university of groningen

Translation Towards Sustainable Investing Within Dutch Commercial Banks

Madhusudhanan Balasubramanian (4039319)
University of Groningen, Campus Fryslân
Guide- Dr. Niels Faber

Abstract:- To achieve the sustainable development Goals laid out by the United Nations, a funding gap of $ 2.5-3 trillion per year in required funding must be covered. Therefore, financial institutions such as commercial banks have a greater obligation to help bridge the funding gap. There also exists an increasing trend in the preference to invest in sustainability among millennial customers. However, there is a significant gap between the preference to the actual investments made, due to a perception of trade-off between the sustainable outcomes versus the financial outcomes. Therefore, in this regard a comparative case study investigates the strategies adopted by two Dutch commercial banks in translating sustainable investing into the financial industry. The study combines the theory of translation within the actor-network theory and theory on organisational logics. Results around the activities of translation have been contrasted and presented. The findings around the trade-off remains unclear.

INTRODUCTION

The UN in the year 2015 laid out a path breaking plan to combat rising environmental and social concerns around the globe in the form of 17 sustainable development goals (or SDGs). However, a gap of $ 2.5-3 trillion per year exists in the required funding to meet these developmental goals by 2030 (UNCTAD, 2014). This calls for collaborative participation from both public agencies as well as private FIs (FIs) to help bridge this gap in funding. Therefore, financing for sustainable development has gained prominence among both public and private FIs (UNEP, 2020). In this paper, we shall be investigating how private FIs (FIs), particularly commercial banks (CBs), contribute in this regard. We shall be focussing on how such institutions propagate the concept of sustainable investing (SI) within their organization and among their investors (Anagnostopoulos, Skouloudis, Khan and Evangelinos, 2018).

Attitude towards SI among Millenials: -

There is a rising interest among millennial investors to engage in SI (GIIN, 2017). However, there is a significantly slower growth in actual investments made by them into sustainability. One of the significant reasons mentioned was that millennial investors still perceive that a significant trade-off exists between the financial outcome and the social or environmental outcomes while making such investments (GIIN, 2017).

When sustainable enterprises tie their social or environmental value creation along with the economic value creation, it could lead to potential confusion, in that most of these organizations do not fit into existing models for investors (Hoogendoorn, B., van der Zwan, P., & Thurik, R, 2017). Such confusions could be one of the reasons as to why investors are still hesitant to actively engage in SI (Dumas and Louche, 2016).

Attitude towards SI among FIs: -

However, to counter the above argument, the investment community by and large perceive the opportunity for financial gain to be obtained in the long run by engaging in such investment activities (Child, 2014). In their paper Glanzel and Scheuerle (2016), divide the study of impact investment firms into two categories, (1) impact-first investment firms, that primarily seek social or environmental value on their investment first and then seek risk-adjusted market rate return on their investment as a secondary gain versus (2) the finance-first investment firms, which have a contrary investment strategy.

The above discussion establishes the possibilities of engaging in SI and profiting from it. However, there exists a limited perception of a significant trade-off between the sustainability aspect versus the financial aspects in SI. And, it becomes the responsibility of the FIs, such as banks that have access to a large customer base, to help overcome this problem of perception, thereby engaging them in SI.

In this context, it would be useful to apply the concept of translation which is widely discussed in the actor-network theory (Callon, 1986; Latour, 2005; Lawrence & Suddaby, 2006). Callon and Latour (1981, p. 279) introduce the term translation as, *'all negotiations, intrigues, calculations, acts of persuasion and violence thanks to which an actor or force takes . . . authority to speak or act on behalf of another actor'.* Using this definition FIs can be viewed as actors that can influence their customers to engage in SI. While it has become clear as to why FIs need to invest in sustainable development (Dorado, 2013; Giamporcaro and Gond, 2016; Guyatt D, 2006), the actual approaches that balance the trade-offs is still unclear; more so, in the case of CBs. (Karkowska, 2019). While there is an increasing trend among CBs that adopt SI practices (Weber, 2014), there is a gap in understanding of how such banks are able to negotiate the perceived trade-off and subsequently influence investor behaviour towards SI.

Banks are responsible for basic economic functions, such as the facilitation of customer savings and redirecting the capital flows back into the economy. Organisational logics govern the way an organisation conducts its business (Rodriguez, Svensson, and Eriksson, 2018). Despite other services like payments, venture capital and asset valuation, a bank's core and the most prestigious positioning within financial and economic systems derives from their effective assessment and management of risk (Jeucken, 2004; Scholtens and van Wensveen, 2003; Scholtens, 2006). It therefore, also has an impact on its intentionality, the risk assessment and management (RAM) process, networking and strategic communication. This study aims to combine organisational logics with the theory on translation. It could help us understand the strategies adopted by CBs as the actors that negotiate the trade-offs and subsequently study their strategies to influence customer behaviour towards SI.

The study will be empirical and exploratory in nature, where the focus would be on performing a comparative case study of CBs that are specifically engaged only in sustainable investment practices versus the more traditional ones that are transitioning to SI. I build on existing theoretical knowledge from both academia as well as practitioner insights in the form of reports from various respected investment and banking association groups like the Global Impact Investment Network (GIIN) and the Global Association for Banking on Values (GABV) to help me answer the research question for this paper:- *"how can commercial banking institutions help translate SI into mainstream of the financial industry?"*

The paper will follow with a theoretical framework discussing the need for SI, various paradigms in SI, barriers and drivers to SI, the theory on translation and the role of CBs in translation towards SI. This will also be followed by a detailed description of the comparative multiple case study methodology adopted in the paper.

Based on our exploratory study I propose to provide possible recommendations on how CBs can help new investors overcome the perception of a trade-off in SI. The theoretical implications of translation, could be a useful addition to the actor-network theory, where further research could focus on the effect of actor-network relationships in influencing behaviour among a group of people towards SI. The report shall also provide a framework based on the findings, which will be based on the theory of translation. This would have practical implications for managers in traditional banks transitioning towards SI.

THEORETICAL FRAMEWORK

In this section we will be further expanding on: - (1) why do we need SI (2) various strategies around SI, (3) the Barriers and Drivers in adoption of SI, (4) theory around translation, (5) applying translation within the commercial banking industry.

Why SI?: -

In response to the global financial crisis, FIs around the world were criticised for their lack of transparency in their business operations and their single minded pursuit of financial goals without taking into account the social and the environmental costs (Hu & Scholtens, 2012). Financial intermediaries like banks began facing increased institutional scrutiny from regulators, civic society, industrial organisations, trade associations, etc (Levine, 2005; Jeucken, 2004). This led to banks and other FIs rethinking about their role in solving some of the challenges created either by their own doing or due to pre-existing pervasiveness of the social and/ or environmental issues (CSP, 2018). FIs began viewing all that they could do to solve such challenges through different perspectives ranging from Corporate Social Responsibility to Impact Investing (GABV, 2020). These perspectives led them to view themselves as either active or passive participants (CSP, 2018). Active participants are those that take an active role in shaping the thinking of their investees towards holding themselves responsible for their sustainable performance and in some cases help them rethink their business models to serve underserved markets or solve market failures.

