Making Profits With A Sense of Purpose: Institutional Investors' Influence On ESG Integration And Sustainable Investing

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Introduction

In recent years, the business and financial community has devoted an increasing attention to environmental and social issues, so reinvigorating the long-standing debate – started in the '70s with CSR – about the role of corporations in society and their primary goal (purpose or profit).
The traditional and dominant view – clearly expressed by Milton Friedman in 1970 in his famous New York Times article – emphasizes that the responsibility of managers is to conduct the business in accordance with shareholders' expectations, "*which generally will be to make as much money as possible while conforming to the basic rules of the society*".[1] On the other side, the purpose perspective underlines that companies should generate long-term value for all stakeholders, including also the debtholders, employees, customers, suppliers, and the society. Putting differently, this view states that companies' responsibilities go beyond maximizing financial returns for shareholders and include economic, social and environmental goals (the so-called triple bottom line).
Pressures to encourage companies to embrace this new approach come from various sources. First, some supranational organizations have promulgated directives and rules to foster corporate social responsibility. For example, the EU developed a strategy for CSR and a reflection paper on a sustainable Europe by 2030, while the UN issued the guiding principles on human rights or the agenda for sustainable development.[2] These supranational organizations do not only influence directly corporate actions, but also push countries to develop and implement stringent regulations on social and environmental issues.
Second, as engaged agents speaking on behalf of their clients, some institutional investors started to become active shareholders and to push listed companies to develop a long-term sustainable strategy. One of the most influential actors has been Larry Fink (BlackRock's CEO), that in his annual letters to business leaders encouraged companies to develop "*a sense of purpose*" (2018), to "*link purpose and profit*", to address the "*fundamental reshaping of finance*" (2020), to understand that "*a tectonic shift accelerates*" (2021).[3]
Companies are so asked to generate a positive contribution to society beyond delivering financial performance. They are called to address new challenges, also in the light of an increasing demand for a sustainable corporate governance and a rising quest for ESG disclosure by regulators and policy-makers. The term ESG, that is the acronym for Environmental, Social and Governance, has been coined originally by the Global Compact in 2004 (see BOX 1). It is mostly used by investors to assess how companies perform, or which risks they face, in these three dimensions. Basically, investors look at both ESG and financial performance to assess and select companies to invest in.

1. Friedman, M. (1970), The social responsibility of business is to increase its profits, *New York Times*, September 13.
2. For more details, see the section on "Corporate sustainability and responsibility" of the European Commission's website: https://single-market-economy.ec.europa.eu/industry/sustainability/corporate-sustainability-and-responsibility_en; and the UN section on human rights: https://www.undp.org/laopdr/publications/guiding-principles-business-and-human-rights.
3. See: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.

For about a decade, institutional investors have promoted the ESG metrics as a magic formula to combine firm performance or risks with sustainability. However, more recently, some funds have started shifting in tone, parallel to an increasing scepticism and concerns over ESG meaning and biases. The backlash against ESG questions the compatibility of social and environmental objectives, but not the governance ones, with shareholder value creation, criticizing the reliability of ESG metrics and highlighting the potential risks of greenwashing (e.g., misleading labels or exaggerated claims as "green" or "zero-emissions" brand and products, incomplete information, unverified certifications, etc.) and social washing (e.g., misleading labor practices and claims about discrimination in employment, occupational health and safety issues, child labor, etc.).
The debate on ESG, and more in general on CSR, opens several questions: is it possible to balance purpose and profit? If yes, how can companies integrate both profit and purpose to create a sustainable business? What goals do institutional investors want to reach with the integration of ESG in their investment criteria? Which is the role of other stakeholders (e.g., top managers, directors, consultants, employees or regulators) in promoting the business sustainability?

The evolution of Sustainability landscape: from SRI to ESG

The evolution of corporations in modern society has fueled an ongoing debate about their goal, i.e., which interests should they prioritize when they make strategic decisions. In response to this question, the shareholder and stakeholder models emerged offering different perspectives.
According to the shareholder approach, the primary objective of companies consists in maximizing profits and shareholder returns, therefore in prioritizing the interests of the shareholders. At the opposite end, from a stakeholder perspective, companies should create value for all the stakeholders (i.e., subjects who are affected by or who may affect the company), including also the shareholders.
The debate on shareholders and stakeholders touches some key themes and raises relevant questions: should companies maximize profits (or cash-flows) for shareholders, or should they promote a broader societal purpose? The belief that economic and financial activities should be hinged on social and ethical considerations is quite common across different countries. Nevertheless, social responsibilities can be perceived and implemented differently in various countries, depending on the diverse legal, political, cultural, and historical origins.
In the 18th and 19th centuries, as the modern corporation emerged, the primary corporate goal was to maximize shareholder returns. However, while the industrial revolution introduced important technological advancements and economic growth, some concerns emerged about its environmental and social impact. Traces of corporate social responsibility can be found, for instance, in Britain during the first industrial revolution, when some entrepreneurs started to build factory towns to provide their workers with safe and healthy housing.
In the early decades of the 20th century, the debate on corporate social and environmental responsibilities reinvigorated. Many labor movements arose in response to tough working conditions or exploitation. In parallel, conservation movements emerged due to the rising environmental concerns about the depletion of natural resources or the link between population growth and resource scarcity.
Investment choices may also imply sustainability considerations. The roots of sustainable investment originate in the 18th century when the protestant religion introduced ethical investment rules. The first ethical fund, known as the "Pioneer Fund", was created in the United States in 1928 by Methodist ministers, with the aim to prevent investments in companies in conflicts with their ethical and moral convictions (e.g., companies such as those involved in gambling, tobacco and alcohol production). Since the foundation of the Pioneer Fund, several ethical or sustainable funds have been launched, focusing on different and specific sustainability-related issues or thematic areas.
The debate about the aim of the firm reignited particularly in the 1970s. In response to growing pressures on corporate social responsibility, Milton Friedman published a famous article on the *New York Times* where he affirmed that the "*social responsibility of business is to increase its profits*",[4] thus supporting the shareholder view. However, while shareholder capitalism continued to dominate the debate, the idea of corporate social and environmental responsibility continued to exist.

4. Friedman, M. (1970), The Social Responsibility of Business Is to Increase Its Profits, *New York Times*, September 13.

The modern Socially Responsible Investment (SRI) date back to the 1970s in the United States, when many asset management companies – e.g., Walden Asset Management (1975), Calvert (1976), Parnassus (1984), and Domini Investment (1989) – raised concerns about the social and environmental impact of their investments. In this period, the first data provider dedicated to SRI, namely KLD (now MSCI), was founded (see BOX 2 on the asset management industry).

A relevant contribution to the debate on CSR originates also from some supranational organizational such as the Organization for Economic Cooperation and Development (OECD), which issued in 1976 the Guidelines for Multinational Enterprises, recognizing the "need to establish new global rules covering labor, social, environmental and other issues".[5]

The interest in company sustainability surged dramatically at the beginning of the 21th century. The United Nations greatly contributed to the emergence of a new era, by introducing the Millennium Development Goals in 2000, which have been replaced in 2015 by the Sustainable Development Goals – the latter are expected to be achieved by 2030 (see BOX 3). Efforts to disseminate greater knowledge, in particular on climate-related risks, were exerted by the environmental activist Al Gore, who co-launched in 2004 the Generation Investment Management,[6] an asset management firm whose plans were to create environment-friendly portfolios.

