practice neglect the importance of NFI. The presented ESRI perspective enables scholars to examine SRI practices more holistically through a new theoretical lens. One special focus is on the role of SRI fund management as a transmission mechanism to push portfolio companies' business practices towards more sustainable behavior.

KEY WORDS: socially responsible investment (SRI), non-financial impact (NFI), environment, social, governance (ESG), corporate social responsibility (CSR), equilibrated socially responsible investment (ESRI)

1. Introduction

With its action plan for a greener and cleaner economy, the European Commission (EC) wants to use socially responsible investment (SRI) to achieve the climate and energy targets of the Paris Agreement. This sparks off the question about the role which SRI has and can play to impact this world for good. Although SRI has reached a market share of 26% (GSIA, 2016), its globally increased relevance has not led to similar sustainability achievements. By contrast, indicators show that the situation has become worse: the global consumption of resources in 2017 was 70% above what nature can regenerate – compared to 60% in 2012 (WWF *et al.*, 2016) – and is estimated to rise to 160% by 2050 (Moore *et al.*, 2012). Biodiversity has shown a heavy decline, with 58% of all species having become extinct since 1970 and a forecast of 67% by the end of the current decade (WWF *et al.*, 2016). In addition, no country is currently on track to achieving the social development goals (SDG) of the UN (SDSN and IEEP, 2019). This situation is contrary to what the EC is hoping to achieve and an indication that more needs to happen than to just increase the amounts invested in SRI.

In this paper, SRI's limited sustainability achievements are attributed to the overemphasis of financial aspects in SRI theory and practice, which has hindered an adequate discussion of the role of SRI funds for environmental and social betterment. To support this proposition, using a narrative literature review technique, the first part of this paper presents the current understanding of SRI from five perspectives: academia, fund companies, customers, sector's self-portrayal and EC policy. While the first two perspectives mainly focus on aspects of SRI's financial performance, the latter three emphasize the importance of impacting corporate behavior. Based on this analysis, the second part argues the examination of SRI practices through a new theoretical lens: an equilibrated SRI (ESRI) perspective. Investors' expectations as the key factor for the long-term success of the SRI sector (Schueth, 2003) and their demand for NFI should be taken as a point of reference. This implies elevating NFI as a second cornerstone not only of the sector's public declarations but also of its products, research and evaluation approaches – incorporating a more holistic view instead of a financial performance bias. Moreover, the efficacy of the EC's action plan is evaluated. Most of the measures, such as a unified classification system of sustainable business practices or a clarification of investors' fiduciary duties are in line with the proposed perspective. However, the EC fails at one key point: it does not sufficiently address the role of SRI fund management as a sustainability transmission mechanism.

This paper contributes to literature in three ways. First, it adds to the stream of research that aims to clarify the conceptual foundations of SRI (Sandberg *et al*., 2009; Eccles and Viviers, 2011) by presenting an ESRI perspective. It responds to the calls of various authors (Berry and Junkus, 2013; Crifo and Forget, 2013; Busch *et al*. 2016) for a more holistic understanding of the SRI sector. Second, while other authors (Hoepner and McMillan 2009; Capelle-Blancard and Monjon, 2012) also criticize the widespread ignorance of NFI in the SRI discussion, this paper is the first to sustain this criticism with an economic argument. More precisely, customers' expectation of NFI is the rationale to demand a more balanced discourse. In doing so, an empirically profound reasoning for the proponents of a stronger NFI orientation of SRI is provided. Third, a detailed analysis of the EC's action plan and the profound effects it will have on the SRI markets is provided.

Methodologically, in the first part of this article a narrative literature review technique is applied to analyze the perception of SRI from various perspectives (Haack *et al*., 2012) and to collect adequate information from a field of literature for building sound conceptual frameworks (Humphreys and Brown, 2008). Following Podsakoff *et al*. (2005), this review draws on a large number of high-ranking academic journals. The data collected focuses on five perspectives on SRI: academia, fund companies, customers, sector's self-portrayal and

EC policy. All of them affect the discussion and definition of SRI, either by influencing the SRI product offering or by shaping the understanding and the regulatory environment. In the second part, the results of the narrative literature review serve as the basis to develop the ESRI perspective.

The remainder of the paper is structured as follows: Section 2 revisits the current understanding of SRI in different stakeholder groups. In Section 3, those prospects are condensed to an ESRI perspective, its implications for different stakeholder groups are outlined and the EC's action plan is evaluated. Section 4 ends with a brief conclusion.

2. Diverging SRI Perspectives

Over the years, academia has attributed a wide array of names to sustainable investment practices: ethical, social or values-based investment and various other terms (Sandberg *et al.*, 2009). In recent years, the term 'SRI' has become the most widely used qualifier (Viviers and Eccles, 2012) and will therefore be attributed throughout this paper to any investment practice that integrates environmental, social or governance (ESG) criteria into the investment decision. [1] Despite the ongoing debate on terminology, scholars often agree on the objective of SRI to combine investors' financial goals with non-financial aspects (Busch *et al.* 2016). Less homogenous is the understanding of different stakeholders on how to balance those two aspects. In this section, we will therefore focus on how the combination of financial and non-financial aspects is understood from the five above-mentioned perspectives.

2.1 Financial Performance Bias

In recent years, the academic perspective on SRI has seen a tremendous change. Up to the late 1990's, the focus was on the ethical orientation of investment, but, with a growing distribution of SRI, financial profitability gradually became the main interest of scholars (Dumas and Louche, 2016). In their quantitative analysis, Capelle-Blancard and Monjon (2012) document a financial focus in almost 73% of academic papers on SRI. Within this financial perspective, two research questions predominate: first whether sustainability efforts are profitable for investors, and second whether it is financially rewarding for companies themselves to incorporate sustainability.

Renneboog *et al.* (2008) provide a first comprehensive overview of the status quo in SRI research. They review the impact of sustainability efforts on shareholder value, asset pricing and investor behavior. In addition, they provide a market overview of SRI funds and their fund descriptions. More recent research addresses similar questions. For example, Belghitar *et al.* (2014) and Nofsinger and Varma (2014) conduct a performance analysis of SRI and conventional investments, while Borgers *et al.* (2015) as well as Luo and Balvers (2017) measure the influence of SRI screening on stock performance. Research on the company's perspective questions the influence of corporate social responsibility (CSR) on business valuation or financial risk dimensions. For example, Di Giuli and Kostovetsky (2014) and Ferrell *et al.* (2016) study the relationship between different CSR ratings and stock market valuation. Albuquerque *et al.* (2019) show that CSR significantly lowers systematic risk and positively affects firm value. Both effects are substantially stronger in companies with greater product differentiation. Bouslah *et al.* (2013) analyze how different dimensions of CSR affect company risk and Stellner *et al.* (2015) study CSR's influence on credit risk.

Financial performance dominates SRI research not only on a quantitative basis but also in terms of scientific impact. According to Hoepner and McMillan (2009), six out of the seven most influential SRI studies address various issues of SRI's financial performance – including the top three, Bauer *et al.* (2005), Statman (2000) and Geczy *et al.* (2005). Whether quantitative or qualitative research methods are chosen does not change the conclusion: most scholars assess SRI through a financial perspective.

SRI literature's limited perspective on *financial* impact also prevails amongst practitioners, while it remains speculative as to who would effectively influence whom (Capelle-Blancard and Monjon, 2012). Amaeshi (2010) analyzes practitioners' reports on SRI and notes that, in practice, only those factors are considered that carry a 'price tag.' Consistent with that observation, Jansson and Biel (2011) state that SRI investment institutions overestimate the significance of financial aspects and underrate the importance of ethical aspects for their customers. For the French private equity sector, Crifo and Forget (2013) find that SRI funds aim primarily at risk and return characteristics. Equally, 'change aspirations' are not even amongst the primary motives to launch a new SRI fund; instead, Peillex and Ureche-Rangau (2016) state increased media visibility and reputation of the corporate sponsor as the main non-financial drivers.

Wimmer (2013) provides further evidence for a skewed perspective of investment professionals. He finds decreasing ESG scores in SRI funds after a two-year-period. This does not result from the overall declining ESG scores of portfolio companies but from fund managers' investment choices for lower ESG performers. Finally, if ESG factors were important for fund managers, a reaction would be expected if portfolio companies' ESG values changed. However, van Duuren *et al.* (2016) find that many surveyed managers do not react to changes in the ESG rating of their stocks at all; more precisely, 51% did not react to a negative ESG signal and 39% not to a positive one. Additional evidence is provided by a study from the European Sustainable Investment Forum (Eurosif). Here, 45% of investors state that they take ESG issues into account to some extent, but only 8% claim to systematically incorporate ESG-based rating results into their investment decisions (Eurosif, 2010).

2.2 Urge to Impact Corporate Behavior

If the performance-biased perspective in research and practice is contrasted to customers' expectations, the sector's self-portrayal and EC policy goals, a severe gap must be noticed. For SRI fund customers, financial aspects are important (Døskeland and Pedersen, 2019), but not the main reason to invest. Rather, Williams (2007) and Jansson and Biel (2011) document investors' values and attitudes to the ethical scope of a fund as being more important than financial returns. More explicitly, Nilsson (2008) as well as Wins and Zwergel (2016) prove that a high level of agreement with the issues addressed by SRI funds significantly increases the willingness to invest in a fund. Other studies emphasizing the importance of non-financial aspects in the decision process are, for example, McLachlan and Gardner (2004), Pasewark and Riley (2010) or Cohen *et al.* (2017).

The propensity to invest increases even further with a growing confidence that the investment will effectively contribute to solving the issue at hand (Nilsson, 2008; Nilsson, 2009). Other studies confirm the expectation of investors to foster change. According to Wins and Zwergel (2016), 86.4% of German SRI fund investors and, according to Sandberg and Nilsson (2011), around 90% of their Swedish counterparts want fund management to actively influence portfolio companies towards pursuing social responsibility. For the UK, similar results were confirmed by Lewis and Mackenzie (2000): 86.5% perceive it as the responsibility of fund management to foster higher corporate ethics standards. Ethical indifference on the part of SRI providers is even more astonishing as no trade-off between ethical and financial performance exists. Utz *et al.* (2015) find that the pure integration of an objective ‘sustainability’ into asset allocation would significantly (by a factor of 8) increase the ethical outperformance of SRI funds – with no cost at all to their financial performance.

Not only investors expect greater consideration to be given to NFI aspects; rather, this perspective is also salient in the sector’s self-portrayal. In that sense, the United Nations Principles for Responsible Investment (UN PRI), the world’s leading proponent of responsible investment with currently more than 2000 signatories, explicitly require signatories to commit themselves to an active, change-orientated investment approach. For example, Principle 2 states: ‘We will be active owners and incorporate ESG issues into our ownership policies and practices’ (UN PRI, 2018: 5). Although these principles are taken as a reference point to define SRI (e.g. Sandberg *et al.*, 2009 or Eccles and Viviers, 2011), the apparent orientation towards NFI has not made its way into the mainstream.

Finally, the European Union, as the leading institution in terms of sustainability regulation, also stresses the importance to nudge companies towards more sustainable business practices. In the past, the EU has indirectly fostered this goal through increased transparency requirements, for example to mandate reporting on broad-based non-financial issues instead of only specific ESG issues (European Union, 2014). Now, with its recent action plan for a greener and cleaner economy, the EC intends to utilize SRI to achieve the climate and energy targets of the Paris Agreement. Within its action plan, the EC advocates a comprehensive shift in the perspective on SRI. Instead of emphasizing SRI’s investment returns, the EC sets a primer on improving SRI’s contribution to sustainable development and on the positive effects of increased ESG incorporation for financial stability (European Commission, 2018) For example, unified labels for SRI products, stricter disclosure requirements or mandatory inclusion of sustainability preferences into the investment counseling process serve as concrete targets here. Further, the EC aims to set the global standard for sustainable finance policies (European Commission, 2018). For that purpose, first steps towards realization included political agreement on a new generation of low-carbon benchmarks (European Commission, 2019a) and new rules on disclosure requirements for sustainable investments (European Commission, 2019b). These steps underline the importance of a broader consideration of NFI aspects in the SRI discussion.

3. Reexamination of NFI's Role in SRI

3.1 Description and Rationale

This analysis shows that neither the current academic discussion nor current fund practice adequately reflects on the role of SRI funds for environmental and social betterment. The situation is contrary to investors' expectations, the self-portrayal of the sector and the goals of the EC's action plan. All three perspectives emphasize the importance of impacting corporate behavior.

Consequently, this paper pledges to examine SRI practices more holistically through a new theoretical lens. Investors' expectations as the key factor for the long-term success of the SRI sector (Schueth, 2003) and their demand for NFI should be taken as a point of reference. Thus, a perspective featuring overemphasis of the profit aspect and ignorance concerning NFI factors should shift to a more equilibrated perspective: *elevating NFI as a second cornerstone* for SRI products, research and regulation – complementary and not inferior to financial parameters. For rating agencies and investors, this also implies adding a new assessment dimension to their evaluation approaches. The next section will briefly outline some of the consequences of such a shift in perspective. However, a more detailed elaboration must be left to future publications.

3.2 New Perspectives for Stakeholders

SRI Fund Companies

Only SRI funds that maximize shareholder value and effectively nudge portfolio companies towards increased ESG performance correspond to investors' expectations, the self-portrayal of the sector and the goals of the EC's action plan. Applying this ESRI perspective, fund management is faced with a dual mandate: the achievement of financial goals *as well as* the pursuit of activities striving for the realization of 'ethical' goals. Ignoring the latter, by overemphasizing the shareholder value maximization duty, would contradict the sector's own self-portrayal and damage the long-term credibility of those funds. An ESRI perspective should therefore intrinsically motivate fund companies to transform product offerings as well as professional practices.

First, designing their investment products with an ESRI perspective would require fund management to evaluate their tools and strategies in terms of not only financial efficacy but also NFI efficacy. According to GSIA (2016), the three most applied strategies are exclusion (around two thirds of sustainable assets), engagement strategies (36%) and positive screening, measured together with 'best-in-class' approaches (4.5%)[2]. Academic literature provides evidence that the impact on portfolio companies' ESG behavior differs between these strategies.

Several studies indicate that purely exclusionary strategies offer only limited sustainability effects. Richardson (2009a) shows that exclusion could not motivate companies to act against climate change. Similarly, Schneeweiß (2014) finds no direct influence of exclusion on company's ESG policies. Dawkins (2016) argues that, in perfect capital markets, 'non-ethical' buyers will easily substitute the retracting SRI investors, thereby neutralizing any share price effects.

For positive screening, the results are more promising. For example, Kahlenborn *et al.* (2010) document reduced capital costs for smaller companies and find a substantial influence of positive selection on companies' management decisions towards greater climate protection. Slager (2015) shows that inclusion into the FTSE4Good Index has positive effects on ESG policies. Rivoli (2003) explains these findings with companies' interest in a wider investor basis and therefore a willingness to act compliantly.

However, the most promising strategies for enforcing sustainability goals seem to be SRI shareholder engagement strategies. Tkac (2006) states that, in 28% of all examined cases, the shareholder proposal on ESG issues was successfully withdrawn. Rivoli (2003) finds similar results with successfully withdrawn ESG shareholder proposals accounting for 27% . Instead of shareholder proposals, Dimson *et al.* (2015) analyze the success of long-term SRI engagement via direct communication with senior management. [3] In 18% of the cases, they document changes that align with the demands of the investor. Other studies analyzing engagement cases from Carleton *et al.* (1998) or Becht *et al.* (2009) confirm that engagement is the most potent tool to impact company behavior.

Despite these substantial differences, a discussion of the appropriate strategies to generate NFI is non-existent in the EC's action plan. In particular, the potential of SRI shareholder engagement is undervalued there but needs to be addressed in order to unleash the full potential of SRI.

Second, as there is evidence from Barreda-Tarrazona *et al*. (2011) and Glac (2009) that NFI has a high marketing potential, an ESRI perspective would transform the marketing activities of fund companies. Instead of emphasizing primarily risk and return aspects (thereby resembling conventional funds), the NFI aspects of their investment products should be highlighted. Such a paradigm shift would sensitize customers and unmask those companies which do not contribute towards increasing sustainability.

The transformation of fund companies is addressed in the EC's action plan in two ways. Action 1 promotes a unified EU classification system of sustainable business practices to clarify which business activities contribute to sustainable development. Action 2 provides standards and labels for green financial products. The goal here is to secure the credibility of a sustainable financial market and to ease access for interested investors (European Commission, 2018). With both measures, the EC provides fund companies with a trustable tool to market themselves as sustainability actors.

Public Policy

Here, an ESRI perspective will lead to changes in at least three areas: conceptual (and legal) clarity accompanied by improvements in data quality and publication duties.

First, the definition of fiduciary duties should more explicitly consider the NFI dimension, as it provides the legal basis on which fund management operates (Richardson, 2009b). One option in that respect would be to explicitly define sustainability goals such as the SDGs as a benchmark for keeping investment managers responsible. With action 7, to clarify the fiduciary duties of asset managers (European Commission, 2018), the EC therefore takes a needed and long-overdue step. It follows the recommendation of the EU High Level Expert Group on Sustainable Finance (HLEG) to consider a broader definition of fiduciary duty. They advise clarifying 'that the duties of loyalty and prudence explicitly integrate material (ESG) factors and long-term sustainability' (HLEG, 2017: 57). As a practical consequence, this will enable especially institutional SRI investors to evaluate their asset managers' investment decisions also based on their NFI and to favor those with a superior performance in this area.

Second, researchers criticize the low reliability of currently available ESG data (Orlitzky and Swanson, 2012) and non-existent common standards to quantify business impact on the environment and society (Eccles and Klimenko, (2019). For example, to date it is still difficult to detect and decode companies' biodiversity footprint (Lammerant, 2018). If the database does not accurately depict organizational reality, it is even more difficult to assess the investment's contribution to sustainable development (Busch *et al.* (2016). The EC is apparently aware of those problems and aims to provide those common standards with action 1, a unified EU classification system of sustainable business practices (European Commission, 2018).

The third issue would be improved transparency. For investment companies, disclosure about applied investment strategies will be needed as well as explicit information about fund management's NFI activities, e.g. non-public SRI shareholder engagements. One idea could be an obligation to engage in a regular ethical audit of funds (Schwartz, 2003). This would enable an efficacy judgement concerning fund management's actions and help to classify its contribution to the ESG improvements of portfolio companies. It is therefore a step in the right direction that improved transparency, both for portfolio companies and investment firms (action 9), is a central part of the EC's action plan (European Commission, 2018).

Sustainability Rating Agencies

Financial market intermediaries, such as sustainability rating agencies or other market observers, are another key stakeholder that will be affected by an ESRI perspective. This perspective demands that rating agencies add a new assessment dimension to their approaches: the NFI of SRI funds. Consequently, the question of measuring NFI gains importance. As far as single stocks are concerned, it is already widely reflected in rating practices. For example, institutes such as Vigeo Eiris evaluate the impact of products and business operations on ESG parameters. The aim of action 1 to unify the definition of sustainable investments and more importantly to develop an adequate classification system of sustainable business activities (European Commission, 2018) will further increase the quality of evaluation.

As far as SRI funds are concerned, NFI information is still employed in a generic manner, for example to label funds as more or less SRI – based on the applied filter (Chegut *et al.,* 2011; Berry and Junkus, 2013). If the question whether the fund *generates* NFI is addressed, both scholars (Dejean *et al.*, 2004; Gond and Igalens, 2005) and practitioners (Häßler and Markmiller, 2013) limit themselves to a bottom-up analysis and combine single-asset data to form a portfolio value.

This approach is problematic, as it underemphasizes fund management's responsibility to satisfy customers' demand to generate *additional* NFI for the fund. Hence, with a bottom-up rating practice, it remains unclear whether sustainability improvements are related to fund management or merely represent autonomous improvements of portfolio companies. Consequently, this ambiguous state of SRI ratings makes it more beneficial to buy into companies with a currently good ESG rating than to support companies in their sustainability transition.

On the contrary, to match customers' demand for *additional* NFI, fund managers must actively contribute to change instead of just observing developments in their portfolio companies. Therefore, an ESRI rating demands that rating agencies incorporate (if so and to what extent) fund management's actions enhance the improvements of portfolio companies' ESG scores. Moreover, indicators for assessing the overall NFI of a specific SRI fund must be developed. In the long term, this may induce increased competition and subsequently improved products which in turn may again speed up the spread of SRI. The EC addresses this stakeholder with action 5, the development of sustainability benchmarks (European Commission, 2018). However, the NFI assessment of SRI funds is not yet in focus.

SRI Fund Customers

As outlined in Section 2, many SRI fund customers want their funds to push portfolio companies towards more sustainable business practices. On the contrary, Jansson and Biel (2011) show that SRI investment institutions underrate this demand. A possible explanation can be found in what SRI customers communicate to their service provider. Instead of demanding a stronger NFI focus, they are currently mainly revolving around two questions: a) whether SRI has an acceptable return [4] or b) which criteria should be relevant for a 'real' SRI fund.[5] On the contrary, customers with an ESRI perspective emphasize effective strategies for influencing portfolio companies' business practices. An environmental fund without impact is just as useless as a human rights fund or a good governance fund without impact.

According to Schueth (2003), customers' expectations represent the key element for the long-term success – or failure – of an investment company. Therefore, the demand side has a powerful tool at hand to transfer its ESRI perspective to fund management: the confrontation of fund managers with well-informed queries concerning the alleged NFI of their investment products. Such a course of action might even influence non-SRI asset owners to change their investment policies as well. Christophers (2019) documents that many of them still follow a shareholder value maximization principle and widely ignore NFI. On the other hand, Eccles and Klimenko (2019) show in their analysis that ESG almost universally has top priority for senior executives of the largest global non-SRI asset owners. They explain their finding with customers' outspoken demands to see their investments contribute to a 'better world'. Other asset owners, for example Blackrock, also explicitly attribute their more ESG-concerned investment policy to customers' preferences (Fink, 2020).