Understanding SI: -

In the plethora of FIs ranging from Insurance funds, pension funds, Investment Banks, Sovereign Funds, CBs, Philanthropic Foundations, Development Finance Institutions, each have their preferred strategy of investing. For the purpose of our understanding I classify all such approaches under SI as listed out in Table 1 (CSP, 2018). However, for the purpose of this study we will be focusing only on the commercial banking institutions. According to CSP (2018), CBs take various approaches while adopting SI as listed in Table 1. In the case of exclusion strategy, banks do not invest in certain sectors like animal fur, coal, oil and gas, etc. These norms are generally defined by international institutions such as the United Nations Principles for Responsible Investing (UNPRI). In the case of Best-in-Class strategy, banks consider the environmental, social and governance (ESG) performance data in each industry within their investment universe and then choose the best performing firms within the respective industry. The criteria to choose the best performing firms varies from one bank to the other. ESG integration includes, incorporating ESG risks and opportunities in the financial analysis, this is usually dealt in a case-by-case manner for individual firms. For example, in the case of social housing, construction of low-cost housing has potential benefits for at-risk population. However, it could also include a loss of biodiversity in that area. In such a case, ESG integration provides a holistic perspective on the risk and opportunity. In case of Active Ownership, banks investing in certain companies exercise the right to vote on major decisions taken by the firm. In such a case banks can effect change in terms of pushing the firms to avoid ESG related risks. Thematic Investing includes making sector specific investment decisions. For example, banks that have expertise in certain areas like clean technologies, renewable energy, circular economy, etc choose to invest only in such areas that they have expertise in. In case of Impact Investing, banks invest in firms or projects with the intention to create a positive social and environmental impact without compromising on the financial returns. The investment strategies listed previously, also varies according to the financial instruments created for SI. The two types of securities or investment instruments are listed securities and unlisted securities. Listed securities are equity based or debt based investments into firms that are listed on the stock exchanges, whereas unlisted securities are investments made into smaller firms or firms that do not wish to be listed on the stock exchanges (Scholtens and Wensveen, 2003).

Listed securities have greater exposure to pressure from external actors such as media houses, NGOs and regulatory authorities over their sustainability practices. This results in stricter assessment of a firm's ESG performance. Any resulting negative assessment can lead to the firm being excluded completely under the Best-in-Class and ESG Integration strategies (CSP. 2018). On the unlisted side, the exposure to pressure from external actors is lower than on the listed side. Strategies like Impact Investing, Active Ownership and Thematic Investing are seen more on the unlisted side, as the firms are relatively new and small. Their performance on the sustainability agenda and the financial agenda can be controlled effectively through active ownership. These firms are also usually undercapitalized, i.e, they do not have enough money to service their debt and other operating costs, in such cases investors involved in Impact and Theme based Investing have expertise in managing the risks attached to such investments (CSP. 2018).

		SUSTAINABLE INVESTING							
Approach	**Traditional Investment**	**Exclusion**	**Best-in-Class**	**ESG Integration**	**Active Ownership**	**Thematic Investing**	**Impact Investing**	**Venture Philanthropy**	**Traditional Philanthropy**
Definition	Investing for the sole purpose of generating finan-cial return	Avoiding certain sectors or compa-nies based on ESG information, values, or norms defined by international in-stitutions such as the UN	Including only the best ESG perfor-mers in each industry in the in-vestment universe	Systematic and explicit inclusion of ESG risks and opportunities in the financial analysis; does not necessarily use ESG peer bench-marking	Entering into dia-logue with compa-nies on ESG issues and exercising ownership rights to effect change	Investment that is based on sustai-nability themes such as clean-tech or sustainable forestry	Investments made in firms/projects with the intention of creating social/ environmental re-turn without sacrificing financial return	Funding a range of philanthropic organizations through grants to build self-suffici-ent and catalytic organi-zations	Grant-based funding of philan-thropic organiza-tions without an explicit focus on the organiza-tions becoming financially self-sufficient

Table 1 describes SI strategies adopted by CBs. Source: - Assessment Report of 15 European Banks CSP 2018 (University of Zurich)

Barriers and Drivers towards adoption of SI within CBs:-

A report by the Global Alliance for Banking on Values (GABV, 2020) reported the following issues as the barriers which restrict CBs from switching over from traditional lending or investing practices to sustainable lending or investing practices. Some of which range from inertia and the power of the status quo, lack of incentives, lack of courage and innovation by banking executives and shareholders in changing the course and finally limited awareness of the data provided by reports of sustainable banking institutions. However, CBs are under increasing pressure both from retail as well as institutional customers, who demand for SI options (Anagnostopoulos, Skouloudis, Khan and Evangelinos, 2018). These normative pressures contribute towards the intentions behind banks to engage in SI. Therefore I term a bank's motivation to engage in SI under the category of intentionality. The intention to engage in SI within a CB is reflected in the endorsement provided by the top management to develop policies and vision statements for SI, creating objectives such as targets for launching SI products and institutionalizing governance mechanisms around implementation of the investing process (CSP, 2018).

Understanding Translation in the context of SI: -

To understand the role of translation in the field of SI, the present study is based on the work done by Buenza and Ferraro (2018). In this paper, they link the theory of translation to the strategies adopted by a major American data provider for investors. They also present strategies adopted by the firm to launch a new ESG ratings tool for responsible investing and gain legitimacy for it among investors. The authors base their theory of translation on the definition provided by Callon and Latour (1981, p. 279), who define it as, *'all negotiations, intrigues, calculations, acts of persuasion and violence thanks to which an actor or force takes . . . authority to speak or act on behalf of another actor'*. Actor-Network Theory helps describe how focal actors (in this case banks) enrol other actors and use non-human actors (artefacts) to strengthen such alliances and to secure their own interests (Lee, Harindranath, Oh and Kim, 2015). This process of translation consists of four steps when an actor-network is created. In the first step the focal actor defines the shared interest among other actors and creates an obligatory passage point through which other actors in the actor-network will have to pass through. In the second step the focal actor convinces other actors either through inducements of benefits or through threats of negative results. In the third step other actors accept the interest defined by the focal actor. In the final step the focal actor ensures that other actors act on their agreement and do not leave their network (Lee, et.al, 2015). According to this definition, translation includes all of the following aspects namely: - **networking** (Scholtens, 2006; Weber, 2012), **risk assessment and management** (**RAM)** (Anagnostopoulos, et.al., 2018), **strategic communication** (Lehner, Harrer and Quast, 2019). Networks can be divided into normative and regulatory networks. Normative networks are interorganizational connections through which practices become normatively sanctioned and which form a relevant peer group with respect to normative compliance, monitoring and evaluation (Lawrence and Suddaby, 2006). Normative networks include Non Governmental Organizations (NGOs), Competitors, Industry Associations etc (Buenza and Ferraro, 2018). For example, NGOs like WWF, in an effort to incorporate robust environmental and social risk in bank transactions conduct surveys and studies to monitor bank practices and publish reports (Coulson, 2009). In other cases, banks that include investment management divisions (IMD) within the organization, create SI related products that are usually sold in the open financial markets, which are used by peer banks for their customers (CSP, 2018). The other type of networks is the regulatory networks, which include organizations that are involved in standard setting practices, for example FTSE4Good Index in the UK (Slager, Gond and Moon, 2012). It is a subsidiary of the London Stock Exchange. The Index provides SI stock market indices that are used to reference the progress made by companies against global ESG standards, benchmark performance of SI and research into sustainable companies (Collison, Cobb, Power and Stevenson, 2008). The relationship between such regulatory actors and the banks can impact the legitimacy around SI practices (Thiemann and Lepoutre, 2017).