In recent years, a series of annual letters sent to business leaders and shareholders by Larry Fink (BlackRock's CEO) played an influential role in fostering stakeholder capitalism and sustainable investing. In his letters, Fink invited companies to incorporate sustainability issues into their business strategies, and encouraged investors to integrate ESG into their investment decisions. In the following years, there has been the emergence of ESG funds, i.e., funds which select investments considering both financial performance and ESG aspects. In parallel, ethical or sustainability indices – such as FTSE4Good and the Dow Jones Sustainability Index (DJSI) – were created to monitor the performance of companies meeting predefined ethical or sustainability criteria. These indices have now spread across different geographical areas (see Table 1), since the demand for sustainable investments is rapidly growing and global ESG assets are estimated to reach $53 trillion by 2025.[7]

However, integrating ESG in the investing decisions may come along with an additional burden on the investment process, showing higher expenses. For this reason, some ESG funds charge higher fees than other funds. For example, one of BlackRock's biggest ESG funds charges 0.15 per cent in yearly expenses, in comparison with 0.03 per cent for its S&P 500 Exchange-Traded Fund (ETF).[8]

5. For more details, see: https://www.oecd.org/daf/inv/mne/2070763.pdf.

6. For more details, see: https://www.generationim.com.

7. See: https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/.

8. See: https://www.ft.com/content/4df73458-6871-47ba-ad64-00cd7b3ed12c.

The debate on ESG is growing due to several factors like a greater sustainability awareness of people, especially Gen Z, that have changed their purchasing behavior towards more sustainable products or companies. Moreover, a rising pressure on companies has been exerted by policy-makers, regulators and authorities, that issued sustainability-related guidelines and enacted directives and regulations to enhance ESG disclosure. Furthermore, there is an increasing quest for corporate sustainable practices and initiatives by institutional investors, that assess both the financial returns and the ethical and societal impact of their investments. This is in line with the rising interests of individual investors, demanding more socially responsible investments, driven in most cases more by their social preference than risk-return expectations in their decisions.[9]
According to a survey by the asset management company Natixis,[10] ESG investors skew younger, in fact especially the Millennials seem to be more involved in ESG investing, although older investors are now warming up to ESG; however, as reported by a recent study,[11] investors don't seem to be willing to sacrifice financial returns for ESG performance.
Notwithstanding the increasing attention on sustainability, a growing criticism over ESG started to emerge, raising questions about the reasons driving investors' interests in ESG themes: are they guided by a genuine desire to change the world or is it just another way to run their business?

9. See: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2318987.
10. See: https://www.im.natixis.com/intl/research/esg-insights-from-2021-individual-investors-survey.
11. See: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4384675.

Policy-makers and regulations: increasing quest for ESG disclosure

In the midst of increasing investors' interest in sustainable initiatives and in light of an increasing demand for sustainable corporate governance, policy-makers, regulators, stock exchanges and other government agencies have increasingly introduced guidelines and regulations to raise non-financial reporting (NFR) transparency. Precisely, they asked companies to be more transparent about their initiatives to manage environmental, social, and governance risks, and mandated ESG-related reporting. Over time, some ESG reporting frameworks have emerged, such as the Global Reporting Initiative (GRI), the Principles for Responsible Investment (PRI), the Sustainability Accounting Standards Board (SASB), and the International Sustainability Standards Board (ISSB).

The European Union has been the forerunner in terms of regulations for sustainable investing and ESG disclosure. In 2014, the EU enacted the Non-Financial Reporting Directive (NFRD) (2014/95/EU), demanding large European companies to disclose non-financial information about environmental, social and board-diversity issues in their annual reports. Other guidelines related to the NFRD followed in 2017 and in 2019. More recently, in January 2023, the EU published the European Union Corporate Sustainability Reporting Directive (EU CSRD), that requires all large companies and all listed companies to regularly disclose: i) information about the risks and opportunities arising from social and environmental issues, and ii) the impact of their activities on people and the environment, following the reporting rules of the European Sustainability Reporting Standards (ESRS).

Other countries have followed different paths for regulating the disclosure of information outside the traditional financial scope. For example, the United States, which is the second largest market for sustainable finance after Europe, did not issue any regulatory interventions at the federal level. As there is neither a minimum level of mandatory ESG disclosure nor defined ESG metrics, companies disclose these metrics mostly voluntarily and largely based on private sector guidelines. The Security and Exchange Commission (SEC) have started to require US-listed companies to disclose some ESG information, mostly related to corporate governance (e.g., board diversity). However, new interventions are expected from the SEC, which is finalizing rules requiring companies to declare their climate change related risks and to disclose their greenhouse gas output. This includes also Scope 3 carbon emissions,[12] which are "*consequence of the activities of the company, but occur from sources not owned or controlled by the company*",[13] despite the criticism of some oil & gas companies. For example, Exxon CEO Darren Woods said that "*Scope 3 is a useful*

12. According to the Greenhouse Gas Protocol, the world's most widely used greenhouse gas accounting standard, companies' greenhouse gas emissions are measured and assessed within three different scopes, namely Scope 1, Scope 2 and Scope 3. Scope 1 covers emissions from sources that an organization owns or controls directly. Scope 2 are emissions that a company causes indirectly and come from the generation of purchased electricity consumed by the company. Scope 3 encompasses emissions that are not produced by the company itself and are not the result of activities from assets owned or controlled by them, but by those that it's indirectly responsible for up and down its value chain.

13. See: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf.

measure of emissions at a macro level for countries and nations," however, "*applied to an individual company, it creates unintended consequences that may actually increase emissions*".[14] Despite its initial announcement and its ongoing focus in hunting greenwashing cases, the SEC has newly announced that ESG scrutiny would not be a priority for 2024, raising doubts if the SEC's initial ESG sweep might have come to an end.[15] On the other hand, some recent initiatives go to the opposite direction: for example, the state of California, which is leading the US on environmental regulations, issued a law requiring corporations to disclose carbon emissions, Scope 3 included, starting from 2027.[16]

In Asia, which includes some of the world's most polluting countries,[17] companies report their ESG efforts mainly voluntarily. However, there is the expectation that some stock exchanges (such as Singapore and Hong Kong), will require listed companies to disclose material ESG factors to investors.

14. See: https://news.bloomberglaw.com/esg/exxon-chevron-shareholders-snub-emissions-reduction-proposals.
15. For more details, see: https://www.sec.gov/files/2024-exam-priorities.pdf.
16. See: https://www.ft.com/content/450f78ec-4e00-41d9-8518-6809f5170df6.
17. See: https://worldpopulationreview.com/country-rankings/most-polluted-countries.

BlackRock's CEO Larry Fink's letters to CEOs

The collective efforts toward greater sustainability have risen the quest for companies to increasingly balance financial and non-financial performance, and to include environmental, social and governance considerations in their business decisions and practices.

