Changing the DNA of Capitalism

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Abstract

The University of Manchester

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Doctor of Philosophy

Changing the DNA of Capitalism

This thesis develops a ‘human economy’ approach to understanding economic life that elucidates the social nature of economic reason. It explores deep structural changes in financial capitalism through the emergence of the sustainability paradigm in institutional investment, which involves the integration of environmental and social factors and long-term thinking into mainstream financial corporate valuations. The research is based on an extended-case study through participant-observation with one sustainable investment agency. The company is led by a power figure in sustainable finance and his trusted network of elite actors, who aim to be at the vanguard of the changes in institutional investing as they construct the category of the sustainable investor. The thesis explores the ambiguities inherent to such an undertaking and intends to open up new ground for economic anthropology and the anthropology of finance.

The ethnography shows how the investment agency developed from a start-up firm with people operating from their homes to an established organisation in London. The majority of research was conducted with a team of sustainable investment analysts whose role it is to produce ratings on companies and influence the decision-making of financial analysts and portfolio managers. The ethnography depicts the everyday practices of this team, how the material arrangements of the investment agency were constructed, and actors’ attempts to develop relationships with financial experts within investment processes.

The findings are used to critique institutional investing and comment on normative and policy changes in the industry that centre on the figure of ‘the fiduciary’. The thesis also points to new areas for research such as the links between corporate executives and sustainable investors. A historical account of investment management is also presented as a way of deconstructing many of the logics and ideas that were encountered during fieldwork and to better understand where and how sustainable investment fits into mainstream investing.

The thesis also offers theoretical and methodological guidance for future ethnographies of finance by positioning the present study with existing sociological and anthropological studies and approaches. The discussion covers the political economy of sustainable investing with an emphasis on the links between market and society and the rise of the large corporation; outlines a framework for studying monetary transactions; and reflects on the nature of agency in financial markets and organisational actors there. A review of ethnographies of finance shows that studies of change within financial market practices should address issues of market functionality and political economy.
No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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Glossary

Active vs. Passive Investing
Two main styles of investment. Active investing assumes that it is possible to consistently make financial profit from selecting individual investments to buy and sell. Passive investors assume that there is an ‘efficient market’ of investors that can forecast stock prices and profits. Instead, they invest in all available companies under a given definition, rather than choose between alternatives. Sustainable investors can be active or passive.

Asset Owner
An investment organisation that holds money for clients – e.g. pensions or insurance holders – as a trustee and who appoints an asset manager to invest the money in investments, such as shares, usually to return a profit.

Asset Manager / Investment Manager / Investment House
An investment organisation that acts on behalf of Asset Owners, as described under that term.

Equity
See Shares/Stock/Companies.

ESG (Environmental, Social and Governance) Investing
The primary way in which sustainability factors are grouped within investment processes. Many equate this with sustainable investing, as a style of investment management that includes ESG factors into investment and decision-making process. These factors are usually considered ‘non-traditional,’ ‘extra-financial’ or ‘non-financial’.

Ethical Investing
A style of investing whereby certain ‘sin’ stocks (e.g. tobacco companies) are excluded from the investment portfolio based on the underlying values of the people (beneficiaries) whose money is ultimately being invested.

Institutional Investing
Asset owners and asset managers that hold, or manage, pools of money or funds as institutions. This is distinct from ‘retail’ investing which is the part of the financial system that operates for ‘private’ clients or individuals with wealth to invest.

Portfolio/Investment Fund/Mutual Fund
The group of investments and money that are managed by a given asset manager to meet certain defined objectives for clients. In the case of this thesis, the investments are shares in companies.

Shares/Stock/Companies
These are contracts in corporate ownership that are traded on stock exchanges at a given market price. Institutional investors purchase them with the money that they hold for their clients. Companies feature throughout this thesis as the key object of investment analysts’ focus.

Socially Responsible Investing (SRI)
See ethical investing.

Sustainable Investment (SI)
The main style of investing discussed throughout this thesis. It is defined as the integration of ‘non-traditional’ factors – usually ESG factors – into investment processes.

Traditional Investing
A label used mainly by sustainable investors to distinguish themselves from ‘mainstream’ investing. Traditional investors are assumed to base their analysis largely on financial and accounting data.
Preamble

Antecedents and the Early Objectives of the Study

This thesis is the product of my professional career path and academic career path that have become progressively intertwined. Unlike most anthropological studies, its formative components were heavily influenced by a lengthy experience in a domain that was – on the face of it – not radically different to that where fieldwork took place. My position as a doctoral student conducting fieldwork with investment professionals is quite unconventional, not only because anthropological studies of such actors are rare, but because I worked as an investment professional for several years prior to taking any anthropology classes. The ideal of alterity or otherness has been fundamental to anthropology's exoticism of its subject matter and to the cultural and geographical distancing between the researcher and the researched. As an 'expansive innovation,' anthropology 'at home' has opened up new possibilities for research and has multiple meanings and applications (Hannerz 2006, 24; Peirano 1998). Though the geographical and cultural situatedness that 'at home' signifies is only partly applicable to my study, my position as a cultural 'insider' certainly helped me when constructing an anthropological approach to investment management. It also enabled me to utilise a dual identity of the 'experienced investment professional' and the 'inquisitive anthropologist,' in each case eager to learn more. Indeed, it would seem unusual from the point of view of investors if I were to assume the role of a total novice. However, it also prevented me from considering alternative areas and ways to develop this approach. Thus, before presenting my findings, the context in which fieldwork became possible and the ways in which its direction changed in the early stages require further explanation.

I was employed as a stockbroker in the area of 'retail' investing, which involves working for an investment agency that deals with private people wishing to make investments. I worked for a large online or 'discount' investment agency from May 2006 to June 2007 and then with a smaller 'full services' investment agency for two years thereafter. I explain and compare the operations of these two investment agencies elsewhere (see Parkinson 2014). Yet the experience is significant for the present study for two reasons. Firstly, it provided a useful knowledge resource for thinking through many of the concepts that I encountered when I decided to revisit academia. I obtained the benchmark qualifications to deal investments and to offer investment advice and practiced both during my time in stockbroking. This helped me to navigate through the financial domain whilst undertaking my fieldwork, despite it feeling a world apart from my stockbroking days. The experience of previous employment in investing is also pertinent because it primed me to consider the diversity of financial practices that can be found within the same area of finance – 'retail' investing – and even within the same city, since both companies were located about five minutes' walk from one another. As I have described elsewhere, the day-to-day tasks of both jobs were quite mundane and when the Global Financial Crisis began to unfold, the potential for personal development beyond this role seemed limited.

I handed my notice in and signed on for an intensive one-year taught Master's degree in social anthropology at the University of Manchester where I began to specialise in economic anthropology and the anthropology of finance. I was particularly interested in the relationship
between the market and society and in exploring how anthropology could contribute to understanding financial markets and actors. There were several reasons behind this; firstly, it seemed wise to leverage my ‘insider’ status and knowledge of finance; secondly, I found the prospect of developing a ‘nascent subfield’ academically exciting (Maurer 2005a, 176); and, finally, because it was evident that the financial system could not be left solely in the hands of those experts that dominated knowledge production and practice there.

When I began developing my research agenda, I had planned to capture the importance of relations and substantive dynamics in defining and constructing financial value. This would incorporate a strong focus on investment practice through participant-observation with at least one investment agency. I imagined myself working for a more ‘traditional’ investment agency, similar to the one where I had previously trained as an investment manager, documenting the quotidian processes and interactions within the organisation. As one might expect, gaining access to an asset manager for anthropological research was not an easy task. I had anticipated this and throughout the academic year whilst I was writing my research proposal, I tried to set up an agreement in principle to work unsalaried for six-to-twelve months at the offices of an asset management firm. I trialled a number of methods when contacting investment agencies, tailoring each approach to the company at hand and, in some cases, reading reports from financial analysts and then contacting them directly with comments in the hope of securing a recommendation. I also approached several financial recruitment consultants. After making numerous calls and usually being told to “email your CV in” as well as sending scores of emails, I had no joy. I found the Human Resources departments of asset managers particularly difficult gatekeepers to navigate; the few that responded emphasised that their internship programs ran over the summer months and encouraged me to apply then, even though I made it clear that I was not seeking an internship per se. I think that it is fair to assume that, in many of these cases, my years working in stockbroking were judged to simply not be enough for me to gain access. There were sure to be scores of applicants that were not over thirty years old, who had, unlike me, studied finance, economics or maths at undergraduate or postgraduate level, and who were not proposing a strange anthropological study of the given organisation.

I began to consider what appeared to be ‘non-mainstream’ types of asset manager in the hope that their status might make them more sympathetic and tolerant of an anthropologist. I contacted numerous agencies that framed themselves variously as ‘sustainable’, ‘socially responsible’, ‘responsible’ and ‘ethical’ investors. My contact with these agencies was generally more positive. The company that gave me the most promising response was, at the outset of my fieldwork period, a ‘start-up’ institutional asset manager that was developing a style of investing that it hoped would change institutional investing to make capital markets and capitalism more environmentally and socially sustainable. Institutional investors are professional investors who manage huge sums of money on behalf of ‘institutional’ clients as opposed to ‘retail’ or ‘private client’ investment managers. As I will show, the company defined itself as part of the mainstream but still has to negotiate the fuzzy lines that delineate this area as distinct from the aforementioned more ‘peripheral’ asset managers. I discovered and joined a group of actors that were driving financial and economic change for a number of reasons and through a number of...
channels. The prospect of working with such an agency did not occur to me prior to encountering difficulties in accessing the type of asset manager with which I was familiar. There has been little uptake of sustainable investing so far in retail finance; this type of company was not on my radar as I did not know that it existed. Working with a sustainable asset manager imported several challenges and opportunities, which I will discuss throughout, but it also enabled me to explore questions of financial change that I believe could resonate more loudly inside and outside of anthropology than my initial research objective might have allowed.

The anthropological approach that I adopted was informed by a core thrust of economic anthropology and economic sociology; namely, to investigate the social nature of economic reason and judgment. This directs the lines of questioning away from individualistic terms like ‘rational choice’ – an underlying assumption of mainstream financial theories – and prevents one from becoming tangled in the complexity of expert logics in the way that investors are. I kept a series of questions in mind when proceeding with my study and added to this list retrospectively when writing up. Some relate more specifically to investment management and the types of actors and organisations that one finds there. What does the institutional landscape look like? How do new styles of investment emerge in this setting? How do investment ideas change over time and how are these (re)formulated into overall approaches? While it would be beyond the scope of my research to examine the many different styles of investment, it may be possible gain a sense of how different investment styles emerge. How is investment value and risk redefined in this process? How is investment rationality structured and restructured? In what ways are processes of investment valuation re-configured? In what ways, and to what effects, can other values and logics co-exist with financial or exchange value? How do market prices relate to other values? How does this relationship change and what are the effects? How are conflicting rationalities resolved? How does a start-up asset management organisation operate and how does it become established? What sorts of relationships are created and upheld in these endeavours? How do relations between actors institute change? What place and effect do personal traits have here?

Other questions relate more broadly to the study of the economy and society. What could it mean to change capital markets and how does this happen? Financial concepts determine how capital flows in the economy. How are financial concepts and related ideas about the social life they inform transformed? How can a monetary system support freedom and equality of wealth rather than concentration of wealth? How can social scientists grapple with these complexities and document them? How can the anthropology of finance contribute to understanding global capital markets and the changes therein? Though anthropological inquiry has a large degree of flexibility, as someone embarking on fieldwork for the first time, I found that maintaining a relatively loose list of research questions about the object of study helped to keep me grounded in the anthropological discipline. The approach that I have taken aims to elucidate the sociological constraints on economic judgment within sustainable finance and capitalism. Using myself as the primary tool for research and analysis retains the possibility of reframing ideas about rational actors in new forms of capitalism.
Introduction: The Subject, Method and Scope of This Inquiry

This thesis addresses the imbalance in studies of finance from the social sciences, which has been very heavily-weighted towards economistic accounts rather than anthropological and sociological accounts. Economic anthropologists have long countered the “intellectual imperialism” of economics and the status that economists occupy as “the high priests of ... [Western] culture” (Milberg 2009; Wilk 1996, 33). The present study continues in this vein without sidestepping the technical and expert aspects of finance. “Economics...has become a dehumanized expert ideology remote from peoples’ practical concerns and from their ability to understand what to do” (Hart, Laville & Cattani 2010, 6). The same is true of how the world of finance is often represented. At stake is an understanding of practical action in finance that is not economistic or reductive. This is especially important if we want to investigate changes that are currently underway in a central pillar of the international financial system; that is, institutional investment where we can observe the emergence of ‘sustainable investing’ and its moorings with ‘traditional’ investors in that space. The present study is largely from the perspective of extended fieldwork within one sustainable investment agency. Sustainable investing (SI) emerged around the beginning of this century and expounds the ‘business case’ for integrating sustainability – defined as ‘Environmental, Social and Governance’ (ESG) or ‘non-financial’ factors, as they are variously known – into mainstream investing. An ethnographic, fieldwork-based study of sustainable investing treads new ground in anthropology.

A challenge of studying finance with an emphasis on expert, technological practices such as these is the dual ambiguity over the distance between ethnographic descriptions of financial models and empirical ‘reality’ as well as over the empirical validity of financial models themselves (MacKenzie 2006a). This thesis does not aim to resolve this ambiguity but to lay it bare. MacKenzie’s (2006a, 249) compelling contribution to the social studies of finance teases out the ambiguity of financial theory, which he argues is an “epistemic culture that makes knowledge using models, but [where] there is a deep ambivalence in the field’s attitude to the extent to which its models can be taken as realistic”. He emphasises the ‘performativity’ of financial theory – which operates prescriptively rather than descriptively – as it has become highly mathematical and economistic from the 1970s. Financial theory is shown to be part of the construction of the infrastructure of financial markets, to become part of the way that actors talk about markets and to add legitimacy to market practices. The process of arbitrage makes this possible and such operations are sociological (MacKenzie 2006a). This work is especially instructive for understanding the present study since it is a useful framework for grasping the construction of financial markets. MacKenzie’s (2006a) focus is on how economic studies of finance shape market activities. While Chapter 5 of this thesis addresses this phenomenon, my ethnography centres on finance professionals, their relations and the development and deployment of ideas, theories, tools and practices to manage investment portfolios. Therefore, my ethnography is concerned with economics in the broad sense used by Callon and means “all the activities, whether academic or
not . . . aimed at understanding, analyzing and equipping markets” (cited in MacKenzie 2006a, 16).

The question of the ambiguity around the empirical validity of the resultant models extends to financial products where the type of profit maximisation that people seek can be unclear to the actors involved, suggesting further that economists’ notion of transaction-costs is limited (Lepinay 2011, 205). This ambiguity is especially useful for examining the marketing claims and stated aims of institutional investors, which is to “add value” and improve investment performance. As is the case with banks, it should be clearly acknowledged by the reader that institutional investment houses are, to a very large extent, sales and marketing operations (Lepinay 2011, xi). Products have to be designed and refined for the company to survive. The models have to be sold and what they are selling is often largely unsubstantiated theory. Academic theories are used to inform, refine and legitimate market practices by the actors involved, but financial theory per se is not the main preoccupation of the actors with whom I conducted fieldwork. Rather, they are more concerned with developing skills and technologies through “practical experimentation” in the construction of investment markets (Zaloom 2006, x).

The ultimate aim is to build an investment product that can be sold outside of the firm and within a commercial setting or to build a service that outsiders buy into. Therefore, while institutional investors’ models have to carry the promise of being able to add financial value to an investment process – be “analytically tractable” amongst practitioners – they also have to be commercially tractable (MacKenzie 2006a). The two usually go hand-in-hand since products that are perceived to hold the promise of generating investment value are more saleable, yet there are many more nuances to investment performance and the making of deals. This endeavour is further complicated when the analytical products for sale – sustainability investment solutions for active asset managers – are much more expensive or mandate higher fees than products of competitors, due to the amount of additional research involved. It is easy for ethnographers in such a setting to get caught up in the hype and rhetoric that legitimates and sells investment products. This raises the question of whether investment management is a form of “packaging,” where new products are built from existing ones, or a site of genuine innovation (Lepinay 2011). The open question of how one can distinguish between objective research and marketing ploys is one that ethnographers and investors need to keep in mind, as is the case with the opacity of derivatives products (Lepinay 2011, 25). Given the complexity and ambiguity over the empirical reality of financial models – such as their relationship to stock prices – I closely follow MacKenzie (2006a) in exploring how financial models are constructed through the material arrangements of the investment house, domains that are built to enact economic rationality, rationality which is largely beyond the cognitive limits of humans.

Though there is a huge imbalance in the study of financial markets – with mathematical economics dominating – the social studies of finance and the anthropology of finance have ‘come of age’ as the two interlinking subfields have become established over the last few decades and now span a broad range of financial activities (Abolafia 1996; Beunza, Hardie & MacKenzie 2006; Beunza & Garud 2004; 2007; Hardie & MacKenzie 2007; Hart & Ortiz 2014; Hertz 1998; Ho 2009; Knorr Cetina & Bruegger 2000; Knorr Cetina & Preda 2005; Lepinay 2011; MacKenzie 2006a,
This thesis contributes to this important and multidisciplinary area of scholarship. Following the social studies of finance, a central question that it addresses is the nature of agency in financial markets. As Miyazaki (2013, 10) succinctly states, underlying these studies is the contention that “the arrangement of human and nonhuman entities into specific configurations sets the boundaries of economic action”. The emphasis on “nonhuman entities” is the key point of departure from economic sociology for the social studies of finance, as it went beyond the notion that market action is embedded in social networks since it is shown to be densely intertwined with market devices (see Roscoe 2013). Although my ethnography reveals the strong prevalence and importance of networks of trust, it is my strong proposition that a rounded critique of financial markets is predicated on a deep understanding of the expert practices through which they are animated; this requires a careful analysis of the theories and technologies that are (re)constructed there and which help to establish the framework for economic action.

This thesis also explores the broader political and economic significance of the changes it depicts in finance. As such, it implicitly traverses the debate between Callon – who argues that the performativity of economics should be the focus of economic sociology – and Miller – who counters that this reifies economic representation and prevents sociological critique in the face of the rise of economics (MacKenzie 2006a, 263; Miyazaki 2013, 10-11). Though acknowledging the importance of both positions, the present study falls more on the side of Callon since it takes professional financial theory and practice as its object of study. The goal is to develop a strong understanding of this from which sociological critique can be built. This thesis also shows investment theory and practice to be densely intertwined as new economic ideas are woven into the practice of finance. This gives weight to MacKenzie’s (2006a) point that Miller’s radical separation of economic theory and practice is impossible.

Although the present study has homologies with classic economic anthropology and economic sociology in challenging the abstractions of economists, it considers that challenge to lie in an investigation of how economistic ideas are (re)produced. The starting point of my ethnography is a world that has been constructed according to economistic principles, but where a group of actors are working against this “performativity”. Yet the sustainable investment thesis on which this rests is largely economistic since it expounds the business case for sustainability. To unravel these complexities we need an economic anthropology that is more sophisticated and less restrictive than the “formalist” view of universal rationality, but that can also grapple with the “substantive” elements of formalised rationality beyond a broad notion of institutional embeddedness. Since the question of human nature is open, I agree with Wilk (1996, 40) that “the highest goal for economic anthropology is to find out what makes people self-interested, moral, or social”. This can be used as a platform for engaging with and understanding macro processes (Hart & Ortiz 2014; Marcus & Fischer 1986). Thus, in addition to the interplay of financial theory and material practice, my thesis remains open to exploring the many dimensions of that which constitutes the category of ‘the sustainable investor’ and its implications.
A key feature of my modality of engagement with finance is the parallels that I draw between anthropologists and investors’ cognitive frames and the possibility of dialogue and collaboration that this presents. As Miyazaki (2013, 9) points out, this builds on a well-established tradition in anthropology of using ethnography as an entryway to such possibilities. This thesis also draws on the methodology of classic economic anthropology in championing the importance of participant-observation to understand economic life. In a financial setting, this approach carries the advantage of joining into everyday life and the opportunity of articulating what is happening there in a more fine-grained and penetrating way than informants. Malinowski (1922) offers some guiding metaphors for studying the economic in such an endeavour that fits well with the view of a human economy. I outline them as follows in connection to sustainable investing with intention of clarifying my methodological choices for the reader. The ‘skeleton’ of economic life refers to the institutionalised roles, forms and regularities (Malinowski 1922, 22). In investing, the skeleton includes the external institutions and organisations that the investment agency interacts with, the organisational structures and technologies and the institutional theories, logics and processes that are formalised in the investment strategy. These are regularities and rules that can be contested by different groups of investors but, once agreed, form the bones of investment management within a certain agency.