The EC is indirectly addressing the role of investors through action 4, by making sustainability preferences part of investment counseling (European Commission, 2018).

Together with action 1, a unified EU classification system of sustainable business practices, this might give way to a critical discussion of NFI during the counseling process – for both SRI and non-SRI funds.

Scientific Community

The current academic discussion on SRI largely neglects the role SRI funds could play for the realization of sustainability goals. If the impact question is asked at all, it is reduced to financial impact, i.e. capital costs (Sharfman and Fernando, 2008; El Ghoul *et al.,* 2011), or to a comparison of the current ESG scores of portfolio companies (Dejean *et al*., 2004; Gond and Igalens, 2005; Utz and Wimmer, 2014) instead of an overall assessment of the fund's NFI improvements. Therefore, a transition towards an ESRI perspective is urgently required.

First, such an ESRI perspective would refine existing research practices for future SRI studies. For example, authors should be aware of the heterogeneity concerning the investment strategies of SRI funds (namely exclusion, inclusion, best-in-class or shareholder engagement) and consider the influence thereof on their empirical results. Second, conducting research on NFI would open up many promising research questions. On the fund company level**,** a special emphasis should be placed on the role of SRI fund management for increasing sustainability in their portfolio companies. Research could be conducted on the efficacy of the existing strategies to foster more sustainability in portfolio companies. Research questions on various influence factors are of particular interest here, for example whether an aggressive or careful engagement approach is more successful or how high the ownership share needs to be to back up own demands. Some authors such as Dimson *et al.* (2015) or Dawkins (2016) have begun to examine those questions, but this stream of research is still widely unexplored. Furthermore, the research field of ESRI ratings is of interest. Research on how those rating approaches can be implemented could be interesting as well as whether standardization or individualization is the best solution for balancing customers' desires for transparency and individuality. An in-depth analysis of those topics could improve sustainability ratings as well as SRI funds and empower investors to make more informed decisions. This would also support the EC and other regulators in establishing truly useful and target-oriented measures.

4. Concluding Remarks

Due to a deficient exploration of NFI in SRI theory and practice, the role of SRI funds for sustainability transition has not yet been adequately discussed. This has enabled a situation where a constantly rising market share of SRI has not led to similar sustainability achievements. As a solution, the developed ESRI perspective elevates NFI as a second cornerstone for theory and practice. In addition, areas where the EC's action plan needs adjustments or amendments are highlighted. All in all, SRI is currently at a crossroads: reorienting towards customers' expectations and revamping its products to real impact or ignoring them and risking a slow decrease in importance and influence.

Notes

[1] For a more in-depth study of terminological questions, see Sandberg *et al.* (2009) or Eccles and Viviers (2011).

[2] The reason for more than 100% lies in the widespread practice of combining strategies.

[3] There is an ongoing debate on how to measure successful ESG engagement, see Rojas *et al.* (2009).

[4] See Derwall *et al.* (2011) or Renneboog *et al.* (2008).

[5] See Berry and Junkus (2013) or Chegut *et al.* (2011).

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Title:

A Plea for a Stronger Role of Non-financial Impact in the Socially Responsible Investment Discourse

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Beitrag 2: “Impact case or impact washing? An analysis of investors’ strategies to influence corporate behavior”

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This paper substantiates the premise that the very task of socially responsible investment today is to achieve impact. Based on extensive empirical studies on how different strategies deliver on this impact premise, it recommends changing the current strategy mix from a focus on exclusion to shareholder engagement.

Based on an extensive review of the SRI literature, various SRI strategies are theoretically evaluated Subsequently, an example of a bank that applies a sophisticated engagement strategy is presented.

It is shown that there are indeed severe differences in the effects of exclusion, positive approaches, and shareholder engagement. Impact-oriented investment products should employ engagement strategies.

By providing an empirically based rationale for shareholder engagement, this article gives those who practice it a moral and economic justification. Instead of having to defend why there are seemingly unethical companies in their portfolio, they can go on the offense and counter that the "pure" role models are actually “impact washers”.

By emphasizing the primacy of the impact of investment products, the transmission mechanism of the capital market to create positive change for the environment and society is strengthened. This should lead to improvements in both areas.

While there are some other studies that examine investor impact in some way, they often do so in a context that is unrelated of sustainable investments. This study structures the empirical evidence on the effectiveness of exclusion, positive approaches and shareholder engagement and provides a recommended course of action for investors and policymakers.

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Impact Case or Impact Washing? An Analysis of Investors' Strategies to Influence Corporate Behavior

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Impact Case or Impact Washing? An Analysis of Investors' Strategies to Influence Corporate Behavior

Structured Abstract

Purpose

This paper substantiates the premise that the very task of socially responsible investment today is to achieve impact. Based on extensive empirical studies on how different strategies deliver on this impact premise, it recommends changing the current strategy mix from a focus on exclusion to shareholder engagement.

Design/methodology/approach

Based on an extensive review of the SRI literature, various SRI strategies are theoretically evaluated Subsequently, an example of a bank that applies a sophisticated engagement strategy is presented.

Findings

It is shown that there are indeed severe differences in the effects of exclusion, positive approaches, and shareholder engagement. Impact-oriented investment products should employ engagement strategies.

Originality

While there are some other studies that examine investor impact in some way, they often do so in a context that is unrelated of sustainable investments. This study structures the empirical evidence on the effectiveness of exclusion, positive approaches and shareholder engagement and provides a recommended course of action for investors and policymakers.

Practical implications

By providing an empirically based rationale for shareholder engagement, this article gives those who practice it a moral and economic justification. Instead of having to defend why there are seemingly unethical companies in their portfolio, they can go on the offense and counter that the "pure" role models are actually "impact washers".

Social implications

By emphasizing the primacy of the impact of investment products, the transmission mechanism of the capital market to create positive change for the environment and society is strengthened. This should lead to improvements in both areas.

KEY WORDS: sustainable investments; impact generation; impact investing; exclusion; shareholder engagement

1. Introduction

Concept and understanding of socially, responsible investments (SRI) are evolving constantly and rapidly. What started as a faith-based movement has grown into a multi-billion-dollar industry. According to the United Nations Principles for Responsible Investment (UN PRI), the leading proponent of SRI, more than 2400 signatories with over 86 Trillion US-Dollar assets under management (AUM) integrate environmental, social, and governance (ESG) criteria into their investment decisions (UN PRI, 2019). Moreover, the Global Sustainable Investment Alliance (GSIA), an international collaboration of sustainable investment organizations, reports a market share of 36 percent of all professionally managed assets worldwide (GSIA, 2020).

Broadly speaking, one can distinguish three phases of development. In the early days, the own conscious and purity considerations were the main perspective. In the subsequent period, more and more financial aspects of risk and return started to dominate the discussion and the so-called business case for SRI was framed. Also, during these years, SRI got established in mainstream finance. In recent years, more and more stakeholders are emphasizing the contribution of SRI to social and ecological improvement, also known as positive impact investing. For example, retail investors strongly emphasize the expectation that their investments improve sustainability indicators (Wins and Zwergel 2016; Cohen et al., 2017; Heeb et al. 2021). An impact perspective is also salient in the UN PRI. For the 2021 assessment, it is explicitly stated to focus on the positive impact of the signatories. (UN PRI, 2020).

A similar shift has not occurred in the strategies used by the SRI industry. There is still a dominance of exclusion in institutional investors' approaches to sustainable investing (GSIA, 2020; FTSE Russell, 2019), but also in ratings and index construction (Morningstar Research, 2019; MSCI, 2019). Similarly, new regulations, such as the EU Sustainable Finance Taxonomy, follow the exclusion logic (Diener and Habisch, 2021).

This situation, in which the stakeholders' perspective has shifted from purity considerations to an impact premise, but the strategies of the SRI industry have remained the same, is the starting point for the analysis. The research question that arises in this context is whether the primarily applied strategies should still be pursued under the new impact premise. In this context, a distinction is important between the impact of a firm and the impact of an investment product on the actions of that firm (Kölbel et al. 2020). The study focuses on the latter, which Kölbel et al. (2020) call "*investor impact*". The three strategies to achieve investor impact that are the subject of this study are exclusion, positive approaches[i] and engagement. It is shown that there are severe differences regarding the effectiveness. Although it is the most widely used strategy, the impact of exclusion is only limited. The less frequently used method of shareholder engagement yields more promising results. Authors like Dimson et al. (2015), Kölbel et al. (2020) or Hoepner et al. (2022) show that shareholder engagement can effectively influence management decision. Therefore, it is argued that a sustainable investment product under the new impact premise should practice engagement and no longer focus solely on exclusion.

This article has important implications for investors and policy makers. Providing an empirically based rationale for shareholder engagement gives those who practice it a moral and economic justification. Instead of having to defend why there are seemingly unethical companies in their portfolio, they can go on the offense and counter that the "pure" role models are actually “impact washers”. Such an interaction could trigger spillover effects in the industry and translate the impact from the narrative into mainstream investment approaches. For some policymakers, the results should also trigger a rethinking of the good and bad company divide. Instead, there are companies that are improving and others that are stagnating or even regressing. The ignorance of transformation aspects and shareholder engagement in the EU taxonomy is a cause for concern.

The remainder of this article is structured as follows. Chapter two provides an overview of the historical development of the SRI market and the accompanying shift in perspective towards impact. Chapter three provides an overview of the currently most applied strategies in the SRI industry. Chapter four briefly outlines the theoretical impact mechanisms of the three main strategies and evaluates their effectiveness according to how well they deliver on the impact premise. Subsequently, an example of an institutional investor applying a sophisticated engagement strategy is presented. The conclusion in chapter five provides some necessary steps to increase the impact of SRI as well as promising research avenues.

2. From Purity to Impact Premise

The perspective of the SRI industry has undergone a remarkable evolution. This development can roughly be separated into three different periods, whereby the distinction is fluid and cannot be pinned down to a specific point in time. The attributed names are the purity years, the mainstreaming years and the impact years. They have all their own distinct features, which can be seen in figure 1.

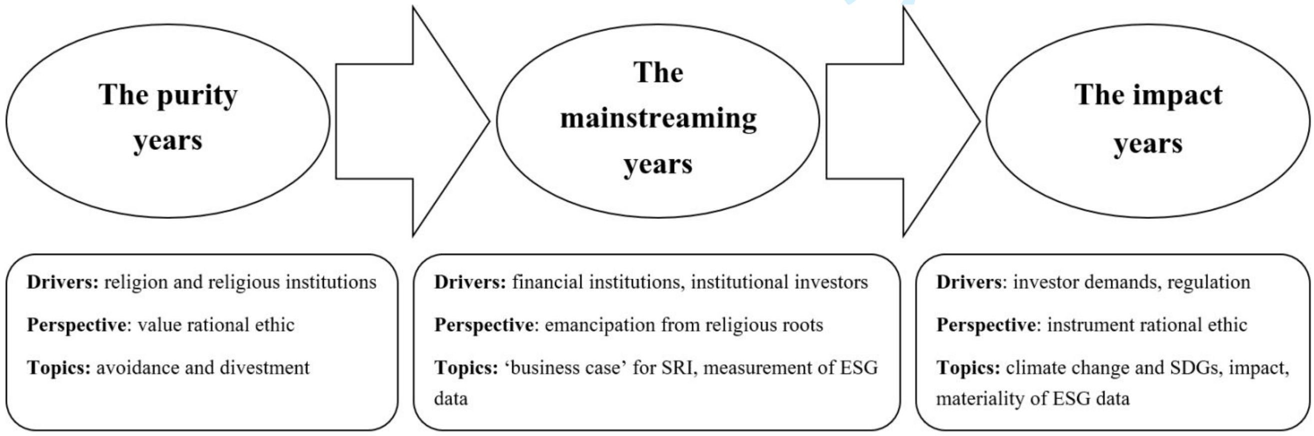

Figure 1: Development of the SRI Industry (Source: Own Illustration)

In the remainder of this chapter, the different time periods are described in more detail.

2.1 The Purity Years

Connecting moral convictions and economic behavior has a long history. What later became known as SRI has its roots in various religious traditions. The oldest evidence are Jewish investors, who 3500 years ago, began to align their financial decision with their belief system (Louche et al. 2012). From the Council of Nicea in 325 until the 19th century the Catholic church prohibited interest and pushed restrictions on loans and investments in various forms (Lewison,1999; Homer and Sylla, 1991). In 1758, the Society of Friends (Quakers) boycotted companies that benefitted from war or slavery (Kinder and Domini, 1997) and in the 1920s the Methodist Church in the UK refused to profit from investments in ‘sin companies’, namely those in the alcohol, tobacco, weapons or gambling industry (Renneboog et al. 2008). The first SRI fund was established in 1928 by a religious group, the Pioneer Fund (now Pioneer Investments) and the aim was to avoid investments in tobacco, alcohol, and gambling (Kinder and Domini, 1997). The first publicly traded sustainability fund in Europe was launched in Sweden in 1965. Various churches, including Baptists, were involved in its development. The first sustainable U.S. fund that was also available to a broader group of investors was the Pax World Fund in 1971. It was created by Methodist clergy and avoided investments in alcohol, gambling, and weapons (Kreander et al., 2004).

This brief overview of the beginnings of SRI shows that religious ideas initially motivated the development of modern forms of sustainable investment concepts (Sparkes, 2003). Therefore, it is not surprising that the investment perspective was strongly influenced by religious ideas. The common denominator was a concern to maintain purity and to avoid any involvement in unethical behavior. Investors follow a value rational approach, where the actors are more concerned about the moral means than the actual outcome of their action. The understanding is that hesitating to support undesirable business activities is already responsible behavior (Peifer, 2011). Although a change of action wasn’t the main objective, in some cases such as the abolishment of apartheid in South Africa such an effect was achieved (Robinson, 2002).

2.2 The Mainstreaming Years

In the next period, the so called “business case” for SRI was established. Here, the rational was that sustainability aspects are also relevant from a financial perspective. Proponents such as Freeman (1984) argued, that investing in socially responsible firms will eventually lead to superior long-term economic performance. Therefore, a crucial argument is that those firms possess a higher-quality management - consequently realize comparative advantages in the market (e.g. Waddock and Graves, 1997; Orlitzky et al., 2003; Renneboog et al., 2008), and exhibit lower ESG risks (e.g. Sharfman and Fernando, 2008; El Ghoul et al., 2011). Opponents argued that investing in responsible firms only will narrow down the investment universe (e.g. Derwall et al., 2005; Geczy et al., 2005; Barnett and Salomon, 2006) increases screening and transaction costs as well as management fees (Bauer et al., 2006; Cortez et al., 2009) and therefore result in a negative effect on financial performance (Friedman, 1962). However, the abundance of studies concludes that neither of those arguments can be empirically substantiated (see Revelli and Viviani, 2015 or Friede et al., 2015 for a more detailed review).

At this time, the industry began to emancipate itself more and more from its religious origins, and the discussion about the relevant criteria for a genuine SRI fund emerged (de Colle and York, 2009; Haigh and Guthrie, 2010; Chegut et al., 2011). Further, the toolkit for SRI investments was expanded beyond avoidance to include also positive approaches or shareholder engagement (Renneboog et al., 2008). One prominent demand of this period is of SRI to become mainstream (Lydenberg and Sinclair, 2009; Juravle and Lewis, 2009). If one only looks at the assets invested in a sustainable way, market data indicate that this goal has indeed been achieved (GSIA 2020). However, looking at the extent of the influence of sustainability aspects on financial decisions, serious doubts are warranted (Gatti et al 2019).

2.3 The Impact Years

Now that social and environmental factors have become an important issue in the financial markets, the perspective is shifting towards a greater consideration of the actual impact of an investment. Global challenges such as climate change, overconsumption of natural resources Moore et al., 2012) or biodiversity loss (WWF et al., 2016) are amplifying this trend. In response, international organizations have launched several initiatives that have provided important impetus to the SRI industry: In 2015, the UN Sustainable Development Goals (SDGs) were established, which set sustainability targets for all member states of the United Nations. In the same year, with the signing of the Paris Agreement on climate change, 195 countries committed themselves to fight climate change and to limit global warming below two degrees Celsius. Consequently, for example the EU developed an action plan to address climate change. It includes several targets, such as developing sustainability benchmarks, strengthening sustainability data disclosure, or investing between 180 and 270 billion euros per year in sustainability development in the EU (European Commission, 2018). Other jurisdictions also require asset managers, pension funds and other institutional investors to report on the extent to which they consider ESG factors in their investment decisions (OECD 2017).

This emphasis of an impact perspective can also be seen if one looks at the sector's self-presentation. While the signatories of the UN PRI, the world's leading proponent of responsible investment with more than 2000 signatories, always had to commit to a change-orientated investment approach (UN PRI, 2018), a change perspective is now also salient in the evaluation of their progress. For the 2021 assessment, it is explicitly stated to focus more on impact than on process (UN PRI, 2020). According to a recent report of the European Commission, asset managers and asset owners are calling rating agencies to focus on product impact and actual performance, instead of corporate policy and data disclosure (European Commission, 2021). Additionally, the Government Pension Fund of Norway, the largest sovereign wealth fund in the world, has now declared to be an active shareholder and to push the firms it invests in to achieve carbon neutrality (Fouche, 2021). Finally, it is also telling that the report of the European Sustainable Investment Forum (Eurosif) for 2021 bears the subtitle *"Fostering Investor Impact"* (Eurosif, 2021).

Increasingly, investors are emphasizing the primacy of influencing corporate actions when it comes to selecting their investments. This goes so far that SRI investors are even willing to forgo wealth maximization for the non-financial promise of SRI (e.g. Bollen, 2007; Derwall et al., 2011; Riedl and Smeets, 2017). Other authors reinforce this argument, noting that for a large proportion of investors, financial goals are only a secondary consideration when deciding to invest in SRI. For example, Beal and Goyen (1998) find that for most respondents, financial aspects are less important than environmental aspects. Williams (2007) and Jansson and Biel (2011) show that investors care more about the compliance of their own values und attitudes with the fund ethics than its financial returns. Finally, Nilsson (2008) and Wins and Zwergel (2016) provide evidence that the propensity to invest in an SRI fund is strongly influenced by high support for the issues addressed. Additional studies that address the relevance of non-financial factors for financial decisions are for example Pasewark and Riley (2010), Barreda-Tarrazona et al. (2011), and Cohen et al. (2017).

The expectation to foster change is also found by Sandberg and Nilsson (2011) as well as Wins and Zwergel (2016). While the former study shows that 90% of Swedish SRI fund investors want a fund management that actively influences portfolio companies, the latter study documents a value of 86.4% for the German market. In the United Kingdom, 86.5% of respondents would like fund managers to enforce higher ethical standards in portfolio companies (Lewis and Mackenzie, 2000). Interestingly, the willingness to invest grows with increasing confidence that the investment not only promises a positive effect but will actually contribute to solving the problem (Nilsson, 2008; Nilsson, 2009). A more recent study of Heeb et al. (2021) also confirms investors' desire to promote change. However, they also provide evidence that willingness to pay does not increase if an investment generates more impact than a cheaper, less impactful investment option. Overall, there is sufficient evidence to claim that investors are strongly emphasizing the fostering of ethical goals. These outspoken demands of investors to foster change now even start to affect the investment policies of non-SRI owners (Eccles and Klimenko 2019; Fink, 2020).

With the mainstreaming and secularization of SRI, religious investors now represent only a small fraction of the investor base and therefore religious aspects have decreased in importance. Investors, regulators, and leading SRI institutions such as the PRI now all emphasize the importance to impact corporate behavior. While from a religious perspective a value rational ethic was justified and demanded - now an instrument rational ethic is applied. No longer the results of an action are of secondary importance. Instead, the moral imperative is to impact society and environment with the most effective means (Peifer, 2011). This impact perspective is the next step in the emancipation of SRI from its religious origins.

But it is not only investors' requirements that are changing, but also the understanding of sustainability from a corporate perspective. Dyllick and Muff (2016) find that when companies aim for more ambitious levels of sustainability, three major shifts occur: Firstly, instead of concentrating only on economic aspects, the focus of companies is expanded to a three-dimensional (social, environmental, and economic) approach that considers the global sustainability challenges. Second, instead of focusing exclusively on shareholder value, the value proposition is broadened to include all three dimensions of the triple bottom line (people, planet, profit). Thirdly, the organizational perspective is no longer an inside-out perspective focusing on the company itself, but changes to an outside-in perspective focusing on society and its sustainability challenges. Now the value creation perspective is no longer on the tripe bottom line but instead on value creation for the common good.

3. The current state of the SRI Industry

Despite these severe changes in terminology and focus of sustainable investments, the tools that are primarily applied to constitute a sustainable investment portfolio remain the same as in the early years. As GSIA (2020) in their most recent report document, that exclusion dominates the SRI industry with around 54% of asset owners using this strategy, followed by shareholder engagement with 30% and positive approaches with 9%. This is confirmed by the FTSE Russell (2019) survey of asset owners, which states that ESG data is mostly used for exclusion (60% of the cases). Prominent examples of exclusion are the current campaigns against coal and fossil fuel investments. For instance, the Rockefeller Brothers Fund, whose wealth was created by oil, announced it would divest from coal, tar sands, oil and gas companies, and another 800 investors controlling over $50 billion pledged to follow suit (Goldenberg 2015).

Similiarly, Chelli and Gendron (2013) show that ratings promote a regime of exclusion and inclusion, that rewards high-performing firms and sanctions firms with poor ratings. Examples would be the FNG label for the DACH-Region (Germany, Austria and Switzerland) or the Morningstar sustainability rating. While for FNG any investment in nuclear power, fossil fuels or armaments disqualifies a fund from being sustainable (FNG, 2021), Morningstar just combines current portfolio ESG scores to an overall score (Morningstar Research, 2019) – thereby ignoring any improvements in portfolio holdings and giving an incentive for exclusionary screening (Foubert, 2020). Furthermore, SRI benchmarks and indices are also constructed based on exclusionary logic. A well-known example is MSCI, which excludes companies based on their share of revenues derived from unethical business activities, e.g., thermal coal (MSCI, 2019). With the EU Sustainable Finance Taxonomy which defines business practices as either sustainable or not, a prominent institution also follows a logic of exclusion. (European Parliament, 2020). It is therefore reasonable to conclude, that exclusion is still deeply rooted in the investment logic of the SRI industry.