A pivotal role in the conversation about the role of businesses in addressing social and environmental issues was played by BlackRock's Chairman and CEO Larry Fink's annual letters to CEOs and shareholders. Starting from its letter "A sense of purpose" (2018), Fink encouraged companies to provide a positive contribution to society, to integrate sustainability tenets in their decision-making and to adopt stakeholder-oriented actions. In this way, he stimulated the corporate change towards sustainable long-term growth, instead of focusing solely on short-term shareholder value creation. According to Fink: "*To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate. Without a sense of purpose, no company, either public or private, can achieve its full potential.*"[18]

Larry Fink's 2018 letter had a considerable influence on the corporate and the investment world, raising awareness about the importance of the integration of sustainable considerations into business practices. As a response, a growing number of ESG-related investment funds and products were established, shareholder activism seeking more transparent and responsible ESG practices was promoted, and regulatory initiatives in relation to ESG disclosure and reporting gained importance.

Moreover, several CEOs began to integrate sustainability into their business strategies, embracing the ESG principles and including ESG metrics into their reporting in order to meet investor and stakeholder expectations. Fink wrote: "*Companies must ask themselves: What role do we play in the community? How are we managing our impact on the environment? Are we working to create a diverse workforce?*"[19] However, to provide a positive contribution to society beyond delivering solely financial performance, companies have to face new challenges and to implement governance, leadership, and organizational changes: "*The board's engagement in developing your long-term strategy is essential because an engaged board and a long-term approach are valuable indicators of a company's ability to create long-term value for shareholders.*"[20]

In his 2019 letter, Fink continued to underline the importance of sustainability, long-term value creation, and "purpose". The term purpose was used 21 times in the letter and was defined as "*a company's reason for being*",[21] so supporting BlackRock's increasing integration of ESG metrics into its investment decisions.

18. See: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.
19. See: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.
20. See: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.
21. See: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.

However, not all investors agreed with Fink's message, and some contested BlackRock which have traditionally been a passive investor. The real estate billionaire Sam Zell marked the letter as hypocritical by saying that "*I didn't know Larry Fink had been made God*". Warren Buffett criticized Fink too, as: "*I don't believe in imposing my political opinions on the activities of our businesses*".[22] Some companies also showed some concerns over this call to solve societal challenges left unaddressed by governments.

Fink's conversation continued in his 2020 and 2021 letters, where he started to invite companies to disclose their climate-related risks, as they could reshape their future investment decisions. Fink underlined the importance of a transition to a low-carbon economy, and emphasized that investors can influence companies through proactive shareholder engagement and proxy voting. BlackRock will be "*increasingly disposed to vote against management and board directors when companies are not making sufficient progress on sustainability-related disclosures and the business practices and plans underlying them*".[23]

Despite its climate-related position statements, BlackRock received some critics because it still remained one of the largest investors in fossil fuels in the world. Therefore, it was pressured to implement more ambitious and consistent actions. Although Fink argued that "*climate transition presents a historic investment opportunity*",[24] many considered it as "*an existential or moral issue, not a tale about money*", and arose questions about Fink being a "*catalyst for change*" or just an "*opportunist*".[25]

The 2022 letter continued to stress the importance to address the climate change and net-zero transition, notwithstanding rising critics especially from the American political right. For instance, the Republican-controlled Texas state "*would block the state's agencies from doing business with financial firms, like BlackRock, if they were to boycott energy companies*".[26] In response to such criticism, Fink claimed that "*BlackRock does not pursue divestment from oil and gas companies as a policy. We do have some clients who choose to divest their assets while other clients reject that approach*".[27] At the end, BlackRock decided to provide some institutional clients and, later on also individual investors, with the possibility to decide how to vote on corporate matters.

In the latest 2023 letter the term "ESG" is mentioned zero times. Fink affirmed that "*we are a fiduciary to our clients*" and "*when we deliver value for our clients, we also create more value for our shareholders*".[28]

22. See: https://www.nytimes.com/2019/01/17/business/dealbook/blackrock-larry-fink-letter.html.
23. See: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.
24. See: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.
25. See: https://www.ft.com/content/e5b57ece-0c31-4f42-9229-c8981bc9fd34.
26. See: https://www.nytimes.com/2022/01/18/business/dealbook/fink-blackrock-woke.html.
27. See: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.
28. See: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.

Investors increased activism and engagement

In the last decades, a growing number of institutional investors have started to adopt environmental, social and governance indicators and integrate them in their investment decision-making process, guided by the belief that addressing ESG issues is not only a moral imperative, but it is also pivotal to protect and increase the long-term value of their investments. They draw particular attention to the financial materiality of ESG aspects, underlining that ESG factors can have a significant impact on companies' performance, long-term competitiveness and risk profile. Institutional investors have turned into more active shareholders seeking to influence companies' orientation towards sustainability. Therefore, companies targeted by activist investors – on environmental, social and governance issues (such as diversity and inclusion, climate change, carbon emissions) – are stimulated both to improve their ESG practices and policies, and to increase their ESG disclosure.

Institutional investors differ among them. So, while some investors (such as hedge funds) are more short-term oriented, others (like mutual funds and pension funds) are more long-term oriented. Generally, ESG criteria are more important for investors which have a long-term focus, and therefore are keen on stewardship.

The issue of stewardship codes for institutional investors had the goal to promote responsible ownership, transparency, and active engagement in the companies in which they hold shares. These codes comprise a set of principles or guidelines developed by regulatory authorities or investor associations, in line with the International Corporate Governance Network (ICGN) Global Stewardship Principles.[29] The United Kingdom's Financial Reporting Council (FRC) was the first to introduce a stewardship code. According to the Principle 7 of the UK Stewardship Code: "*Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities*".[30] However, not everyone agreed with this approach. For example, the EU questions if "*are [investors] helping to push companies in the right direction in terms of sustainable business practices?*".[31]

Investors may apply various approaches to create a socially responsible portfolio. They may decide i) not to invest in companies manufacturing and selling certain kind of products such as weapons, alcohol, tobacco (negative screening), ii) to invest in companies that are above the average standards in some ESG aspects such as the care for the environment or some labor practices (positive screening), or iii) to invest in companies that comply with international norms and standards (norms-based screening). In all these cases, companies having better ESG practices and results are expected to receive higher consideration for selection and inclusion in the investors' portfolio. Fundamentally, investors can adopt two strategies to influence the behavior of companies in which they hold an interest: i.e., "exit" or "voice".