The ‘flesh and blood’ of an economy is the way that life is lived and that people work around the skeleton, something that is especially apparent to the participant-observer (Malinowski 1922, 22). These many elements are expressed, in this thesis, through the depiction of a case of sustainable investing as it can be practiced for a client. The ‘spirit’ refers to the ‘native view’ or opinion, utterances, motives, ideas impulses and feelings (Malinowski 1922, 22). It includes investment analysts’ reflections on the experience of sustainable investing; that is, the ideas or spirited actions that people become aware of when working in SI. Social relations between team members and across teams help to build this ‘body’. These metaphors also play on the title of this thesis, which is an ethnographic phrase. As does Miyazaki (2013, 23), I take such financial utopianism seriously in order to investigate it as well as explore the associated possibilities. If the function of a DNA chain in the human body is to carry information that enables that body to manifest in the world, so too with the DNA of capitalism. This approach tries to illuminate the social nature of economic reason and gives us a way of accessing an expert world and seeing it through the lens of a human economy. It shows that the ‘European vernacular’ – investors’ own terms and ideas – for understanding capitalism does not fully explain capitalism, how it is changing or the work of sustainable investors.

The analogy of the DNA of capitalism can be instructive here for grasping the transformations depicted in this thesis and thinking about how they can be accessed. The very question of these transformations is precluded by mainstream economics, which is axiomatic and does not pay sufficient attention to economic history. We can see this by contrasting a recent book by economists Amato and Fantacci (2012) with a key text from mainstream economics that covers ‘Principles, Problems and Policies’ (McConnell, Brue & Flynn 2009). Despite the title of the latter book emphasising its focus on ‘problems,’ the huge problem of financial crises is only touched on throughout. Moreover, when the authors briefly discuss the case of ‘The Mortgage
Debt Crisis,’ they concentrate on the financial market actions of the Federal Reserve, the links between mortgage defaults and the financial system, the failure of mortgage-backed securities and poor lending practices (McConnell, Brue & Flynn 2009, 682-3). In contrast, Amato and Fantacci (2012) offer a penetrating analysis of the underlying historical and present causes of financial crises that questions the very purpose of finance and elucidates the complex and changing relationships between creditors and debtors. The authors reimagine a financial system that is based on the settlement of accounts between creditors and debtors, rather than one that perpetuates these relations through the commodification of money and the dominance of the concept of liquidity. A shift in ideas of temporality – toward the perpetuity of credit and debt relations – is the key issue underlying the financial system. Amato and Fantacci (2012) are interested in the same big question that is addressed in this thesis; namely, transformations in the deep structures of the financial capitalism.

The human economy approach developed through this thesis enables us to see the information carrying features of the DNA chain that makes capitalism what it is and to also consider what it might become. Sustainable investing emerges as a transactional sphere for trading money in commodity form that also operates as a system of change through money’s function as a social memory and imaginary. As with the changes in capitalism that are depicted by Amato and Fantacci (2012), changes in concepts of temporality are also pivotal to transformations through sustainable investing. Rather than a transition to perpetuity, though, sustainable investing tries to lengthen the time horizons that anchor valuation judgements in investment markets as well as to reengineer the DNA information carrying structures so that they hold substantively different types of information. This could lead to a more sustainable form of wealth creation under capitalism. Our understanding of this transformation can be deepened through revealing the social relations and material arrangements that underpin how these information structures are animated and by examining the ambiguous category of the sustainable investor through which they are conceived.

The Object of Study: Financial Markets, Society and Sustainable Investing

The pressing question of the role and functioning of wealth in human civilisations strikes at the core of what matters to those societies. The human economy allows us to get at the ‘nature’ of the creation of wealth and its relation to society. The diversity of meanings relating to money and its uses has long been a topic of interest among anthropologists (Maurer 2006; Hart & Ortiz 2014). This diversity is obscured by accounts of the ways in which wealth operates that centre on ideologically reductionist principles and by homogenously isolationist representations that frame wealth and measures of value as largely technical issues. The dominant representations of investment management as a purely technical domain – aside from being widely observable on digital and print media – are reflected in textbooks that contain collections of investment theories, logics and methods, but that are detached from the people and situations where these techniques are actually used (Fabozzi 1995; Lofthouse 2001). Similarly, a leading economics textbook in the studies of money and financial markets reduces the functioning of the
stock market to the technicalities of valuation and views the behaviour that can be observed there through the narrow lens of ‘rational expectations’ since “[e]xpectations will be identical to optimal forecasts (the best guess of the future) using all available information” (Mishkin 2004, 141-8 & 150-3). This reflects the ‘subject matter’ of economics – “economic decisions made by individuals as participants of markets of many kinds” – and exemplifies the characterisation of economics “as an impersonal machine, remote from the everyday experience of most people” (Hart, Laville & Cattani 2010, 4). The authors of The Human Economy might not have had financiers in mind when they suggested that economics overlooks ‘most people’ but it is my contention that the aforementioned economistic representations of finance are not even sufficient for depicting a domain that one might assume to be the bread and butter of economics (Hart, Laville & Cattani 2010). The social form of the economy is usually overlooked by economics, even on its own turf.

The objects – physical and virtual – that we define as economic wealth, the activities that we undertake to produce economic value, the system of ideas, beliefs and processes that support this and the human relationships that make it all happen, differ greatly from society to society and from generation to generation. One thing is true of any system of value and values; namely, that none of these aforementioned components can be understood in isolation from one another. Economists forget this. A great contribution of the anthropological enterprise is to capture holistically how economic practices are constituted, elucidating the many dimensions of wealth, for instance, and enabling us to explore the implications for the human condition from within the financial domain itself. As Miyazaki (2013, 145) reminds us, proceeding in a holistic manner that also embraces ambiguity in the economic categories explored – whether the gift, arbitrage or sustainable investing – goes right to the heart of the discipline of anthropology.

Many of the lines of inquiry in anthropology around money and wealth have been situated amongst anthropology’s ‘traditional’ subjects and in locations where money has not been managed through the formal institutions of Western monetary capitalism (Akin & Robbins 1999; Bloch & Parry 1989; Mauss 1954). Jane Guyer’s (2004; 2011) seminal work on monetary transactions in Atlantic Africa illuminates the uneven and composite ground upon which money is exchanged there. In contrast to these informal exchanges, professional investment management transactions are part of an order of modern global finance that has been largely constructed according to formal institutional, abstract principles. Despite these efforts at formalisation, the ground in modern finance is also uneven and is undulating in a manner that leads us to question the very purpose and potential of the financial domain. Thus, this thesis draws from those who have asked bigger questions about wealth and the economy in ‘tribal’ and ‘non-western’ societies by exploring ‘the economic’ in the post-crash Anthropocene – a world that demands more from the financial system – and where the ideal of the self-regulating market may be slowly being replaced by the ideal of a socially-situated and governed market. The profundity and extent of this historical shift has barely been recognised by anthropologists, giving weight to Gregory’s (2009, 286) claim that “[a]nthropological ideas about the economy...do not lead the agenda but follow in the wake of bigger changes set in motion by the imperial powers”. This temporality persists due to the influence of economistic thinking in the business realm; however, it is my hope that anthropologists can make up some of this ground. This study, then, opens up new ground for the
anthropology of finance through fieldwork with investment managers that manage equities or shares in companies as well as in the sustainable investment space in the hope of advancing anthropological horizons to the economic present.

Under present monetary capitalist systems, wealth accumulates and is exchanged as units of capital. These can be stores of cash or state money that are managed by the banking industry, investments in property that are managed by the housing market and collections of items of value, such as art or wine, that are managed by auctioneers and other forms of bargaining. Wealth also takes the form of investments into business and projects that are exchanged through financial markets. This type of wealth is the focus of this thesis. The wealth management industry determines where this money is invested as it is managed on behalf of pension funds, insurance companies, Sovereign Wealth Funds, Higher-Net-Worth Investors and the mass affluent (PwC 2014, 9). To give an idea of scale, the total Assets-under-Management (AuM) – the quantity of money managed – of the global wealth management industry rose to a record level of $62.4 trillion in 2012 (Oakley 2013). This figure represents units of capital that have been stored as wealth where money has been converted into some form of investment to be managed by wealth management professionals. This amount is comparable to the World’s Gross Domestic Product (GDP) of $73.4 trillion in 2015 (World Bank 2016). If we can assume that GDP gives us a measure of the scale of formalised economic activities of the world and also that investment activities carry a degree of influence, then the potential of the wealth management industry to shape the global economy is enormous.

The managers of the wealth of the world have a huge responsibility to use this power according to the interests of the people – the citizens of the world – whose money they ultimately manage. The prevailing notion of fiduciary duty that these professionals abide by has largely been equivalent to the production of financial profits, narrowly construed. A combination of investor alienation, over-confidence in risk models, short-termism, ineffective policy, institutionalised greed, vested interests and collective inertia have fostered this. However, the possibility of mainstream finance playing a broader role in society is now beginning to emerge and this new role imports the societal question of what finance and financiers can and should be. This is the broadest question that I examine in this thesis. If my readings in the social sciences around the relationship between the market and society introduced me to the problem of a detached financial realm, my fieldwork in sustainable investing gave me a window into the possibility of a different configuration. My ethnography shows this and Chapters 4 and 5 touch on the broader issues and areas where the debate is taking place.

This thesis is an ethnographic inquiry into changes currently underway in finance. I will show these to be paradigmatic transformations in institutional investment management and in capital markets more broadly; namely, a growing trend whereby ‘non-traditional’ factors are influencing how money flows through the global economy and how companies conduct their business. The ethnography focuses on ‘sustainable investors’ who adopt the definition of ‘sustainable development’ from the 1987 Brundtland Report, which states that “[s]ustainability

1 While permutations of this trend can be found in insurance markets and banking, my focus is on the transformations in institutional investment management. The scope of the study could clearly be widened.
means satisfying the needs of the current generation, without compromising the corresponding opportunities of future generations” (Robins 2008, 1). For this type of investor, ESG is about ‘sustainability’ and combines two appreciations. At the micro-level, better investment returns are believed to require consideration of long-term sustainability factors in decision-making. At the macro-level, capital markets need to be transformed to meet the world’s sustainability goals rather than maintain their short-term focus (Krosinsky & Robins 2008). Under this vision, institutional investing “provides the bridge between an unsustainable present and a sustainable future – placing finance squarely at the heart of the solutions to issues such as climate change and human rights” (Robins 2008, 4). Thus, sustainable investing “relates the concept of sustainable development to financial prosperity seamlessly [and]...seeks [financial] outperformance by investing in companies with the greatest fidelity to long-term drivers of outperformance, or superior sustainability” (Gorte 2008, 31 & 32). It can be difficult to draw clear lines between sustainable investing and ‘Socially Responsible Investment (SRI) or ethical investing, but the focus on financial ‘outperformance’ – otherwise known as ‘the business case’ – is perhaps the most useful point of distinction and should be acknowledged by the reader.

SI intends to produce superior investment performance and is less concerned with avoiding stocks that are seen as morally problematic, unless these issues are expected to impact investment profitability. We should also consider the vision of sustainable capitalism that former US Vice President, Al Gore, expounds through his investment company, Generation Asset Management. His investment company is notably a direct competitor of the investment agency with whom I conducted fieldwork and perhaps offers the best direct comparison as an example of what the CEO of this agency is trying to achieve. The imagined ideal ‘sustainable corporation’ is one that conducts its affairs as “consistent with the transition to a low-carbon, prosperous, equitable, healthy and safe society” (Generation 2015, 2). Therefore, “Sustainable Investing is an investment philosophy and approach which allocates capital to companies aligned with these principles, using an analysis which integrates both financial and ESG metrics” (Generation 2015, 2). If sustainable energy, for instance, is defined as low-carbon energy generation, sustainable investing is about supporting this through capital markets. One can already see the difficulties in separating morals from this type of investing since it fundamentally and prescriptively focuses on core social matters. We should keep in mind, though, that this is something that sustainable investors are trying to achieve whilst also making money for their clients. They are trying to counter a general perception that allowing morals to impinge on investment leads to a fall in profits.

To clarify, a range of assets can fall under the management of these investors but it is ‘equity’ investors who invest in ‘public’ or ‘listed’ companies that are the focus of this thesis; that is, companies whose shares can be bought or sold through a stock exchange. Many of these investors are now including sustainability or ESG factors in their investment processes with the intention of investing in those companies that are judged to be more financially, socially and environmentally sustainable. Sustainable investing is arising in the context of colossal failures of the market system. Our current economic system has not prevented the escalation of climate change, protected ecosystems from degradation or alleviated social inequality. These are perhaps
the foremost examples of market failure. The possibility that finance can operate to remedy these issues makes this a topic of considerable importance. This is a time of great change and great promise for institutional investment, but the situation requires empirical and critical assessment.

An Outline of the Methods Used

I undertook extensive research working as a sustainability research analyst for one institutional investment agency. This served as my main source of insight but it was also a platform for questions that directed me beyond the company at hand. Working within a generally ethnographic methodological frame allowed me to explore aspects of SI in a rounded manner and enabled me to hone in on the key issues discussed in this thesis. Given that ethnographers try to understand the world from the perspective of their research participants and, given that we can never assume a priori what will be important to them, there is a necessary degree of flexibility in our approach. This ‘open-ended’ curiosity can be difficult to defend in expert situations (Jakob 2013). People often assumed that I was interested in behavioural finance when I said that I was studying financial practice anthropologically. I was often aware of the vagueness of my stated intentions but it is difficult to be precise when you are still trying to grasp the key dynamics of a given social space and come to terms with them. However, this flexibility enabled me to focus on the one thing that was dominating the discourse of institutional investors in the sustainability area; namely, ‘integration’. This refers to the incorporation of ‘sustainability’ factors into investment processes, usually defined in terms of Environmental, Social and Governance (ESG) factors. Acquiring the data for this type of project required multiple methods and techniques.

My primary method of data collection was to conduct participant-observation whilst working initially as an intern sustainable investment analyst for an institutional asset manager, SustAM, from November 2012 to September 2015. I kept an electronic journal with notes from conversations, meetings, emails, digital conference calls, general tasks and processes, and my reflections. Working with one company and one group of colleagues for such a long period of time allowed me to gain deep insight into the daily decisions that were made, not only within processes of investment valuation, but also everyday decisions about the company itself, about how it should be run and what is important there. I was also able to grasp how these factors change as the company enters new phases and vis-à-vis broader changes in the industry. Although SustAM was a ‘start-up’ firm when I began fieldwork, it was not starting with a blank slate. Several of its key members are recognised as world and industry leaders for their previous work in sustainable investing and have held positions as heads of international organisations for sustainable business and finance. A danger of working with such powerful actors is that it can be difficult to think outside the directive they are advancing. It is easy to get caught up in the process. I had to work to maintain a critical eye. Working with a small group of actors enabled me to directly witness and participate in their collective endeavours and to map out the everyday challenges and successes of a transformative company. The notes that I took of my daily experience are also written in reflection of my work. They allowed me to question the key concepts and categories of action that people assume to be self-evident in their work. Rather than taking concepts like ‘ESG’ or
‘sustainability’ at face value and accepting investors’ definitions, I was able to explore holistically how these concepts mediate monetary transactions and articulate this in a way that could be of interest to anthropologists and sustainable investors.

Although I spent the majority of my time working with SustAM, I also worked remotely as a team member for the United Nations Environment Programme Finance Initiative (UNEP FI) from February 2013 until June 2014. I assisted in the coordination of a ‘working group’ whose current project was to produce a white paper analysing how sustainability factors can be integrated into corporate practices and how institutional investors can support this. My main role was to review and comment on drafts of the paper, attend conference calls and draft emails to the working group members outlining the main action and discussion points for each stage of the project. The working group consisted mostly of investors from some of the world’s largest sustainable asset management operations. While I do not use this research data directly, undertaking this role improved my own standing as an expert in the field. It also allowed me to become familiar with current issues through the readings that were necessary as part of the project and enabled me to understand how reports that investors use to inform their models are produced by investor coalitions; namely, how knowledge production is enabled through a collaborative, dispersed and digital team.

Another key method that I used was conducting online research and reading on sustainable investing and related areas. One of the biggest challenges that I faced was learning about sustainability investing whilst ‘in the field,’ not only to try and make sense of the area that I was studying, but to also preserve my access to that domain. At times, I was overwhelmed by the sheer number of analytical reports from asset managers, environmental and social reports from NGOs, business consultancy reports on corporate sustainability, and reports from the scores of relevant collective initiatives and investor networks. I came across some of these through my own research but many were shared with me by my colleagues at SustAM and UNEP FI. To manage the information flow, I joined the mailing list of numerous websites and blogsites. I also set up my own private blogsite where I could categorise and tag my notes from different readings and reports. Importantly, the information that I collected through online research should not be considered ‘archival’ since many of the documents, such as the UNEP FI paper that I helped to produce, are influential in supporting the paradigmatic changes in investment valuation that I posit here. While these were my main methods for data collection, I also gained important insight into sustainable investing from conducting three exploratory face-to-face interviews, sending targeted questions to various institutional investors by email, attending several industry events and joining numerous webinars.
An Outline of the Chapters

The outline of the chapters foregrounds the ethnographic material through the human economy approach introduced above. This is then used as a platform for discussing broader issues in investing, capitalism and anthropology in later chapters. Chapter 1 introduces the sustainable investment agency where fieldwork took place by revealing the main actors there, the company’s place within the investment industry and the organisational set up and goals. Chapter 2 depicts a fictitious case that shows what ‘Changing the DNA of Capitalism’ means in practice with a new client. It depicts everything from the initial client meetings to the analytical work that was carried out for the new client. Chapter 3 develops this case with a focus on the relationship between sustainability analysts and the portfolio managers – who work for this new client – and describes how an ‘integrated’ investment process – that combines financial and sustainability factors – was constructed. The logic of the ordering of the chapters is to begin with the aspects of the investment agency that most closely resemble the ‘bones’ of the human economy, then work around this to the ‘flesh and blood’ of daily life and the spirited actions of the people involved.

Social relations are interwoven throughout and build the ‘body’ of sustainable investing, a process that comes out most strongly when the relations are with financial experts. The chapters go full circle, to some degree, in closing on the materiality of investment practice as ideas are built into the infrastructure or “bones” of financial markets.

The following two chapters engage directly and immediately with the ethnographic material in a critical and deconstructive mode with the intention of deepening the preceding depiction of sustainable investment practice. Chapter 4 offers a series of reflections on sustainable investing, which is shown to be operating through a moral economy of financial change where new types of wealth are constructed and where ideas about the role of financial actors are being transformed. SI can be seen as an attempt to ‘socialise’ capitalism through embedding social and environmental valuations into corporate and financial forecasts. This is where the information structures of the DNA of capitalism are being reengineered. Hence, it is also important to examine the nature and structuration of these valuation frameworks as well as the way in which knowledge is constructed in that domain. The team of sustainability analysts actively manage information and produce knowledge by isolating and interpreting a multitude of corporate practices across the global economy. They do this by classifying instances of corporate sustainability and economic action that were otherwise unknown to mainstream investors. SI models are risk models that build resilience to uncertainty in economic judgements by assessing future trends and judging the current corporate exposure and quality of management of these trends.

Chapter 5 gives a historical account of changes in the investment management industry with the aim of de-constructing and unpacking the investment logics revealed in this ethnography. Investment rationality is shown to be substantively constructed at an institutional level through the formalisation of conflicting and contrasting theoretical approaches. The chapter questions the legitimacy of mathematical finance – which many see as ‘scientific’ – in the context of studies in behavioural finance that emphasise ‘irrationality’ in investor behaviour and highlights a trend in investment management away from assessing the underlying profitability of the companies that are invested in. This sets up a discussion of where SI intervenes in investment management and
allows for an examination of investors’ models in functionalist terms where they operate, to some
degree, in the same way as magic in tribal society.