4. Strategies to Generate Investor Impact

If the fundamental premise of SRI is now to create positive impact, then the farther an investment strategy strays away from this premise, the more ethically questionable it becomes. From an ethical perspective, authors such as Sparkes and Cowton (2004) or de Colle and York (2009) even deny the attribute 'sustainable' to a financial product, if it does not "*bring about change in companies' behaviour*" (Sparkes and Cowton, 2004, p.54). From a cynical point of view, one may call such investments a self-centered operation - oriented more towards the investor's own conscious than towards the achievement of touchable ethical goals. As a sidenote, this holds true regardless of the ethical objective pursued. The ethical significance of SRI is not defined through their nomenclature, but by effective transmission mechanisms to influence portfolio companies' business practices, employees, and managers. Consequently, an environmental fund without impact is equally ineffective as a human rights fund or a good governance fund without impact.

It is therefore necessary to assess how well the different strategies deliver on the new impact premise - especially as the first authors warn that *investor impact* may just be the next marketing term that is not supported by accompanying measures (Busch et al. 2021, Diener and Habisch, 2021). With this in mind, this section provides a brief overview of the theoretical impact mechanisms of exclusion, positive approaches and engagement. Next, the empirical studies on the effectiveness of these strategies are presented to evaluate which strategy should be pursued. The chapter ends with an illustration of the most effective strategy, shareholder engagement.

4.1 Exclusion

The rational for exclusion is that it influences the share price and therefore cost of capital. A company can raise less capital if the price increases, which in turn constrains its business activities. For the management of a company, a high share price can also have other advantages. For example, investors are more satisfied when the share price develops favorably, thus granting management greater freedom. Further the remuneration policy can be connected to the share price and takeovers become more expensive (Waygood, 2011). The following Table 1 gives an overview of the studies that analyze the effects of exclusion.

Study	Effect of exclusion	Result
Sharfman/Fernando (2008)	Yes	Lower cost of capital for more responsible firms
Hong/Kacperczyk (2009)	Yes	"Sin stocks" with 15-20% higher capital costs
Chatterji/Toffel (2010)	Yes	Low score in environmental ratings motivates corporations to decrease pollution
El Ghoul et al. (2011)	Yes	Lower cost of capital for more responsible firms
Derwall (2011)	Yes	Lower cost of capital for more responsible firms
Sharkey/Bromley (2014)	Yes	ESG ratings lead to improvements
Slager/Chapple (2015)	Yes	Companies facing exclusion threats more likely to change corporate behavior
Luo/Balvers (2017),	Yes	Market premium for systematic investor boycott risk

Haigh/Hazelton (2004)	Limited	Limited influence on management through the stock market price
Scholtens (2006)	Limited	Limited influence on management through the stock market price
Meller/Husson-Traore (2013)	Limited	Exclusion must be accompanied by other efforts to show significant impact.
Häßler/Markmiller (2013)	Limited	Only 6% of companies report influence of exclusion on decision-making
Richardson (2009)	No	Exclusion doesn't persuade companies to combat climate change
GAO (2010)	No	Divestment of $3.5 billion in assets had no impact on stock price of affected companies
Schneeweiß (2014)	No	No direct impact of exclusion on company's ESG policy
Clementino/Perkins (2020)	Negative	Institutional pressure gives rise to hostile organizational response

Table 1: Overview of Studies on Exclusion

Sharfman and Fernando (2008), El Ghoul et al. (2011) and Derwall (2011) show that social responsibility can be rewarded by a lower cost of capital, presumably because it is perceived to reduce financial risk. Accordingly, Hong and Kacperczyk (2009) document a price effect of 15-20% on the capital costs of so called "sin stocks". Furthermore, Slager and Chapple (2015) found that companies facing exclusion threats were more likely to change corporate behavior. Through a statistical analysis of the FTSE4Good index archives, they found that firms which could be expelled from the index after the release of new criteria more likely improved their performance in the following year. In an earlier study Chatterji and Toffel (2010) show for a large sample of US companies that a low score in environmental ratings motivated the corporations to decrease the pollution. Sharkey and Bromley (2014) also examine the indirect effects of ESG ratings and show that the number of peers positively correlates with the extent of improvements. In a theoretical model Luo and Balvers (2017), show that the market requires a premium for the systematic investor boycott risk a company might face if it is involved in controverse business activities.

However, the effectiveness of exclusion is subject to debate. The opposing side argues that in perfect capital markets 'non-ethical' buyers would simply replace the withdrawing investor and stabilize the share price of the offending company (Dawkins, 2018). Only if investors accumulate a sufficiently large share of capital there will be a realistic chance of success (Scholtens 2006). Further exclusion deprives the investor of the option to directly influence the company. Finally, exclusion can also have unintended side effects, in the case that companies care more concerned about their rating than about sustainability improvements (Clementino and Perkins 2020). Accordingly, several studies provide evidence that pure exclusionary approaches tend to have limited effects in enforcing sustainability goals. For example, Haigh and Hazelton (2004) and Scholtens (2006) find, that the influence on management through the stock market price is rather limited. In the same way Richardson (2009) points out that exclusion cannot be used to persuade companies to combat climate change. Schneeweiß (2014) dismisses any direct impact of exclusion on the company's ESG policy and Meller and Husson-

Traore (2013) state that exclusion must be accompanied by other efforts to show a significant impact. In a survey study authored by Häßler and Markmiller (2013), only around 6% of companies report an influence of exclusion on their decision-making. The U.S. General Accounting Office reviewed the effects of the U.S. Sudan Accountability and Divestment Act (SADA). Although 23 pension funds divested or froze approximately $3.5 billion in assets, they document no impact on the stock price of the affected companies (GAO, 2010). In a qualitative study, (Clementino and Perkins 2020) call into question claims about the positive influence of ESG ratings on companies' sustainability performance. They confirm that for some firms, institutional pressure gives rise to a hostile organizational response. Further they document that it is more likely to conform in case of positive business benefits and to simply ignore or dismiss in case of the lack thereof.

A factor that can explain the differences in the empirical results could be found in differences in scope and sophistication of the respective approach: the mere exclusion of a stock by an investor may be relatively less effective than a coordinated approach that incentivizes an entire business strategy to proactively incorporate sustainability considerations (Porter and Kramer, 2011).

4.2 Positive Approaches

Instead of sanctioning companies for their misconduct, positive approaches reward particularly exemplary companies. Mirroring exclusion strategies, the goal is to increase share prices and reduce financing costs to obtain cheaper capital for growth investments or acquisitions of less exemplary companies (Schäfer 2014). In addition, it provides an incentive for innovation (Broadhurst et al. (2003). The following Table 2 gives an overview of the studies that analyze the effects of positive approaches.

Study	Effect of positive approaches	Result
Kahlenborn et al. (2010)	Yes	Positive screening strongly influences portfolio companies efforts for more climate protection
Häßler/Markmiller (2013)	Yes	Best-in-class investing has positive effect on 39,9% of 199 large-scale enterprises from 30 countries
Slager/Chapple (2015)	Yes	Inclusion into FTSE4Good Index incentivizes companies to improve their corporate social performance in the long term
Baker et al. (2018)	Yes	Yields of green bonds on average 0.06% below conventional counterpart
Zerbib (2019)	Yes	Green bonds have a negative yield premium of 0.02%
Clementino/Perkins (2020)	Yes	If management expects inclusion in an index or a better ESG ranking to improve reputation amongst investors, sustainability improvements are more likely
Chatterji/Toffel (2010),	No	U.S. companies with more positive environmental ratings reduced their toxic emissions far less than their peers with poor ratings
Louche/Hebb (2014)	No	Positive approaches merely change corporate presentation but are not leading to real change.

Table 2: Overview of Studies on Positive Approaches

Kahlenborn et al. (2010) find positive screening to exert strong influence on portfolio companies towards more climate protection. More concretely, the authors measure positive effects for the cost of capital of smaller firms and observe a significant impact of positive selection on firms' business choices. In that sense, a survey from Häßler and Markmiller (2013), amongst 199 large-scale enterprises in 30 countries concludes, that Best-in-class investing influences 39,9% of companies, followed by engagement with 37,4%. Slager and Chapple (2015) show that inclusion into the FTSE4Good Index incentivizes companies to improve their corporate social performance in the long term, especially if they use the index membership as a marketing tool. The study of Clementino and Perkins (2020) finds evidence that companies seek to deliver a good ESG performance to gain a competitive advantage. In particular, if management expected that inclusion in an index or a better ESG ranking would improve the companies' reputation amongst investors, it was more likely to improve their sustainability performance. Recent studies of Baker et al. (2018) and Zerbib (2019) on green bonds, a form of debt finance for projects with an environmental benefit, indicate that positive screening can reduce the cost of capital. While Baker et al. (2018) find the yields of green bonds to be on average 0.06% below conventional counterparts, Zerbib (2019) document a negative yield premium of 0.02%. In contrast, Chatterji and Toffel (2010), demonstrated that U.S. companies with more positive environmental ratings reduced their toxic emissions far less than their peers with poor ratings. Louche and Hebb (2014) argue that positive approaches have not really led to a change in corporate policy, but have merely changed the corporate presentation. They conclude that while companies are joining a variety of initiatives, this is not leading to real change.

4.3 Shareholder Engagement

The next strategy, shareholder engagement, encompasses all activities where investors use their ownership rights to influence the decisions and policies of the company. This can be done by letter writing, by talking to management or the supervisory board, by asking critical questions at annual general meetings, by submitting shareholder proposals or by exercising voting rights - with the latter being most widely used (Louche, 2015). Shareholder engagement also involves the dialog with policy makers and other stakeholders to lend weight to one's own position (Sjöström, 2008). Investors can also form coalitions and pool their influence, for example for fighting climate change or improving human rights (Dyck et al. 2019, Chen et al. 2020). A prominent case of successful coordination are the three seats on Exxon Oil's board for sustainability-focused hedge fund Engine No.1 to accelerate the shift towards greater sustainability (Hiller and Herbst-Bayliss, 2021).

Engagement strategies, however, come with certain limitations and risks. One problem is that the effectiveness of engagement is highly dependent on the shareholding in the respective company, which is usually very low for diversified investors (Söhnholz, 2020). Further, in many countries, shareholders' opportunities for participation are severely limited by the content and frequency of shareholder meetings. In Germany, for example, shareholders have a say on pay, while issues that affect corporate strategy in relation to social or environmental issues simply do not fall within the remit of shareholders (Zubrod, 2020). Moreover, especially in the case of more complex engagement issues, investors must make themselves appropriately competent on the issues being addressed. For example, those who criticize working conditions in Asian or African supplier factories should also have appropriate expertise and, if necessary, on-site experience (Gabriel, 2020). The following Table 3 gives an overview of the studies that analyze the effects of engagement.

Study	Effect of engagement	Result
Rivoli (2003)	Yes	27% successfully withdrawn ESG shareholder proposals
Tkac (2006)	Yes	Reaction to 35% of withdrawn proposals, which was positive in 80% of the cases
Neubaum/Zahra (2006)	Yes	Dialog between long-term investor and company improves company's sustainability performance
Rojas et al. (2009)	Yes	10% success rate of shareholder proposals, 28% with Tkac (2006) approach
Gifford (2010)	Yes	Case study where every case triggered changes in business activities
Ceres (2012)	Yes	110 withdrawn ESG applications, reaction positive in 80% of cases
Häßler/Markmiller (2013)	Yes	Engagement has positive effect on 37,4% of 199 large-scale enterprises from 30 countries
Dimson et al. (2015)	Yes	Long-term dialogue with senior management in 18% successful
Barko et al. (2017)	Yes	Engagement improves sustainability performance as ESG ratings of targeted companies increase
Dimson et al. (2018)	Yes	Collaborative engagement is more effective
Dyck et al. (2019)	Yes	Engagement improves sustainability performance as ESG ratings of targeted companies increase
Kölbel et al. (2020)	Yes	Meta-study: engagement as the most potent tool to effect change
Hoepner et al. (2022)	Yes	Success rate of 31% for shareholder proposals
David et al. (2007)	Negative	Negative effects on sustainability performance, as resources are tied up to resist external pressures, agreements merely symbolic
Gillan and Starks (2007)	Mixed	Meta-study: little evidence of long-term improvements, positive effects for shorter periods

Table 3: Overview of Studies on Shareholder Engagement

Various papers have studied the effectiveness of different types of engagement policies on achieving ESG-related goals. Thus, Rivoli (2003) documents a positive effect of engagement on management. She bases this claim on 27% of successfully withdrawn ESG shareholder proposals. Tkac (2006) finds similar values. She notes that in 35% of the withdrawn proposals there was a reaction by the company. The reaction was positive in 80% of the cases, which means either implementation of the proposal or further dialogue. An analysis by Ceres (2012), of more than 110 withdrawn ESG applications, supports these findings. In 80% of cases either a complete or a partial settlement was reached. Due to the different definition of successful engagement, Rojas et al. (2009) conclude that success rates are significantly lower, just under 10%. However, they note that the definition of Tkac (2006) would have yielded a success rate of 28%. Further they state that the likelihood for successful engagement is highest among institutional investors and that it was especially proposals on topics such as environmental concerns, energy consumption or labor rights that were most successful. Finally, in their study Hoepner et al. (2022) document a success rate of 31%. Further they find that ESG engagement is beneficial for shareholders as it reduces firms' downside risks.

Neubaum and Zahra (2006) also find a positive impact of shareholder engagement. They state that already the entry of a long-term investor, for example a pension fund, has a positive impact on a company's sustainability performance. Additional dialog between investor and company increases this effect. In that sense, a survey from Häßler and Markmiller (2013), amongst 199 large-scale enterprises in 30 countries concludes, that Best-in-class investing influences 39,9% of companies, followed by engagement with 37,4%. Gifford (2010) approaches the question of the impact of shareholder engagement via a case study. In each of the cases, changes in business activities were triggered. Main drivers for successful engagement were a large share of capital and a management that was open to engagement. Instead of shareholder proposals, Dimson et al. (2015) examine the impact of long-term dialogue with senior management. Success is defined as changes that comply with the requests of the investor and their success rate is 18%. In a more recent study, Dimson et al. (2018) find the prospects of success to increase, if the engagement is conducted collaboratively. It also has a positive effect, if the leading investor stems from the same company as the engagement target. Therefore, they conclude, that cultural and linguistic aspects are also relevant. Barko et al. (2017) and Dyck et al. (2019) study the effect of shareholder proposals on ESG ratings. They find that the ratings of targeted companies increase, which is an indicator that the engagement improved the sustainability performance. A recent meta-study of Kölbel et al. (2020) confirms the positive effects of shareholder engagement and concludes, that engagement is the most potent tool to effect change.

David et al. (2007) are more skeptical about shareholder engagement activities. They warn of negative effects on the sustainability performance, as corporate resources are tied up to resist external pressures. Further, they note that companies are quick to reach agreements with influential investors, but that this is merely symbolic and far-reaching changes are avoided. In a comprehensive meta-study, Gillan and Starks (2007) analyzed a total of 39 publications from 1987-2005. They find little evidence of long-term improvements, which is consistent with the results of David et al. (2007), yet for shorter periods there are indeed positive effects.

Overall, empirical evidence suggests that shareholder engagement had some positive impact on management behavior. In particular, the data on proposals indicate that management is receptive to negotiate with SRI investors and that SRI investors have been successful in keeping their concerns "on the table". On the contrary, the widespread use of exclusion and positive approaches can't be justified from an impact perspective.

4.4 Engagement Spotlight

After discussing the different strategies, the following spotlight uses an example from a Swiss bank to illustrate how the most effective strategy, shareholder engagement, can be implemented in practice.

This bank was awarded for both its industry-leading innovations and its sustainability strategy. This company was chosen because it implements shareholder engagement in a sophisticated way and provides a detailed description of its approach. For over 30 years, the bank has been pioneering sustainable investments and is one of the market leaders in this field in Switzerland.

The activities can be divided into four areas, which will now be elaborated in more detail: direct company engagement, collaborative engagement, proxy voting and public policy engagement. The first area is direct company engagement. The engagement process comprises five steps and is illustrated in **Figure 2**:

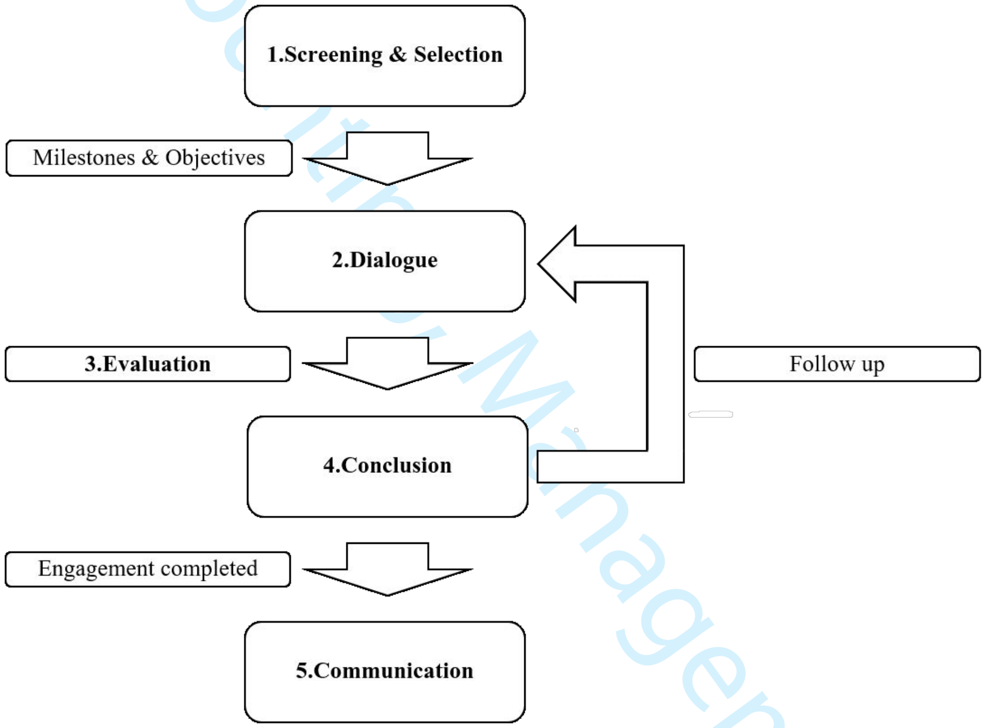

Figure 2: The Engagement Process in Five Steps (Source: Own Illustration)

In step one the research universe is scanned for companies that are performing the worst on certain ESG issues or whose ESG rating has plummeted. Then, based on exposure to specific and material ESG issues, investment relevance and prospects of success, the cases are selected. Examples would be an increase in public disclosure or the commitment to alter corporate practices in response to ESG issues. In addition, milestones and goals are defined. The actual dialogue in step two takes place in various forms, e.g., on-site visits, telephone calls or written correspondence. In step three, the success of the engagement is evaluated. In step four, based on the results of the evaluation, the analysts determine whether the engagement needs a follow up (and starts again with step two) or is completed. In case the company in question does not react or reacts unsatisfactorily, there are various options: downgrading the internal ESG rating, expressing written concerns to the board, attending a shareholder meeting in person, or initiating a collective engagement process to increase the pressure. Ultimately, a negative vote at a shareholders' meeting or the sale of the position is possible. In case the engagement is considered successful, a company might be included in the investment universe. The final step is to communicate the impact of the engagement. This may be quantitative or qualitative metrics or adjustments to internal ESG ratings. The company informs its clients on a regular basis and additionally publishes once a year an active ownership report.

The second area is collaborative engagement. To maximize the impact of engagement initiatives, the partners with other investors. Currently, the bank is active through the PRI, the world's largest platform for collaborative engagement activities. In addition, it is a member of various initiatives, such as the Carbon Disclosure Project (CDP), the European Sustainable Investment Forum (Eurosif) or the science-based targets initiative (SBTi) and selectively cooperates with other stakeholders of portfolio companies.

The third area is proxy voting. The bank initiates proposals on ESG issues and exercises voting rights for many sustainability funds as well as for various institutional mandates. The company receives operational support from Institutional Shareholder Services (ISS), but also has its own, internally developed voting guidelines that systematically incorporate ESG aspects. Instead of blindly adhering to its proxy advisors' recommendations, it follows those guidelines to select the most appropriate options and uses ISS more as a source of additional information. The voting results are documented on the company website.

The final area is public policy engagement. To create greater awareness for sustainability issues at the regulatory level, the bank is involved in leading initiatives and organizations for sustainable investments. Through its participation in Eurosif or Swiss Sustainable Finance (SSF), the company fosters communication with policymakers and other stakeholders. Finally, the bank also aims to promote a better understanding for sustainable investment in society at large.

Under this policy, the bank initiated over 200 company dialogues between 2017 and 2020, voted on over 22.000 shareholder proposals and initiated around 170 proposals on ESG. Successful cases of engagement are for example a Spanish recycling company that lacked data for a sustainability assessment and disclosed those data after an engagement dialogue, or a global luxury company that introduced a set of measures to mitigate water risks in its supply chain.

In addition to engagement strategies, the company also applies various tools to increase the sustainability impact. For example, it reduces the CO_2 footprint of its business operations, assures that the procurement of stationery complies with sustainability standards or supports local initiatives such as the Klimastiftung Schweiz (Climate Foundation Switzerland). However, an in-depth presentation would go beyond the scope of this article.