Every FI relies on a strong capability to assess and manage risk with respect to their investments made (Scholtens, 2006). The framework created for assessing and managing risk becomes the institution's artefact, based on which they make their investment decisions (Lee, et.al, 2015). Therefore, a strong and reliable RAM artefact is key to its ability to create legitimacy for SI (CSP, 2018). Standard artefacts include technology powered solutions for risk assessments, or human powered assessments, that rely on the expertise of the employees involved, or a combination of both (CSP, 2018). Standard financial risk assessment practices include evaluating the Sharpe ratio, which measures the rate of return generated on the investment to it's risk. It has now become the standard method to calculate the risk adjusted return on investment. The greater the ratio for a portfolio, the better is its risk adjusted performance. The debt-to-equity ratio (D/E) is the total debt or loans that a company has procured to fund its operation to the shareholder equity. The lower the ratio, the less riskier is the investment. The tracking error is a measure of an investment's consistency in performance with regards to a benchmark set for the investment over a period of time. Evaluating tracking error over a period of time explains the level of risk control that an investment manager exerts in his/her investments (Weber, Scholz and Michalik, 2010).

The practice of SI is still an emerging field, which carries a certain liability in terms of risk perception due to its novelty and lack of considerable data on successful investments (Jackson, 2013). In this sense the role of strategic communication helps overcome such perceptions (CSP, 2018). Strategic communication could include publishing reports, hosting seminars and participating in global conferences (GABV, 2020).

The Role of Commercial Banking Institutions in the Translation towards SI: -

Banks are responsible for fundamental economic functions, such as the facilitation of customer savings and the redirection of capital flows back to the economy. Despite other services like payments, venture capital and asset valuation, a bank's core and the most prestigious positioning within financial and economic systems derives from their effective RAM processes (Jeucken, 2004; Scholtens, 2006). Although a bank's primary mission is to provide credit for their customers, in order to fulfil this purpose efficiently, it also has to manage their customer's credit risk (Weber, Scholz and Michalik, 2010). As a result, a bank's claim of financial returns are subject to the risk of their core business namely, private lending (Weber, 2012).

Weber (2012) points out the positive mediating role of banks on their client's environmental and social performance as a potential leverage point towards sustainable development. Banks in certain cases act as consultants to develop a sustainability related strategy for firms they lend money to (Gallagher and Yuan, 2017). In such a capacity banks leverage either in-house or external expertise to assess a firm's sustainability related risk and help them develop a strategy to improve their sustainability related performance (Gallagher, et.al, 2017).

In order to make SI an industrial norm within the banking industry, banks tend to form alliances with NGOs or for-profit third party data providers to provide data and research while assessing ESG performance of firms (GABV, 2020). Banks also tend to form alliances with peer banks, such as The Global Association for Banking on Values (GABV), The United Nations Environment Program Finance Initiative (UNEP FI), Sustainable Banking Network (SBN), etc (Anagnostopoulos, et.al., 2018) to exchange knowledge around best practices and innovation in the field of SI, to standardise definition of impact and its assessment and to educate investors, academics and civic societies about SI by publishing reports and whitepapers.

Through these normative networks banks have been able to translate government regulations around ESG performance for businesses into their RAM strategies (Scholtens et.al, 2003) and turn them into industry standards through regulatory networks. Examples of such regulations are: - EU Taxonomy for Sustainable Finance, The Markets in Financial Instruments Directive (MiFID), etc. In this sense banks could be viewed as actors that leverage their network by forming alliances or associations to promote SI through the effort of translation.

In order to overcome the perceived existence of a trade-off in SI, banks therefore, engage in strategic communication practices that will help gain legitimacy for the practice of SI and make it easier for non-financial actors, such as NGOs, etc. to understand the practice (Lehner, Harrer and Quast, 2019). Research found that relationship managers (RMs) were the biggest barriers to mainstreaming SI (CSP, 2018, p.3). RMs are responsible for communicating with investors. Examples such as Triodos Bank in The Netherlands engage in dialogue with their customers, regulators, NGOs, competitors, to diffuse sustainable lending practices across the banking industry and the larger public domain (Hofstra et.al, 2018). However, the strategy adopted for communication with each of these target groups must be specific and targeted to their level of knowledge and interest. For example, NGOs that campaign for adoption of ESG ratings across the private investment sector are more keen on sustainable outcomes of the investment over the financial outcome.

Organisational logics govern the way an organisation conducts its business (Rodriguez, Svensson, and Eriksson, 2018). Similarly, banks function according to an overarching logic. It therefore, also has an impact on its intentionality, the RAM process, networking and strategic communication. For example, sustainable banks (SB) like Triodos and Globalance specifically focus only on SI, whereas other major banks like HSBC, Credit Suisse, etc. offer SI as an option along with the traditional investing options (CSP, 2018). In such a case the prioritization assigned to SI also depends on the organisational logic governing the bank. Banks such as LGT offer SI along with non-SI options. They have limited options available for SI which follows the best-in-class approach in listed equities and fixed income funds and limited impact investing options. There are also key differences in the client engagement processes as well (CSP, 2018). The schema provided in Figure 1 summarizes the concepts discussed in the theory section and provides a framework for data analysis.