29. See: https://www.icgn.org/sites/default/files/2021-06/ICGN%20Global%20Stewardship%20Principles%20 2020_1.pdf.

30. See: https://media.frc.org.uk/documents/2020_Corporate_Stewardship_Code.pdf.

31. See: https://www.environmental-finance.com/content/analysis/a-stewardship-code-for-the-eu.html.

By adopting the "exit" option, investors which are dissatisfied with the company's behavior or poor performance decide to sell their shares or to divest from the company. For example, the California Public Employees' Retirement System (CalPERS), one of the largest public pension funds in the United States, used this option in 2001 to divest from tobacco companies, in which it had significant investments. Notwithstanding positive financial returns, investing in tobacco companies raised some ethical concerns due to the harmful health risks posed by tobacco products, in contrast with the member health and the health care mission of the fund. In 2016, CalPERS extended the ban on tobacco investments, even if this decision implied losing more than $3 billion of returns.[32]
By adopting the "voice" option, investors exert their influence to promote positive changes within companies. For example, the small activist fund Engine No.1 initiated a successful campaign against the leading US oil company Exxon on various environmental and governance issues, demanding to take climate change more seriously and adopt responsible corporate governance. The focus of Engine No.1 is "*to create value by helping companies transform their businesses to be sustainable – and voting is a key lever with which we push for best corporate governance practices, advocating for transparency at the economy's largest companies*". Engine no.1 was successful to appoint three new directors with expertise in sustainability in the Exxon's board.[33]
Asset owners and asset managers are increasingly engaging with companies, in order to foster an open dialogue encouraging transparency and interests' alignment, and to influence their policies. Shareholders can enact several active ownership practices (i.e., "ESG activism") through shareholder engagement. This activity includes various actions – like a direct dialogue with the corporate apex (e.g., meetings with the board of directors and the top managers), the participation to the Annual General Meetings (AGMs), the submission of shareholder proposals, and the use of proxy voting – to influence corporate decisions. Effective shareholder engagement can encourage companies to improve their corporate governance, to address investors' concerns and expectations regarding ESG, and to help shareholders in understanding of companies' long-term strategy and risks.
Investor engagement has been recognized as a valuable tool to introduce ESG themes inside companies. According to Francesco Drigo (responsible for the active ownership activities within the Group Sustainable Investments and Governance Department of Generali Group): "*The community of investors has acknowledged that instead of divesting from a company having a low sustainability performance, investors should nurture a dialogue with it. Dialogue can help the company improve its sustainability performance, and the investor understands if it is worth investing in that company*".
Investor engagement practices can be influenced by the recommendations provided by proxy advisors. In most cases investors follow their voting recommendations, but sometimes they may also deviate from them, e.g., when they rely on their own voting policies.[34]

32. See: https://www.reuters.com/article/us-california-calpers-tobacco-idUSKBN1482FE.
33. See: https://www.ft.com/content/dc94222a-e6d9-43fa-aada-51e45c6d6ad0.
34. For more details, see the "2023 European AGM Season Review" by Georgeson, available at https://www.georgeson.com/uk/insights/2023-agm-season-review.

This is the case of Eurizon Capital: "*As described in our Strategy for the exercise of voting right,*[35] *in order to foster the value of exercising an informed vote, where the theme of the resolution is deemed relevant, we may deviate from proxy advisors' recommendations by conducting an in-depth additional analysis*".

Although the volume of ESG shareholder resolutions is increasing (Figure 1), the support for shareholder resolutions addressing environmental and social issues (i.e., climate change, workers' rights), which represent the majority of the resolutions, has dramatically dropped (Figure 2). Some asset managers (like BlackRock) explain this deviation by emphasizing "*the poor quality of many shareholder proposals*".[36]

35. For more details, see: https://www.eurizoncapital.com/-/media/Project/Eurizon/EurizonPortals/EurizonPortal/Files/Sustainability/ENG/ECSGR_StrategyForExerciseParticipationVotingRights.pdf.
36. See: https://www.morningstar.com/sustainable-investing/are-there-too-many-esg-shareholder-proposals.

ESG metrics and ESG data providers

The "ESG" term gained prominence as investors seek long-term value and alignment with sustainability objectives. Recently, the ESG metrics have started to raise negative sentiments and skepticism, highlighting some controversial issues.
The availability of ESG information is granted by ESG data providers, which play an important role in offering information about the integration of environmental, social and governance issues in companies' practices. They represent influential institutions as investors increasingly rely on their ratings to get a third-party assessment of firms' ESG performance. A wave of M&A has simplified the ESG rating industry, therefore the market appears to be concentrated, with leading companies like MSCI, ISS and Sustainalytics controlling about 60% of the market. As shown in Table 2, data providers differ in terms of ownership structure as they may be independent or owned by financial data firms, stock markets, and credit rating firms.
Some providers (e.g., Bloomberg, LSEG-Refinitv) gather data from publicly available sources such as corporate annual reports, corporate governance reports, sustainability reports, proxy statements, while other ones (e.g., MSCI) combine public and own-created data. Even if there are more than 500 ESG ratings, most of the investors rely on few large data providers.
Since there is neither standard definition of ESG nor convergence on ESG ratings methodology, each provider defines and measures ESG issues differently. As shown in Table 3, every provider ranks and then aggregates specific and different dimensions of sustainability in order to create a key metric, associated with one of the elements related to the Environmental, Social and Governance pillars. Some providers are more focused on measuring ESG performance (e.g., LSEG-Refinitv ESG score), while other ones offer insights into company's ESG disclosure (e.g., Bloomberg ESG Disclosure Score). Generally, companies showing a good ESG score are considered to effectively manage environmental, social, and governance dimensions, while companies with a low ESG score signal the presence of areas of potential concern from an ESG perspective, also in relation to their peers in the industry.
Some investors collect ESG data from different providers – and eventually collect also additional data – to create their own internal ratings. Francesco Drigo of Generali Group states that: "*Primary asset managers have dedicated teams in charge of reprocessing ESG data coming from external providers, as certainty and transparency of data matter*".
Although ESG investing has gained momentum, so far there is no convergence nor clear evidence about the link between ESG factors and corporate financial performance. In theory, companies with strong ESG performance tend to be associated with a lower (reputational or regulatory) risk profile, and can attract financial capital at more favorable terms, due to the potential long-term value creation. However, some studies challenge the idea that ESG factors drive better financial performance, by underlining that "sin stocks" (i.e., shares of companies involved in the production of alcohol, tobacco, and gaming) often present poor ESG profiles, but outperform the "non-sin stocks". In addition, empirical evidence seems to show that companies with good ESG scores pollute as much as low-rated competitors.[37]

37. See: https://www.ft.com/content/b9582d62-cc6f-4b76-b0f9-5b37cf15dce4?desktop=true&segmentId=fe4987a4-0d36-0eb5-d88f-99ac7b30c569.