The final two chapters offer some theoretical and methodological guidance for future
ethnographies of finance by positioning the present study with existing sociological and
anthropological studies and approaches. Chapter 6 assesses the political economy of sustainable
investing with an emphasis on the links between market and society. Sustainable investors do not
believe that the market is abstracted from society and they, like anthropologists, must think
through social and economic processes. The chapter outlines a framework for studying monetary
transactions, questions the nature of agency and financial practice and examines the importance
of organisational ways of working to investment practice. The intention is to address broader
questions relating to the global economy and to work right down to the level of people operating
within a specific organisation. Chapter 7 reviews ethnographies of finance with a view to
encouraging studies of financial change that tackle market functionality and political economy. It
also offers a brief reflexive account of the present study with the aim of providing some
methodological guidance for future ethnographies of finance. This thesis necessarily entails
discussions of financial and expert concepts; therefore, a Glossary has been included at the
beginning.
“Changing the DNA of Capitalism”

What might be entailed in one person’s quest to change the DNA of capitalism? This thesis depicts a globally distributed team of institutional investors who – led by a powerful individual in sustainable finance – act to change mainstream investing with the stated aim of supporting a more sustainable economy. It references several intersecting careers trajectories that stretch over decades but centres on activities that cohere through an investment agency that was founded in 2010. I describe events within, around and related to this company from the date it was founded, but the main sources of insight are my fieldwork notes which were generated from November 2012 to September 2015, during which time I undertook various roles. I refer to this company through the pseudonym ‘SustAM’.

Early 2014 marked the beginning of a highly formative and generative time at SustAM as the company had recently signed its first major partnership with a large European asset manager. I refer to this company as EuroCap or the ‘partner’ throughout. EuroCap rented office-space on a famous, high-profile street in central London where the ‘joint-venture’ partnership would operate from; SustAM would now be officially headquartered there alongside its new partner with EuroCap using the space as its London office. The location of the office serendipitously revealed a contrast of ethnographic significance between the new occupants of the building – SustAM – and the company that operated there previously. Members of SustAM’s ‘Research Team’ were sat at their workspaces in the company’s designated area of the office, which was to the left as one walked through the main entrance. Two new analysts and I were working on a range of tasks whilst becoming acquainted with one-another at various junctures. A magazine – that was not related to the topic of finance in any way – mistakenly arrived for the CEO of the company that had occupied the office address prior to SustAM taking up residence there. The identity of the CEO took everyone by surprise. It was addressed to one of the most successful fraudsters in financial history. SustAM and its new partner were operating in what was recently a branch office of a giant Ponzi scheme. When one of the team saw David, the founder and CEO of SustAM, walking down the corridor towards the team, he presented him with the magazine. David was also taken back and responded theatrically, “and the towers of Satan have crumbled!” and while nodding his head to the team and speaking in a softer voice, asserted “...And the good guys are here”.

The professional histories of David and his colleagues suggest that this identity distinction is intended to be taken literally rather than sarcastically. David is recognised as a very highly influential in sustainable finance. Building on a strong educational and professional background in environmental studies and management consultancy in North America, he was one of a few pioneers of sustainable investment in the 1990s. David founded a previous company in this institutional space and ran this with many of the senior employees that now worked with him at SustAM. The movement of people between financial firms “builds upon and feeds the connectivity of people across organisations” (Garsten 2013, 150-1). There was, however, a more close-knit
texture to the core team members at *SustAM* whereby people that had dispersed into different organisations came back together through the company at different stages of *SustAM*’s history. Through *SustAM*, David and his close colleagues aim to push what they had done at the previous company a step further by eventually managing assets ‘in house,’ leveraging their collective investment research skills and combined network of commercial contacts to intervene in mainstream investment management. Prior to this they “just sent [the sustainability] analysis off to other asset managers and it was up to them [the other asset managers] whether they acted on the information”. *SustAM* would have more control over how wealth was transacted since “moving the asset management in-house…. [linked their] ideas with the money”. David created *SustAM* as a way of transforming capital markets to, in turn, drive change in the world’s largest corporations, harnessing the influence of institutional asset owners and managers to realise what he and his colleagues conceptualised to be a more environmentally and socially sustainable global economy.

David often uses the grand metaphor ‘changing the DNA of capitalism’ to clarify his intentions and he was hoping to advance this vision through and with *SustAM*. After one of my first few days working in the new London office, he and I shared some drinks to acquaint ourselves further. We had only just met face-to-face that week but had been working together for more than fourteen months. We were talking casually when David recounted the last time that he walked down Wall Street: “I put my ear close to the ground and I said, ‘I can hear your foundations shaking. And I’ll be back. It might take me a few years but I’ll be back’”. David had assembled a small band of trusted and powerful actors as well as some new additions to the group, including me, to help in this regard. What work is involved in intervening in institutional investment to be “one of the good guys,” to shake the foundations of Wall Street and to change the DNA of capitalism? What are the challenges, successes, contradictions and shortcomings of this bold quest and the associated practice of value creation? In answering these questions, a more detailed introduction to the different types of actors involved and their actions and intentions seems like a useful place to begin. It is also important to consider which other relations and actors are implicated in this process. This can be understood by examining the various changes or interventions that this group of people are trying to make in finance and the economy.

**Convening through an Investment Agency: *SustAM***

The intervention in capitalism foregrounded above was with and through the corporate form. This does not simply suggest that *SustAM* intended to target large investee corporations with investment money in the way that is depicted throughout this thesis. It also recognises that *SustAM* is a corporate entity. David founded an investment company that could influence large corporations. With his previous firm – the ‘research house’ that pioneered sustainable investment ratings in the 1990s – he had sought elite backing for his proposal by pitching his ideas to chairmen of global banks, senior politicians and other influential financial actors. The idea was to get their backing at board-level to build legitimacy. At times, David felt that he was “in over his head and punching above his weight” when dealing with these powerful characters. An additional challenge was that, in some cases, his company was summoned by the boards of some of the
world's biggest companies to explain why it had issued a poor rating on the company's stock and was threatened with legal action. David did not back down and invited them to try. David's old company was once rated as the world's top sustainable investment research firm by a reputable financial news company, which was considered a strong endorsement for success. When creating his new company, *SustAM*, he had a sizable network of commercial contacts, elite connections and experienced analysts to mobilise, but building a new type of investment agency to manage wealth was still a long and costly process.

*SustAM* operated as a start-up firm until 2014 with everyone working from their home 'offices' and interacting predominantly by email, telephone and videoconference. The trusted network of people spanned the globe and was largely comprised of people that David and John, the Managing Director of Research, had worked with previously. Over the course of my fieldwork, the *SustAM* organisational network spread to peoples’ homes across London, France, Canada, New York, Bangalore, Geneva, Australia, Zurich and Rossendale, where I live. I first met with John, the Research Director, in the foyer of a five star hotel near St Paul's Cathedral in London in November 2012. At the time, he met with interns in coffee shops and places such as this. The aim of our meeting was to discuss my internship and for him to give me some background into *SustAM*. He explained that the company was in the process of jumping through regulatory hoops – becoming 'regulated' – which was long, exhaustive and expensive. Consequently, the company was looking to secure a joint venture with a larger asset manager that had “all the plumbing in place” since this “had to be water tight from the start”. The idea is that, for a fee, *SustAM* can enhance the strategy of the larger asset manager by supporting investment decisions and offering a bespoke investment research service. For the partner, outsourcing to *SustAM* was deemed a quicker and cheaper option than developing an ‘in-house’ sustainable investment operation. It was hoped that *SustAM* would ultimately manage money directly for its own clients but, for the time being, a joint venture was deemed the best way to sell its investment products, establish a reputation and link its investment ideas more closely to ‘the money’.

My own ‘entry’ into the company in late 2012 as an intern was at a time when *SustAM* was believed to be on the cusp of striking up its first major partnership to advance it to the next stage. David and his close colleagues had spent the previous few years building *SustAM*'s corporate brand, creating and refining its investment thesis, models and strategy, and pitching to potential clients and partners. Though it would have been insightful, from a research perspective, to have observed how the strategy was constructed, my timing was far from unfortunate. Although David did not want to guess a timeframe within which the first deal was expected, he was encouraged by recent “active discussions with several attractive partners” and felt that a deal was not too far away. *SustAM* had also been running a ‘live fund’ with investment capital from the company’s ‘principles’ – with the company or David's own money as opposed to clients’ money – and the financial performance was outstanding. Often, investment strategies are 'back-tested' on historical stock prices as a method for judging how successful they might be in the future. The fact that *SustAM* ran a live fund so successfully with its own money endowed it with greater credibility with potential clients, but there were no guarantees. As a start-up investment agency,
the situation at *SustAM* was incredibly fluid in that its chances of ever becoming a profitable entity were determined by its ability to strike up an initial partnership and win clients.

Everything took off for *SustAM* with the signing of the first partnership with *EuroCap*, as the investment agency began to mark its presence and stake its claim to the institutional investment space. *SustAM*’s partnership deal created a new corporate entity by amalgamating itself with *EuroCap* under a ‘joint-venture,’ but the two companies also remained separate entities. The joint venture or partnership now ‘managed’ approximately $1 billion. The amount of money that investment houses manage is referred to as Assets-under-Management (AuM) and is used as an identity tag by these institutions as a mark and measure of success. By David’s estimates, this placed *SustAM* only behind a handful of direct competitor asset managers if the comparative factor is the style of investment, or in other words, sustainable investors that practice ‘true integration,’ as I describe it below. The asset management company run by former US Vice President, Al Gore, *Generation IM*, is one such example with around $8 billion AuMs at the time.

The signing of the deal had not all gone to plan for *SustAM*. The deal took much longer to finalise than expected as the negotiations, work plans and roles were established and all the ‘small print’ was sorted out. David made plans to move to London from North America. This was not something that he had originally intended and was somewhat reluctant to do since his wife and grown-up children had their roots back home across the Atlantic where they would remain; however, *EuroCap* insisted upon David being at the new offices for the foreseeable future. Still, as David stated, “the eagle had FINALLY landed” and it was “time to rock and roll”.

Underneath *SustAM*’s changing organisational forms, the core activities were organised into two main divisions or teams that prevailed at all stages: ‘the research team’ and ‘business development’. There was some sharing of roles and cross-divisional inputs as one may expect to be typical of smaller companies. This was especially true during the start-up period, but the teams were predominantly distinct in their interactions and their spheres of activity. The main goals and functions of each division and the key team members in each are outlined in the following two sections. My own position in the company as an ethnographer and employee within the organisation is worth briefly foregrounding prior to this. Since joining *SustAM* in 2012, I have worked in three main roles for the company that overlapped and transitioned in practice before being formally recognised; namely, an ‘intern’, a sustainable investment analyst and a senior analyst. During my internship, I worked in what would be the equivalent of an investment communications department, helping to write and produce marketing documents such as fund literature and ‘thought pieces’ where the investment theories and processes were presented to an external audience. I had always hoped to become involved more directly in the investment management side of the business to understand the decision-making processes at the firm that directly related to monetary transactions. After the first four-to-five months, I was trained in this very area as a sustainable investment ‘analyst’ where my job was to produce in-house, internal ratings and analysis of listed companies. It took another twelve months for the *EuroCap* partnership to be signed. Much of this work was undertaken without *SustAM* having physical offices and was done in anticipation of the partnership being signed with the aim of building a large database of research for *EuroCap*’s stocks so that the partnership could hit the ground
running. During this time, SustAM ran the risk of focusing all of its efforts on one client and securing its first big contract, but the move paid off.

That SustAM had no physical offices was a major concern for me – since I had hoped to study investment management at an organisation which I assumed would have an office – but David convinced me to stay. He stated that he ran his previous company largely “without bricks and mortar”, reminded me that they were rated “number 1” in the world and offered to speak to any of my professors to explain the situation to them. When the deal was finally secured in January 2014, I was fortunate to gain an extension to my fieldwork period, which officially ended just as things were finally taking off. This meant that I could commit to working full-time in my role as a sustainable investment analyst and work from the London offices as much as possible until the spring. After that, I worked flexibly for the company – maintaining relations and following key themes – and made frequent trips to London and several to EuroCap’s Parisian offices. When working as a senior analyst during this time, I was made responsible for managing the workflow for the entire research team, acting as a primary contact point for portfolio managers and providing support for business development client meetings. It is from this vantage point that I now depict the two main internal divisions of SustAM and introduce the two groups of external actors with whom the company interacts. This constructs a picture of the skeleton of the investment agency. The fluid network that preceded and developed the investment agency speaks to the importance of mutable relations of trust that can be spatially and temporally misaligned in the creation of successful businesses in contemporary times. Therefore, while the skeleton can be considered rigid in any one instance, its composition changes over time.

“The Research Team”

The purpose of the research team is to produce ‘sustainable investment analysis’ of publicly listed companies – companies that are listed on stock exchanges – and of sustainability themes or trends relevant to these companies. This knowledge is then intended to be used to influence and support the investment decisions made by the portfolio managers. The majority of the analytical work is completed by individuals analysing one company at a time and based on their previous ‘sector expertise’ and interests, which determine how the work is allocated. Before the partnership was signed, the team operated in a fully-distributed virtual manner from their homes. Interactions took place mainly by email, telephone and Skype. When SustAM had offices, a London-based team was assembled but the company still allowed weekly ‘Work from Home’ days.

The research team is overseen by John as the ‘Managing Director of Research’. John had been instrumental in developing the investment products at David’s previous firm. He keeps a picture of himself shaking hands with Bill Clinton on his desk as a way of trumpeting these past achievements. Notably, Clinton chose Al Gore – a pivotal advocate of sustainable investing – as his Vice President. John considers David to be “a real visionary and innovator…somebody that could drive change more quickly than working solely in corporate governance”. He explicitly celebrated the idea of cutting off the vital capital supply to companies to achieve this since with pressing
issues like climate change “we need real change now”. John outlined his reasons for working in sustainable investing in an email:

From an early age I was always concerned about stewardship of the planet and big issues such as deforestation, pollution and human rights. I started out in environmental consulting and then moved into corporate governance, where I became more aware of activist shareholders and related topics such as fat cat pay. I learned that change through shareholders exercising their power would probably be a good way to change the world, as governments act benignly and consumers carry on consuming.

This was around the time that ESG investing was emerging twenty or so years ago. As he explained, “it began with the ‘G’ and the ‘E’ and ‘S’ joined this later.” Investors were worried about governance issues initially following high profile cases; such as, the Enron scandal that unfolded earlier this century and that exposed inadequate accounting and pay practices. It took longer for investors to become concerned about environmental and social factors, giving people like John more scope for influence.

John was David’s second-in-command at SustAM. He is from Wiltshire and is currently based in South London. John did most of the ‘behind-the-scenes’ research work and was deeply methodical and meticulous. He and David often seemed to be on opposing sides of whatever debate was taking place, whether this related to the benefits or drawbacks of Genetically Modified Organisms, whose responsibility it was to do whatever task, or whether the office air-conditioning should be turned up or down. One colleague described them as “chalk and cheese”. This tension seemed to predominantly be of a constructive nature – aside from the bickering over the ‘air-con’ perhaps – and was often textured with witty comments. The resolution of the tension defined how many day-to-day matters proceeded at SustAM. There was a high level of trust between them and they both shared a desire to once again develop investment products that they considered to be at the forefront of the sustainable investment space.

Hiring people to undertake the analytical research at SustAM is different to hiring plumbers, electricians, qualified stockbrokers or financial analysts who hold benchmark qualifications that ‘approve’ them for the necessary skills. There is no ‘gold standard’ qualification for sustainable investment comparable to the Chartered Financial Analyst (CFA) credential, discussed below. The field is nascent. The analytical model at SustAM is in-house and proprietary, even if it shares many characteristics of other ‘ESG’ models in the industry. It has been developed by David, John and other close colleagues and was based on their collective industry experience and knowledge. They need people with qualitative research skills to apply the model and operate as ‘analysts’ but also had to depend on team members to put the extra hours in during busy times. The strategy was to have a core team of trusted staff who could guide interns and newcomers. This contrasts with the Wall Street culture depicted by Karen Ho (2009) where the rhetoric of ‘smartness’ coupled with intensely long working hours justified investment banks’ dominance over corporations and was a key feature of how the industry reproduces itself. At SustAM, the hard-work was more pragmatic and a product of the unpredictable nature of the analytical work. Interestingly, David considered people with “MBA’s from elite universities” as
having "too much intellectual baggage". He wanted a trusted network of people that thought and acted differently to those in ‘the mainstream’.

Sarah has been involved with SustAM from the beginning but only had limited input until 2013 when she was contracted to produce the analysis needed on the lead-up to the EuroCap deal being signed. Sarah had a technical background in environmental science before working with David at the previous company. Along with David and John, she helped pioneer sustainable investment analysis and was one of the people called up in front of the boards of these companies and threatened with legal action. She had worked as the ‘Managing Director of Research’ under David and had run a team of around fifty analysts. At the time that she was contracted with SustAM, she was still advising on a renewable energy installation in the US and planned to “sync” her SustAM work around this other job for the foreseeable future. She had been working with David since “Grad school” and felt that she owed him her “whole career”. “If he needs my help and it sounds like he does, I’m here,” she stated. Sarah also wanted to maintain this involvement in “clean tech” because she wanted to balance her work in investment management with “on-the-ground” change. This type of role also suited her situation. Based in New York, she told me upon our introduction that she was “fully qualified to work as a Wall Street equity analyst and could easily get a job there” but that having a child in recent years changed her priorities:

I had to make a concerted decision to alter my work life in order to accommodate my home life. It was difficult but it paid off. Luckily, I worked for [David] who has always been very supportive. Sarah preferred working from home since it allowed her to operate flexibly around her daughter’s schedule. Although the income was not always as “steady,’ she preferred the flexibility of ‘consulting’ work. When the partnership was signed, Sarah dedicated more of her time to SustAM and has operated as a senior analyst ever since.

The three of us constituted the research team until the EuroCap deal was secured from which point John wanted to have a team of London-based analysts to work from the new offices. A previous SustAM intern, Sally, was hired as a senior analyst. She has a similar professional background to me, having worked for a retail investment firm as well as for an international sustainable investor coalition. Sally has a clear passion for sustainability research and an equally strong distaste, which was palpable on numerous occasions, for damaging corporate practices. Another analyst, Mia, joined but only stayed for six months and decided not to carry on her contract after the probation period. She and her fiancé had recently moved to London from Australia where she felt being a woman limited her career options. Mia identifies as an environmentalist and is deeply concerned about the state of the planet. She has a strong background in environmental science and had worked as a senior figure for several years on the corporate side, trying to improve company’s environmental practices by working within the firms themselves to raise the issues higher up the company. Mia moved on partly because she had been used to operating as a team leader in more senior positions and because she wanted a role that was more squarely environmentally-focused. SustAM was perhaps too ‘mainstream’ for her.

Then there was Martin, an experienced analyst and long-term connection of David’s who currently split his time between Research tasks and Business Development work from his home in Australia. He has an ‘activist’ background in sustainable investing there, having worked as a trade
unionist for a main political party until around the turn of the millennium when he decided to work as a policy expert for a trade union fund. The fund was partly made up of pension money for construction workers. As Martin explains:

[When working for the union fund] I was responsible for policy work. At around this time [the asset manager who ran the fund] moved to [Europe] in an attempt to get out of their asbestos liabilities. As a fund, members were construction workers who were exposed to asbestos on a daily basis. My own personal history is that my grandfather had worked in Melbourne’s last asbestos factory. He got cancer in 1968 and died that year. But he got my aunt a job in the typing pool straight out of school. Twenty five years later I watched her slowly die of mesothelioma. With this background I thought that [the union fund] should engage with [its investment manager] as a shareholder around their long term responsibilities. …[The manager] stated that the fund couldn’t do anything because of fiduciary duty...

In addition to this, various other interns had worked for John at different junctures. He stated that SustAM was “very keen to maintain internships over longer periods and all my current analysts have been working with us part time for many months”. Six interns joined the company during the summer that followed the partnership with three moving on elsewhere after the initial six-month period and three being hired as full-time analysts. John found it difficult to retain interns when there were no offices because “they miss the buzz of an office environment”. There was also the lure of larger corporations like KPMG with some interns always only planning to use SustAM as a stepping stone. When hiring new staff, a key factor in the recruitment decision was that the person should have the appropriate research skills, usually evidenced by a master’s degree. Recruiting from an appropriate master’s course in environmental technology at a famous London college proved to be successful with the three full-time analysts mentioned above.