The empirical results on the effectiveness of the different strategies support the Bank's approach. Shareholder engagement has proven to be a very effective tool for affecting corporate change (see, for example, Dimson et al. 2018; Dyck et al., 2019; Kölbel et al., 2020; or Hoepner et al., 2022). When utilized in collaboration with other investors to leverage shareholders' influence without cluster risk in the portfolio, the likelihood of success increases (Dimson et al., 2013; Dimson et al., 2018). Combining this with the threat of divestment to further increase the impact of the investment product is an interesting approach. Dawkins (2018) has argued that the thread of disinvestment strengthens the engagement mechanism because companies know that there is a final remedy. The successful cases of engagement presented by the company in its impact report are anecdotal evidence of these theoretical assumptions.

5. Concluding Remarks

Since its early beginning, the SRI industry has experienced a dramatic change. The perspective has gradually shifted from an avoidance logic to an impact narrative. However, along with the perspective, the methods have not changed. It was outlined that the widespread use of exclusion and positive approaches, can't be justified from an impact perspective. Rather, increased engagement activities should be pursued. An example of a bank that has such a credible sustainability strategy was presented.

For the shift in perspective to be credible, it needs a shift in methods. Otherwise, it's just old wine in new wineskin. But also, a couple of other aspects need to be addressed. First, more comprehensive reporting duties for companies are necessary to increase the reliability of ESG data. After all, without a database that accurately reflects organizational reality, it is difficult for every stakeholder to assess the contribution of a corporation to sustainable development (Orlitzky, 2013). Second the transparency requirements for SRI investments must be increased. Issues would be transparency of the reasoning concerning investment portfolio generation principles, information about the actions taken such as non-public shareholder engagements as well as disclosure duties of the results of those actions. This would enable a comparison of the actual contribution of different investments to sustainability improvements. A way forward here could be mandatory sustainability audits, similar to financial audits, to increase transparency but to also foster the exchange of best practices.

Third, more research should be conducted in various areas. First, on the effectiveness of the existing toolkit to foster more sustainability in portfolio companies. Although this study has provided first results, the data basis still needs to be broadened so that, for example, appropriate regulation can also be based on it. Of interest are also the conditions that must be met to increase the efficacy of engagement, e.g., whether an aggressive or a careful approach is more successful and it should also be explored further, if and how much the combination of strategies increases the overall effectiveness. An interesting study in this regard is the impact-focused typology of SRI fund providers which Diener and Habisch (2022) have developed. Finally, the importance of ownership to support one's own claims must be explored.

The research field of impact ratings is also of interest. It seems promising to explore how such ratings can be implemented, and whether standardization on a specific set of criteria or customization is the best solution to meet customers' demands. An in-depth-analysis of those topics could formulate a conceptually grounded impact rational. But it would also improve sustainability ratings as well as SRI investment products and empower (institutional) investors to put their money where their mouth is. Given the current sustainability challenges, this is more than overdue.

Notes

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[i] The literature sometimes distinguished between positive screening and best-in-class approaches. However, since the latter is a derivative of the former they are both treated together in this article (Renneboog, 2008; Viviers and Eccles, 2012)

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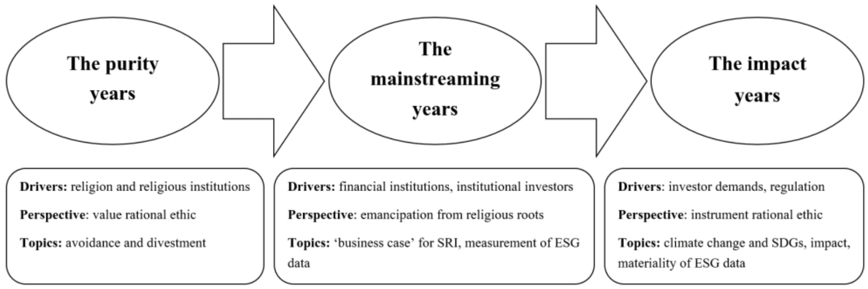

Figure 1: Development of the SRI Industry (Source: Own Illustration)

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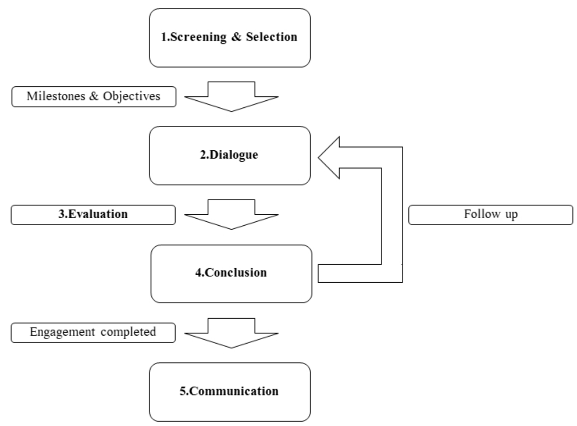

Figure 2: The Engagement Process in Five Steps (Source: Own Illustration)

338x190mm (96 x 96 DPI)

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Article

Developing an Impact-Focused Typology of Socially Responsible Fund Providers

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Abstract: The concept of investor impact of socially responsible investments is relatively new. Our article expands knowledge in this field by analyzing how investor impact is implemented in the ethical investment policies of 45 providers of publicly traded, socially responsible funds. Based on a typological content analysis, we first develop an impact-focused category system, which in the second step is used to distinguish three types of fund providers: ESG hermits, ESG ambassadors and ESG evangelists. Our results suggest that socially responsible fund providers with a stronger impact orientation, such as ESG evangelists, also employ strategies that are more likely to achieve investor impact. In contrast, fund providers with a weaker impact orientation, such as ESG hermits, focus more on purity aspects and therefore tend to utilize strategies that defend the purity claim but also show a weaker investor impact.

Keywords: investor impact; socially responsible investments; sustainable investing; SRI; shareholder engagement; sustainable development goals; typological content analysis

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1. Introduction

During the past two decades, socially responsible investing (SRI) has become a multi-billion-dollar industry. For example, the United Nations Principles for Responsible Investment (UN PRI), the leading proponent of responsible investment, has grown from 63 signatories with over $6.5 trillion of assets under management (AUM) in 2006 to over 4000 signatories with over $120 trillion of AUM in 2021 (UN PRI 2021).

Considering global challenges such as combating climate change and achieving the UN Sustainable Development Goals (SDGs), investors are increasingly demanding that their investments contribute to a "better world" (Wins and Zwergel 2016; Bauer et al. 2019; Barber et al. 2021). An impact view is also salient in the sector's self-representation, with the UN PRI recently adding a change-oriented perspective to its assessment of signatories (UN PRI 2020) and at the regulatory level with the EU Sustainable Finance Taxonomy (European Parliament 2020). Individual success stories, such as sustainability-focused hedge fund Engine No.1, which won three seats on Exxon Oil's board to accelerate the company's transition to sustainability (Hiller and Herbst-Bayliss 2021), are fueling this evolution.

However, to develop investment solutions and policies that accelerate the transformation process of the economy, it is necessary to understand those parameters that determine the non-financial impact of the SRI sector (Schwirplies and Ziegler 2016). In this context, it is important to differentiate between the *impact of a company* and the *impact of an investment product* on the behavior of this company (Kölbel et al. 2020). The latter, which Kölbel et al. (2020) call "*investor impact*", is what interests us in this article. Although there is extensive literature on SRI, and although the first academic studies (e.g., Landier and Lovo 2020; Clementino and Perkins 2020; Pástor et al. 2021; Hoepner et al. 2022) and some practitioner reports (GSIA 2020; Eurosif 2018) have begun to explore the concept of investor impact, many questions have yet to be answered.

To narrow the research gap and to bring more methodological clarity to the academic discussion, we analyze in our exploratory study how investor impact is implemented in the ethical investment policies of socially responsible fund providers. Based on a typological content analysis following Kuckartz (2016), we first construct an impact-focused category system with twelve clearly distinguishable criteria. Five criteria are newly developed indicators that can be used to separate those fund providers that credibly strive for sustainability improvements from those that merely pretend to be impact-focused. We call these criteria "impact orientation indicators" (IOI). The other seven criteria describe the strategies that the SRI fund providers apply to influence the sustainability development of their portfolio companies. We label these criteria "investor impact strategies" (IIS) and briefly address the effectiveness of IIS in influencing corporate behavior. In the second step, based on these twelve criteria, a typology of fund providers is created. Here, three types are distinguished: ESG hermits, ESG ambassadors and ESG evangelists. ESG hermits are characterized by a strong emphasis on purity and a rather weak impact orientation. They therefore tend to utilize IIS that defend the purity claim but also show a weaker investor impact, for example, exclusion or divestment. In contrast, ESG ambassadors emphasize that they contribute to positive change in portfolio companies. Their impact orientation is much stronger. Although ESG ambassadors also rely on exclusion and divestment, they additionally apply positive approaches to increase their impact. The last group, the ESG evangelists, has the strongest impact orientation. In addition to ESG ambassadors' tools, ESG evangelists amplify their impact through various forms of shareholder engagement, either individually or in collaboration.

Our research contribution is as follows. We are the first to provide an impact-focused typology of socially responsible investment companies. By focusing on investor impact, we set a clear counterpoint to those researchers and practitioners who classify SRI funds either by their screening intensity (e.g., Renneboog et al. 2008; Lee et al. 2010 or Pérez-Gladish et al. 2012) or by their financial impact (e.g., Friede et al. 2015). In this sense, our pioneering work adds a new assessment dimension to both the research and practice of SRI. Second, we structure the literature in this area to enable further studies in the emerging research field of the investor impact of SRI funds. We identify many interesting avenues for future research, such as the effectiveness of different IIS, measuring investor impact or benchmarking performance based on a fund provider's impact orientation. Finally, our findings should encourage investors, for whom investor impact is more than just empty words, to take some time to investigate the ethical investment policies of their investment options.

2. Conceptual Foundation

In recent years, there is a growing awareness for global challenges such as biodiversity loss (WWF 2016), overconsumption of natural resources (Moore et al. 2012) and especially climate change. For example, in 2015, the UN Sustainable Development Goals were launched, which outline sustainability goals for all United Nations (UN) members. That same year, 195 countries pledged in the Paris Climate Agreement to limit global warming to below two degrees Celsius to combat climate change. This development has had a lasting and significant impact on the understanding of SRI; whereas in the early years, purity considerations and the protection of one's own conscience were paramount, the focus has now shifted to SRI's contribution to social and environmental development.

At the regulatory level, this is reflected, for example, in the EU Action Plan for a Greener and Cleaner Economy. There, sustainable investments are now identified as an important tool for fulfilling the Paris Agreement (European Commission 2018). In other jurisdictions, pension funds, asset managers and other institutional investors are mandated to disclose how they take environmental, social and governance (ESG) considerations into account in their investment decisions (OECD 2017). An increasing emphasis on impact can also be observed in the sector's self-representation. For example, the UN PRI, the largest SRI advocacy group with more than 2000 signatories, recently added a change-oriented perspective to its signatory assessment (UN PRI 2020). In addition, asset managers and owners in the EU lately demanded that rating agencies focus more on a company's actual sustainability performance and the impact of its products, and less on data disclosure or company policies (European Commission 2021). Finally, the 2020 UK Stewardship code emphasizes the importance to create sustainable benefits for the economy, the environment and society (FRC 2020). Lastly, investors are also paying more attention to the impact of their investments on sustainable development when selecting their investment service providers. Research here is conducted by Sandberg and Nilsson (2011) as well as Wins and Zwergel (2016). Both studies found that the majority of SRI investors want fund management to increase the sustainability performance of portfolio companies, with 90% of investors in Sweden (Sandberg and Nilsson 2011) and 86.4% of investors in Germany (Wins and Zwergel 2016) demanding this. In a recent study, Barber et al. (2021) found that investors are even willing to pay more for investments that have a positive impact. Furthermore, Bauer et al. (2019) showed that when investors have a say in a fund's investment policy, they prefer activities that promote sustainable development. In summary, regulators as well as leading SRI institutions and investors all increasingly focus on influencing corporate behavior.

However, to develop investment solutions and policies that accelerate the sustainability transformation of the economy, it is necessary to understand the parameters that determine the non-financial impact of the SRI sector (Schwirplies and Ziegler 2016).

Here, it is important to not confuse the *impact of a company*[1] with the impact of an investment product on that company. Whereas the former has a direct influence on the sustainability development through its business activities, the latter does not. The *impact of an investment product*, or "*investor impact*", is rather indirect, as shareholders can influence the management decisions of their portfolio companies (Brest and Born 2013; Brest et al. 2018).

First studies are starting to explore the concept of investor impact. For example, the theoretical studies of Landier and Lovo (2020) and Pástor et al. (2021) explore whether an investor can generate positive impacts. Landier and Lovo (2020) design an equilibrium model of a productive economy with negative externality effects. They show that in such a model, an ESG fund can influence the behavior of portfolio companies. With a similar method, Pástor et al. (2021) show that socially responsible investing generates a positive impact: First, it makes firms greener, and second, it increases the overall real investment activities of green firms while simultaneously decreasing the investment activities of brown firms. In their analyses, however, neither study distinguishes which strategies account for this effect.

IIS have also been the subject of some recent empirical studies. For example, Slager and Chapple (2015) and Clementino and Perkins (2020) analyzed the effects of exclusion threats on corporate behavior. Whereas Slager and Chapple (2015) found that firms at risk of being excluded more often improved their sustainability performance, Clementino and Perkins (2020) observed that pressure from investors can lead to a hostile organizational response. They note that such a reaction is more likely when management sees no business benefit in responding to investor demands. Baker et al. (2018) and Zerbib (2019) examined how positive selection affects corporate debt prices. Whereas Zerbib (2019) found a negative yield premium of 0.02% on average, Baker et al. (2018) reported a negative yield premium of 0.06%. Gifford (2010) as well as Dimson et al. (2015) studied the effects of shareholder dialogue. With a case study approach, Gifford (2010) showed that a high share of capital and management open to external input increased the prospects of success. Dimson et al. (2015) investigated the effects of engaging in long-term dialogue with senior management and found that in 18% of cases, changes were implemented in line with investors' demands. Further, Hoepner et al. (2022), Barko et al. (2017) and Dyck et al. (2019) explored the role of shareholder resolutions in improving corporate sustainability. Hoepner et al. (2022) found that the proposal led to sustainability improvements in 31% of cases. They also observed that ESG engagement reduced the company's risk exposure and was therefore financially beneficial. Dyck et al. (2019) and Barko et al. (2017) examined how shareholder proposals affected the ESG ratings of the targeted companies. They found that ratings improved, which is an indicator of successful engagement. However, although fund providers typically combine IIS, all studies conducted an isolated assessment and neglected the effects of the interplay of strategies.

The GSIA (2020) or Eurosif (2018) practitioner reports analyze which IIS are applied. They distinguish very broadly between exclusion (i.e., both negative and norm-based screening), positive approaches (i.e., both positive and best-in-class investing) and shareholder engagement strategies. Further, the reports note that IIS may be applied in combination, but do not specify which IIS occur together and whether there may be specific patterns here. Another research topic that arises in the context of investor impact is the credibility of impact claims. Both Heeb et al. (2021) and Busch et al. (2021) warn against products that claim a sustainability effect but at best make investors feel good. However, research has not yet addressed the issue of developing indicators to distinguish providers of such products from those that credibly strive for sustainability improvements. Overall, the concept of investor impact remains largely unexplored to date (Kölbel et al. 2020).

We take the growing awareness for investor impact on the one hand and the lack of academic research on investor impact on the other hand as a starting point for this exploratory study. We will focus on how investor impact is implemented in the ethical investment policies of socially responsible fund providers. For a sample of SRI fund providers, we analyze what strategies are applied to influence the sustainability development of their portfolio companies and examine whether there are indicators to separate those fund providers that credibly strive for sustainability improvements from those that merely pretend to be impact-focused. Based on these results, we then explore if there are different types of fund providers. In the next chapter, we will explain in more detail how we proceeded, and also describe the five IOIs and the seven IISs.

3. Data and Method

To analyze how investor impact is implemented in the ethical investment policies of providers of publicly traded SRI funds, we screened over 400 documents with approximately 8500 pages from 45 different providers from the USA, Germany, Austria, Switzerland, France, Spain, and the United Kingdom. To portray the market-oriented self-representation, we considered only publicly available information material. We also chose to analyze the full sample to be able to make general statements about our sample of SRI fund providers. Methodologically, we followed Kuckartz's (2016) typological content analysis. The method is particularly suitable for exploratory studies, as it allows for an open but systematic and rule-based investigation of both explicit and implicit communication (Kuckartz 2022).

The following Figure 1 outlines how we proceeded here:

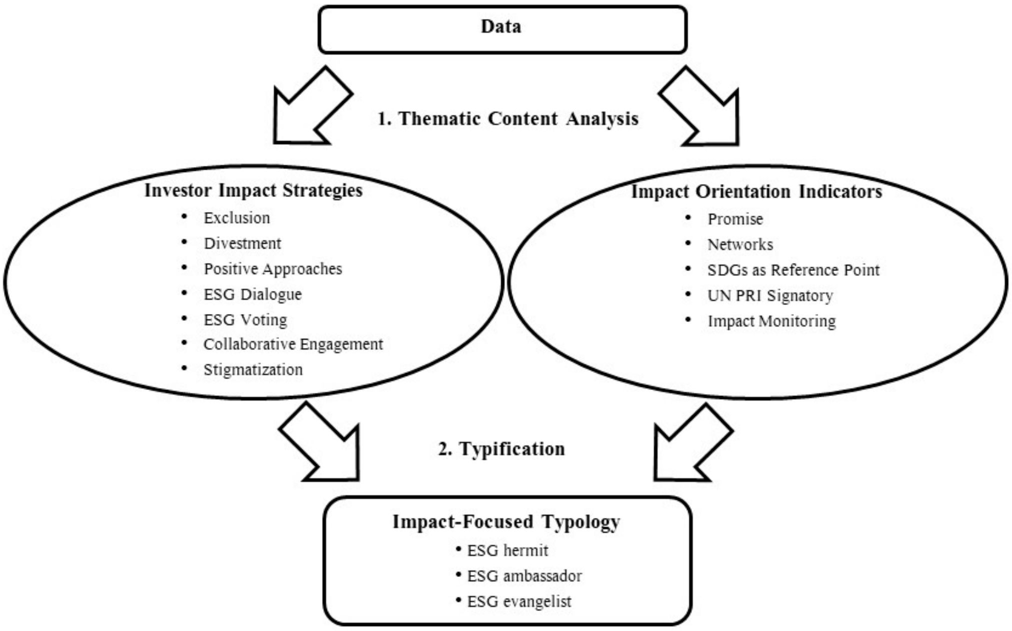

Figure 1. Methodical approach.

3.1. *Thematic Content Analysis*

As a first step, we conducted a thematic content analysis and examined the 45 cases using MAXQDA 2020 (VERBI Software 2020), a data analysis software. Initially, we structured the material along our research question and based on our conceptual foundation. Following an exploratory-inductive approach, we coded each segment of the material that contained information about ethical investment strategy. We then defined top categories and assigned each segment to a category. Next, we functionally reduced the categories that shared many common attributes, arriving at 56 clearly distinguishable categories. These categories were then discussed, and the material was recoded several times by two researchers to identify those criteria that best determined the underlying impact perspective of a provider of socially responsible funds.

During this process, impact implementation was found to occur along two dimensions: IOI and IIS. Some of the IIS were already the subject of scientific analysis by other researchers, but the IOI were mostly newly developed during the thematic content analysis. At the end, we selected the most relevant categories for each dimension from our category pool based on theory. In the next two sections, we will briefly describe them.

3.1.1. Description of the Impact Orientation Indicators

The first IOI is the *promise* that the respective fund providers make in their marketing material. What do they want to be associated with? What image is transported to the customers? How do they try to differentiate from their competitors? Broadly speaking, an emphasis on purity and the protection of investors' conscience contrasts with an emphasis on investor impact. Of course, these two extremes are not necessary mutually exclusive. Rather, they indicate the spectrum of different promises that exists. Although these self-statements must be taken with caution, they may serve as a complementary indicator to evaluate the impact orientation of a fund provider.

Our second IOI would be the membership in *networks*. This can be networks that promote global sustainability improvements or networks that additionally have a common normative foundation as another unifying dimension. Examples for the former would be the Carbon Disclosure Project (CDP) or the European Sustainable Investment Forum (Eurosif), and for the latter, the Interfaith Center on Corporate Responsibility (ICCR). The networks have multiple roles to play for their members: influencing public policy, exchanging information and best practice and promoting a greater awareness for socially responsible investing in society at large or coordinating shareholder engagement (Goodman et al. 2014). Additionally, those networks are instrumental for establishing social norms (Cialdini and Trost 1998) and the intra-group dynamics might lead to increased sustainability efforts of the members. Research on charitable giving has shown that it is easier to convince potential donors if they find others to give too (DellaVigna et al. 2012; Shang and Croson 2009). Overall, membership in networks (even more leading or starting one) signals that a contribution towards sustainability transition is abecedarian for the fund provider.

Our third IOI is taking the *SDGs as a reference point*. They were launched by the United Nations in 2015 in response to global challenges such as climate change, overconsumption of natural resources, poverty or undernourishment. This sustainability agenda covers 17 targets for all member states of the United Nations and may therefore serve as a global action framework to reach the most urgent sustainability goals (UN 2015). It is in fact well recognized that the SDGs cannot be reached by the public sector alone. Rather, a joint effort with the private sector is needed with the latter having to close a funding gap of 80% of the total costs of 75 trillion US-Dollar (PRI 2017). Consequently, an investor who incorporates the SDGs into its ethical investment policy and aims to allocate capital towards achieving the SDGs should also possess a strong impact orientation.