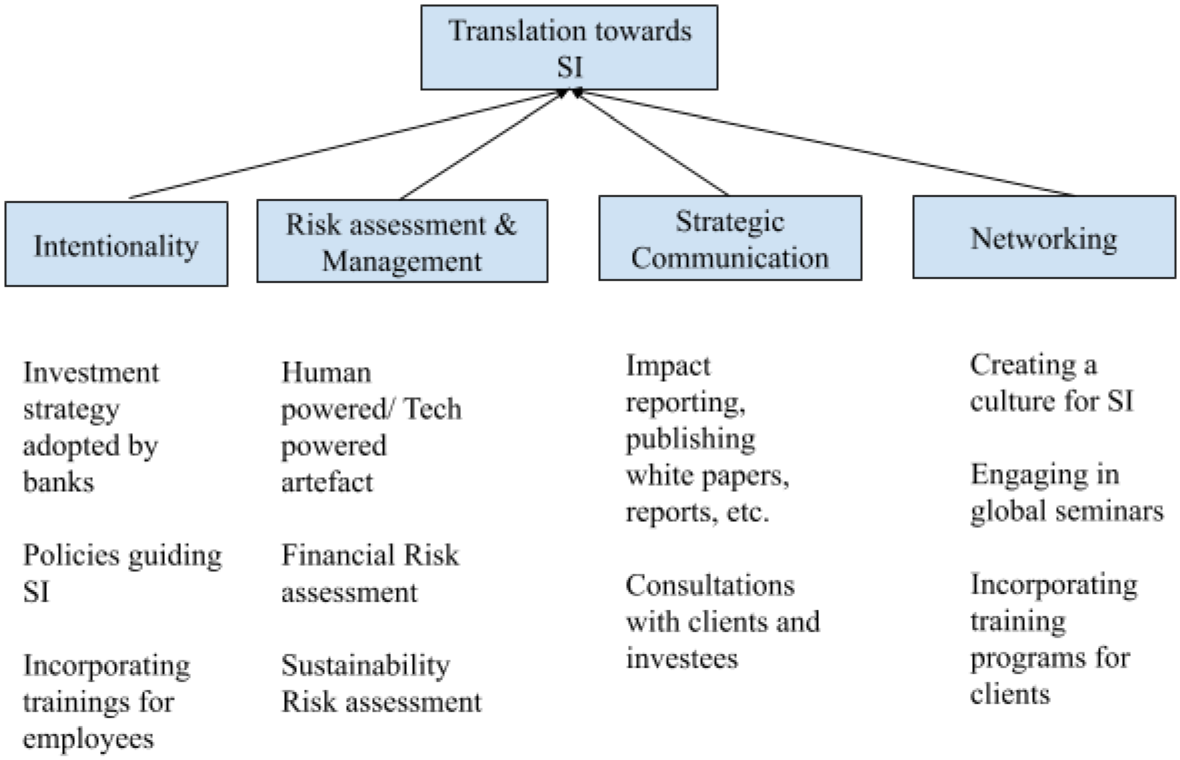

Figure-1 Presents the criteria for translation.towards SI and lists activities under each criteria based on theoretical findings.

METHODS

Research Methods: -

The field of SI among CBs is still in an explorative stage, (Jackson, 2013) therefore the chosen methodology of qualitative comparative multiple case study helps interpret a complex phenomenon and develop rich theoretical implications (Yin, 1981; Bryman, Bell and Harley, 2019). The findings generated though not generalizable, has wider implications for managers involved in SI within CBs. The findings thus generated would be an addition to the theory on translation.

The focus is on comparing the practices surrounding the translation activities pertaining to SI within two Dutch CBs. One of them is specifically engaged only in SI practices while the other is a traditional bank (TB) whose focus is not specific to SI, rather a component of the overall business. The practices shall be compared around the themes of intentionality, RAM, strategic communication and networking activities, as mentioned in the theory. The comparison is specifically made between the Private wealth management and Sustainable Finance divisions at the TB versus the IMD of the SB. The unit of analysis is at the organizational level.

The reason for choosing to narrow down the scope of investigation is that, the banking industry for example, Triodos has been adopting ethical regulations in their investment practices since the 1980's (Triodos, 2014), it still represents only a fraction of the global commercial banking industry (GABV, 2020). Although there is an increasing trend in the intentionality among traditional incumbent banks to transition towards or at least offer SI opportunities to their customers (GABV, 2020).

By keeping the SB as a benchmark for SI, I compared the translation activities and noted the differences.

Data Collection: -

During the initial phase of research, publicly available information about both banks were sourced from websites and academic journals. Based on the available information, the case study was further built upon the responses to semi-structured interviews (Bryman,et.al, 2019). The interviews followed a time glass-model approach (Runeson & Höst, 2008, p.146) which began with open questions about themselves and descriptions of their job role and narrowing the questions towards activities specific to their job roles such as relationship management, investment analysis and finally broadening the questions to their perspectives on the existence of trade-offs in SI. The duration of the interviews ranged between 30 minutes to an hour. The interviewees were chosen based on the practice of key informant interviews (Payne and Payne, 2009). A key informant in this regard, is an employee who works in the SI practice in their respective banks. He/ she has specialist knowledge and authority to share insights about his or her role, through their experience in promoting SI within the bank and to customers as well. The interviewees were contacted via LinkedIn. A total of 35 people were contacted. Out of these 6 of them agreed to participate in this research (listed in the table below). The interviews were conducted via Skype. The interviewees at the TB included employees from the sustainable finance division and the private wealth management divisions. Whereas, in case of the SB, all employees belonged to the IMD. The questions revolved around the concepts of intentionality, RAM, networking and strategic communication. The interview guide used for data collection is attached in Appendix- A.

Since there was no public information of a sustainable investment strategy at the asset management division of TB, I did not include that unit in this research. The private wealth management division has a policy for SI and hence was included in the study. The list of the interviewees along with their position within the organisation is listed in the table below: -

S. No	Job Title	Bank
1.	Vice President- Sustainable Finance	TB
2.	Client Relationship Manager- Sustainable Finance	TB
3.	Investor Relationship Manager- Private Wealth Management	TB
4.	Product Specialist- IMD	SB
5.	Investment Analyst- IMD	SB
6.	Intern Emerging Markets Portfolio- IMD	SB

Analysis: -

The data gained from interview responses, reports and academic publishings featuring both banks were coded based on the framework of intentionality, RAM, strategic communication and networking provided in the theory. To ensure the credibility of the findings two strategies were employed, namely- respondent validation and triangulation (Bryman, et.al, 2019). As per Runeson, et.al. (2008, p.146), *"it is important to use several data sources in a case study in order to limit the effects of one interpretation of one single data source"*. Archival data in the form of documents outlining the investment strategies and risk assessments published by the banks were reviewed. The content in these documents are reviewed annually, therefore I chose to review documents from 2018 to March 2020. The changes in the documents were noted and cross-referenced with the interview responses. Academic publications featuring both the banks were reviewed to further triangulate the findings (Bryman, et.al, 2019). Some of the keywords used while searching for publications include: - SI, Impact Investing, Banking, ESG in Banking, names of the banks, etc. In order to ensure that I interpreted their responses correctly, I summarized the findings at the end of the call and had them validate my interpretations. Any corrections suggested were included while transcribing them. Thus, validating the findings (Runeson, et.al, 2008). The analysis followed a grounded theory approach. Where theory and findings were constantly compared. Subsequently the correspondence between data and theory were coded (Bryman, et.al, 2019). The coding strategy is selective in nature, where categories that needed further refinement were constantly reviewed. For example, during data collection I found that banks use technology driven RAM processes and human driven RAM processes. This was not included in the initial theory. The responses were coded on MS Office Excel spreadsheet using the Template approach (Runeson, et.al, 2008). In this, the core categories included intentionality, RAM, strategic communication and networking. The findings were then related to the core categories. The results are presented in Figure 2 in the discussion section.

Research Ethics: -

All the interviewees were provided with a consent form explicitly stating the aim of the research, the approximate time of the interview and the method of data collection (Bryman, et.al, 2019).