“Business Development”: Changing Markets and Marketing Change

The mission of the business development team is to ‘win clients’ and sell the services and products of the investment agency. ‘Clients’ in this business are institutions willing to pay SustAM for its services and so can be potential ‘partners’ like EuroCap or ‘asset owners’ such as those introduced in the next section. The institutional landscape was only partially visible to the members of the team. Beyond the information that potential clients disclosed about their practices, the team’s insight came from making and maintaining relations with networks of gatekeepers at other institutional investment agencies. The company needed money to manage in order to charge fees for this service and to be a profitable entity. To this end, there were two main aspects to business development or ‘BD’ at SustAM. The first was the marketing of the company through press releases, blog entries and the publication of various marketing documents online and in hard copy. The aim of these was to build the SustAM brand and get its name out there but also to “demonstrate thought leadership and the depth and quality of contextual company-specific research that underpins all our stock selection and portfolio construction,” as David stated. These documents showcase various aspects of the research. The other area of business development, which the marketing material was also used for, was meeting with and ‘pitching’ to potential clients.
David spearheads the BD team in this intensely competitive arena. David is a star orator and his passion and energy clearly captivate those around him. While his persona and institutional status were key factors in developing business relationships, David also still depended on a close network of elite contacts. These are people with individually constructed constellations of relationships with actors at key target institutions. The relationships took years to build up and required on-going maintenance. Members of the BD team would travel around the world to meet with their contacts – in some cases every few months – to keep them updated with SustAM’s current offerings and to interpret the position of the contact at hand and the likelihood of their institution striking a deal. Several members of the BD team were on SustAM’s ‘board’ which in practice meant that they had formally put their name behind what the company was trying to achieve whilst also constituting a vital source of ‘intel’ for David. They also added a considerable degree of legitimacy to the firm when approaching new client prospects. Board members included a senior advisor to a ruling political party, a former head of a United Nations partnership and people who also sat on the boards of influential international investor coalitions intending to combat climate change.

During the pre-partnership stage, David had also maintained informal connections with a network of business development experts that spanned at least to Australia, North America, Switzerland, France, Norway and London. David had worked with the team members previously and had known them for many years, which meant that he felt he could trust them with sensitive details of the strategy until a more formal relationship was defined. These colleagues were mostly not paid employees until the deal with EuroCap was signed but were hired as a type of ‘sales team’ once SustAM had the organisational backing of its new partner. Yet the operations and nature of this team’s actions went far beyond a traditional sales role, prompting David to rename the team ‘Corporate Strategy & Development’ to better reflect what they were about, a name that took a while to catch on. This subtle change of name reflects a core feature of the team formerly known as ‘BD’; namely, that they had a huge input in developing the investment strategy.

Investment analysis undertaken by the research team does not exist in a vacuum since the risk models are linked to prevailing opportunities in a commercial arena. There is no point making an investment product that nobody will buy. The investment strategy always has to be linked to “what the market can tolerate,” where ‘the market’ refers to institutional investment clients, a market within financial markets.

The ‘business development’ team had to overcome various institutional norms and barriers to be successful. This was made more difficult by the atypical identity of SustAM. While the investment firm was a ‘boutique’ investment agency operating in the sustainable investing space, one of David’s key goals was to access ‘mainstream’ investment money to reshape how the core financial system operates. The target market was not clearly defined. The team scoped out potential ‘leads’ or individuals representing institutions that might be more aligned with SustAM’s models to then focus their efforts on people with who a deal seemed most likely. The main challenge that the BD team faced in setting up new funds and investment strategies was

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2 See Financial Times (2013) for a description of this type of company.
perceptions that they were considered ‘risky’ and untested. It was recognised as a ‘catch 22’ situation. In the pre-partnership phase, potential clients considered SustAM as risky because it was not managing any assets. When the investment agency was eventually managing assets under the EuroCap partnership, clients began to demand a ‘three year’ historical track record. For David, this “law of the jungle” prevents financial innovation. It also makes business development difficult because these team members do not want to “burn client relations when we don't have a longer-term performance to back-up what we are saying”. As someone who resolutely believes that investment decisions should be based on understanding long-term future trends, David also clashes with people who are both proponents of short-term ‘backwards looking’ decision-making processes and who also happen to be gate-keepers of the investment capital that he wants SustAM to manage. There was the challenge of two diametrically opposed belief systems to surmount. David sees this as a “behavioural problem” in finance and the biggest problem and challenge of his career. It was “a long arduous effort” just getting SustAM off-the-ground, which he said was “like pulling teeth at times”. The challenge of winning more clients was just as great and the scale of this challenge had not been anticipated.

**Portfolio Managers and Financial Analysts**

In mainstream investment management, the final decision to buy or sell a company – the ‘capital allocation decision’ – is made by an individual with the appropriate level of financial expertise. SustAM’s ‘research team’ played an advisory role but no-body in the team was directly responsible for deciding which stocks or companies to buy and sell. Portfolio Managers (PMs) are the qualified experts who make the final decision about whether to make the investment transaction. When SustAM ran its own fund, prior to the signing of the first partnership, the company had its own ‘in-house’ PM. SustAM later focused on its core capacity – sustainability analysis – and would combine this with the PMs and financial analysis of any new partners. The intervention that SustAM is making in capital markets is not intended to replace the incumbent actors in mainstream finance but to influence, integrate and articulate with them.

Portfolio managers are the individual actors ultimately responsible for choosing which companies to invest in and are accountable for the ‘performance’ of the funds that they manage for clients. They instruct the buying or selling of a stock, which is carried out by a team of ‘dealers’ who process the order with the given financial market. Portfolio managers are very much ‘in the market’ in that their role is to respond to new market information displayed on their computer terminals. This information could be in relation to stocks that they currently ‘hold’ in their ‘portfolio’ – meaning that they are currently invested in it – as well as information on potential investments. PMs spend their days screening the stock market and speaking to ‘brokers’ in and around market hours. Brokers are ‘financial analysts’ who issue reports on different companies and try to pitch these ideas to PMs. The work of the PMs is characterised by the management of these relations, “the mastery of standardized methods and the capacity to add a personal opinion to them” (Ortiz 2014, 40). The ultimate goal is to make as much money as possible for their

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3 I discuss PMs generically and use fictional characters in order to negotiate issues of client confidentiality.
clients whose money they are managing. Their performance in this regard is judged relative to how their peers have performed rather than in absolute terms. For SustAM to meet David’s objectives, the research team had to work successfully with these financial experts employed by other investment agencies.

**Gaining Asset Owners**

The ultimate aim of SustAM’s employees and portfolio managers is to gain and retain clients. Potential clients or partners of SustAM are any investment institutions in need of sustainable investment analysis. The company’s partners – such as EuroCap – give SustAM a quicker route to advising and managing investment capital. These partnerships are on the ‘asset management’ side of institutional investing, but the main goal of the partnerships was to ‘grow AuMs’ or gain more clients whose money would be managed by SustAM and the partnering institution. These clients are known as ‘asset owners’. The main target clients are pension funds since these are considered to be the ultimate long-term investor – since they invest the money of pension holders – and would presumably be more aligned with sustainability factors. A good example is the California Public Employees’ Retirement System (CalPERS), which has a long history of advocating sustainable investing. These asset owners act as trustees for underlying individuals that are pension holders, known as ‘beneficiaries’. Pension fund trustees are usually not investment management experts; therefore, they outsource and appoint investment or asset managers as their agents to carry out the investment decision-making based on a contract or ‘mandate’ that specifies the investment objectives.⁴ With CalPERS at one end of the spectrum, there exists a plethora of other pension funds with varying orientations to sustainable investing. David would bemoan meetings with clients at the other end of the spectrum where “it was like being back in the 1990s and explaining to someone what ESG investing is for the first time”. The whole continuum of clients was the primary target market for SustAM’s products and David felt that his firm had something special to offer to all of them. In this intensely competitive landscape, the business development team was up against long established, much larger and much better resourced financial institutions. However, David believes that the niche status gives his company a solid chance since he can tell clients “This is all we do. We pioneered it. And we’ve been doing it for over 20 years”.

**Driving Change at “the Forefront” of Capital Markets**

The people directing SustAM strived for the company to be at the cutting-edge of institutional investment. David perceived it to be at “the forefront of practice, knowledge and innovation” in capital markets. This is where the intervention in capitalism is located; namely, through the founding of a new investment company that aims to drive change from what it considers as the frontier of sustainable investing and specifically where this type of investing is

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⁴ Many asset owners are also building in-house capacities for sustainable investing which somewhat negates the need for making a deal with an agency like SustAM. It would be interesting to explore how this gets around the ‘principal-agent’ problem in investing and how such capacities are built.
intertwining with mainstream investment. A friend and colleague of David’s describes him as “a rebel in the mainstream,” somebody that has been willing to “keep standing up and waving the red flag” for decades to emphasise that environmental and social factors do matter to traditional financial actors. Along with his close connections, David has cultivated a ‘strategy’ or business model that reiterates this vision. The word ‘strategy’ is used at the company to encompass the investment research and investment process as well as the way in which business development matters will proceed. To position this strategy at ‘the forefront’ required operating at the perceived boundaries of investment theory and investment communities.

The “Sustainable Investment Thesis”

The investment models and processes at SustAM are based on an explicit and emic theory of value derived from the specific and collective career trajectories of the people leading the company, who refine and support them with academic and institutional investment theories to strengthen their case. I will show in Chapter 3 how these actors’ financial imaginaries are built into the infrastructure of financial markets. For now, I focus on the investment theory and logic that is intertwined with the category of the sustainable investor as it was constructed at SustAM. Clear distinctions are drawn between what my colleagues are doing and what mainstream financial analysts are doing. Financial analysis is characterised by them as based on ‘backwards-looking’ accounting data that leaves little room or capacity for ‘forward-looking’ analysis of long-term sustainability issues and trends. David emphasises the significance of this from the perspective of mainstream investment analysis:

80-85% of companies’ TRUE risk/profitability potential CANNOT be gleaned from financial statements. Inter alia, that means that 100% of conventional investment analysts are focusing 100% of their efforts on 15-20% of the corporate reality.

John highlights the following paragraph from Harvard Business School as “part of our long-standing ethos” in an email to the research team:

“Criticisms of how well financial reporting performs the information function have become more frequent over the past twenty years. With the economy becoming more knowledge-and information-based and less based on machinery and physical properties, many of a firm’s assets are not captured in a balance sheet. The growing base of intangible assets that are not measured in a balance sheet is frequently cited as a failure of financial reporting to perform its information function” (Eccles & Serafiem 2014, 4).

This follows on from studies of accounting – which David pointed me to – that identify a systematic decline in the usefulness of financial information to investors, attributing this largely to “the increasing rate and impact of business change and the inadequate accounting treatment of change and its consequences” (Lev & Zarowin 1999, 383). The implication is that financial analysts focus their efforts on short-term market trends and do not afford enough time to ‘systematically analyse’ longer term ‘non-traditional’ or sustainability factors.

The separation of ‘traditional’ and ‘non-traditional’ financial factors is used to structure the investment process. By classifying what is already happening in finance as ‘traditional’ and
highlighting the need for analysis of different, 'non-traditional' or sustainability factors, the
demand for SustAM's strategy is affirmed. David is steadfast that it must meet the same ends as
financial analysis; that is, to assess the investment case for different companies with the intention
of investing in the most profitable companies. Otherwise, SustAM will remain 'marginalised' from
the mainstream and associated with 'values-based' investors who do not seek profit as their
primary purpose. This is what David and the other pioneers of sustainable investing aimed to
achieve when they “made the business case” for sustainability. A crucial aspect of SustAM's
investment process – its focus on “management quality” – embodies this view and connects with a
claim that financial analysts make. David stresses that Wall Street investment analysts often say
that company ‘management quality’ is the number one determinant of profitability and corporate
financial outcomes but, he says, "I have NEVER met an (overpaid) analyst who had even a
RUDIMENTARY framework for analyzing it !!!". One of the expectations of SustAM's model is that
it identifies ‘better-managed’ companies since companies that do not manage sustainability trends
are deemed, just like financial analysts, to not be forward-looking and not well-positioned against
sustainability trends such as climate change and water scarcity.

SustAM’s focus on management quality is also another way in which it aims to be at the
forefront of sustainable investing. One of David’s past roles was as a Senior Partner at one of the
world’s largest management consultancies. Along with the input of his colleagues, this knowledge
was used in the construction of SustAM's investment process which included more focus on the
management operations of the investee companies than usual ESG or sustainability analysis. It
was considered a necessary route to the mainstream of capital markets. David believes that
SustAM has a huge 'information advantage’ over traditional analysts who overlook these aspects.
Financial markets struggle to price risks and opportunities that are ‘non-linear,’ such as judging
how a company might be impacted by global warming (Gorte 2008, 35). Traditional investing is
driven by short-term investment contracts yet the majority of sustainability issues are expected to
emerge over the long-term and require long-term management. Only those factors that will make
a ‘financially material’ difference within the investment horizon will be considered in investment
valuation. As such, "in conventional investment analysis, the vast majority of environmental and
social issues are not considered financially material” by mainstream actors (PRI 2013a, 21). The
challenge of the sustainability analyst is to find which factors will have the most material impact.
As will be demonstrated throughout this thesis, a huge number of variables or factors are relevant
to 'Environmental' and 'Social' categories; these are diffused around the SI community and defined
within the walls of each investment agency.

The main distinction between environmental and social factors at SustAM is that the
former refers to the impact of corporate behaviour on natural resources – such as land, water and
climate – whereas the latter refers to companies’ management of relations with different
stakeholder groups. These factors are expected to have an increasing impact on corporate
profitability – and therefore investment returns – over the longer-term. The logic is as follows. A
multinational company may be destroying the planet but it will still pay a decent annual dividend
to investors. The ‘externalised’ environmental factors will gradually become more ‘financially
material’ and investors with prior knowledge of the companies that are favourably or unfavourably
positioned against such a trend can exploit the information advantage. It is the stated business purpose of *SustAM* to use its perceived advantage to produce better investment results. And it is believed that this information advantage will persist *vis-à-vis* traditional investing due to its rigid institutional structure.

**Practicing “True Integration”**

*SustAM* is part of an international movement in institutional investment that aims to change how mainstream finance operates and who share similar investment beliefs and approaches. The movement is comprised of ‘pure-play’ sustainable investors like *SustAM*, sustainable or responsible investment divisions of large asset management, socially-responsible investors and regional and international coalitions and networks of ‘non-traditional’ investors. They all share the common goal of trying, in some way, to incorporate ESG or sustainability factors into investment decisions and processes. To give one an idea of the magnitude of the changes underway in institutional investing, when defining SI broadly as ESG integration, the *Global Sustainable Investment Alliance* (2014) calculates that investment managers with US$21.4 trillion in Assets-Under-Management - 30.2% of total assets in Europe, the US, Canada, Asia, Japan, Australasia and Africa - have at least formally acknowledged SI and committed to incorporate ESG in some way into their investment management and selection. This represents a 61% increase from 2012. The report openly glosses over questions about the degrees and qualities of the commitment to integrate. ‘ESG integration’ is the prevailing buzzword in institutional investment that refers to this phenomenon. It is used by traditional asset managers who want to express or advertise a commitment to sustainable investing as well as by asset managers like *SustAM* whose *raison d’être* is ESG integration. As a recent start-up firm, the organisation was constructed around this purpose.

ESG integration signifies a goal for investment agencies to strive to as they figure out how to manage sustainability factors, but it is also used to depict the institutional landscape whereby different investment processes are imagined along a continuum of various levels of integration. Core to *SustAM’s* strategy and its positioning are perceptions of how the landscape of ESG integration is formed. ‘ESG integration’ is used to interpret and position the company’s own practices against this continuum where *SustAM* is perceived to be at the most integrated side and at the very edge of the continuum. *SustAM’s* model includes the analysis of factors that went ‘beyond ESG’ and includes aspects, such as ‘management quality’ and ‘adaptability,’ which intend to help the company push ESG into the mainstream. This also differentiates *SustAM* from most other sustainable investors. Moreover, the ways in which these factors are integrated is considered just as important. John points out that another key defining characteristic of *SustAM* is the manner in which it incorporates these factors – the ESG as well as the other ‘non-financials’ – into its investment process. Most other ‘integrated’ investment processes are ‘sequential’; sustainability analysts complete their work and financial analysts complete theirs.

At *SustAM*, on the other hand, the analytical “processes are *simultaneous* and there is more human judgement and dialogue between all parties when analysing and picking companies”.

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This sets *SustAM* apart from the vast majority of larger asset managers in his opinion. He and David saw their company as more agile, more innovative and less-constrained by organisational bureaucracy. On a team call where *SustAM*'s investment approach was being explained to new analysts, John argued "our seminal critique of the way large asset managers work is that they are 'sequential' whereas we are 'simultaneous'." David replied:

yeah, for example, ESG analysts will pick a pool of companies and these will be sent off for financial analysis. Or ESG analysts will receive a list of stocks and say to take out the mining companies because they are the devil. We see this as 'sub-optimal' because it misses a significant amount of value. Our approach is fluid, qualitative and judgemental. The steams of analyses are not isolated from each other.

These perceptions were partly formed by scoping out competitor asset managers, reading their online disclosures about investment processes and gathering as much 'intel' as possible from investor events. Investment processes are considered to be 'intellectual property' but are not protected by patents; ideas can be copied easily and so, as David says, "nobody gives away their special sauce". Yet, at the same time, *SustAM* did not seem too concerned about the fine-grained details of other investment processes. What seemed to be important was where to strategically and commercially position itself along the continuum of ESG integration. In judging this, David and John also utilised reports from management consultancies and investor coalitions to get a sense of the competitive landscape within which *SustAM* operated.

David shared a report by the UN-backed *Principles for Responsible Investment* (2013b) titled 'How Investors are Addressing Environmental, Social and Governance Factors in Fundamental Equity Valuation,' as some "background reading into how other firms are trying to tackle integration". The report illustrates how ESG analysis can contribute to fundamental financial analysis. It presents cases of this 'integrated analysis' from numerous leading investment institutions that cover all aspects of investment analysis: economic, industry and company analyses, financial reporting and valuation tools. David was deeply sceptical of the extent to which the asset managers in the report were actually practicing integrated analysis. John also believes that many reports "really inflate the extent to which SI is becoming integrated and mainstream". He considers a study from KPMG (2013) to be more accurate as an attempt to "shed light on whether a truly integrated approach to SI and financial analysis is taking place" and which suggests that a deeply integrated approach to investing is far less prevalent. The report defines ESG integration as "[t]he explicit inclusion by asset managers of ESG risks and opportunities into traditional financial analysis and investment decisions based on a systematic process and appropriate research sources" (KPMG 2013, 9). It specifies the type of integration that *SustAM* aims for and highlights the key challenge in determining this:

But the crux of the matter really comes at the moment when the portfolio manager makes the investment decision. No amount of available information is useful if the portfolio manager does not understand or is not convinced by the relevance of ESG data when he hits the return button on his computer to complete a buy or sell investment decision (KPMG 2013, 49).
The report raises questions over the extent to which asset management firms can be sure of this situation, especially given that “interpreting and incorporating ESG information into a disciplined, fundamental investment process takes some time and effort” (KPMG 2013, 49).

John confirmed his view of what was truly happening more broadly:

For now, managers either filter a universe using ESG criteria, or they consult ESG ratings to endorse/not endorse their financial views on a stock, and that’s not really integration. We are at a very early stage when it comes to integration” (emphasis added).

John was commenting on the institutional landscape of sustainable investing so his use of the pronoun ‘we’ does not signify SustAM’s practices but the sustainable investment community that he observed. As a boutique asset manager, SustAM is a set-up to serve a sustainable market but it aims to push sustainable investing into the mainstream so that large asset managers or owners, whether they are ‘sustainable’ or not, will integrate financial and ESG analysis. This type of analysis is not just something that SustAM uses to differentiate itself with the aim of winning clients but a core aspect of David’s vision of how capital markets should operate. A ‘genuine’ attempt at integration is the raison d’être of his company. At a start-up firm, organisational barriers are less formalised and rigid and the investment process can be brought more in-line with the visions and investment theories of the people driving the company. At SustAM, the relations between, and the processes of, the sustainability analysis and the financial analysis could be configured however David and John saw fit. SustAM wanted to trial a type of integration that David and John saw as moving things to the next stage. In sum, this was characterised by a long-term investment horizon, analysis of ‘fundamental’ financial factors and analysis of ESG and ‘beyond ESG’ sustainability factors, all of which were configured within an ‘integrated’ investment process. These goals form the basis of the plan for re-engineering the information carrying structures of capitalism’s DNA chains.