Our fourth IOI is being a *signatory of the UN PRI*. This is because UN PRI members explicitly self-commit to follow an active, change-orientated investment policy. Principle two, for example, declares: "We will be active owners and incorporate ESG issues into our ownership policies and practices" (UN PRI 2018, p. 5). The UN PRI are committed to understanding the impact of ESG factors on investments. With their annual assessment reports, the UN PRI actively supports the signatories to improve their socially responsible investment practices. Further, the PRI clearinghouse provides the largest platform for shareholder engagement. Being a UN PRI signatory therefore clearly signals a strong impact orientation.

The fifth IOI is the existence or absence of *impact monitoring*. As Dillenburg et al. (2003) rightly note, only "what gets measured gets managed". Consequently, if an investor aims to achieve impact and increase its impact effectivity, a structured and timely impact monitoring is inevitable. Impact can be measured in quantitative or qualitative terms. An example for the former would be a reduction of CO_2-emissions and for the latter a commitment to address child labor in the value chain. There are currently numerous initiatives aimed at harmonizing corporate reporting on ESG issues. For example, the International Organization of Securities Commissions has expressed its ambition to accelerate the standardization of sustainability metrics. The International Federation of Accountants has advocated the establishment of an International Sustainability Standards Board, and the World Economic Forum (WEF) has launched an initiative to define common metrics for sustainable value creation (WEF 2020). Among others, three main reasons for impact monitoring must be mentioned. First, it allows the fund provider to focus its limited resources on the relevant areas and portfolio companies. Second, it enables the fund provider to change the IIS, for examples involving other stakeholders or collaborating with other investors, if the intended outcome is not achieved. Third, the documentation of their activities is used for reporting to their clients. Such an investor impact report may contain case studies of successful engagements or an overview of the carbon footprint of the different portfolio companies. Proper impact monitoring is therefore another IOI; or expressed the other way around: An investor claiming to be impact-focused but lacking impact monitoring is, at best, unprepared.

3.1.2. Description of the Investor Impact Strategies

There are two principal mechanisms for fund providers to affect corporate sustainable development: *financial influence* and *investor advocacy influence* (Waygood 2011). The first mechanism refers to the investor impact on the company's capital costs through buying or selling equity and debt instruments: As firms can raise less (more) capital if the capital costs increase (decrease), this constrains (extends) its business activities. IIS that apply the first mechanism are exclusion, divestment and positive approaches. The second mechanism refers to any IIS in which investors use their ownership rights to influence management. IIS that apply the second mechanism are ESG dialogue, ESG voting and shareholder proposals as well as collaborative engagement. Additionally, with stigmatization, we identified an IIS that applies both mechanisms. Here, investors are either deterred, which affects the cost of capital, or they are urged to use their share ownership to influence the management of the company.

The first IIS, *exclusion* or negative screening is the practice of eliminating any company from the investment universe whose products or business practices are considered "unethical". Exclusion can be implemented in several ways. Some investors shun only certain business practices, whereas others even exclude entire industries. Some investors extend the exclusions to a company's subsidiaries, whereas others also consider suppliers or even financial institutions. Often, the decision to exclude is based on exceeding a specific threshold, either in terms of revenue shares or absolute revenue amounts. Empirical findings on the effectiveness of exclusion are inconclusive. For example, whereas Derwall et al. (2011) and Slager and Chapple (2015) find that exclusion affects corporate behavior, Richardson (2009) and Häßler and Markmiller (2013) state that exclusion does not have a significant impact on managerial attitudes. In fact, Clementino and Perkins (2020) discover that in some cases institutional pressure actually causes firms to respond adversely.

Divestment is also a common IIS, either as an immediate response to negative developments or as a last resort in an engagement process. This is an aggressive form of exclusion because, in addition to excluding a company's shares from future purchases, the portfolio is also cleansed of existing positions (Dawkins 2018). Triggers for divestment might be a worsening of the ESG rating, the involvement into a controversy or that a problematic aspect has been overlooked in the initial screening process. Luo and Balvers (2017) show in a theoretical model, that the market requires a firm with a controversial business to pay a premium for the systematic investor boycott risk. Furthermore, Dawkins (2018) argues from both a theoretical and ethical perspective, that divestment, especially when combined with shareholder engagement, is a very effective tool for improving sustainability. Empirical evidence, however, does not support these theoretical considerations. For example, Teoh et al. (1999) found no effects of the divest South Africa movement on the financial situation of targeted companies. Another divestment campaign, the Sudan Accountability and Divestment Act (SADA) in 2007, also had no effect on the share prices of the companies concerned. (GAO 2010).

In contrast to the rather confrontational IISs of exclusion and divestment, *positive approaches* reward particularly exemplary companies. This approach goes beyond a pure "do-no-harm" approach, i.e., it not only excludes the most questionable companies, but also invests specifically in securities that make a positive contribution to sustainable development. They can have the form of either best-in-class or positive screening. The aim is to increase share prices and reduce financing costs to encourage and assist socially responsible behavior, which is the inverse of exclusion strategies. Empirical studies of Slager and Chapple (2015) and Clementino and Perkins (2020) show the success for equities, whereas Baker et al. (2018) and Zerbib (2019) show it for corporate debt. Further, there is evidence from Dimson et al. (2015) that this strategy should also be financially rewarding.

The next IIS, *ESG dialogue*, comprises all activities in which investors enter into a direct exchange with company management on ESG issues. Reasons might be a sudden drop in the ESG rating or an effort of the investor to encourage the company to achieve more ambitious sustainability goals. The ESG dialogue can be conducted in various forms: in private by letter or e-mail-writing, telephone calls, on-site visits with one-on-one meetings or in public by asking critical questions at annual general meetings or sending open letters. In addition, some investors enter into dialogue even before they have bought into the stock, either if an ESG rating is missing or if there are business practices worthy of discussion.

Gifford (2010) and Dimson et al. (2015) both examine the impact of ESG dialogue and classify it as a useful tool to affect corporate change.

A more formal way of influencing the firms' management is to submit *shareholder proposals* and to exercise *voting* rights, with the latter being the most widely used form of Shareholder Engagement (Louche 2015). There are certain service providers such as Institutional Shareholder Services (ISS) that offer operational support and also provide voting recommendations. In the context of SRI, it is important to differentiate between the general proxy voting on behalf of the clients of the fund provider and an explicit ESG voting strategy that systematically incorporate ESG aspects. For ESG voting against management to be successful, a sufficient large share of ownership is necessary. However, even if voting is not successful, a sufficient large share of opposition might still lead to changes in the company's business activities. Therefore, some companies have started to pool their voting rights on ESG issues with other like-minded investors. Hoepner et al. (2022), Barko et al. (2017) and Dyck et al. (2019) study the effects of shareholder proposals and all find this tool to be effective in improving corporate sustainability performance.

In the next IIS, *collaborative engagement*, investors form coalitions and pool their influence, for example, for fighting climate change or improving human rights (Dyck et al. 2019; Chen et al. 2020). This can be done via engagement platforms such as the PRI clearinghouse or via direct engagement partnerships between investors with similar ESG policies. A prominent case of successful coordination are the three seats on Exxon Oil's board for sustainability-focused hedge fund Engine No.1 to accelerate the shift towards greater sustainability (Hiller and Herbst-Bayliss 2021). According to Dimson et al. (2013) and Dimson et al. (2018), this form of engagement is highly effective, as it leverages the shareholders' influence without increasing the risk of being under diversified in an asset.

The final mechanism we found in our data is *stigmatization*. Here, investors malign the company's image to, on the one hand, deter other investors and influence the cost of capital and, on the other hand, generate public pressure, e.g., through media campaigns. This IIS can be used either in isolation or as part of an engagement strategy. Involving other investors and other stakeholders is the aim. The consequences of such a campaign can be that companies have problems finding new employees (Kölbel et al. 2020) or that banks stop financing certain activities (Sorkin 2015). Research in the context of SRI is very thin, however, adjacent areas give at least some indirect evidence. King and Soule (2007) document that social movements could influence the stock prices of a targeted company. However, they did not investigate how those affects actually lead to changes within the targeted corporations. Indirect, anecdotal evidence for stigmatization to be successful comes from Markman et al. (2016). The authors document that the nongovernmental organization (NGO) People for the Ethical Treatment (PETA) succeeded in conducting a media campaign to end the practice of sheep mulesing. The campaign not only impacted the targeted apparel retailers, but also disrupted the entire apparel industry and even spilled over into adjacent industries. Waldron et al. (2014) find both successful public campaigns, e.g., from the Rainforest Action Network (RAN) and unsuccessful ones, e.g., from Greenpeace. In a later study, Waldron et al. (2019) find Oxfam and GLAAD to be successful, whereas the campaigns of Friends of the Earth and PETA failed. However, it stands to reason in how far the toolbox of an SRI investors is comparable to the options of NGOs.

3.2. Typification

The result of the thematic content analysis is an impact-focused category system with twelve criteria, five IOIs and seven IISs, to evaluate the ethical investment policies. To confirm the validity of our category system, we had two independent research assistants each code a random sample of approximately 10% of the coded segments. We prioritize greater external objectivity, so neither were involved in the design of the category system (Kolbe and Burnett 1991). As a statistical measure for the reliability of agreement, we choose Fleiss' Kappa and obtained a value of 0.704, which according to Landis and Koch (1977), represents a substantial agreement and suggests a high confidence in the category system. Following Campbell et al. (2013), we then discussed the results to eliminate weaknesses in the category system.

Based on this impact-focused category system, we develop a typology of socially responsible fund providers. For that typology to reflect the observed reality most accurately, we decided to inductively create polythetic types through pragmatic reduction (Bailey 1972). Following the typification approach of Kuckartz (2016), we first used the category system to create case summaries for every socially responsible fund provider. In the second step, we ranked, sorted and grouped the case summaries according to their similarity. In the third step, we decided how many groups would be appropriate. In an iterative process, we repeated these steps several times, discussing ambiguous cases and then assigning them to a type until we had groups that were clearly distinguishable and internally consistent. In the final step, we creatively formulated type descriptions that should reflect the characteristics of each type as accurately as possible.

4. Results

In this section, we will provide a detailed description of the profiles of every type of fund provider. For that purpose, we constructed model cases as described by Kuckartz (2022). It must be noted that only the joint use of the IOIs allows for a sound assessment of the investor impact orientation. Overall, we classified around 25% of our sample as ESG hermits, another 25% as ESG ambassadors and around 50% as ESG evangelists. Table 1 provides an overview of the main differences and similarities between those three types:

Table 1. Contrasting the three main types of fund providers.

	ESG Hermits	ESG Ambassadors	ESG Evangelists
1. Indicators for Impact Orientation			
Promise	purity	investor impact	investor impact
Networks	None	Sustainability networks	Sustainability networks + normative networks
SDGs as Reference Point	No	Yes	Yes
UN PRI Signatory	No	Yes	Yes
Impact Monitoring	None	None	yes
2. Investor Impact Strategies			
Exclusion	yes	yes	yes
Divestment	divestment as first option in controversies	divestment as first option in controversies	first engage, then divest in controversies
Positive Approaches	no	yes	yes
ESG Dialogue	no	no	yes
ESG Voting and Shareholder Proposals	no	no	yes
Collaborative Engagement	no	no	yes
Stigmatization	If used, only to confront and pressure	None	If used as last step of escalation in engagement strategy

4.1. ESG Hermit

ESG hermits are primarily concerned with staying away from any business activities that are "unethical" by their own definition. Actively influencing portfolio companies is therefore negligible for this type. The investment solutions are aimed at customers who want to be active in the financial markets, but for whom a "clear conscience" is important above all.

> *"Investors no longer need to choose between sacrificing the opportunity for strong risk adjusted returns or their integrity." (fund provider from the USA)*

ESG hermits are not part of any network and do not take the SDGs as a reference point for their ethical investment policies. Further, they have not signed up to the UN PRI and thus shy away from a critical review or even an external audit of their investment practices. This may indicate that ESG hermits are highly convinced of their ideas, strategies and ethical judgments and prefer not to be influenced. Consistent with the negligible importance of investor impact, they have no tools to track the success of their activities. Instead, ESG hermits continuously monitor the conformity of their portfolio companies to their definition of an "ethical" business. For this purpose, they use professional third-party screening providers such as MSCI ESG Research or ISS ESG, but do not rely on these external sources only. Instead, ESG hermits also use their own internal research tools to check whether the accusations are substantiated, for example, in the case of a scandal. The explanation for this costly dual control is that the protection of their own reputation is paramount for survival.

> *"Our staff reassess the company to verify or refute the accusation. We can't go on what someone else has said." (fund provider from the USA)*

Overall, it must be noticed that the impact orientation of ESG hermits is rather weak, as their primary goal is to protect clients' consciences. Consequently, they apply the more confrontational IISs of exclusion, divestment and stigmatization, which tend to be less effective in generating investor impact.

The way ESG hermits approach exclusion is very purity-focused. For example, they criticize the use of "ethical thresholds"—an approach in which an investment in a stock is acceptable until a pre-determined percentage of revenue is generated by "unethical" practices. In their view, this is an unacceptable ethical compromise, which is why they tout their own zero-tolerance policy as a better alternative.

> *"We will not invest a single penny into any company that violates our filters." (fund provider from the USA)*

Additionally, they claim to screen more comprehensively than others and therefore to consider not only the companies themselves, but also their suppliers and subsidiaries.

If it is found that a company is less ethical than previously assumed, it will be divested. No attempt is made to enter into dialogue, nor are other options taken to resolve the matter. This behavior can be explained by concerns that scandals may be indirectly associated with the ESG hermit, which would damage its reputation (Husson-Traore and Meller 2013) and negatively impact future business prospects. There might be differences in the pace of divestment, however. Whereas some ESG hermits sell the stock immediately after a critical event, others have a certain "grace period" to balance financial and ethical effects.

Some ESG hermits express their opposition to certain corporate practices very clearly by practicing stigmatization. However, instead of being embedded in an engagement strategy, this approach remains purely confrontational. The accusations are directed either at companies that have lost favor with the ESG hermit because of their controversial behavior and have been divested, or at companies that are "evil" and therefore will never be considered. Whereas in the first case the accusation is intended to legitimize the decision to sell (even if this would mean foregoing profits), in the second case the aim is to involve other investors as well as relevant stakeholders to force the companies to alter their "immoral" behavior. As a side effect, public attention also serves as inexpensive marketing to attract new customers who also disagree with the behavior of the targeted companies. An example here would be a fund provider from the USA that publishes a so called "hall of shame".

Comparable to a hermit in the desert, fund providers of this type try to remain as pure as possible and therefore avoid any contact with "unethical" people, companies or ideas.

4.2. ESG Ambassador

ESG ambassadors see themselves as having a customer mandate that is much broader than just the mandate to maintain a "clear conscience". Therefore, in contrast to ESG hermits, ESG ambassadors follow a more change-oriented logic and claim that investing with them will positively impact the environment and society. One fund provider even changed the name of its fund into "global impact fund" to further emphasize its impact orientation. The investment products are consequently targeted at customers who want to achieve a positive impact.

> *"Investments designed for performance and a better world." (fund provider from the USA)*

ESG ambassadors also strive to exert influence via sustainability networks such as national sustainable investment forums or initiatives such as the carbon disclosure project. Such heterogeneous networks provide ESG ambassadors with valuable contacts and serve primarily to share information and best practices. The impact orientation can also be seen when looking at the way ESG ambassadors select their portfolio companies. Here, the SDGs serve as a reference point to either exclude companies that hinder the achievement of the SDGs or to include companies that contribute to their achievement. An example would be a company that makes affordable medicines available (SDG 3) or that provides telecommunications infrastructure in emerging and developing countries, enabling access to information and education (SDG 4 and SDG 9). Further, ESG ambassadors are signatories of the UN PRI. That way they commit to a change-orientated investment policy but are also exposed to an external impact audit of their investment practices. However, the success of the ESG ambassadors' IISs is not tracked by any form of impact monitoring. This, of course, casts doubt on the claim that they strive to positively impact environment and society. Despite this shortcoming, the overall impact orientation must be classified as medium to strong compared to the ESG hermits.

The stronger impact orientation of the ESG ambassadors is also reflected in the applied IISs. For example, ESG ambassadors also practice exclusion, but instead of "purity", the aim is to avoid negative impacts. In addition, the portfolio companies' efforts to mitigate these negative impacts are included in the evaluation.

> *"It is taken into account whether companies counteract the negative effects, compensate for them or prevent them completely." (fund provider from Germany)*

However, when ratings deteriorate, ESG ambassadors follow the same divestment strategy as ESG hermits.

Along with these confrontational IISs, ESG ambassadors apply rather cooperative IISs. With positive approaches such as best-in-class or positive screening, they foster companies that meet superior ESG standards. The awareness that a pure do-not-harm approach falls far too short is the motivation to implement this IIS.

> *"From the outset, they wanted to go beyond a pure do-no-harm approach, i.e. not only exclude the most questionable companies and countries, but also invest specifically in securities that make a positive contribution to sustainable development." (fund provider from Germany)*

Engagement activities such as ESG dialogue or ESG voting and shareholder proposals, however, are not part of the ESG ambassador's toolbox. Given that these IISs are arguably more effective in achieving investor impact, we perceive a gap between theoretical impact orientation and practical implementation. Whether this is an indication that ESG ambassadors are practicing "impact washing" (Busch et al. 2021) or a result of being unaware of differences in the effectiveness of the IISs could be an interesting research question for future studies. Another difference is that ESG ambassadors, unlike ESG hermits, do not use stigmatization to impose their agenda upon portfolio companies.

This type of fund provider has a clear idea of how its portfolio companies should operate and which activities and industries to avoid. However, instead of pushing companies to make sustainable transformations, ESG ambassadors offer support in exchange for sustainability improvements. Companies are free to accept the offer, but if they reject it or even change for the worse, their shares are sold without any prior engagement activities. The allegorical equivalent for this type of fund provider would therefore be a polite ambassador.

4.3. ESG Evangelist

Similar to ESG ambassadors, ESG evangelists are primarily concerned with positively impacting the environment and society. The investment products are consequently targeted at customers for whom a positive impact is important above all.

> *"The Bank's active ownership approach is to support long-term, sustainable development. As an active owner, we incorporate environmental, social and governance (ESG) issues into our investment ownership policies and practices and seek to reduce the negative impact on society and the environment and to promote sustainable growth." (fund provider from Switzerland)*

ESG evangelists are active in two different types of networks. Sustainability networks are used to influence public policy, to exchange information or to promote a greater awareness for socially responsible investing. Additionally, they are part of normative networks. Since the value basis here is very similar, those networks are often used to coordinate engagement activities.

ESG evangelists possess a clear understanding of contemporary challenges, consequently taking the SDGs as a reference point for the investment selection. Moreover, they are signatories of the UN PRI and also take part in external audits of their business practices. This type of fund provider also makes use of the PRI clearinghouse, which coordinates engagement activities. To ensure that limited financial and human resources are allocated in the most efficient way, ESG evangelists employ impact monitoring. They therefore show the strongest impact orientation of all three types.

In terms of IISs, ESG evangelists take a flexible approach, and select from the bouquet of measures those that are best suited to the situation at hand. They use screening, negative and positive, but instead of dividing the investment universe into good and bad companies, they employ a differentiated approach guided by an impact logic.

> *"In a few cases, exceptions are made for companies with which we are engaged in productive shareholder dialogue or that are making notable progress on areas that concern us." (fund provider from the USA)*

Although protecting their credibility is also important to ESG evangelists, they do not directly divest if their investment screens are violated. Instead, in case of a breach, they prefer to first initiate an engagement process. However, if the case cannot be resolved to their satisfaction, divestment is explicitly earmarked as the last option. This decision to additionally apply shareholder engagement is justified by the goal to achieve investor impact and the use of shareholder engagement thus becomes a question of credibility:

> *"It is only through engagement that the vision of an often postulated "double return" is credibly pursued." (fund provider from Austria)*

ESG evangelists actively participate in ESG dialogues, for example, by writing letters or meeting with senior executives. Further, they have an explicit ESG voting policy to support shareholder proposals that address sustainability issues, but also regularly submit their own proposals. ESG evangelists often do not carry out these activities alone. Instead, they partner with other like-minded investors. Such collaborative engagement is beneficial because influence can be increased without having to increase the portfolio weighting of a company in the portfolio. The PRI clearinghouse plays an important role in coordinating collaborative engagements, but ESG evangelists have also established their own direct engagement partnerships with like-minded investors. Some even launched their own engagement networks, for example, the "Shareholders for Change" initiative. Although stigmatization is also part of the toolbox, it is very rarely utilized. The clear preference is to reach a settlement without public involvement, as such escalation damages long-term partnerships and the relationship of trust. Stigmatization would only become an option if several attempts and different forms of private shareholder engagement failed to solve the problems at hand.

> *"This means that, unless otherwise agreed, the content of the majority of our meetings is kept confidential between the company and us as an investor. However, we recognise the importance of the media as a tool for delivering change and are not afraid to comment on poor practice (as a method of escalating our engagement) or to engage with the press to raise the profile of important issues and initiatives." (fund provider from the United Kingdom)*

In conclusion, the mission of this type is nothing less than to change the world through its investments. ESG evangelists do not shy away from using confrontational IISs but apply them only very selectively. Their preferred IISs are various forms of engagement. The idea here is to convince portfolio companies to follow the proposed changes and ultimately enthrall them for sustainability improvements. We therefore name this type the ESG evangelist.

5. Discussion and Future Research

The concept of investor impact remains relatively unexplored to date (Kölbel et al. 2020). Our article intends to expand the knowledge in this field by analyzing how investor impact is implemented in the ethical investment policies of socially responsible fund providers. In the first step of our exploratory study, we identify seven IISs and five IOIs and also briefly address the effectiveness of the different IISs in influencing corporate behavior. In a second step, we built on this to create a tripartite typology. Our results suggest that socially responsible fund providers with a stronger impact orientation, such as ESG evangelists, also employ strategies that are more likely to achieve investor impact. In contrast, fund providers with a weaker impact orientation, such as ESG hermits, focus more on purity aspects and therefore tend to utilize strategies that defend the purity claim but also show a weaker investor impact.