RESULTS

High-level Similarities: -

The consensus among participants across both banks suggested that the interest to engage in SI among investors and banking institutions is on the rise. And that millennial investors, especially, are increasingly prioritizing positive sustainable impact in their investment preferences. Both banks are also signatories to the UNPRI.

Policies at both banks with regards to SI: -

The TB has been in existence for over two centuries. The group level policies regarding sustainability at the bank include a mix of exclusion and inclusion strategies for financing. The bank has decided to not to finance any new coal fired plant and reduce existing portfolio to zero by 2025. The other areas where the bank does not finance any business activity are: - controversial weapons, animal rights violation, rainforest violation and human rights violation. Further the bank has created new financial instruments for both institutional and retail customers to invest in sustainability, such as: - SI, green savings deposits and green financing. It has further launched an initiative that supports new sustainable enterprises that aim to create a sustainable impact on the society. The bank also acts as a strategy consultant for clients to help develop a sustainability strategy through its expertise on themes such as renewable energy, natural resources, waste management, water management and circular economy. This is reiterated by a quote provided by the VP of Sustainable Finance (VP-SF), *" . . . we do have some very very heavily client focussed approach whereby we have on the one end strategic conversations with our clients. If you look at the topic of circular economy for example, we also engage with companies on how they could for example, look at their business in a different way. How they could consider transitioning to a more circular business model?"*

The other bank started out as a SB which has guided every transaction conducted throughout the organisation. Therefore, their policies are designed in such a way that they always attempt to do more than what is required at that point in time. This is reflected by a quote provided by an Investment Analyst (IA), *" . . .part of our motto is aimed at trying to set a clear benchmark on how to do sustainable banking and trying to influence others to move in the right direction too. We aim to invest or lend all our money in sustainable projects mostly aimed at three main themes. That is, sustainable food and agriculture, renewable resources and social inclusion. I think actually our goal in the end is to become obsolete, in the sense that we are no longer needed as an institution and other institutions have moved to follow suit"*. The bank has been in existence for close to four decades, thus specializing in the field of SI. This allows them to invest or lend to a variety of actors such as SMEs, self-employed persons, listed companies that aim to create a positive sustainable impact. The bank is quite active in creating a culture of like minded individuals and organisations that create a support network for knowledge transfer related to sustainability and finance. This is also reflected by an IA who said, *" . . . yes policies are important. But, it is even more important to have at least tried to build a fully comprehensive and integrated culture of like minded people . . . employees ranging from C-Suite executives to all the way throughout the organisation"*.

Lending Strategies at both Banks: -

The Wholesale banking group is responsible for sustainable lending and investment at the TB. These activities are in addition to traditional business financing within the group. There is a requirement for all clients to go through an environmental and social risk (ESR) assessment during onboarding and they are required to adhere to the guidelines outlined in the policy. However, the lending practice is still in a transition phase as outlined by the VP-SF, *". . . We have a few industries that are completely excluded from financing completely. There is also a team looking at financing of coal for example, some of our clients are still involved in that. But that is a typical area where we are in a transition phase to phase it out completely"*. The sustainable finance (SF) practice encompasses sustainability improvement loans (SIP), SI, green and social bonds. The SIP is a first of its kind launched in 2017; it attempts to go beyond the impact created in a green bond or a social bond. It directly relates the interest payable on the loan to the ESG score of the business. In case the company meets the targets or exceeds the target, they get a proportional discount on the interest, otherwise they end up paying more. In the words of the VP-SF, *". . . fortunately it has almost never occurred to us that clients really need to pay us a penalty"*.

In case of the SB, it only provides loans to businesses that have a positive social and/ or environmental impact. They also have an overarching guiding policy of not lending to businesses that have any negative social and/ or environmental impact whatsoever. Both banks provide sustainable loans based on a broadly designed lending framework that incorporates sustainability related goals and financial related goals. Some of the key areas of lending for the SB is: - Sustainable Food and Agriculture, Sustainable Mobility and Infrastructure, Renewable Resources, Circular Economy, Prosperous and Healthy People, Innovation for Sustainability and Social Inclusion.

Investing Strategies at both banks: -

The SI practice for investors is operated by the private wealth management group within the TB. Since they are not an asset manager, it limits their options in terms of investing only in listed financial instruments on behalf of their retail customers. This is due to strict regulations imposed by the EU in the form of Markets in Financial Instruments Directive (MiFID). The SI practice at the TB was established almost twenty years ago. They have options to invest in listed equities and listed bond instruments. Listed financial instruments are equity or debt investments in companies listed on stock exchanges around the world. The analyst team responsible for monitoring SI consists of two people out of a team of ten analysts. The total number of equity based SI funds are thirty five and the total number of bond based SI funds are sixteen. The sustainable selection process includes a two step screening process. In the first step companies are screened and in the second step funds are screened. The companies are screened across a two step process that involves a positive screen and a negative screen. The bank has developed a non-financial indicator tool to measure a company's sustainability related policies. This tool has been in use since 2001. This tool was developed from a positive point of view to assess companies that have significantly distinguished themselves from their direct competitors in terms of sustainable performance. Based on 127 ESG criteria the tool provides an objective picture on the risk and reputation profile of a company in relation to it's competitors. The negative screening includes exclusion of companies engaged in the certain themes based on a preset criteria, which includes exclusion based on the revenues generated from production related activities and distribution related activities. The themes for exclusion include:- controversial weapons like cluster munitions and chemical weapons, alcohol, fur, gambling, nuclear energy, coal, pornography, tobacco, oil sands and weapons. As a further level of check companies are also screened out based on undesirable behaviour which could include:- international labour issues, corruption, human rights, environmental offences and social laws and codes. Out of a total of 3700 companies the companies that qualify for SI universe are narrowed down to 500. The funds are screened based on a two step criteria which includes qualitative (positive) and quantitative criteria. The qualitative criteria includes sending a survey of 103 questions to fund managers. The questions are broadly divided into nine categories which include responsible investment policies, PRI, voting policy, engagement policy, exclusion criteria of unsustainable business activities, exclusion criteria of unsustainable behaviour, selection methodology (best-in-class), ESG integration, corporate governance, and controversial weapons policy. Based on the responses received the top fifty percent of the funds are included in SI universe. The bank services high net worth individuals, charities, endowment funds, foundations, etc. The bank provides three services which were summarized by a relationship manager (RM-SI) responsible for sustainable investment, *"execution only, advice and discretion management"*. In the execution only service, the bank provides investment options and clients then choose to invest themselves, in the advice service, they help clients choose an investment option that suits their profile and in the discretionary management service, the bank invests on behalf of their clients.