“Changing Beliefs”

SustAM’s investment thesis and the way in which this was practiced together formed an investment ‘product’. It was the task of the Business Development team to sell this as credible and legitimate whilst overcoming the “catch 22” situation and the “laws of the jungle” that made it difficult for an unconventional start-up company to sell new investment products. They had to convince mainstream investors that the strategy could work; namely, that it could outperform other asset management strategies through the selection of ‘sustainable’ investments. Since David believes that it is critical to the success of this to not be viewed as ‘ethical’ or ‘values-based’ investors in the eyes of new clients, one method was to construct a ‘mainstream’ identity. He ensured that the connotations of the colours on marketing documents preserved “SustAM’s visual identity” by avoiding greens and browns so as not to be associated with environmentalists and to “bolster our credentials as non-tree huggers and innovators”. John believes that investment marketing such as this “is certainly a very important part of creating a new kind of investment boutique – half the battle is to change mind sets in traditional investing”.

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Another method was for David to make the identity distinction between *SustAM* and ethical investors clear at the outset of client meetings. In a typical client meeting David aims to “get it straight from the start”. He pulls out a pen and notepad and begins drawing a diagram that resembles the one below. Using his hand in a chopping motion to accentuate the dividing lines, he tells clients:

This [chequered] area represents traditional SRI [social responsible investing] and ethical funds that practice integration. People think that 5-10% of the assets managed by these investors are integrated but it is more like 1%. We [*SustAM*] are integrated but we are NOT part of this group. We are part of the mainstream. And we aim to be at the TOP of the mainstream through risk-adjusted outperformance based on a significant information advantage.

The purpose of this was, from the outset, to clearly differentiate *SustAM* from peripheral investors and align it with mainstream investors.

**Figure 1: Reproduction of David’s Sketch**

![Diagram showing the difference between traditional SRI and ethical funds compared to mainstream investment managers.](Image)

Even if the identity distinction was understood and accepted by clients, the challenge of convincing these gatekeepers that the investment thesis was solid and practicable still remained. David and his colleagues had helped to make the ‘business case’ for sustainability for decades and, in the present situation, it was more widely accepted that these issues mattered financially to businesses. Nonetheless, the jury is still out on how much and in what ways as well as on the implications for the operations of mainstream investors. Convincing asset owners that investment processes should fundamentally be re-shaped to include environmental and social factors was a mammoth task.

David and his team knew that they had to speak the language of finance to stand a chance of getting their ideas across. On the marketing documents and in client meetings, everything was communicated on clients’ terms by explicitly aligning concepts of financial risk and value with ‘non-traditional’ or ‘sustainable’ risk and value factors. The concept of risk that *SustAM* propounded aligned with the clients who did not believe in the ‘Efficient Market Hypothesis’ and who therefore think that more information can lead to higher investment returns, distinctions that
are revisited in Chapter 5. Yet these potential clients could still have very different predications about what information was important. From the view of many clients, any investment process that is strongly guided by environmental and social factors could be deemed ‘risky’ since it detracts from focusing on short-term financial factors that are believed to drive immediate investment returns. The more ‘integrated’ an investment process is, the riskier non-believers would consider it to be. David found this deeply frustrating. For David, investors’ own definition of investment risk did not hold up:

This just doesn’t make sense to me. How can you say that intellectually [speaking]? We are capturing more information about a stock and so can make better-informed decisions. Not knowing these things is risky.

He bemoans the times when people would react to his explanation of SustAM’s investment thesis and process by saying "gee isn’t this risky?" which he expresses with a wry smile over drinks.

David suggested that “the hardest thing is changing beliefs. It’s like they still believe the world is flat.” I replied “and then when someone sails around the other side they say ‘it’s an illusion?’”. He agreed:

Absolutely! I’ve had many meetings that have been like that metaphorically. It’s like I have flown up from Earth and taken a picture with Hubble, shown them that the world is round, and they have said, ‘there must be something wrong with your lens’!

In attempting to change the DNA of capitalism through mainstream finance, David comes up against people with opposing beliefs that are difficult to budge. David had intentionally addressed potential clients as ‘rational’ investors, explaining how SustAM’s approach to risk supports more-informed decisions and thus produces better investment outcomes. It was common sense to him, as obvious as the earth is round.

David rationalises:

After a while, I started to realise that we were having two different conversations about risk. I was talking to them about investment risk. On the other side of the table, it was really about personal risk and the perceived risk to one’s career [for doing something different]. But I can understand that. They’ve got families.

He considers this different orientation to personal risk to be a central facet of his stated mission:

My wife will often say ‘why do you have to try and change the DNA of capitalism? Why can’t you just become an insurance broker?’…Well, I guess I just have a higher tolerance for personal risk.

As someone who has dedicated his career to financial change and innovation as well as being the only person to invest their individual wealth when starting SustAM, David found the rigidity of these institutional barriers deeply frustrating and lamentable. The challenges and successes of this mission are best understood through a window into financial practice and the sorts of occurrences that happen within and around the investment agency day-to-day. This will add more ‘flesh’ and ‘spirit’ to the ‘skeleton’ of the investment agency and allow us to see more fully how the economic body is animated.
Chapter 2: The Case of UnionVest

My depiction of the investment practice of SustAM is via a fictitious case. The events that I depict are real events but they were not connected in the way that I describe below. In order to communicate my fieldwork experience in a readable and effective way, I have drawn events and people together within a shorter time period and into one fictitious case. These depictions are best outlined as one case study rather than fragmented across different times and places. This is important for conveying what changing the DNA of capitalism can mean in practice and the challenges therein as well as the ‘imponderable’ aspects of sustainable investing, the types of incidences and occurrences that happen very much in the background and around the analytical work. The case study conveys the fluidity, indeterminacy, experimentation and collaborative teamwork that is inherent to the construction of the category of the sustainable investor. It also illustrates the ambiguity over this category across the team of investors and over how the associated models should be built and applied. As with arbitrageurs, there is continual debate about what makes sustainable investing sustainable investing (Miyazaki 2013, 126). Unless stated, any quotes from SustAM are actual quotes from the people mentioned and these people are also real interlocutors. The portfolio manager and clients are fictional characters but are an amalgamation of the different people that I met face-to-face, corresponded with by email or heard stories about. I have been attentive to changes in context in each of these instances.

Meeting UnionVest

In the late summer of 2015, SustAM and EuroCap moved to new offices on the other side of Mayfair after approximately eighteen months in their previous offices. The move was initiated after a hike in rental costs at the old building which was already apparently among the most expensive real estate in the world. The rent had been maintained at a lower level after the 2007-8 financial crisis – and around the time that the previous occupant had been arrested for fraud – but the landlords had presumably decided that it was time to revert to pre-crisis charges and obtain a higher return on their property investment in the process. The SustAM-EuroCap joint-venture operated from the fifth floor of the new office building where the humdrum sounds of daily office life provided the soundtrack for the team of analysts as they sat at their desks; that is, the constant tapping of keyboards interspersed with the frequent clicking of mice, the less frequent squeak of chairs as people sit back to digest a dense document, the laser printer chugging out a lengthy report at the back of the room, David’s voice faintly emanating from the CEO’s office as he speaks to a colleague and the intrusive sound of pneumatic drilling on the crossroads at the foot of the office block. This changed for a short period after the elevator pinged. In SustAM’s new offices, the elevator opens at the middle of the office desk space, thrusting new arrivals right into

5 This approach has been used recently by Lepinay (2011, 1-5) to introduce the reader to the quotidian practices of actors within a bank. His brief ‘snapshot’ of trading activities is appropriate for revealing the regular processes that occur there. In contrast, my extended-case study reveals much more irregular and inchoate organisational activities and processes that require a lengthier portrayal.
the thick of the action. At this moment, that person is Larry, an ex-colleague of David’s from his previous company and who had gone on to work as a Vice President at a leading financial information provider. He is one of the analysts that had assisted in pioneering sustainable investing back at a time when they were, he says, “like pirates in the navy,” a time when sustainable investing had not reached the level of acceptance that it currently has in finance.

Larry had recently moved from the US to Scotland to settle in the home country of his fiancée. He had re-acquainted with David after being made redundant and had been working in a split role at SustAM as a senior analyst and IT consultant. He worked remotely from Glasgow. Thus, as with mine, Larry’s days working in the office were few and far between. Everyone made the effort to stand up and greet him at the walk space that ran along the edge of the desks before returning to their work. By his own observation, Larry is a “loud, opinionated, American” and his energy and enthusiasm always seem to have a positive effect on the office environment. With a strong distaste for capitalist corporate greed and a deep concern about the state of the planet, his views on current issues in sustainable investing often coloured office talk when he was present. I had arrived the previous evening since it was difficult for me to make the office by early morning on any given day from my home in a semi-rural Lancashire village. It is also cheaper to pay the cost of a hotel than travel on the trains at peak times. In contrast, Larry could get to the office on the 6am train from Glasgow when it was necessary to attend important events such as that which was on the agenda for today.

SustAM was expecting to meet with a potential new client, UnionVest, in the boardroom at 3pm. UnionVest is a pension fund that is looking to begin investing sustainably. The team had been told that they were not allowed any ‘work from home days’ today and Larry and I had also been asked to work from the offices. Although SustAM operated flexible working hours and had four senior analysts working globally from their homes, John had been trying to build a “London nucleus” that would resemble a more usual office environment. This, however, raised concerns at times for John and David that the London team would become demotivated because four senior analysts were allowed to work remotely and flexibly from their homes. The creation of a London team was partly to improve team work, but also to show that SustAM was not a start-up company or running a shell office. This was certainly not the case. However, with flexible hours, people working from home, interns popping in and out and the majority of the team based outside of London, there had been times when clients had visited spontaneously and the office only had one or two people working there at that particular moment. John thought this gave a bad impression. Today in particular, it was important to give the impression of a more regular company and communicate a presence in order to manage client expectations. It was important to maintain a façade of a regular company when SustAM was on display to external audiences. Prior to SustAM having offices, David used a PO Box to manage client expectations to a similar end, but this was an on-going necessity due to the globally-distributed nature of the company.

The four analysts and an intern were back focusing on their screens while Larry tried to set his laptop up at the ‘hot-desk’ space opposite where I had plugged my company laptop in. We had a quick chat and agreed to catch up properly later. He asked if I was down for the meeting and confirmed the expected start time. The current chat was brief because, in this office, there
seemed to be an etiquette about chatter. It was a convivial and jovial office but people mostly kept chatter to a minimum when not discussing work issues so as not to disturb others. People would engage in personal talk mostly in the corridors and the kitchen, away from the work stations. With everyone focusing on the analytical tasks, chatter and banter could be quite distracting. One team member would often take herself away and work in a quiet meeting room when she had to concentrate during times when the etiquette was not respected. Mia, the ex-employee and environmentalist, was usually the biggest culprit here and would often provide running commentary of what she was doing while muttering at her desk. The present team were mostly quiet workers. Still, two of the analysts would often work with their earphones in. When I asked how they could concentrate with music playing, I discovered that they were listening to ‘focus music,’ which was apparently good for blocking out construction work occurring across the road.

Sooner after his call finished, David came out of his office which was at the far left of the office space that was otherwise open-plan. He came over to say hello to Larry and soon started discussing the meeting. He stated that UnionVest would be a “real big catch for us” and would bolster SustAM’s credibility. David was also encouraged by the views of the investment manager from there that was due to attend the meeting. This person’s role is to decide for UnionVest which organisation this pension fund or asset owner should place its money with, be it SustAM, a competitor or through a totally different type of asset such as property. David highlighted that this person believes that “three year track records are about as much use as three second ones”. Therefore, a key hurdle had already been jumped for SustAM since it had been struggling to sell brand new investment products to clients that were demanding a history of past performance. This also implied that UnionVest might have a similarly critical disposition to mainstream finance as that at SustAM. Part of the challenge was locating like-minded people in global institutions who are more sympathetic and open to sustainable investing and changing the mind-sets of those that are not.

David asked me if I could join him, John and the head of EuroCap’s investment team for some preparations ahead of UnionVest’s arrival. He pointed out that you can never fully prepare for the questions that clients ask and that they often try to catch you out and “make you look stupid”. He suggested that we should at least have a run-through and try to anticipate any concerns they might have. During these preparations, it was obvious that my colleagues were well-rehearsed at managing these meetings. I had decided to arrive with a PowerPoint presentation to explain what the research team did day-to-day to be sure that I covered each point but the others relied mostly on their memory. I asked John whether I could discuss certain aspects of the research process that I thought might put SustAM’s intellectual property at risk and he clarified that this was an “all cards on the table” meeting with UnionVest. The most important thing was for them to see “that we have a systematic process,” which he believed my presentation slides showed.

The investment manager from UnionVest arrived late and was joined by a colleague who specialised in sustainable investing. The six of us sat at the boardroom table with UnionVest on one side and SustAM on the other. The introductions were brief with David only introducing
peoples’ names and job titles. He began the meeting by running through the history of his company and outlining the investment thesis in his typically eloquent, energetic and convincing fashion. John then ran through each of the steps involved in managing the data inputs and outputs, pulling up all of the supporting Excel files on the screen one-by-one. The EuroCap manager then gave a summary of the funds that his team and SustAM had been managing. Throughout the meeting, UnionVest were serious, direct and penetrating with their questions. They arrived with audit lists from SustAM and EuroCap’s existing funds that were being managed and questioned decisions over several specific investments. This was a way for UnionVest to critique the investment process.

There were also instances where investment topics came up more spontaneously such as when UnionVest sought clarification on the thinking behind certain aspects of the model. The meeting was taking place around the time that a leading carmaker was becoming embroiled in a scandal over the reported pollution or emissions figures of its vehicles. This hot topic came up in conversation a couple of times. This case was a double-edged sword for sustainable investors. On the one hand, it emphasised the importance of investing in companies that do not engage in unethical and corrupt practices that put their relationships with all key stakeholder groups – customers, regulators, suppliers – into jeopardy. This is something that sustainable investors broadly try to gauge. On the other hand, the details of this crisis were largely hidden from investors. The activities were fraudulent and perhaps only detectable by people close to the issue or via analytical ‘proxies’ used to highlight governance problems that could indicate a deeper issue with the company. Yet many sustainable investors liked the car company. The company had been investing heavily in electric vehicles and reported very strongly on many sustainability criteria. It was selected as the ‘leader’ in its industry by the Dow Jones Sustainability Index just over a week prior to the scandal unfolding as “the world’s most sustainable automotive group”. If sustainable investing is meant to be forward-looking and predictive, people might expect sustainable investors to have seen this coming. The emissions scandal was a disruptive case that shook the foundations of the SI community and this had reverberations at SustAM. The London-based analysts found it frustrating and disappointing, but in today’s meeting it was put forth as a way of clarifying the importance of this type of analysis as well as highlighting the challenges. For SustAM, it was clearly also important to communicate to the potential client that the research team keeps itself abreast of current affairs as a sign of visible competence.

After approximately one hour, UnionVest cut the meeting short but seemed convinced by the underlying investment approach and were keen to arrange a second meeting. In the meantime, SustAM agreed to follow-up on the questions about the investment holdings and, by extension, specific investment decisions that had been made. After the meeting, David invited the three of us to share coffee in a nearby café to reflect on the meeting and assess how well it went. There was a sense of cautious optimism at the table. David and John were concerned that UnionVest had mistaken them for ‘ethical’ or ‘SRI’ investors since there were lots of questions about what he referred to as ‘sin stocks’ such as tobacco or mining holdings. Clients still found it difficult to grasp the difference between ‘values-based’ investing and sustainable investing and there were worries that SustAM had been wasting its time with another asset owner in search of
SRI investors. At this point, the reader may also lack some clarity on the distinction between 'SRI' and 'sustainable investors,' but this question will be addressed at various points throughout the thesis. After confirming which questions *UnionVest* had and how to approach them, the post-meeting meeting was adjourned and it was several months until the same group of people reconvened on this matter.

“Ethical Investors or Mainstream?”

When *SustAM* made the explicit choice to construct and convey a mainstream identity as distinct from 'ethical' investors, this did not obviate the need to frequently understand, negotiate, explain and defend that distinction. Partners and clients found the distinction difficult to grasp and indeed the widespread confusion of SRI with SI is something that David has confronted and raised through various channels. The meeting with *UnionVest* was no different. The disagreements and differences of opinion were clearest when questions like this arose about the investment potential of a given industry sector such as tobacco rather than individual companies. *SustAM*’s people found it easier to agree on how to distinguish between individual companies within a given sector than on industry sectors as a whole. While some of this is down to differences in expert opinion, it can also be explained by a historical precedent. By claiming that a whole sector is ‘un-investible’ or ‘unsustainable,’ these investors could risk being viewed as ethical investors since ‘screening stocks out’ based on ‘values’ has been a trademark of SRI or ethical investors. In contrast, David wants *SustAM* to be mainstream. Then there was the added complication of whether tobacco companies can even be considered ‘sustainable’ investments on the grounds of risk, irrespective of whether they are ‘ethical’.

*SustAM* worked out these definitions through group email debates which were the primary way in which issues such as this were socialised within the company. These digital conversations would have implications for how decisions were made when advising *UnionVest* on what stocks to buy. When *UnionVest* honed in on oil, tobacco and mining companies in the client meeting, it reignited a debate within *SustAM* about where it should be positioning itself in the industry and about the type of analysis that would be deemed suitable for this. In these debates, John largely interpreted the problem through the lens of the analysis being undertaken and the business development team, headed by David, through the commercial implications. However, the two were interlinked since the analysis undertaken affects how the strategy can be marketed and vice-versa.

David, John and Martin, a senior advisor based in Australia, had been debating how to judge companies that sell ‘Genetically Modified Organisms’ (GMOs), a topic that Martin stated was “always a lightning rod for different opinions”. The purpose of the debate was to clarify a subject for *SustAM*’s next investor newsletter, but this soon tailed off into a discussion about what constitutes an acceptable investment and what type of investors *SustAM* should be. David and John both pointed out the importance of these discussions over ‘grey areas’ – such as GMOs – since they are “part of the company’s decision-making process” that lead to the advice given to future clients about which stocks to buy or sell. John raised the issue that with the ‘mainstream’
parts of *SustAM’s* model that look at factors such as ‘innovation capacity,’ this meant that "we should be interested in tobacco, arms and gambling firms". Therefore, *SustAM* would continue to face pressure from clients like *UnionVest* that consider these to be problem stocks. He argued that:

> Historically we have not wanted to invest in such companies, because we see other unacceptable risks - like death and addiction. All I'm suggesting is that we need to be consistent and either we are led by our ethics or we are not and we are totally mainstream. We can't be selective with our ethics on a personal preference basis. If there's room in the firm for ethics, I don't want to invest in Monsanto [a GMOs company] and David does not (based on what he said in our [previous] fund discussions) want to invest in William Hill or BAT [British American Tobacco, a tobacco company] - whereas I'd see them as perfectly acceptable, since they are, like Monsanto, innovative and finding new markets...BAT may kill people, but they pay great dividends!

David replied:

> Here's my 2 cents: 1. I'd like to think we're all ethical PEOPLE, but, as John's examples just showed, "ethics" is a slippery and quite personal slope. If we can't even agree as a small firm (which is fine), how the hell can we purport to divine and provide a consensus view for our investors? We're ethical people, but we need to avoid being seen as "ethical investors". 2. We ARE mainstream investors; ie, our top priority is producing long-term, risk-adjusted out-performance for our clients (and we now HAVE some, for a change ...). 3. I personally think the BAT/Monsanto comparison is imperfect: at least with Monsanto one can make a compelling argument that there ARE +ve benefits (whatever the -ves); a bit harder to do [with] a killing machine like BAT. Surely we can find ANOTHER financially strong company that ISN'T in the death business.

John responded:

> Well that's the whole point about ethics, different people have different values. People can choose whether they smoke or not, but with GMOs, there is no choice, once the genie is out of the bottle that's it, no more organic carrots. And humans don't have a great track record when messing with nature and opting for the technocratic fix - rabbits, cane toads and camels in Oz? What a disaster. I put GMOs on a par with the evils of tobacco, no compelling arguments in favour. That's why this is a tricky one. We all have our personal views...I suggest we draw a line in the sand on the GMO debate, be guided by our models not our morals.