We assume that the strong practical differences among socially responsible fund providers are connected to a general moral orientation that is deeply rooted within these organizations. Peifer (2011) distinguishes two opposing poles here. At one extreme, there are those who screen out unethical companies as a preferred means for morally sound investing. This aligns with Max Weber's historical description of *value-rational action*, in which "the value for its own sake... regardless of its prospects of success" (Weber [1922] 1978, pp. 24–25) is pursued. At the other extreme are those for whom the preferred means of obtaining a moral portfolio is to own shares in "unethical" companies and then practice shareholder engagement. This corresponds to Weber's *instrumental orientation*, in which "the end, the means, and the secondary results are rationally considered" (Weber [1922] 1978, p. 26).

Of course, these two types are not necessary mutually exclusive. Rather, they indicate the spectrum of different impact orientations that exists. Consequently, in our study, we do not find these two Weberian types in pure form. Rather, we observed socially responsible fund providers practicing negative screening only and others that added qualitative screening or shareholder engagement to it.

Recently, the "Theory of Change" has become an important analytical tool in the field of sustainability in general and sustainable investment in particular[2]. It points "to the construction of a model that specifies the underlying logic, assumptions, influences, causal linkages and expected outcomes of a development program or project. . . . this model can be tested against the actual process experiences and results attained, by the intervention" (Wendt 2021, p. 4). It is important to emphasize, however, that our types do not claim to already represent such a thoroughly reflected concept. Rather, they are an interim observation that can hopefully be complemented with other evidence to form a fully-fledged ToC explanation that may ultimately serve as a platform for a collective learning process of the various stakeholders.

We also discovered some interesting phenomena with our explorative study, for which a deeper analysis would go beyond the scope of this article. However, we wanted to briefly mention those findings. First, we found that ESG hermits are the least transparent, i.e., they disclose next to no information about their IISs or screens, whereas ESG evangelists are very transparent. An explanation could be that many of the type three fund providers primarily target retail investors and a lack of information discourages those to invest (Gutsche and Zwergel 2016). An alternative explanation would be that they use other distribution channels, e.g., direct sales partner and therefore less efforts are made to make information accessible on the internet. Second, we noticed opposing views towards the use of derivatives and short selling among all three types. Whereas of every type of fund providers some perceive them as evil and unethical, others explicitly use them to short the stocks of those companies that are involved in immoral businesses. Third, despite large difference in the impact orientation, all three types of fund providers practice exclusion. The explanation might be a historical one, as exclusion had played a central role from the very beginning of the SRI history. For example, the Quaker movement avoided doing business with anyone involved in slavery (Kinder and Domini 1997) and the divestment campaign of the 1980 and 1990 fought against the South African apartheid regime (Robinson 2002). Pragmatic reasons may play a role as well: exclusion does simply require less effort than consistently engaging with portfolio companies (Berry and Junkus 2013).

Our results open up many interesting research avenues. A first aspect would be to assess in more detail the effectiveness of the different IISs. In particular, the effects of strategies that aim to influence the cost of capital must be empirically assessed and quantified. For example, studies by Zerbib (2019) and Baker et al. (2018) for the green bond market suggest that these bonds trade at a negative yield premium, whereas Tang and Zhang (2018) find no such evidence. The start of quantitative tapering in the U.S. and the ECB's planned interest rate hikes could reinforce these effects. Moreover, it might be useful to assess whether and how long divestment campaigns affect stock prices and, more importantly, how much ownership is required here. With the extensive and coordinated divestment efforts against the highly capitalized fossil fuel industry, there would be a perfect example to evaluate this issue. It might also be very interesting to see how the combination of IISs affects the success rate. Dawkins (2018), for example, makes the case that combining engagement strategies with the threat of divestment increases the effectiveness.

There is also a need to develop reliable tools to measure investor impact. For the impact of investments in non-listed firms and specific projects, there are already some metrics standards such as GIIN, IRIS or GIIRS. Those allow investors to quantify or at least qualify their impact. A similar development is necessary for the listed market. Another interesting research topic would be to analyze the financial performance of the products of our three types. Previous research has shown that SRI and non-SRI funds deliver similar returns (see, e.g., Friede et al. 2015). However, the results might be different if we were to compare SRI funds based on our three types of fund providers, as there is evidence that engagement can lead to better performance (Dimson et al. 2015; Busch et al. 2016). The observed equal performance of SRI and non-SRI funds might mask potential performance differences between the products of our three types of fund providers.

In studies examining investors' expectations of the sustainability impacts of their investment providers, it may be useful to also consider the investment horizon in the study design, as especially retail investors often have a much shorter investment horizon than the time frame required to successfully address structural global problems such as climate change. Another question that could be explored in further studies is how differences in the financial weight of SRI funds affect their ethical investment policies. Whereas it could be argued that smaller funds need to be more innovative to secure market share, larger funds have more resources and more influence.

Furthermore, there are currently many initiatives aimed at establishing common metrics for sustainable value creation, e.g., by the International Organization of Securities Commissions or the World Economic Forum (WEF 2020). All these efforts will make it easier for investors to track the success of their activities. It will therefore be interesting to see whether these developments have an impact on the spread of impact measurement, making it a fundamental part of the ethical investment policy of fund providers. Finally, since this article focused on providers of publicly traded socially responsible funds, it would be interesting to conduct a similar analysis for providers of privately traded funds to enable a comparison of the results.

Due to the sample size and exploratory nature, the results of this study represent only preliminary ideas that need to be confirmed by more and larger samples. However, the ideas we have developed may be worth considering by policy actors, fund providers and investors. Regulators such as the EU Commission might want to start taking into account the impact that an investment generates, not just follow the purity claims that ESG hermits carry before them like a monstrance. The EU taxonomy, which currently leaves out the transformation aspects (Diener and Habisch 2021) and rates companies only according to the status quo, is therefore going in the wrong direction, in our opinion. Our findings may also encourage fund providers who want to make a difference to reconsider their exclusion or best-in-class strategy and turn to methods that are empirically proven to deliver investor impact. Finally, and most importantly, our results should encourage ethical investors, for whom investor impact is more than just empty words, to be pickier when selecting their investment solutions, as customers' choices determine the success or failure of a product. Worryingly, recent findings by Heeb et al. (2021) show that investors are generally willing to pay more for sustainable investments, but not necessarily for more impact.

In the end, purity and investor impact are opposing concepts. As long as investors, both private and institutional, demand purity-oriented products, they will almost certainly get them. The negative side effect of this demand is that unsustainable assets are transferred into private funds (The Economist 2022) or sold into jurisdictions with, for example, lower environmental standards. In this way, pure portfolios are created, but they have no real impact on sustainability, and one could even argue that this approach worsens the situation. That way, the hope that SRI will make an effective contribution to overcoming contemporary sustainability challenges will remain an illusion for the foreseeable future. It will be interesting to see which concept will prevail.

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Notes

1 There is an ongoing discussion about the ambiguity associated with rating a firm's impact; see for example Li and Polychronopoulos (2020) or Fish et al. (2019).

2 See Wendt (2021) for an up-to-date overview of best practice use cases and emerging topics.

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God's Stewards: A Global Overview of Christian-Influenced Mutual Fund Providers

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Abstract: Despite a large amount of assets under management and a strong influence on the sustainable investment movement, very little is known about what ethical investing looks like from a Christian perspective. We therefore analyzed the ethical investment policies of a unique dataset of Christian-influenced mutual fund providers using a structured–thematic content analysis. In detail, we looked at investment screens, investment techniques, and the public presentation of non-financial investment objectives. We note that, by and large, there is no "Christian investing" in the sense of an ethical investment policy that most fund providers have similarly implemented. The proposed explanation for the diversity is that the policies are determined by differing approaches to interpreting biblical texts and by divergent social and political influence factors. However, we have detected a unifying element among most Christians-influenced mutual fund providers: the intention to positively influence their portfolio companies' sustainability indicators.

Keywords: religion; faith-based investing; Christian finance; socially responsible investments; sustainable investing; SRI; thematic content analysis

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1. Introduction

At first glance, faith and investing seem to have little in common: on the one hand, the rational logic of financial markets; on the other, the world of religion, which seems to be based on mere beliefs rather than facts. In the past, this apparent contradiction led to fierce opposition by religious institutions to financial markets (Lewison 1999). Today, however, the relationship between faith and investing is rather symbiotic, and faith-based investors manage trillions of assets worldwide.[1]

But faith-based investing (FBI) is not only an important factor in today's global economy, it has had (and still has) a substantial influence on the sustainable investment movement: For example, from its very beginning, religious funds have been essential to the emergence of the socially responsible investment (SRI) industry (Kinder and Domini 1997; Kreander et al. 2004). More recently, religious investors have been an important factor in shaping the global sustainability agenda by advocating for the fulfillment of the UN Sustainable Development Goals (Palmer and Moss 2017) and combating climate change (ICCR 2015). Therefore, learning more about the different types of faith-based investment products also helps to increase the understanding of the wide range of ethical/sustainable finance products.

Theoretically, FBI covers all religiously affiliated investment approaches, but the two most important religions in that respect are Islam and Christianity (Adams and Ahmed 2013). In recent years, the topic of Islamic finance has gained increasing academic attention (Abdelsalam et al. 2014; Nainggolan et al. 2016; Ashraf 2016; Mazouz et al. 2019). However, despite substantial cultural, doctrinal, and conceptual differences (Arslan 2001; Nainggolan et al. 2016) between Islam and Christianity, very little is known about contemporary Christian finance in general and about the ethical investment policies of Christian-influenced mutual fund (CIF) providers in particular. The few authors that study the topic of CIF mainly focus on financial performance (Kurtz and Di Bartolomeo 2005; Naber 2001; Boasson et al. 2006; Adams and Ahmed 2013) and to a lesser extent on fund asset stability (Peifer 2011) or on the applied screens (Ghoul and Karam 2007; Dion 2009).

Our explorative study thus aims to provide more foundational knowledge on this topic. The objective is not a theological assessment but rather a status-quo report on the contemporary concepts and techniques of ethical investing from a Christian perspective. For this purpose, we applied Kuckartz's (2018) structured–thematic content analysis to what is, to our knowledge, a unique dataset of 45 CIF providers, and thus deconstructed their ethical investment policies. For a targeted use of this method, precisely formulated research questions are needed because they are regularly referred back to in the evaluation process. Our three clearly outlined research questions on investment screens, investment techniques, and CIF providers' intentions to positively impact the environment and society were therefore particularly well suited. Another strength of this method is that it can be used both to develop theories and to describe social phenomena (Hopf 2016). Moreover, even though this method originates from sociology, it can be applied in a multidisciplinary approach (Schwarz 2015). Finally, this approach allows for an open but systematic and rule-based investigation of both implicit and explicit communication and is therefore ideal for exploratory studies (Kuckartz 2022).

The first finding is that the investment screens that the CIF providers employ show substantial similarities: More than 75% of CIF providers screen with the same 10 criteria (out of a total of 15). However, this homogeneity only occurs when looking at the sample as a whole; instead, when comparing European CIF providers with their US counterparts, major differences emerge for some investment screens, for example, while European providers almost invariably address the issues of "climate change" and "weapons", only about half of the U.S. providers do so. It is therefore suggested that social and political factors play an important role in determining the investment screens. There is also a high degree of heterogeneity within the different denominations. On the Catholic side, only seven filters were found in at least 80% of the CIF providers, and on the Protestant side only six filters are used by at least 80% of the CIF providers. The explanation we propose for this is that the progressive or conservative interpretation of the Christian Bible is more important for the selection of investment screens than the denominational designation "Catholic" or "Protestant".

The second finding is that the investment techniques, e.g., exclusion or shareholder activism, are also implemented very heterogeneously by the CIF providers. Only exclusion (100%), positive approaches[2] (78%), and shareholder activism (64%) are practiced by more than half of the providers. Interestingly, with positive approaches and shareholder activism, two techniques are widely used that have been identified in the literature as very effective in influencing corporate decisions (see, e.g., Slager and Chapple 2015; Zerbib 2019; Kölbel et al. 2020; or Hoepner et al. 2022).

The third finding is that, at around 70%, the majority of CIF providers emphasize the intention to positively impact the environment and society in their public presentation of non-financial investment objectives. Taken together, our results indicate that improving the sustainability performance of their portfolio companies is a core element of a "Christian" investment strategy. This aligns with the historic role of Christian investors as pioneers in using financial influence to achieve social and environmental impact (Teoh et al. 1999; Bifulco 2018; Diener 2022).

With our explorative study, we strive to extend the knowledge of faith-based investing in several aspects. First, to enable future research we provide a comprehensive literature overview of the status quo in research on Christian finance and point out interesting research avenues. Second, while some information is available on the number and assets under management of CIF providers, very little is known about what constitutes their

"Christian" investment strategy. Thus, our study is one of the first to analyze in detail the ethical investment policies in this interesting niche market. For that purpose, we constructed a comprehensive database covering CIF providers and their investment offers worldwide. This unique database may also be helpful for further research in this area, e.g., on the financial performance of this type of fund or intrareligious comparisons. By also analyzing CIF providers outside the U.S., we overcome another deficit of previous research. Content wise, our comprehensive overview of applied CIF screens complements previous studies on this topic (Ghoul and Karam 2007; Dion 2009; Boasson et al. 2006). By not only describing the screens as such but also outlining the CIF providers' rationale, we broaden the knowledge on this topic. Further, taking into account the upcoming impact discussion in the context of sustainable investing (see, for example, Kölbel et al. 2020; Busch et al. 2021; Heeb et al. 2021; Diener and Habisch 2022; Diener 2022), we analyze the techniques the CIF providers apply. To our knowledge, no other study approaches this topic in such a way.

A deeper knowledge of CIF providers also enhances the understanding of ethical/sustainable financial products. Therefore, our findings may provide some indications for a better understanding of these "secular" counterparts as well. Finally, this article not only contributes to the academic discourse but also provides insights into the professional practice of CIF providers, which should also be of relevance to other players in the financial market.

The remainder of the article is structured as follows. Section 2 outlines how Christian finance has developed and summarizes the status quo in research on this topic. In Section 3, we briefly describe the data used in the study and the applied methodology. In Section 4, we present the empirical results of our analysis of the screens, the techniques, and the public presentation of CIF providers' non-financial investment objectives. We end in Section 5 with a brief conclusion.

2. Review of Literature

2.1. Historical Development of Christian Finance

The relation between Christian faith and economic behavior can be traced back to the origins of the Christian tradition with the biblical documents. Here, more than 2000 Bible verses are directed to the use of money and possessions (Dayton 1981). Those teachings on a wider scale corresponded with the Christian church prohibiting the charging of interest by clerics at the Council of Nicea in 325. In the following centuries, the churches imposed restrictions on loans, interest payments, and investments in various forms. For example, in 850 usurers were excommunicated, in the eleventh century usury was equated with robbery, and in 1139 usury was finally banned altogether. Starting in the 15th century, theologians and philosophers started to argue against the ban—emphasizing the difference between investment and consumptive uses of loans. However, officially the ban was not relaxed until the 19th century (Lewison 1999).

Besides the rejection of usury, investors also opposed certain economic practices with reference to their religious convictions. For example, in the 17th century the Quaker movement boycotted companies that profited from slavery or war (Kinder and Domini 1997), and during the 1920s the Methodist Church in the U.K. declined to invest in "sinful" companies, i.e., companies in the tobacco, alcohol, gambling, or arms industries (Renneboog et al. 2008).

Christian groups have also played an essential role in the emergence of the socially responsible investing (SRI) industry. The first SRI fund was issued in 1928 by a religious group, the Pioneer Fund, with the aim to exclude investments in tobacco, alcohol, and gambling (Kinder and Domini 1997). The first SRI retail fund in Europe was issued in 1965 in Sweden, and in the process of its development various churches gave their input. The first SRI fund that received a broad audience in the U.S.A., the Pax World Fund in 1971, was influenced by Quaker and Methodists and excluded alcohol, gambling, and armament manufacturers (Kreander et al. 2004).

With the maturing of SRI, the focus of Christian investing has more and more shifted away from the avoidance approach to creating actual impact (Diener 2022). In the early 1970s, Christian churches were amongst the initiators of the divestment movement against the South African apartheid regime (Teoh et al. 1999). Nowadays, religious investors such as the Interfaith Center on Corporate Responsibility (ICCR) are important advocates for addressing the climate crisis (ICCR 2015) or fulfilling the UN Sustainable Development Goals (Palmer and Moss 2017). In addition, two Christian pension funds, Christian Super and Westpath Investment Management, were among the first signatories to the UN Principles for Responsible Investment (Bifulco 2018), and religious investors are consistently the most active filers of shareholder proposals in the United States (US SIF 2018).

2.2. Overview of the State of Research in the Field of Christian Finance

While the historical development of Christian finance has been subject to many publications, very little is known about contemporary Christian finance and especially the ethical investment strategies of CIF providers. The first topic is the investment behavior of different Christian organizations. Inskeep (1992) analyzes the investment behavior of the Lutheran church in the U.S.A. and finds that most members of the church's pension funds were reluctant or unwilling to change their investment portfolio to pursue more social justice. Kreander et al. (2004) study the investment behavior of the Church of England and the Methodist Church in the United Kingdom. They find the churches to have harmonized their investments with their theological doctrine and document a long history of using ethical criteria based thereon. However, they find some investments, such as in nuclear power utilities, match the churches' ethical criteria but seem to be problematic from a theological perspective. van Cranenburgh et al. (2014) examine how religious organizations practice their faith through their investments, with a focus on shareholder engagement. A structured belief system, a grassroots network, and a long-term perspective were identified as key features influencing their engagement.

Goodman et al. (2014) explore how and why religious organizations use 'voice' and 'exit' (Hirschman 1970) in shareholder engagement. They note that religious organizations divest rather for political motives than for economic ones thereby using divestment as a form of 'voice'. In general, for religious organizations a silent exit is out of the question; divestment does not always result from unsatisfactory voice results, and voice may continue despite exiting an investment. Smith and Smith (2016) in their study contrast the investment practices of church-affiliated schools with those of independent schools. They find that the former group implements SRI policies more frequently, paying particular attention to environmental, social, and governance (ESG) concerns; contraception; and so-called "sin stocks". Catholic and Baptist schools showed the highest screening intensity within the church-affiliated schools.

A second research topic is the influence of the Christian identity on the risk preference of retail investors. Noussair et al. (2013) link church membership or attendance to the individuals' risk preference and find clear evidence that religious practice induces greater risk aversion. Further, they document that a religious upbringing has significantly weaker effects, and that, under real cash payoff conditions, Protestants are more risk averse than Catholics. Conversely, Gebauer et al. (2012) claim that the higher risk aversion of church members stems from social aspects of church membership rather than from religious convictions.

A third research topic in that context is the influence of religion on the general willingness to invest in SRI funds. Czerwonka (2014) concludes that so-called "church goers" are more willing to invest in SRI than non-religious investors. She explains this finding by the desire of practicing believers to align their investments with their faith. In contrast, Brimble et al. (2013) find that religious beliefs have no significant influence on the investment decision process of retail investors. They also find that the importance attached to SRI and financial criteria is similar in most cases among more and less religious people.

The specific case of CIFs has been analyzed as well. The following Table 1 gives an overview of the studies and their results.

Table 1. Overview of studies addressing CIFs.

Study	Topic	Results
Naber (2001)	Financial performance of Catholic portfolio vs. sin stocks and conventional portfolio	Catholic portfolio and conventional portfolio with similia performance; sin stocks with higher risk-adjusted returns
Kurtz and Di Bartolomeo (2005)	Financial performance of Catholic Values 400 Index vs. S&P 500	CV 400 with higher valuation ratios, stronger anticipated growth, lower correlation with the overall market, and lower market capitalization
Boasson et al. (2006)	Financial performance of five CIFs vs. S&P 500	Neutral performance; best performing CIF with the strictest exclusion criteria
Ghoul and Karam (2007)	Investment screening practices of USCCB vs. Dow Jones Islamic Index vs. SRI funds	Unique for Islamic funds is objection to interest, pork, and music, and for Christian funds the opposition to alternative lifestyles, i.e., fornication and homosexuality
Dion (2009)	Investment screening practices of three CIF providers	29.6% of controversial companies were part of the portfolio of at least one of the funds
Peifer (2011)	Fund asset stability of religious funds	Assets in religious funds are more stable than assets in conventional funds
Adams and Ahmed (2013)	Financial performance of Shariah-compliant funds, CIFs, and SRI funds vs. all U.S. funds	Neutral performance; CIFs with the lowest expense ratio

The first research topic is the question of whether faith-based investments are possible without sacrificing satisfactory financial returns. Kurtz and Di Bartolomeo (2005) document that an investment in the KLD Catholic Values 400 Index (CV 400) (an index that invests according to the teachings of the Catholic Church) outperforms the S&P 500: The CV 400 shows higher valuation ratios as well as stronger anticipated growth. It also shows a lower correlation with the overall market and—due to its lower popularity—a smaller market capitalization.

Adams and Ahmed (2013) compare the performance of 95 Shariah-compliant, CIF, and SRI fund families with one another and the overall market. They document statistically (and economically) insignificant differences in the financial performance of all four groups. Boasson et al. (2006) use a four-factor Carhart model to compare the S&P 500 with a sample of seven CIFs. On a risk-adjusted basis, they find no underperformance of the CIF sample; they further document that the CIF with the strictest exclusion criteria delivered the best performance. Naber (2001) compares the performances of a conventional portfolio, a 'sin stock' portfolio, and a Catholic portfolio that screens out 'sin stocks'. She states that on a risk-adjusted basis there is no significant return difference between the conventional and the Catholic portfolios. However, she finds significantly higher risk-adjusted returns for the 'sin stock' portfolio.