However, in case of the SB, the IMD is instituted as an asset manager under the parent bank. This allows them to invest in both listed and unlisted financial instruments. Unlisted financial instruments are equity or debt investments in companies that are not listed on any stock exchange. The total assets under management is around 4.9 billion euros, which is roughly split equally between the listed financial instruments and the unlisted instruments. The measures applied by the bank is far more stringent when compared to it's peers. They depend on the external sustainability data providers to provide primary data of companies. However, they apply their own research and inputs to further assess the actual sustainable impact created by the companies. An IA had a comment which stated,, *" . . . a . best-in-class would take the number one or number two companies in each and every sector. Many people will take data from an ESG data provider and just take the top-quartile or whatever, but we do make some use of their data. However, we always take our own approach and our universe could expand further, it's not limited to the 200 companies. However, for every single company we have to make a thesis, a bottom-up investment case, as to why that company contributes and why it would have a positive impact. This is where we differ"*. The bank also manages it's own analysts for portfolios, investments, sustainability and does not outsource any of the above activities. They also do not invest in external investment funds and create their own product. The reason mentioned for this was to control for all aspects of their investments. This is also one of the reasons why they are more expensive than regular asset managers. As recalled by a product specialist, *" . . .we are a quite expensive asset management house. . . . our investment process requires significantly more research and attention to detail. So, we do our own research, almost all of our own sustainability research, which requires people, requires time and requires governance to do it"*. The bank has also put in a lot of effort trying to create a range of investment products from as low as 20 euros to as big as hundreds of millions of dollars for big institutional clients like family offices, pension funds, insurance companies,etc. This was confirmed by the IA, *"it starts with 20 euros a month. So, it's really really low. And for the non-listed part we try to be as inclusive as possible. So really focussing on the retail investors as well. As we find it's very very important"*. The RAM model at this bank was summarized as a *"three line of defense approach"* by a product specialist. The first line of defence consists of portfolio managers that are responsible for managing risk at the portfolio level. They are then checked and balanced by the internal risk department. In the third line of defence is an internal audit group at the head office, which is an outsourced group, therefore it remains at an arm's length from other departments. So in many cases, *"they act as external audit"*, as summarized by the product specialist. The total size of the research team is between 20-30 members, while the total number of investment products are 18. The RAM is also more human driven as compared to technology driven, as they claim that they require an extra attention to detail. The financial risk assessment strategy at both banks includes evaluating the Sharpe ratio, debt-to-equity ratio and tracking error.

Networking Activities at both banks: -

The TB engages in significant networking especially with experts in the field of sustainability within each industry sector to help their financing clients develop sustainability related targets. They were also involved in a significant study along with the Dutch government regarding sustainable finance, the results of which were presented at the World Economic Forum. They also work closely with their clients to get an understanding of the technicalities involved in their industry. The team responsible for SF is also viewed as a major promoter for sustainability within the bank. They also host training activities related to sustainability for the larger group within the bank. This was reiterated by VP-SF, *"it is also suddenly the case that the Treasury really needs to get involved in the sustainability discussions and also that the organization at large has to commit to certain sustainability topics. We get this feedback also from sustainability managers at our clients, that such products actually help a lot in getting their topic, the topic of sustainability, higher on the internal agenda"*.

The IMD within the SB has created a wide distribution network of wholesale banking groups, to distribute their SI products to middle income investors apart from the regular network of institutional investors. The larger bank overall has created a network of sustainable entrepreneurs with the aim of creating a community that can support and help in knowledge transfer between the entrepreneurs. The bank is also a key player in associations such as GABV, GIIN, etc. They regularly engage in such associations mostly to raise money from investors as well as to educate them about emerging trends within SI. The bank has won several awards for its impact reporting. They not only support entrepreneurs with their financing needs, but also through knowledge transfer by publishing reports, whitepapers, etc. The bank also engages in significant training programs in sustainability and SI, both for their employees or clients.

The major finding across both banks was that they have overarching training programs with regards to sustainability or SI. However, there was no mention of role-specific training programs with respect to the above topics.

Feedback about perception of trade-off within both banks: -

The feedback received about the existence of trade-off within SI, elicited a mixed response from interviewees across both organisations. The intern within the emerging markets portfolio at the SB, mentioned that, *"the listed side of investments generally give a higher rate of return, but the risk is equally large due to global exposure. However, the unlisted side of investments provide relatively risk free and stable returns, which is a good investment"*. The RM-SI at the TB suggested that, *" . . .at the moment within our methodology we do not think it's necessary to make this trade-off, we think you can have the same returns or in the long run add your sustainable selection criteria to your strategy. So we don't expect that it's necessary to have a trade-off. Nevertheless, you see that people are willing to sacrifice returns in order to get more impact"*.

There were also a few special cases where the product specialist at the SB confirmed that, *"if you deduct the management fees from your returns then there is a trade-off that exists"*. In case of impact investing the tracking error deviates to a larger extent from the benchmark, the employee said, *". . . basically the point is to deviate from the benchmark, because you don't believe that's the benchmark. It's sustainable and a good value proposition. So you want a high tracking error when you are doing impact investing"*. This was also previously mentioned in the investment strategy adopted by the bank. In the second case the IA at the SB mentioned that, *"with SI emerging as an investment strategy, it has seen many more traditional investors engage in this strategy. This could lead to a trade-off on the impact created over the returns generated due to the crowding of investors"*.

DISCUSSION

As per the feedback received from the interviewees, the field is still emerging and requires further research, especially into measurement of impact and having a standard practice for SI. This is also confirmed by academic research in this field (Jackson, 2013). The key finding from this research is that organizations with differing organizational logics approach the topic of SI from different points of view. However, to understand each organization's approach towards SI, a framework of intentionality, RAM, networking and strategic communication has been provided, it encompassess an organizaton's chain of activities it engages so as to mainstream SI within the financial industry.

In the case of the TB which has been in existence for nearly two centuries now, the transition towards sustainability and subsequently towards SI is fairly recent, whereas in the case of the SB, the organizational logic has been consistently focussed on sustainability and creating impact right from the beginning.

Based on the dominant organizational logic, the TB has created an overarching policy for sustainability that subsequently rolls over into practice. For example, the bank incorporates a triple bottom lined risk assessment approach for every transaction being made in the form of ESR assessment. In case of investments being made the bank has created a technology driven analytic tool that investigates the sustainability performance of its investments. Due, it's longevity in the financial industry and its reputation the organization would be able to translate SI into the mainstream by leveraging on its ability to network with global companies, FIs and impact institutions such as family foundations, NGOs, endowment funds, etc.

The SB strictly does not transact with any business that has any form of negative sustainability related externalities. On the contrary it seeks to invest in or lend to businesses that attempt to create a positive impact on the planet. The bank favours a more human-centered approach to RAM, to pay more attention to detail. The bank has been in existence for nearly four decades, and has been engaging in sustainable transactions from the start. Their performance over the years has proven a viability in investing in SI. It is this reputation of theirs, that allows them to claim credibility when they engage in networking for translating SI into the financial industry. When I researched the SI products on offer, it was interesting to note that the TB offered many products created by the SB. The findings have been connected to the theory in Figure 2.

It was also confirmed that both banks have extensive generic training for their employees on the topic of sustainability. However, there was no evidence of role-specific training programs. Creating training programs especially for relationship managers is paramount to translate SI into the mainstream financial industry (CSP, 2018). Therefore, one recommendation to both the banks is to create role-specific training programs.