By stating that *SustAM* should be “guided by our models,” John meant that any type of stock should be considered for investment rather than simply being excluded because of the industry it is in. In other words, *SustAM* could not be ‘mainstream’ while simultaneously rejecting or screening out certain companies in the way that ethical investors might. As with David, John nonetheless interpreted these expert opinions in ethical terms. Moreover, he thought the debate was interesting due to "the fact that even within a firm such as ours – which has a more ‘sang-froid’ approach to responsible investing – personal ethics still come to the fore”.

While this debate had taken place prior to the *UnionVest* meeting, it foregrounded a tension that was to later re-emerge. The asset owner’s questions on so called ‘sin’ stocks prompted some rethinking on *SustAM’s* position. John emailed the entire company to suggest that tobacco companies have performed well financial recently and might be “a good defensive play in
volatile markets,” suggesting that they could “be worth another look”. He shared a link to an article from Neil Woodford, a famous successful investor that supported this view. David replied:

John: my 2 cents: while I know that I’m the one who keeps insisting that we are not and never will be a classic [values based] SRI shop, I would still argue that in cases like tobacco and weapons, we’re simply asking for trouble and a smaller [client] prospect list by pursuing them. I don’t think one needs to be an old-style SRI type to have serious qualms about the sustainability and social contribution of those 2 sectors in particular, and they obviously have some pretty high-profile critics among large, influential asset owners....So I don’t think that introducing partially ethical considerations in extreme cases like these makes one an [sic] SRI hippie. I’d argue that there are plenty of other sectors where we can fish.

John suggested that there is “no shame” in being an ethical investor when these are also potential clients of SustAM’s. He then asked David a question with a critical undertone, “Any other potential exclusions we should be aware of though? I know you’ve not been keen on gambling companies in the past. And alcohol is a big killer.” David replied:

I would quibble with you and argue that the SRI crowd may be our lowest-hanging fruit, but, as you well know, my ultimate OBJECTIVE has always been, and remains, the mainstream...I for one would categorize UnionVest as a pretty darn mainstream client/target. As for other exclusions...I think tobacco and arms are the 2 biggies. Alcohol (and automobiles, and fast food) is indeed a killer, but has much broader social acceptance, at least at this point.

The point, he said, was to focus on the “most evident part of the value chain. Otherwise, as you’ve frequently pointed out, we’d be left with NO investible companies, this side of solar-powered tofu manufacturers in Botswana!” This imagined and extreme example served to highlight the difficulty of divesting from certain businesses as mainstream investors. John asked “How far do you want to go down the exclusion chain?” and pointed out numerous companies with strong links to the tobacco industry including a company that makes specialist cigarette paper gums. Neither John nor David might ultimately have ended up recommending a tobacco stock but the main issue was whether to even consider these companies in the first place.

These ambiguities and the questions from UnionVest prompted one of SustAM’s Managing Directors, who was based in France, to get more clarification from David and John since the company needed “a stance” that it could defend in client meetings. When sharing their email discussion, John stated “As it’s a Friday afternoon I thought you may like to see how we have, hopefully, concluded a recent – what David would probably call – epistemological debate about sector exclusions etc.” The Director’s email was over 1200 words long and aimed to get clarification on “what we are doing or not and for whom” and to give her view on this. The message reiterated the need to define what type of investors they were, suggesting that ‘long-term’ investors is more apt since neither ‘ethical’ or ‘mainstream’ captured everything. She then highlighted the commercial implications of this and presented a ‘long-term’ view on several problem sectors. This included the tobacco sector which she believed was negative on balance citing a range of issues from public health costs to supply chain child labour. As with the previous debate, John closed the discussion with a reversion to “the model”: 
Let’s keep it simple and handle this via [our existing models]; we’ve enough categories to deal with most ‘sensitive’ sectors…And we already screen for controversies and will do so more using our new [investment] tools in future.

David agreed, though the underlying difference in opinion over whether to invest or not in tobacco was not resolved. This remerges later, as we will see.

The sustainable investment model at *SustAM* was used within the company, not only to judge which companies to invest in, but to reaffirm and clarify for the people at the top of the firm what their identity as investors should be since they define themselves through the model.

Assessments of different enclaves of the investment community were central to how this positionality was negotiated with the figure of the ethical investor and the mainstream investor operating as key signposts for guiding this process. Personal ethics were understood as equated with aspects of expert rationality – personal opinions on investment issues – that were considered a ‘slippery slope’ subject unless they are viewed through the lens of the model.

**Finalising the Deal, Changing Roles and Anticipating Workflows**

There were several other meetings between *SustAM* and *UnionVest* over the course of the five months following the initial meeting and that intersected chronologically with the debates about ethical and mainstream investing. *SustAM* ostensibly passed the initial test during the first meeting. After this, John met on his own with the *UnionVest* investment manager to work out a plan for tailoring the investment process to their needs. The deal was far from done. The first plan was for *UnionVest* to have a ‘highly concentrated’ portfolio which means there would only be a small number of ‘best idea’ companies invested in. These would be ‘high conviction’ decisions. However, the asset owner’s intentions took several big shifts throughout and it was finally agreed that they would use their own ‘in-house portfolio manager’ while still using some financial analysis from *EuroCap* and all the sustainability analysis from *SustAM*. The PMs were also worried that some of their best ideas were at risk of getting sent elsewhere. *UnionVest* has been keen to develop its own ‘in-house’ capacity for investing sustainability, presumably so as not to rely so much on ‘agents’ like *SustAM* or *EuroCap* for investment activities. This unsettled the *EuroCap* portfolio managers somewhat since – although they were operating under a joint venture with *SustAM* – they were no longer going to be managing *UnionVest’s* money directly. This was not an ideal situation for either investment agency since the money was not directly ‘under management’ as hoped. Nonetheless, the goal was for *SustAM’s* analysts to work closely with the portfolio manager and for them to have a significant impact on the stock decisions. David’s aim of “bringing the money and the ideas together” was one step closer at least, even if these negotiations seemed, as David said, like “the President of Venezuela negotiating with Putin”.

Soon after that very first meeting with *UnionVest*, John announced that he wanted to make some key changes to the structure of the research team. He had been working long days and frequently over the weekends since *SustAM* had started the joint-venture with *EuroCap* nearly three years ago. He had taken on multiple roles when the partnership was signed. After more than twenty years in the industry, he was ready to take more of a backseat. John planned to pass on
his IT work permanently to Larry and to pass onto me the role of managing the workflow for the research team. He would still operate as the Research Director in charge of the team but would spend more time working on research tasks rather than overseeing ‘operational’ matters. These changes meant that I was included and involved in all of the conversations about the work tasks that were needed for existing clients and potential clients. In managing all of these requests John told me that I needed to ‘be firm’ with people. He suggested that:

The key thing is always to negotiate on what is feasible and to be given deadlines that are realistic and enable us to do good quality research. We want to avoid quick and dirty ratings and doing 250 companies for deals that are very uncertain in terms of potential fees. They sap resources for no reason.

It was often difficult to strike this balance since there were several competing, and often uncertain, demands. These often involved resisting requests from David where he asked for analysis to be done ahead of potential business deals. These client negotiations were inherently complex. Potential clients, like UnionVest, would often want to see how the analysis would look in the case of a portfolio of stocks that they are familiar with or that they had chosen. This was partly a test and partly a way of seeing how two processes could be mapped onto one another. Yet if SustAM were to do this amount of work before signing a deal, it would constitute a big gamble and would risk doing the work without any clear revenue stream coming from it when time could have been better spent servicing existing clients. The spectre of UnionVest was present throughout the work planning over the next five months and added a higher degree of urgency to the current work. At any point, the deal could get finalised and it would mean that a big set of in-depth analysis would need doing. After nearly six months of meetings, negotiations, and planning, the UnionVest agreement was finally signed. They wanted twice the number of stocks to be covered than was indicated just two weeks earlier without any change to the timeframe.

**Learning and Working the Model**

After the contract was signed it was time to get down to the work at hand. The list of UnionVest’s target investment companies were split or allocated across the team of eight analysts. Individuals operated as ‘leads’ on various business sectors – such as ‘Oil and Gas’ and ‘Food and Beverage’ – which meant that this person was the primary analyst responsible for analysing companies that fall under those categories. For instance, Sarah, operating in the US, had several sectors that she had covered for a long time and had deep knowledge of the companies and sector issues. With her clean-tech background, she covered ‘Oil and Gas’ companies and ‘Tech’ companies, which ostensibly gave her access to operate with companies that are part of the problem with regards to climate change and part of the technological solution. Sarah was usually quite protective of her sectors and would happily take on more stocks to analyse when she was already busy. This seemed to mostly be out of a sense of responsibility for the sectors rather than as a way to protect her expertise since Sarah shared details of her work methods and assumptions with others on many occasions. Given her financial training, she also operated as more of a hybrid analyst and slightly differently to the rest of the team. In her words, she was “always at the nexus
of sustainability and financial analysis”. People also operated as ‘back-ups’ and provided cover for certain sectors. Given the nature of client requests, it was often necessary to share out stocks and cross roles; however, the main aim when allocating work was to develop sector expertise as much as possible and keep it in line with peoples’ interests and experience.

The first stage of the plan was to work through the list of companies from UnionVest and assign them a sustainability rating to identify those companies in which to invest. ‘Active’ asset managers like SustAM need to find some way of filtering out the many thousands of potentially investible companies. This is what the model or strategy intends to do. UnionVest used a combination of quantitative financial and sustainability data feeds to get to the list of two-hundred companies to pick a smaller number from. In theory, these two-hundred companies should be relatively strong ‘candidates’ for the final portfolio of companies that gets bought. This is where the combined expertise of the UnionVest portfolio managers and the SustAM sustainability analysts come together in a qualitative and collaborative assessment of companies. The way in which the ‘portfolio manager/sustainability analyst’ relationship is formatted and developed defines how investments are made. There are no hard institutional rules or clear norms here. David and John’s vision for how to cultivate this relationship was to have both parties working in tandem and from an even footing. PMs must still be the person responsible for making the investment decision – otherwise they would breach regulations – but the degree of impact that sustainability has is an open continuum.

To get through the first stage – to arrive at the initial view of two-hundred companies based on empirical research – a ‘kick-off’ meeting was arranged at ‘London HQ’. A new senior analyst and two new interns were hired. The analyst has a background doing ESG analysis for a SRI asset manager. Hiring decisions like this were tough calls for David since the budget was tight. If SustAM ran out of money and took longer raising asset under management or other revenues than hoped he would have to give up more control of the joint venture to EuroCap by selling part of his stake. It was a difficult choice between hiring business development staff and research analysts and the timing had to be right for each. The initial ‘fees’ paid to SustAM by UnionVest were also much lower than expected, which made this an even more difficult decision, but it was agreed that more research staff were needed on this occasion to ensure that the analysis was more toward the ‘deep dive’ end of the spectrum. The meeting in London was intended to explain this to the team and introduce the new team members to the model and company.

Nobody had remembered to book a slot in the main boardroom – where EuroCap’s sales team were currently holding a meeting – and so SustAM’s meeting had to take place in a smaller conference room with a roundtable that had just enough spaces for the eight people. Sarah was joining by laptop on Skype and one of the other analysts – who had booked a work from home day – by calling the teleconferencing number. The room was furnished mostly in white with a large window overlooking a well-kept and spacious garden courtyard that was decorated with a mixture of greenery, weathered red brick walls and opulent stone ornaments. The team valued having the use of this room for lunch hours and at times of boardroom slot clashes since there was no similar such space at the older office. Several short analyst meetings at the old offices...
occurred with everyone huddled around one side of the team’s old desk which was a narrow enough space at the best of times. This new space was much more conducive to roundtable discussions such as the one about to begin.

The meeting began with David introducing the new analyst – a fictitious character who we can call Bob – to the team and then explaining the agenda for the next forty-five minutes. He also highlighted Sarah’s virtual presence and stated her position in the company and location for the new arrivals. Sarah interjected and asked if everyone could speak as directly into the laptop as possible and huddle closer around as things sounded a bit muffled. John obligingly leaned forward for Sarah’s purpose while asking Bob if he had had chance to read through the materials he had been emailed. Bob stated that he had and that he liked the model, but had some questions about the scoring. His questions centred on the case of a concrete making company which had been given high scores for managing its environmental impact well. Bob suggested that the company’s main role in this area was so negative from an environmental perspective that he was not sure how it could be scored highly. David replied:

I’m no [expert on the company], but I GOTTA believe that a...CEMENT company is massively ---and positively ---exposed to the global demand for infrastructure. So, unless you’ve discovered that they’re burying BABIES in cement in Latin America, I don’t see that any failings on their part to detract from that fact....Remember: we ain’t running an SRI fund here! But please remember, as I KEEP saying, this part of our analysis (and indeed SustAM more broadly) is NOT the place to make moral judgements about whether or not Halliburton [an oil company] should be tried for war crimes. If we believe the company can make money and increase its competitiveness (in the vile capitalist order in which we live and they compete) through a given [sustainability trend] then we should give it a high score ON THAT PARAMETER ... If we think an entire sector is unsustainable, we can express that view when we choose our sector tilts. If a company is an ethical nightmare, we’d score it poorly on [other aspects of our SIM model]. But [this part of the analysis] is a purely secular, dollars-and-sense judgement –O.K. ?

He carefully framed this as “constructive contention” and emphasised that SustAM is an “intellectually pluralistic democracy” but highlighted the need for “a certain common understanding of how we judge things”. As with many of David’s statements, there was a palpable degree of hyperbole – burying babies, SRI hippies, crumbling towers of Satan – through which he intended to have a rhetorical impact. The hyperbole also often had the impact of amusing those around him and lightening the mood. Bob seemed to accept his argument and said that he will familiarise himself with all the different bits of the model as soon as possible and raise more questions if needed.

Bob then asked a question about one of the ‘value drivers’ in SustAM’s model that sought to identify certain organisational structures linked to the innovation process. John mentioned that some parts of the model were intended to be used in interviews with corporate executives, that data could not always been found for every part of the model and that companies do not usually disclose information in this case. David agreed and stated that:

This is as much art/general feeling as it is science. And KPIs [Key Performance Indicators or metrics] are even HARDER to come by for this [value driver] than most....It can sometimes be crude way to try to get our arms around the corporate decision-making process, and maybe it’s...
mostly observable empirically ex post --- e.g. a smart phone company’s time of response to
competitor moves: lightning-quick, or glacial?
The characterisation of the analysis as ‘art’ by John and David seemed to be used to deal with the
tougher questions about the analytical process. This was also the case when clients questioned
certain aspects of the model. On the one hand, it was a way of framing the epistemological limits
of the strategy or model in cases that went beyond the limits of empirical knowledge. On the
other, it referenced the way in which these more difficult judgements were communicated to
clients. Parts of the model still needed to be scored even when it was acknowledged that the
qualitative information was incomplete and untrustworthy. The communication occurred through
the medium of the stock narratives provided alongside scores. At times, these trickier parts of the
model were presented as a problem of knowledge using more scientific terms such as “there is
insufficient data to warrant a high score”. At other times, the narrative was more rhetorical and
aimed to persuade the PM by using a telling piece of information such as “the way the company
has managed customer complaints is a potent sign of poor stakeholder management and poor risk
management more broadly”.

Part way through David’s reply, Sarah had started making a humming noise to indicate
that she wanted to talk. People had stopped using the video display on conference calls after the
first few meetings as it presumably made them feel uncomfortable. Everyone still looked at the
laptop when David had finished. Sarah then stated that David had raised a good point and
highlighted – for the purpose also of the interns – the importance of going beyond what
companies report in their disclosures and for analysts to carry out their own web search:

Then it’s up to you to determine if that information warrants scoring e.g. its old [or] the company is
really proactive on this issue....In this event, I’d give the company some credit [for being proactive].
But sometimes it’s a valid issue and really deserves to be considered in valuation even if it is values
based. For example, I just found out that [an engineering company] is in big trouble with
stakeholders for its involvement with a dam project in Brazil. It’s a tough call since projects mean
revenue but seems like this project would violate all the company's own policies on clean energy,
low carbon world and human rights. I just googled a few things and voila,...things not in the
company's own disclosure. :)”

David stated that “yeah; we’re no quant shop. That’s for sure.” Sarah then emphasised the
importance of human judgement when doing the analysis. She suggested that a company may
look attractive ‘relative to peers’ – other competitor companies – on a quantitative measure, such
as water-usage-per-tonne-of-product, but the company “might have some extenuating
circumstance that really should limit that score. You always need a person really looking at the
company.” Though “a firm believer in numbers and hard data,” Sarah praised a strategy that uses
“a ‘data trigger’ [to catalyse] analytical investigation.” She said that she sometimes feels she is
“The only person remaining in the industry that is willing to say this aloud” and stated that
“everyone [other than SustAM] has jumped on the bandwagon that data alone yields the best
results.”

David agreed with this and Sarah’s earlier points by outlining the drawbacks of an over-
reliance on disclosure which he saw as “a relatively weak signal [of risk and value]”. He argued
that disclosure is useful for determining that:
The company at least has a strategic IQ high enough to recognize that: a) the world, and stakeholder expectations, are indeed changing; b) therefore, it behooves them to at least PRETEND that: i) they care; ii) they’re actually doing something. Whether or not they’re actually lying through their capitalist teeth is a separate question entirely, but at least they’ve launched themselves into the top 50% by understanding that they should at the very least pretend ..... but, going forward, do NOT believe more than 25% of what they say.

The idea was to be ‘critical’ of these disclosures and look for signs elsewhere that indicate something about how the company is managed. Analysts interpret company disclosures as evidence or symptoms of the management of the business. I found that the devil was often in the detail. For instance, a beverage company might discuss its strategy for managing and engaging its agricultural supply chain over ten pages with anecdotal cases but not once mention how it actually measures and assesses its social or environmental impact there. Maintaining a highly sceptical disposition to the information disclosed by companies to spot signs of rhetoric and exaggeration, as well as noting glaring omissions that should be present in the situation, are key skills of the sustainability analyst. The team expressed a deep distrust for corporate practices and disclosures while being reliable – to a large degree sometimes – on what companies ‘voluntarily’ reported.

This scepticism also extended to corporate behaviour that manifested in other areas and this often required a more intuitive analytical gaze. When discussing the issue of a network of scientists supporting seed technology, Sarah noted in an email:

> The gut instinct I am having is that all these companies are desperate for revenues and trying to come up with “tech” solutions to improve revenues (their sales have been falling, hence this suspicious media campaign). I may be cynical, but I just get this feeling that all of that is fake and that these companies know their business model is falling apart.

In this case, Sarah and I deemed that the ‘gut instinct’ was confirmed after quite a lengthy research process, but the starting point was one of scepticism.

David and John then explicitly recognised that the analysis entailed a necessary degree of ‘subjectivity’ and that analysts’ ‘perceptions’ were what they desired. John said that analysts often identified “insights” that gave them an impression of how well the company was managed, such as that evidence of repeated human rights abuses in a company’s supply chain is a sign of poor risk management and a lack of commitment to the management of many stakeholders’ expectations. He then clarified David’s earlier point about investing being as much an art as a science. Sarah agreed and stated “yeah, we’re all trying to do this thing for the very first time and figure it all out”. Though SustAM was becoming more established as an organisation at this point, many of the ‘integrated’ processes and practices were still being constructed in a way that was believed to be highly novel with few, if any, counterparts in the industry. John then suggested “we do now have some clear processes in place as per the Analyst Guidebook but this is a work in progress; I believe everyone has access to this document”.

I mentioned that I had drafted the guidebook initially to help me understand how to implement the analytical themes of the model since I was new to this type of work at the time. I explained how the guidance questions in the book were a bit generic, but should hopefully help people navigate all the information and assess it critically. Sally then emphasised that companies often try to ‘greenwash’ their products and ‘window-dress’ their practices in their disclosures, as
they do with their accounting data. Sarah agreed “yes, we want to know whether, for example, an Oil and Gas company’s involvement in clean tech is cosmetic or strategic”. Bob had nodded along, sometimes accompanying it with a “yep,” to show that he was in agreement and following the debate. The interns had mostly been nodding along silently.