The second topic is fund asset stability. Here, Peifer (2011) analyzes the influence of religion on the investment behavior of retail investors. He finds that assets in religious funds are more stable than assets in conventional funds and attributes this finding to the moral orientation of religious investors.

The third topic is investment screening practices. Dion (2009) compares a sample of three CIFs regarding how well they screen out questionable companies. For that purpose, he compares whether and, if so, how many of the companies on which the ICCR filed shareholder resolutions were included in the CIFs' investment portfolios. He finds that a striking 29.6% were part of the portfolio of at least one of the funds. Ghoul and Karam (2007) compare the applied screens of the United States Conference of Catholic Bishops (USCCB) with the screening criteria of the Dow Jones Islamic Index and a sample of SRI funds. Their finding is that all three groups have very similar screening criteria, while the main differences are in the Islamic funds' objection to interest, pork, and music companies, whereas the unique screens for Christian funds are on alternative lifestyles, i.e., fornication and homosexuality.

More often, the topic of screening is addressed to a lesser extent in studies primarily analyzing the financial performance of CIFs. Here, Kurtz and Di Bartolomeo (2005) outline in detail the construction and the investment screens of the KLD Catholic Values 400 Index. Further, they qualify the difficulties of applying these criteria in practice and notice that, for example, the issue of stem cell research is difficult to determine. The studies of Boasson et al. (2006) and Adams and Ahmed (2013) also cover the topic of screens. While the former takes a closer look at the applied screening factors of seven CIF providers and derives an explanation for two of the screens (abortion and pornography) based on the Bible, the latter very briefly compares the screening criteria of funds for evangelical Christians, Catholics, Protestants, and Muslims.

The problem with all these studies is that they either rely on a single secondary source (Ghoul and Karam 2007; Kurtz and Di Bartolomeo 2005), cover a very small sample (Dion 2009; Boasson et al. 2006), or provide a very general perspective (Adams and Ahmed 2013). Further, the studies often do not explain why and how the screens are derived and justified.

A topic which has not been addressed at all so far is the topic of the ethical investment techniques of CIF providers, although it is crucial for any investment product to understand how it achieves its promised returns—be it financial or non-financial (Diener and Habisch 2021). In our analysis of the techniques, we place special emphasis on the non-financial return, i.e., the impact that investors can achieve with the respective technique. This perspective is increasingly emphasized by different stakeholders as global sustainability challenges such as climate change mitigation or the achievement of the UN Sustainable Development Goals (SDGs) become more important. For example, in its Action Plan for a Greener and Cleaner Economy, the European Commission now identifies sustainable investment as an important instrument for fulfilling the Paris Agreement (European Commission 2018). In other jurisdictions, institutional investors must disclose how they consider ESG factors in their investment decisions (OECD 2017). Investors are becoming more mindful of how their investments affect sustainability indicators when selecting their investment provider (Wins and Zwergel 2016; Bauer et al. 2019; Barber et al. 2021), and the impact perspective becomes increasingly relevant in the academic discussion (see, for example, Kölbel et al. 2020; Busch et al. 2021; Heeb et al. 2021; Diener and Habisch 2022; Diener 2022). Finally, given the high importance of a responsible stewardship of the natural resources for Christian churches (Cui et al. 2015) and the social proclamation of the Catholic Church that obliges Christians to engage in more social shaping in the business world (Emunds and Patenge 2016), it seems appropriate to pay more attention to the impact of the applied techniques of CIF providers.

This lack of research on what ethical investing looks like from a Christian perspective is the starting point for our explorative study. We used qualitative content analysis to deconstruct the ethical investment policies of a large sample of CIF providers, which to our knowledge is a unique dataset. In the following chapter, we will describe how we compiled this dataset and explain our methodological approach in more detail.

3. Data and Method

In our study, a CIF provider was distinguished through a clear reference to a Christian identity in its self-presentation, for example, in the fund prospectus or on the website. On this premise, we have compiled the first globally comprehensive database of CIF providers with publicly traded investment offerings. To that end, we proceeded as follows: First, using the Bloomberg database, we employed a combination of category search and elaborate keyword search techniques to retrieve potential CIF providers. Second, we systematically searched the internet as well as mutual fund databases by using similar keywords in five different languages (English, German, Spanish, French, and Italian). Third, we complemented this list by asking church representatives, mutual fund industry experts, and interest group representatives from different institutions—such as the UN Principles for Responsible Investment (PRI), European Sustainable Investment Forum (Eurosif), the Corporate Responsibility Interface Center (CRIC), and the Association of Christian Financial Advisers (ACFA)—if they were missing any CIF providers in the list. Finally, we compared our list to those compiled by Boasson et al. (2006), Peifer (2011), and Ferruz et al. (2012) and added CIF providers that were not a part of our initial selection.

To increase comparability, we included only those CIF providers in our final database that offered actively managed mutual stock or mutual balanced funds, and no providers of exchange-traded funds. Furthermore, we only selected companies that offered publicly traded mutual funds because they are subject to higher transparency requirements. For the remaining CIF providers, we confirmed the Christian as well as the SRI orientation, checked whether the funds were still active, if fund families had been merged, and if they consulted the same advisory board to stipulate their investment strategy. If those disclosures were not made, we contacted the fund providers directly and excluded those from the database that either did not meet the mentioned criteria or failed to elucidate their approach.

We collected the information on these CIF providers between 1 October 2020 and 31 January 2021. We included publicly available data only to reflect the market-oriented self-presentation. Moreover, we captured the websites in their original format with a web collector and gathered supplementary material (investment guidelines, position papers) with general information about the CIF providers. Additionally, we systematically collected fund-specific material such as fund prospectuses and annual and semi-annual reports. All the documents of a fund provider formed a case, resulting in 45 cases in total (see Appendix A, Table A1 for an overview of all CIF providers in our sample).

We analyzed the entire sample to make general statements about CIF providers. In total, we screened more than 400 documents with around 8500 pages from CIF providers from the U.S.A., Switzerland, Germany, Spain, France, Austria, and the U.K. Methodologically, we employed the structured–thematic content analysis of Kuckartz (2018). This approach enables an open but systematic and rule-based examination of both implicit and explicit communication and is therefore ideal for explorative studies (Kuckartz 2022).

For the thematic content analysis of the 45 cases, we used the data analysis software MAXQDA 2022 (VERBI Software 2020). Adopting an exploratory–inductive design, we first structured the data based on our research question. For this purpose, we coded each segment of the material that provided any information on investment screens, investment techniques, or the public presentation of non-financial investment objectives. We then used an iterative process to create top categories and allocated each segment to one of them. In the following step, we functionally reduced the top categories, so that only clearly differentiable categories remained. Those remaining categories were then discussed to identify the categories that best described the ethical investment policy of a CIF provider. That way, we identified 15 screens (see Appendix B, Table A2 for the definition of the investment screens) and 6 techniques (see Appendix C, Table A3 for the definition of the investment techniques) as the most relevant aspects. In a second round of analysis, we used this category system to quantify our results and for cross-country and cross-denominational comparisons.

To validate our category system, two independent research assistants each coded a random sample of around 10% of the coded segments. We followed the approach of Kolbe and Burnett (1991) and thus did not include either of them in the development of the category system to achieve the best possible external objectivity.

We selected Fleiss' kappa as a statistical measure for the reliability of agreement and obtained a value of 0.841 which is an almost perfect level of agreement and indicates very high confidence in the category system (Landis and Koch 1977). After the assistants coded the segments, we discussed the results with them to eliminate weaknesses in the category system, paying particular attention to the segments with conflicting results (Campbell et al. 2013).

4. Results

4.1. Investment Screens

In this section, we examine what the investment screens look like but also outline the reasoning for those screens. Table 2 presents a summary of the 15 most important topics of concern for the CIF providers around the world and the frequency for different criteria.[3]

Table 2. Summary of the topics of concern for CIF providers.

Investment Screen	Percentage of CIF Providers That Screen on This Topic
Environment	
Environmental Destruction	84%
Climate Change	80%
Genetic Engineering	51%
Nuclear Power	49%
Animal Treatment	44%
Social	
Human Rights	93%
Weapons	89%
Pornography	87%
Tobacco	87%
Embryonic Stem Cells	76%
Alcohol	76%
Gambling	76%
Abortion	71%
Contraception	44%
Governance	
Governance Issues	87%

Usually, the CIF providers apply a combination of various types of ESG screens. The screening intensity is quite high, with around two-thirds of the providers applying more than ten screens, while only 7% using five or less screens. There is great homogeneity in the choice of topics of concern: the same ten categories are relevant to more than 75% of CIF providers. The most important topics are human rights, weapons, pornography, tobacco, and governance issues—while contraception, animal treatment, and nuclear power are the least important. The common normative basis of the biblical scriptures therefore clearly has a unifying effect on the topic selection despite many theological differences outside the investment world.

The reasoning that the CIF providers give for their screens is not always theological. Of course, some CIF providers base their screens solely on religious convictions, but others also include social aspects in the decision making. Examples of the former are especially in the area of sexual morality, i.e., abortion and pornography, or the environmental screens for environmental destruction and climate change. Examples for the social aspects are gambling, tobacco, or alcohol.

The biblical basis for rejecting abortion is the belief that human life starts with conception[4], and therefore the unborn life must be protected (Boasson et al. 2006). The principle of screening out pornography is based on the belief that immoral sexual behavior can start with what you see and think. Jesus states: *"but I say to you that everyone who looks at a woman with lust for her has already committed adultery with her in his heart"* (New American Standard Bible 1995, Matthew 5:28). Further, pornography degrades the people involved to objects and thus deprives them of their God-given dignity (Dion 2009). The environmental screens can be derived from the concept of environmental stewardship (Cui et al. 2015), which in practice means caring not only for one's own life but also for the well-being of neighbors and future generations. Some of the fund providers, especially in the U.S.A., even advertise their investment approach by quoting biblical scriptures.

But not every CIF provider has its screens directly developed from biblical scriptures. Rather common is referring to writings that provide an interpretation of scriptures and give guidelines for faith-consistent investing. Such guidelines include, for example, the "socially responsible investment guidelines for the United States Conference of Catholic Bishops" (USCCB), Investing Guidelines of the (Catholic) Austrian Bishop's Conference, and dedicated guidelines from the Protestant and Catholic Churches in Europe. The USCCB, for example, specifies that they will not invest in companies that discriminate in hiring and promotion or that are involved in human cloning, and that they will work to change the policies of corporations that run sweatshops. Additional resources for defining a "Christian" investment strategy cover the encyclical letters of the different popes. For example, in "Laudato Si'" Pope Francis emphasized the importance of protecting the environment (Francis 2015). Earlier on, Pope Benedict XVI. in his "Caritas in Veritate" emphasized the importance of corporations and the potential role of corporate social responsibility (CSR) for global business ethics (Grassl and Habisch 2011).

Another source of justification for the applied screens is the effects of certain activities on society. Examples include gambling, tobacco, and alcohol due to the high social costs (Grinols 2011; Hofmarcher et al. 2020), serious health issues (Centers for Disease Control and Prevention 2021), and the risk for public transport (Centers for Disease Control and Prevention 2020). Interestingly, de Bruin (2013) points out that in the case of the alcohol industry the only valid reason for exclusion would still be a religious argument. A more recent secular influence factor for CIF providers is the Sustainable Development Goals (SDGs). In 2015, the United Nations launched the SDGs to address global challenges such as climate change, poverty, and undernutrition. Today, they can be perceived as a global sustainability agenda and many CIF providers refer to them in the selection of their portfolio firms.[5]

A few specialities must be noted in comparing the different groups. The regional distribution is strongly in favor of Europe, with 73% of the CIF providers being located on the continent. The most important topics for European CIF providers are human rights, tobacco, weapons, governance issues, environmental destruction, and climate change—while U.S. CIF providers screen mostly for abortion, pornography, and human rights. Table 3 presents the topics with the largest differences between European CIF providers and their U.S. counterparts.

Table 3. Comparison of relevant topics of concern for CIF providers in Europe and the United States.

Investment Screen	Europe (73%)	USA (27%)
Environment		
Environmental Destruction	97%	50%
Climate Change	97%	33%
Genetic Engineering	70%	0%
Nuclear Power	64%	8%
Animal Treatment	58%	8%
Social		
Human Rights	100%	75%
Weapons	100%	58%
Tobacco	97%	58%
Governance		
Governance Issues	97%	58%

When looking at the country level, we noticed that CIF providers from the same country often apply screens that are very similar. Austrian CIF providers, for example, have 100% identical screening criteria, and a high level of homogeneity can also be found within French or within Spanish CIF providers. Those countries all have Catholic CIF providers only, which one may take as a reason for their homogeneity. However, in Germany, where both Catholic and Protestant fund providers are operating, a similarly remarkable overlap of 80% exists. If denominational characteristics were the only determining parameter, then theological differences should have produced much stronger differences here. We therefore assume that dominant public opinions concerning certain topics influence the applied screens across denominations.

This becomes even more evident when we analyze specific topics. For example, 100% of the German and Austrian CIF providers exclude nuclear power—while none of the French CIF providers does so. Other country differences can be found when looking at topics such as genetic engineering or animal rights, both important topics in Germany and Austria but not very relevant in Spain or France. The background here includes strong civic movements opposing nuclear power as well as genetic engineering and the fight for animal rights—with strong repercussions in the political arena of the respective countries (Rucht 2008). Another screen showing much variation between countries is the topic of climate change. While almost every CIF provider from Europe possesses it, only half of the U.S. CIF providers do so. This could be due to the circumstance that in the U.S. public debate this topic is by far less salient than in Europe (Leiserowitz et al. 2019).

Finally, an issue that most clearly reflects the importance of political and cultural debates on the CIF providers' screening policies is the subject of weapons. While the anti-weapon screen is among the most prominent ones for the European CIF providers, roughly half of the U.S. CIF providers do not have it at all. The controversial U.S. debate about forbidding the ownership of weapons is likewise reflected in the U.S. CIF providers: they oscillate between allowing the production of weapons to protect human life and their prohibition for reasons of peacekeeping.

From a theological perspective, arguments can be found to exclude nuclear power, weapons, and animal testing—but arguments can also be found to not exclude them. Since the Christian Bible has not been written as a manual for investment, there is simply a lot of room for interpretation concerning specific topics. As a result, social and political aspects are becoming important influencing factors in deciding how to position oneself on these issues, and differences are emerging between countries and regions. Our findings here are consistent with a previous study from Smith (1992) who pointed out that Christian churches try to balance social issues and religious values in their investment decisions.

In the next step, we also analyzed the differences and similarities between CIF providers from different Christian denominations. We identified nine different denominations, from Methodists to Baptists. However, as many of them find themselves subsumed under the label of Protestantism, a distinction was made here only between Catholics and Protestants. Table 4 shows the topics with the largest differences between Catholic and Protestant CIF providers. The top four screens for each denomination are highlighted in bold.

Table 4. Comparison of relevant topics of concern for Catholic and Protestant CIF providers.

Investment Screen	Catholic	Protestant
Environment		
Environmental Destruction	**90%**	67%
Climate Change	83%	67%
Social		
Human Rights	**97%**	83%
Pornography	83%	**92%**
Contraception	62%	8%
Abortion	76%	58%
Embryonic Stem Cells	86%	42%
Alcohol	62%	**100%**
Gambling	69%	**92%**
Tobacco	79%	**100%**
Weapons	**97%**	67%
Governance		
Governance Issues	**90%**	75%

At 71%, the majority of CIF providers follow a Catholic investment approach. In contrast to the outwardly uniform appearance, Catholic investment approaches are internally as diverse as the Protestant ones. Only seven screens were similar for at least 80% of the Catholic CIF providers and only six for the Protestant CIF providers.

The diversity among Protestants can be explained by the absence of a central ecclesiastical magisterium and, as a result, different denominational approaches to the interpretation of the biblical text. Similar diversity among Catholic CIF providers is surprising, however, because the Catholic tradition has various accompanying and interpretative documents to the biblical text (for example, the catechisms), which limits the room for individual interpretation.

The diversity in both groups might thus be a hint that the borders do not run along denominational lines but rather along the progressive or conservative interpretation of the Christian Bible. An example would be the topic of contraception, with 62% of the Catholic CIF providers screening for this topic. It is a red flag for conservatives, especially in the Vatican, that build their opposition on the biblical order to be fruitful and multiply. The counterargument of more progressive investors who argue for contraception is a social one: The World Economic Forum (WEF) has calculated that a dollar spent on reproductive health services saves about $2.20 in pregnancy-related health care costs. Additionally, the later a woman chooses to have children, the more time she can spend in the workforce, which in turn promotes economic development in poor communities (Kanem 2018). Many Catholic charities and foundations, whose money is often invested in CIFs, are active in third-world countries; these activists find themselves confronted with the effects of a lack of contraceptives daily.

The most important topics for Catholic CIF providers are human rights, weapons, environmental destruction, and governance issues, while Protestant CIF providers screen especially for alcohol, tobacco, gambling, and pornography. Interestingly, the Catholic top screens align very well with topics addressed in encyclicals of different popes: John XXIII with the encyclical letter "Pacem in Terris" emphasized the promotion of peace and human rights (John 1963), John Paul II with the encyclical letter "Centesimus Annus" strengthened the importance of the dignity of the human individual (John 1991), and Pope Francis with the encyclical letter "Laudato Si'" called to protect the environment (Francis 2015).

When looking for denominational diversity in the screens, the strongest differences exist in two areas: Catholic CIF providers are much stricter in reproductive issues, i.e., abortion, contraception, and use of embryonic stem cells, while the topic of alcohol is much more relevant for Protestant CIF providers. A historical factor for the latter finding may lie in the fact that many Catholic religious congregations were for centuries involved in brewing beer, growing wine, distilling schnapps, which resulted in a much less negative perception of alcohol consumption. Moreover, wine represents the blood of Christ in the sacramental Eucharist practiced at least weekly in the Catholic tradition. In contrast, the Protestant work ethic perceives alcohol consumption as a distraction from the human vocation of self-perfection through successful professional engagement.

To sum up, two things become visible when looking at the investment screens: first, the applied screens seem to be very homogeneous overall, and, second, this homogeneity does not persist deeper into the comparison of regions and denominations.

4.2. Investment Techniques

In section two of this chapter, we analyze the ethical investment techniques of CIF providers. Considering the upcoming impact discussion (see, for example, Kölbel et al. 2020; Busch et al. 2021; Heeb et al. 2021; Diener and Habisch 2022; Diener 2022), we place special emphasis on the impact that investors can achieve with their respective techniques. Table 5 presents a summary of the six most widely used techniques.

Table 5. Key techniques for an ethical investment strategy of a CIF provider.

Investment Techniques	Share of All CIF Providers
Exclusion	100%
Positive Approaches	78%
Shareholder Activism	64%
First Engagement, then Divestment	42%
Divest without Engagement	40%
Collaborative Engagement	29%
Stigmatization	16%

The investment techniques to implement a Christian investment strategy are applied very heterogeneously by the CIF providers. Only for the implementation of screens (both positive and negative) and shareholder activism are the values above 50%. This suggests that while theology provides at least some guidance on the issues that should be considered in a Christian investment strategy, it leaves a great deal of flexibility as to how these issues should then be addressed. For example, the topic of human rights can be addressed from the position of avoiding exploitation and discrimination or the position of fostering companies that protect workers and their families. Another example would be climate change, which can mean avoiding investments in fossil fuels or fostering renewable energy and electric vehicles.

A common denominator among all CIF providers is the application of exclusionary screening, with 100% of CIF providers using this method. Durkheim (Durkheim 2001) assumes that religious activity is centered around the perception of the secular and the sacred areas in life. Thus, there is a desire to stay away from anything that is perceived as defiling, and since exclusion is the most appropriate technique to achieve that, it is used (Peifer 2011). Historical reasons could be an alternative explanation for the widespread use of exclusion. Exclusion has been at the heart of CIFs from the very beginning; the Quaker movement, for example, avoided making profits from slavery (Kinder and Domini 1997), and the first mutual fund also followed the exclusion approach (Kreander et al. 2004). Moreover, pragmatic considerations could have an influence because according to Berry and Junkus (2013) exclusion simply demands less time and effort than consistent interaction with portfolio firms. From an impact perspective, one line of reasoning would be to affect positive change by raising the cost of capital. An alternative justification would be that one avoids at least negative impact by not supporting undesirable business activities (Peifer 2011). The empirical evidence on the effectiveness of exclusionary techniques is ambiguous: while Slager and Chapple (2015) and Derwall et al. (2011) both observe that exclusion impacts firm behavior, Häßler and Markmiller (2013) and Richardson (2009) find no significant influence. Clementino and Perkins (2020) even find that institutional pressure in some cases prompts firms to react in a negative way.

Positive approaches are also widely used amongst CIF providers, with 78% applying this method. We assume that this widespread use can be explained historically as well, as this method is a natural progression of exclusion. This technique can be implemented as positive screenings or as best-in-class investments. Different from exclusions, positive approaches promote companies that contribute positively to sustainable development, thus going beyond a mere "Do-not-harm" focus. This is achieved by raising share prices and lowering financing costs to foster and support socially responsible behavior (Diener and Habisch 2022). Baker et al. (2018) and Zerbib (2019) document the success of this technique in the case of corporate debt, while Clementino and Perkins (2020) and Slager and Chapple (2015) demonstrate the success for equities. Moreover, Dimson et al. (2015) show that this technique also generates a positive return for investors.