It was also confirmed that interest among millennial investors to engage in SI is rising. It is therefore paramount for banks to improve upon their communication strategies that are targeted towards the investors of tomorrow.

The implications of this study in the larger context of the banking industry as a whole are: - (1). Incorporating role specific training programs in SI for their employees, (2). Being open to collaborate especially around the area of impact measurement and setting stringent industry wide standards, so as to avoid the "crowding effect" of investors in SI, (3). While incorporating technology into SI product research has it's uses, incorporating human intelligence is key to creating high quality investment products, (4). The perception of a trade-off withinSI remains unclear and inconclusive and, therefore further industry oriented research needs to be undertaken in this regard.

Theoretical research in this topic could further expand on the role of an organization's logic and its subsequent effect on any of the categories mentioned in the framework. Further research could compare the organizational logic within a FI and its subsequent ability to translate towards SI.

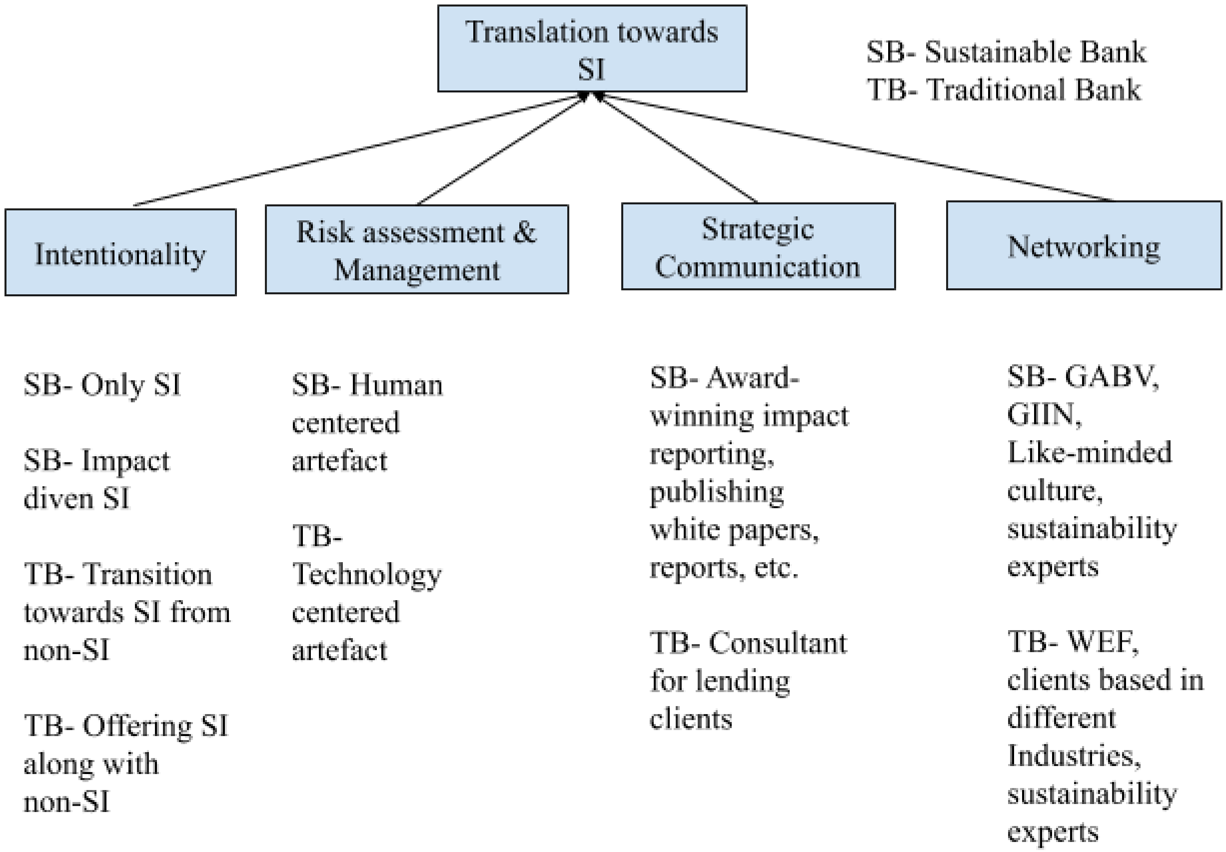

Figure-2 Presents the findings in a table comparing activities under each category at both banks.

LIMITATIONS

The data collection was done through the referral approach, therefore an organization wide study could not be done in this case. As both the banks are quite large in size and have various departments within them, where knowledge of the functions or people within other divisions is limited. This becomes pronounced as the TB in its effort to transition towards sustainability has launched quite a few initiatives, which have not been covered under this study. In case of the SB, I could only interview people working in the listed equities side and therefore insights about RAM would be limited to their insights.

REFERENCES

Anagnostopoulos, T., Skouloudis, A., Khan, N., & Evangelinos, K. 2018. Incorporating Sustainability Considerations into Lending Decisions and the Management of Bad Loans: Evidence from Greece. ***Sustainability***, 10(12): 4728.

Bryman, A., Bell, E., & Harley, B. 2019. ***Business research methods***. Oxford: Oxford University Press.

Beunza, D., & Ferraro, F. 2018. Performative Work: Bridging Performativity and Institutional Theory in the Responsible Investment Field. ***Organization Studies***, 40(4): 515–543.

Callon, M. 1984. Some Elements of a Sociology of Translation: Domestication of the Scallops and the Fishermen of St Brieuc Bay. ***The Sociological Review***, 32(1_suppl): 196–233.

Callon, M., & Latour, B. 1981. Unscrewing the big Leviathan: How actors macro-structure reality and how sociologists help them to do so. In K. Knorr & A. Cicourel (Eds.), ***Advances in social theory and methodology*** (pp. 277–303). Boston, MA: Routledge.

Child, C. 2014. Mainstreaming and its Discontents: Fair Trade, Socially Responsible Investing, and Industry Trajectories. ***Journal of Business Ethics***, 130(3): 601–618.

Collison, D., Cobb, G., Power, D. and Stevenson, L., 2008. The financial performance of the FTSE4Good indices. ***Corporate Social Responsibility and Environmental Management***, 15(1), pp.14-28.

Coulson, A. B. 2009. How should banks govern the environment? Challenging the construction of action versus veto. ***Business Strategy and the Environment***, 18(3): 149–161.

Déjean, F., Gond, J.-P., & Leca, B. 2004. Measuring the Unmeasured: An Institutional Entrepreneur Strategy in an Emerging Industry. ***Human Relations***, 57(6): 741–764.

Dorado, S. 2013. Small Groups as Context for Institutional Entrepreneurship: An Exploration of the Emergence of Commercial Microfinance in Bolivia. ***Organization Studies***, 34(4): 533–557.

Dumas, C., & Louche, C. 2015. Collective Beliefs on Responsible Investment. ***Business & Society***, 55(3): 427–457.

Gallagher, K. P., & Yuan, F. 2017. Standardizing Sustainable Development. ***The Journal ofEnvironment & Development***, 26(3): 243–271.