As a result, some investors admit that: *"We can't clearly state that ESG factors lead to better financial performance. The results are extremely mixed, as too many factors can influence performance"*. Additional critics about the use of ESG ratings relate to several factors.
ESG scores may fail capturing important elements of a company's sustainability performance, as some aspects may be over or underestimated depending on the data collected and the methodology adopted. The various rating agencies both generally rely on different underlying data as input, and tend to employ different methodologies and scoring approaches in the assessment and weight of ESG factors. Therefore, divergence in the scoring approach may determine dramatic divergence in the assessment of the same company across the different providers, undermining the reliability of the ESG ratings and introducing uncertainty into decisions hinged on those ratings, as shown by the case of General Electric Company in Figure 3. Divergences across ratings underline the presence of a "rater effect" concerning the scope (does the provider include the issue CO2 emissions?), the weight (does the provider give more weight to the CO2 emissions rather than respect of the human rights issue?), and the measurement (how does the provider measure the specific issue?).
The lack of standardization in methodologies and approaches adopted by the different providers, paired with an under-regulated context, opens up potential room for greenwashing and social washing. As shown in Figure 4, companies have increasingly engaged in exaggeration or misrepresentation of their ESG efforts in business practices to gain better scores and attract ESG-focused investors. They may also use sustainability initiatives for marketing reasons, e.g., to differentiate themselves from competitors and to attract talents. For instance, the fast-fashion retailer H&M has been criticized for using a scorecard system to inform customers about the environmental sustainability of products, as it portrayed the company better than it actually is.[38]
Another point of attention refers to the coverage of ESG ratings in terms of number of companies and industries covered. ESG scores are mostly available for large-cap companies, while small-cap and mid-cap companies – which typically allocate less resources to sustainable practices and their reporting – lag behind. This difference potentially poses a limit to the investing scope for investors. Availability of ESG data differ also across industries. Traditionally, companies belonging to the oil and gas sectors, which are carbon producers, have focused more on some issues such as CO2 emissions, providing better quality data, while less information is available for companies operating in other industries such as agriculture.
In addition, some aspects concerning the social and governance dimensions may be more difficult and challenging to measure and transform into quantitative information. For example, some concerns emerge about the ability to measure the corporate culture. According to a senior practitioner at a large Swiss asset manager: *"ESG scores can't measure board of director's and management's experience, nor the corporate culture. Stewardship activities have the aim to get to know the companies, from inside"*.

38. See: https://www.forbes.com/sites/retailwire/2022/07/13/hm-case-shows-how-greenwashing-breaks-brand-promise/?sh=5afd33171171.

Finally, since a rising number of companies are linking board compensation to environmental and social factors or top executives' bonuses to ESG metrics, investors are becoming worried that managers can manipulate or game ESG metrics to increase payouts. Some commentators raise also the suspect that ESG inclusion in executive compensation enables them to "*obtain extra compensation when equity pay is not rewarding*".[39]

39. See: https://www.ft.com/content/25aed60d-1deb-4a41-8f39-00c92702b663.

The defense of shareholder value and the attack to the woke capitalism

Recently, asset managers are facing complex times in navigating the ESG landscape, especially in the US, where they have received widespread attacks, due to a complex political environment and the next year's presidency elections.
The acronym "ESG" has increasingly started to fall out of favor. The same BlackRock's CEO Larry Fink went under attack.[40] As a response to criticism, Fink stated: "*I don't use the word ESG any more, because it's been entirely weaponized (...) by the far left and weaponized by the far right*".[41]
According to the activist fund Bluebell Capital Partners' CEO: "*The contradictions and apparent hypocrisy of BlackRock's actions have (...) politicized the ESG debate*",[42] calling into question even the independency of BlackRock as an asset manager.
Additionally, a growing number of companies have started to undertake "green-hushing", choosing not to report their sustainability efforts and talk about their ESG agendas in order to avoid political right-wing attacks.[43]
Many Republicans have, in fact, criticized investment strategies penalizing fossil fuel producers and promoting green and environmental purposes, claiming that the first responsibility of asset management companies is to earn the highest return on investment for their clients. US oil companies such as Exxon Mobil and Chevron have started to reject climate-related shareholder proposals, in contrast with European oil companies, where climate-related resolutions seem to obtain more support by shareholders. However, recently, also European oil and gas majors like BP and Shell started to pare back their commitment to reduce oil production, because the stock market indicates that "*this is what many investors want, particularly in the US*".[44] In fact, "*investors expect [CEOs] to ensure their companies can still maximise profits while that transition is taking place*".[45]
In the US, asset management companies like BlackRock and State Street were accused of using their votes to promote "woke" capitalism, being actively engage and taking a stance on social and environmental matters following a progressive ESG agenda, and steering investments away from the oil and gas industry.[46] Therefore, the anti-woke movement has emerged as a reaction to excessive "wokeness". This view opposes the idea that companies should engage in social and environmental activism or take public stances on some issues, as they should prioritize financial performance.

40. See: https://www.economist.com/1843/2023/07/27/the-demonisation-of-blackrocks-larry-fink?utm_medium=cpc.adword.pd&utm_source=google&ppccampaignID=18151738051&ppcadID=&utm_campaign=a.22brand_pmax&utm_content=conversion.direct-response.anonymous&gclid=CjwKCAjwvfmoBhAwEiwAG2tqzBlVI2y_hHTKLy7NAe629gQV6Q6d-LviGml8JGXoB_tTwJ31hKcIkxoCfiIQAvD_BwE&gclsrc=aw.ds.
41. See: https://www.reuters.com/business/environment/blackrocks-fink-says-hes-stopped-using-weaponised-term-esg-2023-06-26/.
42. See: https://www.ft.com/content/3bc02801-732d-46a2-b640-ad91c5b5dc24.
43. See: https://www.ft.com/content/e5b1b513-0051-40bf-aa70-6f8058c44c31.
44. See: https://www.ft.com/content/7254abf7-fbe9-4c0c-ac16-077d22a1b1c4.
45. See: https://www.ft.com/content/7254abf7-fbe9-4c0c-ac16-077d22a1b1c4.
46. The term woke capitalism – coined by the political analysts Ross Douthat in 2018 – is used to indicate a form of marketing (similar to greenwashing) aimed at supporting social justice or activist causes. Basically, while companies support social movements, they do little to improve the conditions of their employees or suppliers.

Accuses of contradictions and apparent hypocrisy were moved to BlackRock, as the company changed positions several times on investing in thermal coal production. As a reaction, Larry Fink shifted in tone from his previously stronger embrace of ESG, asserting that the ultimate responsibility for investment decisions relies on clients. He also promoted a "*revolution in shareholder democracy*" that will "*transform the relationship between asset owners and companies*",[47] by extending the Voting Choice programme – that allowed the institutional investors holding $1.8tn in assets to decide how to vote – to retail investors, in order to offer individualised proxy voting options. Other asset managers like Vanguard followed BlackRock's view, by confirming that their role is to foster long-term value creation for clients, so "*leaving management and policy decisions to companies and policymakers*".[48]
This thorny debate is exerting important repercussions on the U.S. sustainable asset market. The support for environmental concerns has started to decline as investors began to pull money from sustainable funds, which are so experiencing high outflows (see Figure 5), while in Europe sustainable funds remained resilient, with 85% of global sustainable fund assets.[49] In particular, BlackRock's support over environmental and social investing dropped dramatically from 47 per cent and 22 per cent during respectively the 2021 and 2022 proxy seasons to just 7 per cent in 2023. Other asset managers like Vanguard followed this behaviour, by voting in favour of only 2 per cent of all environmental and social proposals in 2023, down from the 22 per cent in 2022 and nearly 50 per cent in 2021.[50]

47. See: https://www.ft.com/content/6446b81f-a1b4-492f-b335-62f0efe11e7c.
48. See: https://www.ft.com/content/38f87ec9-41c6-441d-a6c2-314ff0435166.
49. See: https://esgclarity.com/us-sustainable-fund-outflows-accelerate-in-q3-but-europe-remains-resilient/.
50. See: https://www.ft.com/content/4313afe4-1fee-447d-b05b-0c8c38cfbff1.