John then gave some background to the process of integration with *EuroCap* for the benefit of the new starters. He explained how the two teams had been working together and that this long and complicated process was finally starting to get to a level of integration that they had hoped it would, but highlighted that he still wanted there to be more ‘dialogue’ and ‘interaction’ between all parties. John discussed his new role in the company and how he was hoping to spend more time working directly with all the PMs and less time on operational matters. “Hopefully this will mean that we can hit the ground running with *UnionVest;*” he said. There was no pre-defined way of implementing the model and the analytical project advanced among pre-existing ways of working or practicing sustainable investing. At *SustAM*, this was already being done for *EuroCap* and another partner in slightly different ways. The team had found something that worked for these clients and hoped to do the same whilst learning from these cases. John drew upon his old working relationship with Donald, the in-house portfolio manager that *SustAM* had hired to run its fund prior to the deal with *EuroCap* in 2014. John presented his view of how they had worked together to the team:

After working with [Donald], you could get to see how his mind worked. It’s important to try to find out what triggers an investment decision [in a PM]. He would look at things [financial metrics] like EDITDA [sic], PE ratios, etc to see if ‘all the ducks were in a row’ [quoting Donald]. If this was the case, he [Donald] would want to see if the company was in a market that would do well….His favourite phrase was that he liked companies with ‘a moat around them’. He would laugh at people buying Apple which the Chinese can copy, which is why we probably ended up with some strange German engineering companies in the portfolio.

He pointed out that they would have lots of phone calls to determine which stocks to focus on and have calls to follow this up, having each done their analysis. John warned that the urge to make quick decisions is something engrained in the way a portfolio manager is trained to operate since they “are pressured to make money in the short-term; this is what we are battling against”. He continued:

The most interesting thing for me is that when Donald thought he could make selections without any [SIM or sustainability analysis] input or discussion avec moi – he bought two stocks when he got a bit over-confident – the results weren’t great.

John then highlighted the capacity for himself and Donald to “make good calls” or judgements over stocks, which meant spotting something presciently. He evoked an old case of “a [mining] stock that the ESG rating agencies liked but that we stayed away from” and also mentioned several instances where *SustAM* had made “good calls” on companies for *EuroCap*. One was a UK clothing retailer company that received a low rating due to terrible management of stakeholder relations – paying staff zero-hours contracts, selling Neo-Nazi shirts and failing to sign the Bangladesh safety accord to protect workers in its textile supply chain– following which the PM chose to not invest in the company. The stock price then plummeted after a media investigation uncovered highly controversial work practices. John then explained:
When we saw bad news on China not wanting resources, stock prices would fall and we had to hold our nerve and be contrarian. We did sell some stocks in cases when the news seemed really bad, like when the US banks were skirting around sanctions.

John’s comments emphasised the importance of reaching a level of shared feeling in the making of investment decisions. Cases like this where “good calls” had been made were often used as a signposts for interpreting and communicating the value and purpose of sustainable investing.

After these introspections had been socialised in the meeting and debated, the next steps were agreed. The first stage was to research the list of stocks prior to any interactions with PMs taking place. I informed the team that I would be working out the allocations over the weekend and would have everyone’s work ready for them by Monday. The workload was scheduled over the next two months and determined the day-to-day rhythm for its completion. At this stage, changing the DNA of capitalism was achieved by researching into a pre-existing list of companies to filter out those that were not considered sustainable. The model for this “forward looking” analysis that hoped to identify “good calls” presciently was dependent upon these retrospective and collective interpretations of past work that framed how investment analysis would be undertaken. The team then used a variety of ways of working and interacting to get the first part of the job done for UnionVest.

**Internal Stock Discussions at the Morning Meeting**

The research team worked as individuals on their lists of companies with John reviewing all the work and acting as ‘quality control’. The vast majority of group interactions took place by email which was a key feature of sociality at the company. The analysts and interns all worked from the London office with Bob expected to be their new ‘mentor’. Four of the other senior analysts worked remotely from their homes due to their location and the other – Sally – was now working part time with occasional work from home days allowed. Sally had been a full time employee and had acted as my direct supervisor for most of 2014 before taking maternity leave. Our working relationship was usually congenial and when we had our first child within a month of each other, it drew us closer together. Presently, she wanted to prioritise her son without risking losing the career momentum and leaving behind the work she had done at SustAM prior to this.

Sally expressed frustration at using email as the primary form of communication in the firm, stating that she felt sometimes that “we only exist on email” and that she sometimes intentionally closed her email window so as not to be distracted. She set up a weekly team meeting to be conducted via Skype and face-to-face for those in the office.

Sally now also acted as ‘the link’ between the business development and research team. There was a perception from the board that these two teams needed to work more closely together and not operate in silos from each other. The weekly meeting was initially intended to institute knowledge-sharing for this and for the UK-based research team to touch base with each other. After a couple of meetings, Larry suggested that we add some quick stock discussions to the agenda as a way of highlighting anything important. Larry, who was the most experienced analyst, remarked that he was impressed with “the team spirit” amongst the analysts. He
compared it to his previous job where the environment was so competitive that people would be protective of their ideas because they would worry that someone else would steal them. Larry reminded the team that “in these early days of the firm it is down to you to shape how things like this play out and establish the culture of the firm”.

That everyone was drawn to a more collaborative and supportive way of working was perhaps due to something embedded in general ethos a firm founded by David and the interests and backgrounds of the people he hired. Sally was concerned that including too many in-depth stock discussions would make the meeting more onerous when people were busy, but it was agreed these conversations would be brief. Thus, following Larry's suggestion, the meeting became a forum for analysts to socialise their perceptions on companies and investment issues. Any piece of analysis from a sustainability analyst could be subjected to a strong critique from the portfolio managers – the end recipient of the research – and it was each analyst’s individual responsibility to defend their work. The team meeting allowed analysts to test their ideas on others and helped form collective opinions, though there was still a strong dependency on the validity of individual convictions at SustAM. The meeting was informal and non-compulsory but people were keen to attend. The timing made it difficult, however, for Sarah and Martin to dial in from the US and Australia.

The team meeting interactions would range from mere information sharing to the team collectively figuring out the more enigmatic aspects of how the model could be implemented. The ‘model’ that analysts use essentially defines and guides the research process and is comprised of several key sustainability ‘themes’ or ‘factors’. These are expected to drive corporate profitability and investment risk and return for clients like UnionVest. The ‘themes’ of the model are terms used to categorise an ensemble of tiered ‘sub-factors’ or ‘metrics’. For instance, ‘environmental sustainability’ is defined, in part, as ‘water efficiency’ and ‘water efficiency’ is defined, in part, as ‘water consumption’ figures. Many of the metrics looked at less-clearly defined factors like ‘stakeholder relations’. The team of analysts applied this set of themes to the global economy, a rapidly changing and kaleidoscopic global corporate landscape. The team meeting operated as a way of navigating this complexity and shaping the collective knowledge of the team. The analysts frequently emphasised economic developments that interested them; for instance, highlighting cases where an energy company increased its mix of renewable energy, where certain policy changes supported the transition to a low-carbon economy and where research suggested that better gender equality was linked to higher corporate profits. They celebrated these cases where they saw corporate practices moving toward their terms and bemoaned – tutting and shaking their heads – when this imagined world seemed under threat.

Several notable company cases were discussed over the course of these meetings that reveal the challenges and successes of the team and that exemplify what changing the DNA of capitalism can mean in practice. The first case was that of a baked goods company – which we can call Bako – that SustAM had previously rated as one of the worst companies in the food sector. This was partly because the analyst could find almost no indication of how the company managed its environmental impacts, either in its director operations or agricultural supply chain. Bako reported no information about this, unlike the vast majority of large food companies. It had
been ‘covered’ or researched in 2014 and was on UnionVest’s list, which meant that a review was needed. Investment representatives from Bako also happened to be doing a ‘roadshow’ in London where they would meet with analysts from investment managers. ‘Corporate Access’ such as this is difficult to gain and is organised through ‘brokers,’ who are financial institutions that ‘make a market’ in the shares of the respective companies. In other words, they offer to buy and sell the shares of Bako on a stock exchange and generate interest in these shares among investment communities. SustAM was now able to leverage its institutional affiliation with EuroCap to be able to attend any such meetings with certain brokers.

These meetings mostly took place in financial hub cities like London, Tokyo and Paris. Sarah sometimes attended meetings for other analysts when companies were visiting her home city of New York. On this occasion, one of the London analysts could attend. He reported back during SustAM’s ‘Morning Meeting’ that the Bako event was a ‘group lunch’ with mostly financial analysts and that he was the only sustainability analyst there. Often, company meetings proceed largely in financial terms as financial analysts are trying to understand how the people at the company manage their financial affairs as well as learn more about the strategy and current business developments and plans. The ‘Chief Financial Officer’ from the company is often present along with someone from ‘Investor Relations’. Companies that want to appeal to sustainable investors often run separate ‘Responsible Investor’ or ‘SRI’ events for analysts like those at SustAM. Any corporate access is deemed worth pursuing, even if it means being a bit out of place, and SustAM ultimately hoped to be “mainstream” after all.

The analyst reported back that it was difficult to find an appropriate time to ask many of his questions amid all the financial talk. Nonetheless, the analyst continued:

Bako is interesting as it seems to have strong financial structuring and good cash flow but when I asked about supply chain, procurement, efficiency and regulatory risk (as grains are their main input in two highly regulated markets) I hardly received a response at all (but a clear glance that I was touching on some important areas)...

The team seemed to find this comforting and reassuring. Larry pointed out that “this shows why ‘no data’ is still data in our world”. In other words, if a company chooses not to report about something that sustainable investors consider important, it can still be a valid sign that this is not being managed or that the issue is not high on the corporate agenda. Bako was considered a “good call” when it was initially rated back in 2014, as the share price had plummeted since due to poor profits. As with the sports retailer and the mining company, it became part of folklore within the organisation, a success story where sustainability analysts ‘added value’ and was discussed numerous times thereafter. Sally noted that she must mention this case to the business development team to exemplify how the analysis can work following which it would be used rhetorically in a commercial context. The recent meeting with Bako contained information that was not reported – “a clear glance” – that, in this instance, confirmed what SustAM believed from reading the company’s disclosed reports.

A second case that came up during the Monday meetings was that of a packaging company – which we can call Matero – that had demonstrated a strong commitment to align its business strategy with sustainability issues. John had been sent a link from a sustainable
investment website that was hosting a webinar with Matero for SI and SRI analysts and asked if I could ‘attend’. The company has been implementing a strategy to transform itself from “a traditional packaging company” into a ‘renewable materials’ company. For instance, as part of this transformation, it was on track to now having nearly 100% of the pulp for its paper packaging sourced from Forest Stewardship Council certified plantations, which is considered the most stringent international standard and includes principles for managing forests sustainability. Matero had also hired an experienced team of sustainability experts and brought them in-house to help make the company more sustainable. These, and many other measures, suggested that Matero was doing more on these issues than any other company in its sector. However, Matero also has a joint-venture in Asia where child labour had recently been discovered by a media agency in the supply chain of this partnership. During the webinar, the ‘Head of Sustainability’ at Matero acknowledged that the company had “been hurt” by this since it has damaged its reputation among customers and investors. Sustainable investors had remarked during the ‘Q&A’ part of the webinar that the company’s response to the controversy had been strong and that Matero seemed to be taking the matter seriously. The company has cancelled the contract with the supplier, set up several schools in the village where child labour was found, signed partnerships with global and regional associations to help eradicate it and significantly ramped up its own assessment and reporting of supplier assessments.

I put these findings to the research team to elicit peoples’ views. Bob stated that the Matero case made him think of Food Inc., one of the largest food companies in the world and who, Metro incidentally, is a supplier of packaging to. Bob had recently been looking at Food Inc. for UnionVest and mentioned that the company was widely considered to be a ‘leader’ among sustainable investors and has also been assessed as having leading water management practices from an international NGO. Yet, as he pointed out, the company has been involved in water disputes with communities from California to Pakistan in addition to a string of other serious and wide ranging controversies that are both current and historical. John had joined this team call by Skype in his new role mostly away from the office. He argued that “this is a difficult sector for what we do. You sometimes end up having to pick the best of a bad bunch”. Sally weighed in, “True, but we can’t give these companies an easy ride, especially if we are invested. They really should be earning every point.” John responded, “Well, it’s up to the PM to decide whether to invest. Our model should give a balanced view and we can always engage with the company on these issues”. Team meetings were a mechanism for collaboratively managing these complexities of investment practice and setting the team in a stronger position for interacting with portfolio managers.
Chapter 3: The Relationship between ‘Financial’ and ‘Sustainability’ Analysts

The ultimate aim of SustAM’s analysts was to influence the investment decisions of financial experts; these actors were the ‘audience’ of the research team’s work. Yet this was mainstream territory and the place and role of sustainability analysis was far from clear. While investment mandates give instruction on how the sustainability analysis will be used in the investment process, there are lots of grey areas in practice and the portfolio managers must still decide what information is financially material. The more credibility that sustainability analysts are judged to have, the more the financial experts will listen to what they have to say. Given the inchoate status of sustainable investing, there were no pre-existing clear rules or formalised processes to follow on how to develop these relationships. Everything had to be figured out by both institutions and sets of actors as the fluid situation unfolded. From the metaphorical angle of human economy, we can consider these relations to be building the ‘body’ of SI as more actors are included in its operation. Each team had a different set of logics and material practices that came together in the making of investment decisions. The decisions were a product of these team relations and defined what SI became in practice and, ultimately, how David’s goal of changing the DNA of capitalism materialised through altering the information carrying structure of the DNA chain. Although the impacts of SustAM’s model remained unclear with respect to investment performance and regarding impacts on investee companies, we can nonetheless examine how observable material practices are (re)constructed through the fluidity of a changing investment process that resulted in financial transactions.

Scoping Out

After a rather frenzied two months of working through the list of stocks to produce analysis and ratings on the companies designated by UnionVest, there had yet to be a meeting between SustAM’s analysts and the portfolio managers employed by this new partner. John had been sending the ‘ratings’ off in batches of ten by email but was unsure of the level of impact that SustAM’s research was having. SustAM had spent the previous two years building a relationship with the EuroCap PMs and refining the investment process with them. People accepted that this was a long-term project and a ‘slow burner’ due to the complexity of the partnership and the fact that many of the issues and processes were being worked out for the very first time by both institutions. However, with UnionVest, there was more pressure for quick results since this partner believed that it should not take as long to replicate for them. SustAM had a larger and established team in place by this point. It had also now built a bespoke financial software solution, which some referred to as its ‘toolkit’. This was a time consuming and lengthy process in itself, but the hard work was now mostly in the past with the software operational, subject to some testing for errors. With this ‘architecture’ in place, and the experience of working with several other partners, SustAM was expected to produce results more quickly.

As with other partners and clients, David and John had a shared vision of how the two teams – of financial experts and sustainable investment analysts – should be configured, which they referred to as ‘true integration’. For this to be realised, it was important that the UnionVest
portfolio managers bought into the whole project and did not “treat our scores as a box ticking exercise”. John clarified to the team that any investment decisions will “still, legally, have to be the PM’s. PMs are required to take a range of views into account when investing, otherwise the regulator would deem them to be non-independent”. However, the idea was to work closely with the PMs and have an impact on their decision-making. This relationship is where “the rubber hits the road” as David expressed it, and this is the location of the action of his goal of changing the DNA of capitalism.

John organised a team meeting in London to discuss how SustAM thought the relationship with UnionVest was developing and to establish the next steps. Sarah and I joined by Skype and the rest of the UK team were present in the boardroom. John gave a quick recap of the work that had been done and explained that there were some “teething problems” with mapping the two investment systems and processes together at a technological level. One main objective of the new client partnership was for the UnionVest PMs to begin following a similar process to SustAM’s when analysing companies from a financial perspective; amalgamating these ways of working was a complex task. UnionVest was also undergoing some team changes and had recently hired a new Chief Investment Officer (CIO) whose role it is to manage all the financial analysts and portfolio managers throughout the organisation. Sarah was concerned that the new CIO might see SustAM’s work as “cute and nice to have,” but was worried that he may not think “we could add value”. David argued that he was gradually winning him over. Sarah pointed out that it would be useful to show that SustAM’s models “were predictive” and mentioned several cases where previous analysis from SustAM analysts had identified key risks a priori. Irrespective of these challenges, John outlined the importance getting a “regular dialogue going” with UnionVest and expressed the “need to be pro-active and keep reaching out to the PMs”. John had recently seen the need to define a new part of the investment process as “Phase 3” which referred to the interactions between SI analysts and portfolio managers. He and David saw this as a major ‘value add’ of the investment strategy. However, given how long it took to develop this process with EuroCap, and the eagerness of UnionVest, they decided that they needed to formally institute this third phase to encourage more dialogue.

After clarifying this for the team, John again evoked his past working relationship with a portfolio manager as a model:

When I worked with [Donald]...you end up feeling like an amateur PM – you look at news and financials too all week. And you end up saying that you think we should be buying more of this or that stock – Boeing have just released a report and like them on innovation. I know [Donald] really enjoyed working with me toward the end because I brought something else. This is what we want to get to. And thankfully we are finally getting to this point with EuroCap so we have a good platform to work from.

He then brought up a screen on the projector – which was also broadcasted to Skype – that compared SustAM’s scores on the list of companies with the financial scores from UnionVest. John would construct a ‘deliverable’ periodically as a way of submitting SustAM’s research. The tab that he highlighted served more of an audit purpose and compared financial, sustainability and combined scores for each stock. The cells of the spreadsheet were coloured from red to green to
highlight the ‘sentiment’ on each company and to highlight differences between scores from each team. The plan was to use this audit file “to review any scores that may be slightly sub-par or look at alternatives” and encourage the PMs to consider making the associated investment changes. The team agreed to contact the PMs for any such cases working within their sectors. Sally highlighted the importance of being ‘diplomatic’ and ‘sensitive’ and to make sure that the team did not “embarrass” the PMs by showing that SustAM did not rate some of their higher scoring stocks so highly. She also pointed out the importance of “preserving the egos of portfolio management”. Everyone agreed that a good first step would be to send some constructive emails to the PMs relating to certain stocks and try to understand what they like about some of the companies that SustAM scored poorly. The agreed plan was to approach the PMs as though SustAM analysts wanted to learn from them rather than critique their decision-making.

Over the next month, more ‘ratings’ were completed for UnionVest and the team introduced themselves by email whilst also each highlighting some potential stocks to discuss. The PM responses were cordial and promising, but no discussions materialised. John arranged another ‘UnionVest Relations’ team meeting on Outlook Express with the following message – carrying a notably more assertive tone – included in the text box:

What we know so far is that the PMs are in possession of scores for all their portfolio holdings. They also have very recent fund audits...It’s clear that many of the stocks in each fund have low SustAM scores. What we don’t know is to what extent the PMs are using our info. [David] seems reasonably optimistic that our files are being referenced, but we all believe that our value add is not scoring, but 121 convos with PMs to select or delete holdings. This part is definitely not happening at all. We will discuss.

In the meantime, Sally had arranged to spend a day working with the UnionVest PMs and was due to report back. John invited me to the offices to attend the meeting in person. I bumped into Sally on the way into the offices and we chatted on the way in. Though ostensibly elated by the experience working with UnionVest, Sally was notably less pleased with me personally at this point because I had arrived with a paper coffee cup that was in a large paper bag with a bundle of unnecessary napkins and a plastic spoon. “Dude!” she said jovially with an important subtext, “What’s with the paper bag?! And we have spoons in the kitchen!” Although slightly embarrassed that my conduct had been deemed inappropriate, especially given the timing of a visit from the partner, I fully accepted her point and suggested that I would make sure that I recycled everything. In a setting where peoples’ sustainability ideals and the level of commitment to these can differ, addressing one another with some degree of sentimentality can seemingly get the point across without much upset.

The meeting started with John restating the background and purpose of the gathering and then handed over to Sally. She read from a notepad with lots of scribbles and outlined the internal monthly processes that the portfolio managers went through. She believed that SustAM’s team could be the most helpful during a monthly ‘scoring meeting’ that the PMs have where they discuss stocks of interest. Sally was encouraged that the PMs saw themselves as “stock-pickers” that liked opportunistic companies. She also noted that she thought the PMs “felt empowered” since their previous CIO had left, but that they were happy with the new incoming CIO since “he’s
on the ball and great with people. They like him. He has a great reputation in the market and is well-connected." Sally also believed that the PMs were looking forward to working with *SustAM* since they had previously only received a set of scores for their companies in a "sequential" way.