CIF providers also invest in objectionable companies with the goal of using their influence as investors to change corporate behavior. An example would be investing in the stock of one of the oil majors and filing shareholder resolutions to put pressure on the company to reduce its carbon emissions. This technique is referred to as "Shareholder Activism" and 64% of the CIF providers employ it, which makes it the third most important technique. It can take various forms; the most common are ESG dialogue, shareholder proposals, and proxy voting, with the latter being the most applied form (Louche 2015). The high prevalence of shareholder activism among CIF providers is consistent with the findings of other studies. For example, Proffitt and Spicer (2006) discovered that over 50% of all shareholder proposals in the U.S. were filed or supported by religious institutional investors—despite relatively low levels of share ownership. A more recent study by US SIF (2018) supports these findings: despite a small 2.6% share of all sustainably managed assets, religious investors account for more than one-third (33.8%) of all ESG shareholder proposals. One possible explanation for the frequent use of shareholder activism is the attitude many CIF providers have of investing not only for economic reasons but also for political reasons, i.e., to spread their beliefs (Goodman et al. 2014). In addition, the circumstance that on the client side there is both a high level of confidence in the success of (van Cranenburgh et al. 2010) and a growing demand for (Wins and Zwergel 2016; Bauer et al. 2019; Barber et al. 2021) sustainable investment solutions incorporating this technique could also explain its prevalence. Both Dimson et al. (2015) and Gifford (2010) explore the effects of ESG dialogue and rank it as a useful instrument for improving corporate sustainability performance. In addition, Dyck et al. (2019), Barko et al. (2022) and Hoepner et al. (2022) examine the impact of shareholder resolutions, and all conclude that they are a useful tool to bring about change in companies.

One technique used either in combination with shareholder activism as the final step in an engagement process (40%) or without further engagement as an instant reaction to negative sustainability developments (42%) is divestment. This is arguably an aggressive form of exclusion, as it not only excludes a company's shares from future purchases but also purges the portfolio of existing positions (Dawkins 2018). According to a theoretic model by Luo and Balvers (2017), the threat of divestment leads the market to charge a premium for companies involved in controversial business activities. In another theoretical examination, Dawkins (2018) argues that linking divestment with engagement can become a powerful lever for the success of an investor campaign. However, these theoretical considerations are not supported by empirical studies so far: the Sudan Accountability and Divestment Act (SADA), a divestment campaign from the U.S., had no overall impact on the financial situation of targeted companies (GAO 2010), and Teoh et al. (1999) found similar results for the divestment efforts against the apartheid system in South Africa.

Less frequent, but still very important for CIF providers, is the technique of collaborative engagement. Around one-third (29%) apply this method. Investors are forming alliances here, for example, to promote human rights or to combat climate change, thus pooling their influence (Dyck et al. 2019; Chen et al. 2020). This may be accomplished through direct partnerships between investors with converging ESG policies or through engagement platforms such as the PRI Clearinghouse (Diener and Habisch 2022). The applied mechanisms are the same as for singular shareholder activism, i.e., ESG dialogue, shareholder proposals, or proxy voting, but the larger share ownership and coordination increase the likelihood of success. One recent example is the successful campaign by sustainability-focused hedge fund Engine No. 1 to change Exxon Mobil's board of directors to accelerate the company's sustainability transition (Hiller and Herbst-Bayliss 2021). This form of engagement is very effective, argue Dimson et al. (2013) and Dimson et al. (2018), as it increases shareholder influence without creating an under-diversified portfolio. Explanations for why this method is not more widely used include a perceived competition for customers which hinders cooperation, the fact that all CIF providers started with screening and some may have not changed this strategic approach ever since, or that it is simply unknown how effective this technique is. With a growing awareness for engagement and with networks for engagement starting to form within the CIF community (for example, the Shareholders for Change network[6] or the collaborative engagement efforts of the ICCR[7]), we expect those numbers to rise in the future.

The final technique, and the technique with the lowest use (16%), is stigmatization. Investors here publicly discredit a firm's reputation, e.g., through media campaigns, to increase the capital costs and to generate public pressure to alter their "unethical" business practices. However, this instrument can also be used as legitimation of the sale of a share (Diener and Habisch 2022). A possible explanation for the low usage of this technique is that Christian organizations invest with a long-term perspective (van Cranenburgh et al. 2014) and a public confrontation damages partnerships and relationships built on trust. Research on this topic is sparse, but we do find some circumstantial indications of efficacy in related fields. First, King and Soule (2007) found that social movements succeeded in influencing the share price of a company against which they were running a campaign. In their study, however, they did not examine whether the price movements then also resulted in improvements in the respective companies. Second, Markman et al. (2016) show that a media campaign by the nongovernmental organization (NGO) "People for the Ethical Treatment" (PETA) was a success and terminated the practice of sheep mulesing. Third, Waldron et al. (2014) find on the one hand successful stigmatization, e.g., by the Rainforest Action Network (RAN), but on the other hand also failed stigmatization, e.g., by Greenpeace. Finally, Waldron et al. (2019) note that GLAAD and Oxfam's campaigns succeeded, while PETA and Friends of the Earth did not.

Overall, our findings are consistent with previous studies by Louche et al. (2012) and Adams and Ahmed (2013), who both find exclusion to be a preferred investment technique of Christian investors. Interestingly, two techniques, namely, positive approaches and shareholder activism, which are considered in the literature to be very effective in influencing corporate behavior, are also widely used.

4.3. Public Presentation of the Non-Financial Investment Objectives

The final aspect we analyzed was the public presentation of CIF providers' non-financial investment objectives. Based on this criterion, our sample can be divided, albeit very roughly, into two generic groups: on the one hand, those that favored screening only and emphasized purity claims very strongly, and, on the other hand, those that complemented exclusion with positive approaches and shareholder activism and built their marketing around a change perspective. The former corresponds to Weber's (Weber 1978) characterization of value-rational behavior, which "[seeks] the value for its own sake ... regardless of its prospects of success" (Weber 1978, pp. 24–25). The latter resembles Weber's (Weber 1978) instrumental orientation, where "the ends, the means, and the secondary results are rationally considered" (Weber 1978, p. 26), and this group accounts for 68% of the CIF providers.

In the case of purity-focused CIF providers, the primary concern is to steer clear of all business activities that are "unethical". Active influence on the portfolio firms has, if considered at all, a lower priority. They target clients for whom a "clear conscience" is most important when investing their money.

> *Enjoy peace of mind knowing that you have invested with integrity. (fund provider from the USA)*

Purity-focused CIF providers see avoiding unethical companies as the best approach to making morally sound investments. They assume that refusing to support them already constitutes responsible conduct (Peifer 2011) and consequently condemn applying thresholds as an acceptable compromise compared to a zero-tolerance policy. They also state that they review their portfolios more thoroughly and thus examine both the portfolio companies and their suppliers and subsidiaries. Purity-focused CIF providers constantly audit how well their portfolio companies comply with their definition of an "ethical" enterprise. To do so, they utilize screening service firms such as ISS ESG or MSCI ESG Research, but they also have their own analytical tools to verify whether accusations are well founded. This costly double-checking can be attributed to fears that scandals could be linked to the CIF provider, thus undermining its credibility (Husson-Traore and Meller 2013) and harming future business prospects.

At the other end of the scale are those CIF providers that manage their portfolios from a more change-oriented perspective, promising that their investments will have a positive impact on the environment and society. To emphasize the impact orientation, the product of one CIF provider was specifically rebranded as "Global Impact Fund". Impact-focused CIF providers try to differentiate themselves from their competitors by targeting customers who want to contribute to the improvement of sustainability indicators.

> *The Fund is governed by the philosophy that being faithful stewards means using assets God has entrusted to us to promote economic results that are not only productive but also reflect God's values, caring for others as well as all of Creation. (fund provider from the USA)*

Impact-focused CIF providers also employ exclusions, but the goal here is to mitigate negative impacts, and the portfolio companies' attempts to reduce such impacts are factored into the assessment. However, the favored method of building a moral portfolio is to buy shares of 'unethical' enterprises and then practice shareholder activism. Here, impact-oriented CIF providers use a variety of methods: participating in ESG dialogues, voting for shareholder proposals that tackle sustainability topics, and filing their own proposals. Often, these activities are conducted with other like-minded investors in collaborative engagement partnerships.

Those two groups resemble two different approaches for dealing with the world from biblical times. Purity-focused CIF providers are like the Essenes, an end-time group that separated itself from its social environment and withdrew into a pure and holy counter-world. Impact-focused CIF providers have much in common with the Jesus community, which from its very beginning has taken a totally different stance. Jesus did not withdraw like a hermit but reached out to his people and also sought open confrontation with the authorities to address political and social issues. Through his public resistance against the mainstream religious and economic practices, he strove towards not replacing but converting and saving the people of God as a whole. Hence, the Jesus community understands itself as being entrusted with a mandate to promote change, which is very much the approach of impact-focused CIF providers.

The sketched duopoly of impact perspectives is of course a very broad distinction, but it outlines the spectrum of different impact perspectives that exist. Nevertheless, it is interesting to note that there is a clear preference for claiming a positive impact on the sustainability performance of portfolio companies.

5. Discussion and Conclusions

The goal of this exploratory study was to provide more foundational knowledge about what ethical investing looks like from a Christian perspective. We find that no such thing as "Christian investing" exists, as investment screens, investment techniques, and the public presentation of non-financial investment objectives vary substantially among CIF providers. What many of them have in common, however, is the intention to improve the sustainability performance of their portfolio companies.

Our results are consistent with previous studies in this field. Louche et al. (2012) examined the investment behavior of 100—mostly Christian—institutional investors. They confirm our findings that the top three investment techniques are exclusion (87%), positive approaches (79%), and shareholder activism (88%). They also confirm that investing differs strongly between regions, which supports our suggestion that social and political aspects are important factors for the choice of investment screens. In addition, our findings confirm Adams and Ahmed's (2013) thesis that Christian investors prefer to practice exclusion. Finally, the documented intention of most CIF providers to positively influence the environment and society coincides with the behavior of many Christian investors. They have a long history of using their financial influence to achieve social and environmental improvements, for example, in the fight against the apartheid regime (Teoh et al. 1999), in addressing the climate crisis (ICCR 2015), or in achieving the UN Sustainable Development Goals (Palmer and Moss 2017).

The results of this study are subject to certain limitations. First, due to the sample size and the exploratory character, the results of this study provide only initial ideas to be confirmed by future studies. Second, certain providers simply did not disclose all the necessary information for a sound judgement of their investment policy. It may therefore be possible that some CIF providers in our sample follow a very sophisticated investment policy but decided not to disclose it. This is relatively unlikely, however, as the CIF providers should possess an intrinsic motivation to communicate their (often costly) efforts.

Our results raise many interesting research questions. First, the ethical investment policies of SRI providers and other religious groups need to be examined to compare them with our findings on CIF providers. Second, since we have concentrated on providers of publicly traded funds, it would be promising to also examine providers of privately traded funds or passive investment products, such as exchange-traded funds. Third, our data may serve as a basis for further quantitative analysis, e.g., on the performance of different CIFs and their diversification effects. For example, Naeem et al. (2021) demonstrate that Sukuk, an Islamic financial instrument, allows for low-risk investments and offers greater diversification opportunities.

It would be particularly interesting to determine whether the differences in the marketing material of focusing on purity or on impact lead to differences in performance. Here, Dimson et al. (2015) and Busch et al. (2016) provide evidence that impact-focused funds should have a long-term performance advantage. A further research topic would be what influence AUM and size have on the ethical investment policies of CIF providers. While larger funds have more resources and financial clout, smaller CIF providers need to be more innovative and flexible to succeed.

It will be interesting to see how faith-based investors are positioning themselves in the future. For example, the topics of weapons, climate change, and nuclear power are currently being reevaluated in the public debate, which could lead to changes in the screens of CIF providers. Further, with the EU taxonomy for sustainable finance and the Social Development Goals, two international frameworks are influencing the perception of sustainable investing. Finally, the upcoming impact discussion presents both opportunity and threat to CIF providers: those that have already aligned their investment policies will most likely benefit from increased asset flows, but those neglecting this development—and one could even argue, neglecting their divine mandate—are at risk of losing assets and influence.

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Appendix A

Table A1. Overview of all CIF Providers.

Responsible for Ethical Investment Strategy	Country	Denominational Orientation
3 Banken Generali	Austria	Catholic
Schelhammer Capital Bank AG	Austria	Catholic
Erste Sparinvest Asset Management	Austria	Catholic
Kepler-Fonds KAG	Austria	Catholic
Raiffeisenbank International	Austria	Catholic
Allianz Global Investors	France	Catholic
Equigest	France	Catholic
Federal Finance Gestion	France	Catholic
Etique et Investissement	France	Catholic
ProClero	France	Catholic
Ampega Asset Management GmbH	Germany	Catholic
Bank für Kirche und Caritas eG	Germany	Catholic
Bank im Bistum Essen	Germany	Catholic
Deka Bank	Germany	Catholic and Protestant
Deutsche Kirchenbanken	Germany	Catholic and Protestant
Evangelische Bank	Germany	Protestant (Lutheran)
Green Benefit AG	Germany	Protestant (Evangelical)

Table A1. *Cont.*

Responsible for Ethical Investment Strategy	Country	Denominational Orientation
Invesco Asset Management Deutschland GmbH	Germany	Catholic
KD Bank und Brot für die Welt	Germany	Catholic and Protestant
Liga-Pax Bank	Germany	Catholic
Lyxor Asset Management	Germany	Catholic
Salm-Salm & Partner GmbH	Germany	Catholic
Stadtsparkasse Düsseldorf	Germany	Catholic
Steyler Bank	Germany	Catholic
Wettlauffer Wirtschaftsberatung	Germany	Catholic and Protestant
Altum Faithfuk Investing	Spain	Catholic
BNP Paribas	Spain	Catholic
Julius Bär	Spain	Catholic
Sabadell	Spain	Catholic
Santander	Spain	Catholic
Bank J. Safra Sarasin	Switzerland	Protestant
CCLA Investment Management	UK	Protestant (Anglican)
Epworth Investment Management	UK	Protestant (Methodist)
Ave Maria Mutual Funds Group	USA	Catholic
Dana Investments	USA	Catholic
Eventide Asset Management	USA	Protestant (Evangelical)
Everence Financial	USA	Protestant (Anabaptist-Christian)
GuideStone Financial Resources	USA	Protestant (Baptist)
Kights of Columbus	USA	Catholic
LKCM Aquinas Funds	USA	Catholic
New Covenant Funds	USA	Protestant (Presbytarian)
SEI	USA	Catholic
Steward Mutual Funds	USA	Protestant (Evangelical)
The American Trust Allegiance Fund	USA	Protestant (First Church of Christ, Scientist)
Timothy Plan	USA	Protestant (Evangelical)

Appendix B

Table A2. Definition of Investment Screens.

Screen	Definition
Environmental Destruction	This code will be used for screens that adress envorinmental destruction, e.g., use of water, dangerous chemical or polution. Also positive screens to protect the environment are included here. The specific case of climate change is an own category.
Climate Change	This code will be used for every activity to fight climate change (positive screening, e.g., renewable energy or electric vehicles) or to exclude activities that foster the climate change (e.g., fossil fuels, fracking, coal, oil sand etc.). This is a separate code to environmental destruction.
Genetic Engineering	This code will be used for any mention to screen for genetic engineering i. e. changes in the DNA of plants or animals. Genetic engineering of humans i.e. cloning is part of the embryonic stem cells code.

Table A2. *Cont.*

Screen	Definition
Nuclear Power	This code will be used for any mention to screen for business activities around the generation of nuclear energy e.g., uran exploration, nuclear power plant construction or nuclear power plant operation. This code does not apply to screens that adress nuclear weapons (this is a different category).
Animal Treatment	This code will be used for any mention to screen for the treatment of animals, e.g., animal testing or farm animal welfare or furs.
Human Rights	This code will be used for any mention to screen for human rights and human dignity in general, but also in the case of more specific human rights issues such as for example discrimination, diversity or exploitation of human (e.g., child labour, labour rights, working conditions etc.). In addition, norms such as ILO or OECD guidelines are coded here. This code is used for actions of the company, but also for actions of its suppliers and subsidiaries.
Weapons	This code will be used for any mention to screen for weapons, military, defense, or armaments. Sometimes it is specified to be only controversial or mass destruction/ABC weapons, sometimes its very general.
Pornography	This code will be used for any mention to screen for adult entertainment or pornography or other ways of sexual presentation.
Tobacco	This code will be used for any mention to screen for tobacco, such as production or distribution.
Embryonic Stem Cells	This code will be used for any mention to screen for the use of or research on embryonic stem cells. Cloning is also part of this. It is a subcode of unborn human life. Protection of human life is coded here and with abortion as both address the right to life—but not with contraception (as before conception there is no life to protect). Health Care and pharmaceuticals is too wide to make any conclusions.
Alcohol	This code will be used for any mention to screen for alcohol, such as production or distribution. Sometimes it is specified to be only high concentration alcohol, sometimes it's very general.
Gambling	This code will be used for any mention to screen for gambling, e.g., production, operation or distribution. Sometimes it is specified to be only controversial gambling activities, sometimes it's very general.
Abortion	This code will be used for any mention to screen for abortion, e.g., clinics or abortifacients and the protection of the unborn life. Planned Parenthood is coded here as well as with contraception as they offer both as a service. Protection of human life is coded here and with embryonic stem cells as both address the right to life—but not with contraception (as before conception there is no life to protect). Health Care and pharmaceuticals is too wide to make any conclusions.
Contraception	This code will be used for any mention to screen for contraceptives (sometimes very technical definition what "contraception" is). Planned Parenthood is coded here as well as with abortion as they offer both as a service. Protection of human life is NOT coded here (as before conception there is no life to protect), but it is coded with abortion and with embryonic stem cells as both address the right to life. Health Care and pharmaceuticals is too wide to make any conclusions.
Governance Issues	This code will be used for any mention to screen for governance topics e.g., executive compensation, board structure, control or shareholder policies and for criminal and unethical business practices, such as bribery, corruption, money laundering, financial misinformation, ceation of cartels or fraud.

Appendix C

Table A3. Definition of Investment Techniques.

Technique	Definition
Exclusion	This code will be used for every information that refers to practices where the fund companies use some negative screening, avoidance or exclusion of either business practices or even whole business sectors.
Positive Approaches	This code will be used for every information that refers to practices where the fund companies use positive screening or best-in-class approach. It is also used for every other ranking, such as best-in-industry or worst-in-class.
Shareholder Activism	This code will be used for every information that refers to practices where the fund companies influence the portfolio companies—either through dialogue (voice) or an explicit ESG-Voting-Policy (Voice). This code is only used if the engagement is done alone. If it is done with other investors, the code "Collaborative Engagement" should be used. This code is only used if the engagement is done alone. If it is done with other investors, the code "Collaborative Engagement" should be used.
First Engagement, then Divestment	This code will be used for information on how a company deals with controversies, e.g., if a portfolio company is involved into a scandal, if the portfolio company in an engagement process doesn't change or if the ESG scores of a portfolio company drops below a defined threshold. If the company does seek the contact to or starts a dialog with the portfolio company, this code is applied. It is possible, that a divestment is the last option—but there must always be some sort of communication before the divestment. This code is NOT used if there is no contact or engagement initiative and the stock is directly sold. It is also not used, if it's a one-way communication, e.g., just a letter to say goodbye without allowing the portfolio company to react.
Divest without Engagement	This code will be used for information on how a company deals with controversies, e.g,. if a portfolio company is involved into a scandal, or if the ESG scores of a portfolio company drops below a defined threshold. If the company does NOT seek the contact to or starts a dialog with the portfolio company, but instead sells its investment, this code is applied. This code is also used, if the divestment is no must, but a can and it doesn't matter if it happens immediate or after a grace period. The important part is, that there is no communication before the divestment. This code is NOT used if there is contact or engagement initiative before the stock is sold. However, if the communication is just a one-way communication, e.g., just a letter to say goodbye without allowing the portfolio company to react, it still is part of this category.
Collaborative Engagement	This code will be used for every information that refers to practices where the fund companies influence the portfolio companies—either through dialogue (voice) or an explicit ESG-Voting-Policy (Voice). This code is only used if the engagement is done with other investors. If it is done alone, the code "Shareholder Activism" should be used.
Stigmatization	This code will be used if a fund company publicly expresses its disagreement towards actions of its portfolio companies. If concerns are expressed in private as part of a shareholder dialogue, this code is NOT used.
Impact claim	This code will be used for any statement, that investing with the fund will positively impact environment and society. The understanding goes beyond the personal dimension of the investor. If a company practices shareholder engagement, it is important, that the fund company clearly states, that it actively influences the portfolio companies—just stating that this might be possible or an engagement without clear impact goal is not sufficient. This code is NOT used, if the focus is just on the investors conscious.
Integrity claim	This code will be used for any statement, that investing with the fund will not violate or contribute to a good conscious. Important is the personal dimension of the investor—and not a doctrine of a church, a sustainability agenda, or the Christian faith in general.

Notes

[1] While there are no statistics on how much wealth faith-based investors possess, there is strong evidence of an enormous accumulation of assets by faith-based organizations. For example, Bhagwat and Palmer (2009) claim that more than 7% of the world's land area is the property of religious institutions, and the most recent data of the Interfaith Center on Corporate Responsibility show that their members are responsible for more than $4 trillion in managed assets (ICCR 2021).

[2] The literature sometimes distinguished between positive screening and best-in-class approaches. However, as the latter is a derivative of the former, they are both treated together in this article (Renneboog et al. 2008; Viviers and Eccles 2012).

[3] We decided to limit the analysis to the top 15 of more than 50 topics in our sample to analyze them further. Examples of other screens are usurious interest rates, violent video games, and food speculation. This gives an impression of how wide the range of topics is that can form a "Christian" investment policy.

[4] see, for example, Psalm 139:13–16 or Jeremiah 1:5 (New American Standard Bible 1995).

[5] For a more comprehensive overview on the SDG-related teachings of the Catholic Church, see the collection of Cichos et al. (2021).

[6] See https://www.shareholdersforchange.eu/who-we-are/ (accessed on 19 July 2022).

[7] See https://www.iccr.org/iccrs-shareholder-resolutions (accessed on 22 July 2022).

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