Geisst, C. 1993. ***A guide to financial institutions***. Basingstoke: Macmillan.

Giamporcaro, S., & Gond, J.-P. 2016. Calculability as Politics in the Construction of Markets: The Case of Socially Responsible Investment in France. ***Organization Studies***, 37(4): 465–495.

GIIN Perspectives: Evidence on the Financial Performance of Impact Investments. n.d. ***The GIIN***. https://thegiin.org/research/publication/financial-performance, March 12, 2017.

Glänzel, G., & Scheuerle, T. 2015. Social Impact Investing in Germany: Current Impediments from Investors' and Social Entrepreneurs' Perspectives. ***VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations***, 27(4): 1638–1668.

Guyatt, D. J. 2006. Identifying and Overcoming Behavioural Impediments to Long Term Responsible Investment: A Focus on UK Institutional Investors. ***SSRN Electronic Journal***. http://doi.org/10.2139/ssrn.1911821.

Global Alliance – For Banking on Values ~ Independent banks delivering sustainable development for unserved people. n.d. ***Global Alliance – For Banking on Values***. http://www.gabv.org/, March 12, 2020.

Hofstra, N., & Kloosterman, L. 2017. Banking on Values: Triodos Bank. ***Progressive Business Models***, 29–50.

Hoogendoorn, B., van der Zwan, P., & Thurik, R. 2017. Sustainable Entrepreneurship: The Role of Perceived Barriers and Risk. ***Journal of Business Ethics***, 157(4): 1133-1154.

Hu, V.-I., & Scholtens, B. 2012. Corporate Social Responsibility Policies of Commercial Banks in Developing Countries. ***Sustainable Development***, 22(4): 276–288.

Jackson, E. T. 2013. Interrogating the theory of change: evaluating impact investing where it matters most. ***Journal of Sustainable Finance & Investment***, 3(2): 95–110.

Jeucken, M. 2004. ***Sustainability in finance: banking on the planet***. Delft: Eburon.

Kwon, T., & Paetzold, F. 2018. ***Report #2: Assessment of 15 European Banks***. Center for Sustainable Finance and Private Wealth (CSP).

Karkowska, R. 2019. Business Model as a Concept of Sustainability in the Banking Sector. ***Sustainability***, 12(1): 111.

Latour, B. 2005. ***Reassembling the social: an introduction to actor-network-theory***. Oxford: Oxford University Press.

Lawrence, T. B, & Suddaby, R. 2006. ***Institutions and institutional work***. In Cleeg S. R, Hardy C, Lawrence, T. B., & Nord, W. R. (Eds.), The Sage handbook of organization studies. London: SAGE Publications

Lee, H., Harindranath, G., Oh, S., & Kim, D.-J. 2015. Provision of mobile banking services from an actor–network perspective: Implications for convergence and standardization. ***Technological Forecasting and Social Change***, 90: 551–561.

Lehner, O. M., Harrer, T., & Quast, M. 2019. Building institutional legitimacy in impact investing. ***Journal of Applied Accounting Research***, 20(4): 416–438.

Lethbridge, T. C., Sim, S. E., & Singer, J. 2005. Studying Software Engineers: Data Collection Techniques for Software Field Studies. ***Empirical Software Engineering***, 10(3): 311–341.

Levine, R. 2005. Chapter 12 Finance and Growth: Theory and Evidence. ***Handbook of Economic Growth***, 865–934.

Marsh, E. 2001. ATLAS.ti, The Knowledge Workbench. ***Library & Information Science Research***, 23(1): 93–95.

Newcomer, K., Wholey, J., & Hatry, H. 2015. ***Handbook of practical program evaluation, 4th ed.***. San Francisco, Calif.: Jossey-Bass.

Osburg, T. 2013. Sustainable Entrepreneurship: A Driver for Social Innovation. ***Sustainable Entrepreneurship CSR, Sustainability, Ethics & Governance***, 103–115.

Payne, Geoff, and Judy Payne. 2009. ***Key Concepts in Social Research***. SAGE.

Ritter, B. A. 2006. Can Business Ethics be Trained? A Study of the Ethical Decision-making Process in Business Students. ***Journal of Business Ethics***, 68(2): 153–164.

Rodriguez, R., Svensson, G., & Eriksson, D. 2018. Organizational logic to prioritize between the elements of triple bottom line. ***Benchmarking: An International Journal***, 25(6): 1626–1640.

Runeson, P., & Höst, M. 2008. Guidelines for conducting and reporting case study research in software engineering. ***Empirical Software Engineering***, 14(2): 131–164.

Scholtens, B., & Wensveen, D. van. 2003. ***The theory of financial intermediation: an essay on what it does (not) explain***. Vienna: SUERF.

Scholtens, B. 2006. Finance as a Driver of Corporate Social Responsibility. ***Journal of Business Ethics***, 68(1): 19–33.

Slager, R., Gond, J.-P., & Moon, J. 2012. Standardization as Institutional Work: The Regulatory Power of a Responsible Investment Standard. ***Organization Studies***, 33(5-6): 763–790.

Thiemann, M., & Lepoutre, J. 2017. Stitched on the Edge: Rule Evasion, Embedded Regulators, and the Evolution of Markets. ***American Journal of Sociology***, 122(6): 1775–1821.

Thompson, P., & Cowton, C. J. 2004. Bringing the environment into bank lending: implications for environmental reporting. ***The British Accounting Review***, 36(2): 197–218.

UNCTAD. 2014. ***WORLD INVESTMENT REPORT***. http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf, March 12, 2020.

UNEP. 2020. ***Roadmap for a Sustainable Financial System***.

www.unepinquiry.org/wp-content/uploads/2017/11/Roadmap_for_a_Sustainable_Financial_System.pdf.

Weber, O., Scholz, R. W., & Michalik, G. 2008. Incorporating sustainability criteria into credit risk management. ***Business Strategy and the Environment***. http://doi.org/10.1002/bse.636.

Weber, O. 2011. Environmental Credit Risk Management in Banks and Financial Service Institutions. ***Business Strategy and the Environment***, 21(4): 248–263.

Weber, O. 2014. The financial sectors impact on sustainable development. ***Journal of Sustainable Finance & Investment***, 4(1): 1–8.

Yin, R. K. 1981. The Case Study as a Serious Research Strategy. ***Knowledge***, 3(1): 97–114.

APPENDIX- A

Interview Guide: -

1. Could you please introduce yourself briefly and describe your current job role within the bank?

2. Would you please describe the position of Sustainable Investing (SI) or finance within your organisation?

3. What are some of the key policy items that govern Sustainable finance?

4. Who are the actors involved in designing the policy?

5. How do you view your organisation's role within the banking industry in the sector of SI?

6. How do you view sustainability as both a risk and an opportunity in your investments and how do you incorporate them into the investment process?

7. How do you raise the finance for the client's demand?

8. What kind of networking activities do you engage in?

9. Do you have specific training programs in place to support SI within your organisation?

10. What kind of risk assessment practices do you have in place?

11. How would you perceive the relationship between the sustainability goals and the financial returns in your investments?