Beyond the magic of ESG?

Despite turbulent times, some investors continue to see prospects for growth. The recent rise of climate-aware investing seems to signal an evolution of ESG investing towards "carbon improving" companies, or companies providing technology to tackle climate change. This trend is confirmed also by the creation of new climate-aware indices, such as MSCI Climate Action Index. Therefore, decarbonization and energy transition are increasingly interesting for investment portfolios, which are expected to undertake $1.8tn green investment in 2023.[51]
However, considering the growing attention to sustainability themes and the speed with which the arena of ESG is developing from the regulatory and the societal perspective, where younger generations like millennials and Gen Z are far more aware and passionate of green issues than their parents, many open issues need to be addressed.
It is still open to debate if there is a real interest in company's contribution to society. The United Nations SDGs targets were expected to be reached in 2030, but so far only nearly 15 per cent of the targets have been achieved.[52]
At country level, some governments have developed more clear positions and policies in relation to ESG issues, while other governments have a blurred position on sustainability and prefers not to regulate this issue. The role of regulators is of utmost important to foster transparency in sustainable matters, as they may help investors and consumers to make informed decisions. ESG opaque framework and incoherent regulations may, at the end, hinder trust in ESG.
Although there is no global standard definition of "sustainability" or "ESG", some regulators have increasingly contributed to create a consistent framework for the sustainable finance. For example, the European Union established a classification (i.e., "EU taxonomy") to define which type of economic activities can be considered environmentally sustainable, and enacted legislative obligations for non-financial data disclosure.[53] The European Union is also considering to introduce some rules on ESG rating agencies' operations.
Despite their different preferences, investors are increasingly using ESG analysis in their investment decisions. This behavior makes external ESG assessments necessary for investment evaluation. At the same time, there is a debate around whether fund managers have a legal fiduciary duty towards shareholders to consider climate, social and governance risks.[54]
Moreover, rating agencies are challenged on their measures of ESG performance. First, they often offer also consulting services to companies about how to improve their ESG scores. Then, they adopt quite different methodologies and criteria to evaluate ESG, so providing divergent assessments for the same company.

51. See: https://www.ft.com/content/e5b1b513-0051-40bf-aa70-6f8058c44c31.
52. See: https://www.ft.com/content/32c5ff2c-cf76-48f1-9fd6-8b9e1ee82eb5.
53. See: https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en.
54. See: https://www.ft.com/content/e91f987f-e136-46c2-8b47-c9bc48bd4441.

Companies, in response to the call for a greater contribution to society coming from their sustainable-aware consumers and investors, have raised their efforts in sustainability initiatives, improving their ESG scores.
However, integrating ESG dimensions in a company requires quite profound internal changes both in the operations or marketing functions, and especially in the corporate culture. Mara Bucciarelli (Head of Risk Management and Integrated Reporting at Poste Italiane) affirms that: *"Involving on an ongoing basis all stakeholders, being transparent and disclosing in a right way what we do is becoming increasingly important as all ESG factors are fully integrated in our strategic plan"*. Directors and top managers, whose compensation is now linked to environmental and social factors, have the potential to drive the change.
But it is open in which direction: granting compliance with legislation, increasing company's legitimation, or promoting a substantial and positive impact?
It is worth also mentioning that directors, according to a recent legal opinion in Australia, could be held personally liable for breaching their duty of care and diligence if they fail to consider nature-related risks, [55]therefore paving the way to a potential elevation of the significance of nature in the boardrooms around the world.
At the end, it is open to debate if ESG is promoting shareholder value (by reducing implicit ESG risks on future cash flow) or pushing companies to reduce their negative externalities and to create more value for their stakeholders (including the environment and the society)? In addition, it is open to interpretation what are the objectives of investors, ESG data providers, board of directors, top managers, governments and supranational organizations.

55. See: https://commonwealthclimatelaw.org/australian-company-directors-exposed-to-nature-related-risk-new-legal-opinion/.

BOX 1 – The meaning of ESG

The acronym “ESG” stands for Environmental, Social, and Governance factors, which are increasingly used by investors, beyond purely financial criteria, in order to assess companies’ sustainability performance. The term was introduced for the first time in 2004 in the report “Who Cares Wins - Connecting Financial Markets to a Changing World”[56] by the Asset Management Working Group within the United Nations Environment Programme Finance Initiative, where they proposed environmental, social and corporate governance aspects to be considered in the investment decisions, as they may affect long-term shareholder value. They consist of three main categories of factors:
- Environmental (E): environmental factors include actions to tackle climate change, carbon emissions, waste management practices, protection of biodiversity;
- Social (S): social factors include compliance with labor law standards (no child labor, no discrimination), adequate working conditions, respect of human rights, compliance with workplace health and safety measures, community relations, social commitments;
- Governance (G): governance factors include board composition, executive compensation, shareholder rights, anti-bribery and corruption actions, tolerance of whistle blowing.

BOX 2 - Asset management industry

The asset management industry is the financial sector specialized in managing and investing assets on behalf of different clients (i.e., individual, institutional investors, government entities), with the aim to generate returns for the investors. It includes a wide variety of players, ranging from large global firms to boutique investment companies.
Key actors of the asset management industry, with specific regard to activities on ESG matters, are:
- *Asset owners*: own the financial capital that asset managers are delegated to invest. They can be divided in retail investors (individual investors and families) and institutional investors (pension funds, sovereign wealth funds, insurance companies, foundations and endowments). Most of asset owners rely on asset or investment managers to manage their assets. They can be active shareholders, when they aim at influencing corporate practices;
- *Asset managers*: are specialized financial institutions in charge of investing the capital of the asset owners. They have a fiduciary duty to maximize the returns of their clients. Leading asset management companies include BlackRock, Vanguard, Fidelity Investments, State Street. They have embraced the ESG investing, by including environmental, social and governance considerations in their investment decisions;
- *Advisors*: can be distinguished according to the type of asset owners. The financial advisors typically provide their investment services to retail investors, while the investment consultants offer advice to institutional investors in relation to the allocation of their assets and the choice of asset management companies;
- *Proxy advisors*: they provide consulting services and recommendations to investors on how to vote in the assembly meetings. It is a highly concentrated market with leading proxy advisors like Glass, Lewis & Co and ISS. Some concerns have been raised over their excessive influence on voting outcomes, and their potential conflicts of interest, as some of them provide also consulting services to the companies they assess;
- *Research and data providers*: ESG data providers offer ESG information which investors can use to evaluate companies’ sustainability practices and to make informed investment decisions. Some prominent ESG data providers are: MSCI, ISS, Sustainalytics, Morningstar, S&P Global, LSEG-Refinitiv, Bloomberg. However, the first

56. See: https://www.unepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_2004.pdf.

three account for nearly 60% of the ESG data market. Since there is no convergence on the methodology and scoring approach, each provider can measure ESG issues differently, thus potentially determining divergence in the assessment of the very same company across the different providers;
- *Governments and regulators*: due to the increasing attention to sustainability in the financial sector, that is by nature highly regulated, policy-makers and regulators have started to develop many initiatives, promulgate guidelines and enact directives in relation to responsible investing and sustainable corporate governance. As regulatory interventions are highly fragmented across countries, global and standardized corporate disclosure requirements are missing.

BOX 3 – The United Nations' involvement in promoting sustainability

The United Nations have played an important role in stimulating countries to address sustainability challenges, raising awareness and promoting responsible and sustainable practices. In 2000 the United Nations launched the UN Global Compact, a voluntary initiative whose purpose was to foster the adoption of ethical and sustainable policies and practices by firms. The organizations joining the UN Global Compact committed to integrate in the corporate culture, strategy, and operations ten principles related to the areas of human rights, labor, environment, and anti-corruption, represented by the Millennium Development Goals (MDGs), expected to be reached by 2015. The United Nations also inaugurate the United Nations Environment Programme Finance Initiative (UNEP FI), together with a set of financial institutions, to implement several initiatives in the area of sustainable finance. In 2006 the UNEP FI launched the Principles for Responsible Investment (PRI), adopted by an increasing number of signatories (i.e., pension funds, sovereign wealth funds, assets management companies) that committed themselves to "*be active owners and incorporate ESG issues*" into their investment decisions.[57]
Moreover, in order to foster sustainability within the global financial market, in 2012 the United Nations launched the Sustainable Stock Exchanges (SSE) initiative to stimulate stock exchanges to integrate ESG tenets into their listing requirements, thus recognizing their influential role in shaping corporate behavior and investors' decisions. Few years later, in 2015, the United Nations adopted the 2030 Agenda for Sustainable Development, which represents a shared commitment by UN member states to address important global issues, and introduced the Sustainable Development Goals (SDGs),[58] which replaced the previous MDGs: SDGs consist of 17 global targets to be reached in 2030, related to several global challenges across the economic, social, and environmental dimensions, aimed at promoting sustainable development. The United Nations encouraged member states to integrate the SDGs into their policies, calling for transformative action at global, national and local level. SDGs aim at mobilizing a broad range of stakeholders to take action, therefore driving a growing awareness of corporate responsibilities and contributing to advance the global sustainability agenda, by offering a shared blueprint for national governments, companies, and individuals.
In line with the Paris Agreement, these commitments have entailed investing in sustainable practices to fight the climate change, such as setting CO_2 emission reduction targets or transitioning to renewable energy, in order to achieve net zero objective.

57. See: https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment#:~:text=Principle%201%3A%20We%20will%20incorporate,entities%20in%20which%20we%20invest.
58. See: https://sdgs.un.org.

The United Nations regularly track progress towards the SDGs in order to monitor SDGs' achievements and identify areas for improvement. In fact, UN member states are responsible for reporting on their efforts to implement the SDGs, and they can voluntarily take part at the national reviews at the United Nations High-level Political Forum on Sustainable Development (HLPF).

Table 1 – Main sustainable indices by geographical area

Global Indices	Europe	North America	Asia-Pacific
Dow Jones Sustainability World Index (DJSI World)	EURO STOXX ESG Index	MSCI USA ESG Leaders Index	JPX-Nikkei 400 Index
FTSE4Good Global Index	FTSE4Good Europe Index	S&P 500 ESG Index	MSCI Asia Pacific ESG Leaders Index
MSCI World ESG Index	FTSE4Good Europe Index		
S&P Global 1200 ESG Index			

Source: Bloomberg

Table 2 – ESG data providers by ownership structure

Independent Firms	Firms Owned by Financial Data Firms	Firms Owned by Stock Markets	Credit Rating Firms
CDP	Bloomberg	FTSE4Good	Mood's ESG Solutions
Ecovadis	MSCI	ISS ESG	Sustainable Fitch
RepRisk	Sustainalytics	LSEG-Refinitiv	S&P Global Ratings
S&P Global 1200 ESG Index			

Source: ERM Sustainability Institute "Rate the Raters 2023: ESG Ratings at a Crossroads" report

Table 3 – Comparison of ESG metrics of two main data providers

Pillar	MSCI	LSEG-Refinitiv
Environmental	Climate Change	Resource Use
	Natural Capital	Emissions
	Pollution & Waste	Innovation
	Environmental opportunities	
Social	Human Capital	Workforce
	Product Liability	Human Rights
	Stakeholder Opposition	Community
	Social Opportunities	Product Responsibility

Table 3 – Comparison of ESG metrics of two main data providers		
Pillar	**MSCI**	**LSEG-Refinitiv**
Governance	Corporate Governance	Management
	Corporate Behavior	Shareholders
		CSR strategy
Key metrics	35	186
Source: MSCI, LSEG-Refinitiv		

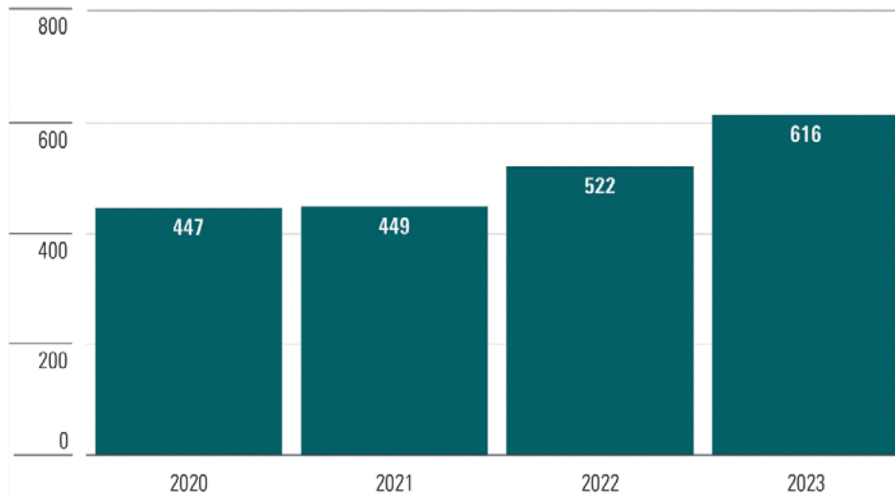

Figure 1: Volume of ESG Shareholder Resolutions in the United States
Source: Morningstar, data as of August 28, 2023. https://www.morningstar.com/sustainable-investing/are-there-too-many-esg-shareholder-proposals

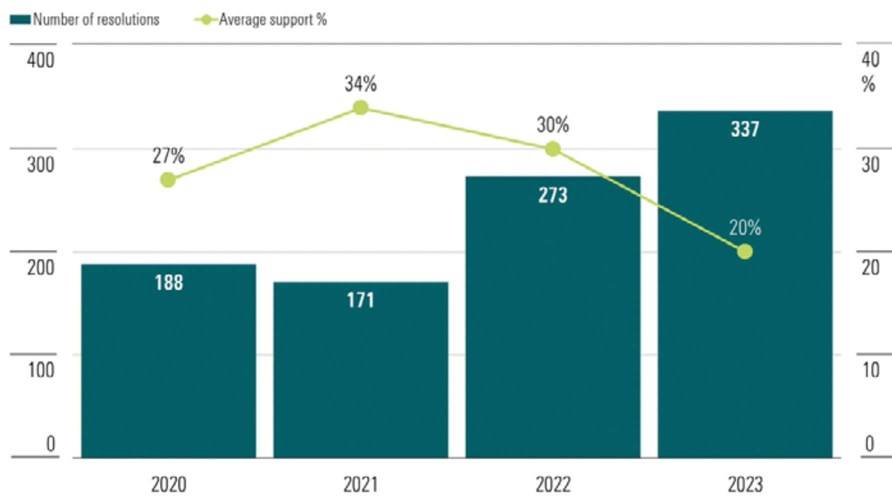

Figure 2: Volume and support of E&S Shareholder Resolutions in the United States
Source: Morningstar, data as of August 28, 2023. https://www.morningstar.com/sustainable-investing/are-there-too-many-esg-shareholder-proposals

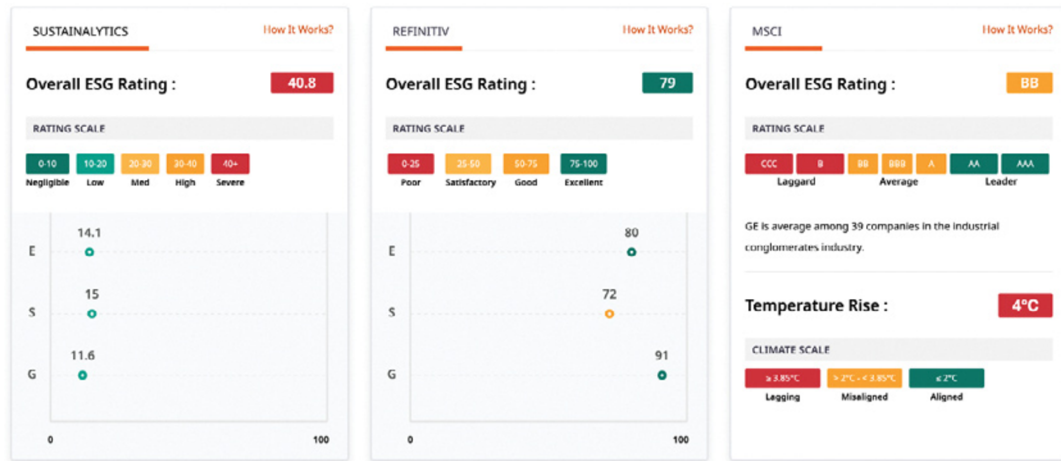

Figure 3 – Divergence in ESG ratings of General Electric Company
Source: https://www.knowesg.com/esg-ratings/general-electric-company

General Electric Company is an US corporation operating worldwide as a high-tech industrial company through four segments: Power, Renewable Energy, Aviation, and Healthcare. The company shows divergent ESG ratings according to different providers. It received a very negative ESG score (i.e., Severe) from Sustainalytics, which measures financially material ESG risks distinguishing between two dimensions, namely exposure and management, and by taking the industry and the company-specific context into account.[59] It was granted a very positive ESG score (i.e., Excellent) from LSEG-Refinitiv, which measures ESG performance, commitment and effectiveness, based on company-reported data; the scores are based on relative performance of ESG factors with the company's sector (for environmental and social) and country of incorporation (for governance).[60] Finally, GE received an average ESG score from MSCI, which measures a company's management of financially relevant ESG risks and opportunities, in order to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.[61]

59. See: https://sdgs.un.org.
60. For more details, see: https://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/refinitiv-esg-scores-methodology.pdf.
61. For more details, see: https://www.msci.com/esg-and-climate-methodologies.

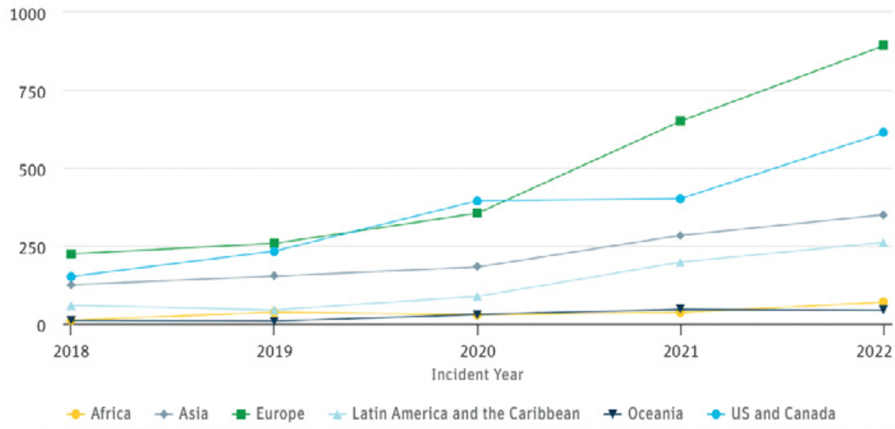

Figure 4 – Increasing diffusion of greenwashing risks
Source: https://www.reprisk.com/news-research/reports/on-the-rise-navigating-the-wave-of-greenwashing-and-social-washing/20adb3d8

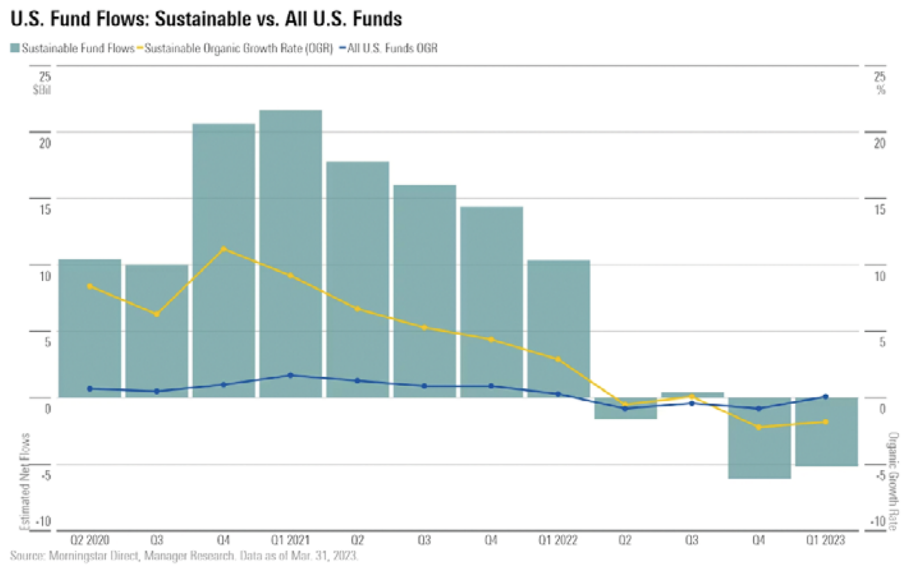

Figure 5 – Fund flows in the United States
Source: Morningstar, data as of March 31, 2023. https://www.morningstar.com/sustainable-investing/us-sustainable-fund-flows-contract-again-2023s-first-quarter