John thanked Sally for her input and suggested that the hiring of the new CIO should be seen as a "fresh starting point for integration" and the rest of the work as preparation for this. Moving the goal posts along a little would seemingly keep people from feeling that they were not achieving what was expected. The PMs had been operating without a team head for a while and John pointed out that this made coordination difficult. John then got confirmation from the rest of the analysts that there had been "little follow-up from the PMs" after the emails. One of the business development executives had joined the meeting since she happened to be in the office that day and had also accompanied Sally on her visit to *UnionVest*. She argued that one of the PMs:

said that this last month or two is very busy time – there are lots of companies reporting. It takes PMs lots of time to visit companies and go through the financial reports. I sense that they do have a lot of work and have been facing uncertainty over what is happening with the new CIO. So timing is key here.

David had entered the room and sat down to catch a breath after taking a call and rushing to join the team. John gave a quick summary and asked David to expand on a previous conversation they had had after David had visited *UnionVest*:

Yeah; my optimism stems from convos with [the CIO] where he cites specific examples of the impact our (well, YOUR) work is actually having. So I suspect and hope that at least 50% of the problem is their lack of COMMUNICATION …[One of the PMs] was quite contrite with me about that. But I agree 100% with [John] that we’re certainly NOT there yet, and 121s are the next frontier.

John asserted that we need to do more to get there and suggested that he and David try to get *SustAM* analysts attending the monthly stock meetings that the PMs have as well as continue to “reach out to them individually”. Soon after, a “meet and greet” session was arranged and *UnionVest*’s PMs were invited to *SustAM*’s offices where their next stock meeting would be hosted.

### Developing an “Integrated” Way of Working

On the day of *UnionVest’s* visit, the Research team seemed mostly busy reviewing companies that they had analysed recently for *UnionVest*. One of the analysts spoke to Sally and I from across the other side of the next table to ask what we should expect from today. The rest of the team turned their heads and started listening while gradually started moving towards the middle ground between the two opposing desks where the analysts sit, creating an impromptu huddle of sorts. Sally pointed out that the new CIO had decided to try to change the format of their stock meetings to become “more focused and interactive” and that the team should just try to interject as much as possible. She believed that the meeting would be very relaxed, having met the PMs. The *UnionVest* PMs and new CIO arrived about ten minutes before the scheduled meeting time. The atmosphere prior to, and during, the meeting was convivial with plenty of polite chit-chat and laughter. It was the first time that team members other than John and Sally had met
the *UnionVest* PMs and everybody was making an effort to get to know one-another. One of the PMs said it was “nice to put faces to names finally”.

The meeting formally began with the PMs presenting their views on the different business sectors. The entire UK research team was present and Sarah dialled in from the US. Each PM covered specific sectors and they took turns speaking. The talks largely consisted of typical financial analysis based on accounting data, economic trends, business cycles, price movements, market activity and currency forecasts. Some of the PMs used the adjective ‘self-help’ to describe certain companies that they liked; namely, ones that were aggressively undergoing changes in strategy to deal with their problems. Each of the PMs then discussed certain stocks that they were interested in, either to buy, sell or watch. However, there were no long pauses in speech or any clear point where it seemed appropriate for *SustAM* analysts to chime in and give their opinion. The PMs also did not hand over to the *SustAM* analysts at any point for their input.

John asked the PMs if they had any questions for *SustAM* analysts about stocks they had recently researched for them. The responses were positive, but also slightly dismissive. The PMs did not ask specific questions or highlight any aspect of the research carried out, but instead stated that they had been using the scores and found it useful to have the level of detail on each company that was being provided in the narratives. They also acknowledged that they had been busy but hoped to spend more time speaking to *SustAM* and were always open to a call. For the next few weeks, interactions began to take place sporadically. There were several instances of emails between the two teams where information was shared, followed by brief comments of stocks or industry issues. The SI analysts were definitely on the PMs’ radar since the PMs took the initiative to send information on to the team, but there was still concern and uncertainty over the level of impact on stock selection decisions that they were having.

Over this time, several projects that had been in the pipeline came to fruition and significantly shaped the integration process. The first was the hiring of a new PM to run a fund that was being launched based on the integrated analysis of *SustAM* and *UnionVest*. This move was something that was supported by David and in which he played an advisory role, but it was also a product of *UnionVest*’s plans to build its ‘internal capacity’ for investment management. The new portfolio manager – Mike – had been working in New York for over twenty-years and had recently moved back over to the UK with his family. David saw Mike as highly “capable, experienced, and disciplined” and very “predisposed to integrate with *SustAM* insights”. Mike seemed genuinely intrigued and excited to be working in a novel way with a different set of actors than he normally would. David had specifically pushed to hire someone that he believed to be open to the integration of sustainability factors into investment decision-making and the time that he had spent working with and speaking to Mike during the previous month or so validated this. Mike had an excellent financial performance record and there was a lot of excitement over his appointment on both teams. This was considered to be a major result, given that David has less influence over the internal set-up of *UnionVest* than he did with that of *EuroCap*’s. He was Chairman of the *EuroCap* joint-venture and was in a strong position to influence the set-up of the joint-venture and therefore drive organisational change in *EuroCap*. The arrangement with *UnionVest* was more of an external advisory partnership.
Sally and I also booked in a couple days to work with the UnionVest PMs – at their offices in Canary Wharf – and mainly to help Mike set up the new fund. The hope was that we would have some stock discussions in real time. John reminded the PMs by email that “for one to one discussions to have value, we need to give our analysts some time to do preparation work” and suggested that they give us advanced notice of the names of any companies. David replied: “That would be great ---finally, the Holy Grail ---real-life, real-time, interactive discussions/debates at the stock-specific level!” The layout of the PM’s office was similar to SustAM’s with two main work podiums and every work station equipped with double screens. The presence of ‘the brokers’ or ‘sell side’ institutional investors was a key differentiating factor. PMs’ desks were piled high with broker reports on industry sectors and individual companies and there were many more telephone conversations in this office than SustAM’s, since PM’s speak frequently to brokers to get insight on stocks. PMs have a huge amount of information to process and have to continuously monitor price movements and various other financial and economic data. Everybody is focused on their screens in the same way as SustAM’s analysts, but in the PM room there is much more head movement as people look at different parts of their screens to monitor information from different sources and the overall engagement with the screen is more active and energetic.

For the first visit to the office, Sally and I had – as it turns out – not been given any advanced notice of stocks to discuss and were mainly a presence at the back of the PM’s room where there was a spare desk for us to plug our laptops in. The PMs came over to us sporadically when their engrossments with the computer terminals subsided. They asked our opinion on various companies, which neither of us where familiar with, but we managed to access SustAM’s previous research in a couple of cases and interpret the information for the PMs in question. However, the discussions were not yet in-depth. Mike seemed to be in a very calm mood despite being overtly rushed off his feet in trying to find enough suitable companies for the new fund within the given deadline for its launch date. He came over frequently to ask Sally and I questions and seemed mostly interested in trying to grasp how SustAM analysed companies.

Mike questioned why a UK bottling company for a global soft drinks giant scored moderately well through SustAM’s sustainability model. He saw this company as unethical and thought it could never ‘score well’ with SustAM. The difference between ethical and sustainable investing is ostensibly difficult to grasp, even for those who have been primed. I explained that SustAM’s analysts were not ethical investors and so any stock, in theory, was fair game. In other words, SustAM aimed to offer a ‘balanced’ view of a company. I highlighted some of the reasons why this could have scored highly, such as strong water and carbon management, but I also mentioned the growing issues of ‘sugar risk’ and ‘soda taxes’ for the company and the sector more broadly. I referenced a recent sustainability report by a research provider that highlighted the risks posed to this very company. I also mentioned that the report showed that a global food company’s leading yoghurt brand in the US now has a very high percentage of each person’s recommended daily sugar allowance under new World Health Organisation guidelines. He marched over to his desk inquisitively to pick up a pot of that very brand and said “no way; I didn’t realise!” while reading the nutritional information on the back and then tutted.
The next morning, he came over to question some comments that Martin, the senior analyst in Australia, and myself had made about a Southeast Asian investment company that he was interested in. Mike had emailed the SustAM Research team asking for a ‘quick view’ on the company, since it was one that he had liked for a long time but had not included in the initial list of stocks for SustAM to analyse. It is sometimes frustrating when this happens because it takes a lot of time to research companies and analysts do not want to cut corners. Ad-hoc requests like this also often stretched the team during busy times and essentially mean working overtime. I had looked at the third party research that was available to SustAM and spent a few hours looking into the company, but I was still not satisfied that I had a grip on the stock. I was unsatisfied with third party research that I accessed, which was extraordinarily limited on detail, as though the person who had analysed it had also rushed through the stock. My main concern with the company was that it seemed to present itself as an asset manager, but did not give any information on how it manages environmental and social risks. If the primary goal of SustAM is to integrate social and environmental risks into the investment process and if it was recommend investing in another asset management company, then this seemed like a prerequisite. I also noticed that the company was invested in an energy company with a high coal mix, but had failed to disclose anything about the risks attached to this.

I had emailed Martin with some questions and copied Mike in. Martin was more familiar with how to analyse investment companies, but already had a large workload so I had attempted it myself. Martin had replied to these concerns in the early hours of the morning UK time:

I agree on [your] concerns about [this stock] as a holding company. It looks to me that they haven’t made up their mind whether they are a holding company or an active manager of the assets they own. With a company like this one I often try to look through and find something that really tells me what the DNA of the company is. I think [the energy company that they own] is the key asset. It is a monopoly and the company is being heavily criticised for its plans to increase prices. From a stakeholder management perspective I would have concerns. What keeps coming through in their narrative in their annual report is that they are being challenged from a regulatory perspective.

Mike was clearly disappointed with this response and wanted to know more about Martin. Since he was based in Australia, they had not yet met and there had seemingly been no time or inclination to arrange a video conference to ‘e-introduce’ each other. I explained that Martin had worked with David at his previous company as a Senior Analyst and was a well-respected figure in the responsible investment arena, but that he would be very open to more dialogue on the issue as well as clarifying that I too could follow-up on any points. Mike replied:

…it’s a stock that I know well and like. I think you might see it differently if you know more about it. But I will pick my fights. There are plenty of options with this new fund.

This was a little frustrating for Martin and I since we did not want to constrain Mike without having an in-depth “Phase 3” discussion.

The outcome of avoiding this company nonetheless seemed favourable from a sustainability perspective. Mike often casually mentioned numerous sectors and companies that he was considering with a relaxed intonation in his voice that expressed a high level of confidence in decision-making without ever coming across as complacent or egotistical. Mike ostensibly felt that
he knew how to make the fund a success and decided that it was not yet worth getting into
deep discussions in those cases where there were significant differences in opinion and agree to
disagree. Sally and I were nonetheless encouraged by his enthusiasm and interest relative to the
other PMs and rationalised that it was early days with a long way to go to get beyond more
piecemeal interactions.

The second project that came to fruition was the plan to get the *UnionVest* PMs set up to
use the same financial software that *SustAM*'s analysts use. *SustAM* had been developing a
software solution with a well-known financial information and research provider. There are
numerous options available, but the decision to go with this particular provider was largely based
on their level of customer service and eagerness to develop bespoke solutions. A solution that
integrated the financial and sustainability analysis at multiple levels and that also displayed market
information and price movements had been under construction for the last eighteen months. With
the integrated software, *SustAM*'s analysts were operating in a similar way to traditional financial
analysts and PMs. They monitored stock movements and market news and information on
‘terminals’ similar to the *Bloomberg* screen in the image below.

![Bloomberg Terminal](source: Harvard Business School (2015)).

A bespoke feature of the software solution was its ability to display analysis from *SustAM*
alongside the analysis from a team of financial analysts and portfolio managers. It also recorded
messages and dialogue on companies and investment issues. John encouraged the team to refrain
from using emails and to record the details of any telephone conversations in here. One reason
was to ensure that all relevant information was captured and could be accessed by anyone looking
to research into the same area at a future date. It was also important for auditing and business
development matters since showing potential clients this “level of integration” would be a
“differentiator”. This system could be adopted by the *UnionVest* PMs if they were willing to pay
the software company for additional subscriptions, which were not insignificant sums and stood at
around a quarter of the monthly wage of SustAM’s analysts for each additional licence. Convincing UnionVest’s CIO that this was a necessary step was considered an important victory for David. Both sets of actors were now oriented to the program for displaying the stock market and the research and dialogue internal to the investment partnership. SustAM saw this “shared research platform” as a “real catalyst for integration” and considered it to be cutting edge. It was a way for the sustainability analysts to be ‘in the market’ with the portfolio managers whilst defining this further through team relations.

With his recent arrival at a new company, the strangeness of working with a ‘non-traditional’ team of experts, the transition to this new software and the rapidly approaching deadline for the launch of the new fund, Mike was starting to feel the pressure. The tone of his emails was notably more negative and he asked SustAM for more support. SustAM’s analysts had explicitly wanted to make sure that they were not viewed as a ‘constraint’ to Mike, given the cases where they had not rated some of his target companies highly. Yet with the time pressures and stretched resources, there was not as much time to build a strong working relationship and engage in as deeper dialogue as was hoped at this stage with every team member.

One of the main reasons for Mike’s discomfort was the current view on ‘sector’ and ‘geographic’ weights amongst the PM team and the CIO. The amount by which the portfolio managers deviate from this is considered as a measure of ‘conviction’ on their decision-making for each industry sector such as ‘Utilities’ or ‘Food and Beverage’. In short, to manage ‘risk exposure,’ PMs will be ‘underweight’ – which means buying less – in certain industry sectors and regions when their analysis of broader factors like macroeconomic trends, currency movements and political events indicates that such investments could be threatened. They will be ‘overweight’ when the opposite is true and this would usually mean that more ‘coverage’ or research was needed from SustAM in this sector and region. It was perhaps a fortunate coincidence that the main sectors that Mike wanted to be ‘overweight’ were Sarah’s responsibility. Sarah was the most experienced analyst at SustAM and was considered to be somebody that could already “speak the financial language” due to her previous training. Sarah and Mike quickly built up a relationship and would speak frequently over the telephone. David was enthused by the level of dialogue between them. John was happy too, but was also concerned that neither person was properly following the agreed process of recording discussions in the software solution. Nonetheless, this was acknowledged as a key step and a “model to follow” and “example to all” of what was needed.

It took longer for the rest of the team to have more frequent dialogue with the UnionVest PMs. This was boosted after it was agreed that at least two members of the UK team would attend the monthly PM meetings. David outlined the plans in an email to the UnionVest team and SustAM with the intention of reaching “Phase 3”. One of the PMs replied that they had indeed been “using SustAM’s ratings” when investing in companies. David replied:

This process is at least as much art as science, and we should NOT be overly influenced by what the scores tell us. They’re a means to the end of building and maintaining better portfolios, not an end in themselves.……. They can certainly help us separate wheat from chaff to get down to a [more manageable number of stocks]; after that it becomes more a case of the 2 analysts/PMs discussing
things, in real-time, and forming a ‘gestalt,’ holistic view of a company and its competitive
prospects over a given investment horizon. IMHO, NO spreadsheet can give us that ‘answer’.
When this eventually started taking place more frequently, the conversations would have the
effect of honing in on certain issues and each person revising their initial assumptions. After a few
meetings, the SustAM analysts also had more of an understanding of the personal styles of the
PMs and could get a better grasp of how they would interpret the sustainability analysis they
produced. Mike identifies as a ‘value investor,’ which is a tag based on his investment style and
beliefs.

The legendary investor, Warren Buffet, famously practices a ‘value’ approach – which he
partly learned from his mentor Benjamin Graham – that tries to calculate the ‘intrinsic value’ or
worth of a company, based on projections of the future earning or profits of that company. He can
then determine if he thinks the share price makes the company ‘cheap’ to buy or not. Similarly,
Mike tries to calculate what is known as the ‘intrinsic value’ of a stock and then determine if the
price that the given company is trading on the stock exchange is ‘cheap’ or ‘overpriced’. Even if
both parties agreed that a company was a good investment, Mike still did not want to ‘overpay’ for
the shares. He considers figuring this out his key challenge in each case. SustAM analysts
ultimately had to convince Mike to revisit his view of the intrinsic value of a company. There are at
least two forms that this could take. The analysis of SustAM could be somehow factored into
Mike’s calculations and be integrated into his valuation, as is the case with some sustainable
investors. This would convert the non-traditional or ‘intangible value’ – as it was referred to at
SustAM – into a numerical formula. The other option was to allow this ‘intangible value’ to have
more of an intangible impact. At SustAM, there was no drive to integrate the sustainability analysis
into valuation calculations. The aim was for SustAM’s analysts to simply be part of the investment
team and put their views across to the portfolio managers.

The case of tobacco remerged in one of the meetings. One of the UnionVest PMs thought
that a British tobacco firm was trading especially cheaply – it looked good on financial metrics –
and sought SustAM’s opinion. With stock prices fluctuating in the marketplace, companies can
come in and out of a PM’s radar quite frequently. At times, this was frustrating for both sides since
it often took days for SustAM to research a company and the price had changed in the meantime.
In the case of tobacco, SustAM was well-prepared. The issue of ‘tobacco divestment’ was
becoming a hot topic again in the investment community since the financial performance of
tobacco stocks had been very strong. Several large pension funds had divested from tobacco over
the last decade, some citing moral reasons and others because of the perceived long-term
financial risk to the sector. They had recently calculated the financial gains they had missed out on
because of this and the numbers were significant. In this context, SustAM’s UK analysts had met
with an oncologist who is leading a campaign for tobacco divestment to discuss the issue. The
information had been gathered into a short thematic report with input from people across the
firm. People wanted to influence the outcome of the report on this divisive topic. One person on
the business development team had a close connection with someone working at the World Health
Organisation (WHO) ‘Framework Convention on Tobacco Control’ and gave a summary of WHO’s
current position.
Mike’s fund was ‘underperforming’ at the present time which meant that the companies he had invested in had not ‘returned’ the desired amount or increased enough in price on the stock exchange. In many respects, Mike was not especially worried about this. His investment philosophy was predicated on the belief that the market is inefficient and therefore does not ‘price’ companies correctly. He believes that the ‘intrinsic value’ will win out in the end. Yet it was a question of when this would happen. The UnionVest pension fund still needed to pay out money to its beneficiaries and the UnionVest board started applying some pressure to improve results. This was hugely frustrating and disappointing for David, and presumably the UnionVest PMs, because it conflicted with everything they were doing as ‘long-term’ investors.

Tobacco companies were considered to be one possible solution with a ‘stable’ dividend yield and a ‘defensive’ option when markets were volatile. For SustAM, the goal was to assess the companies “through models and not morals,” as John had clarified in the long email debate months earlier. SustAM’s report assessed the ‘downside risks’. The main one is the growing health burden and governments’ inability to pay these costs with an aging population. This has led to intensifying regulations globally while the influence of ‘big tobacco’ on regulation seemed to be waning. The whole sector was also implicated in child labour controversies in the agricultural supply chain and had done little to address this, which was expected to exacerbate their problems due to the reputational damage. On the ‘upside,’ innovations in e-cigarettes could slow consumers’ cessation process from tobacco and be a potentially attractive revenue stream for big tobacco. The summary or ‘conviction’ – which gave direction on the move ahead – was that there were more attractive options in this sector with Food and Beverage companies that could respond more strongly to consumer health trends and have more opportunities here than tobacco firms.

UnionVest did not have an official ‘exclusions’ policy for tobacco stocks, as several asset owners do. Although the Head of Investments had questioned SustAM’s historical tobacco investments at the first ever meeting – discussed at the beginning of Chapter 2 – there was no formal reason for Mike not to consider the stock. The investment was, however, not made in the given tobacco company. The reason for this decision was unknown to SustAM. The stock had risen in price in the time that it was being debated which could have made it too expensive now. Mike did seem to take some of the medium term risks, from SustAM’s analysis, on-board and this could have driven the decision. He had expressed agreement that there was more uncertainty in tobacco investments relative to food companies.

The incident of the 2015 Chinese stock market crash sparked a brief debate that was broadcast to everyone at SustAM and all the relevant actors at UnionVest. After this ‘market correction’ – which was believed to be based on economic concerns in China – Mike emailed the team to see if SustAM’s sustainability ratings for companies still held since there were now many stocks that were rated highly on SI metrics, but that were now trading at lower prices. In other words, the market fell and stocks were generally ‘cheaper’. John emailed the team to ask them to reflect on what SustAM’s sustainable strategy “meant to them” since:

For 300 years it’s been the same pattern; markets go up, people feel good, a bubble is created starting with the South Sea one, bubbles burst....Our...ratings [of companies] done in the past 18 months aren't going to be changed because the market is spooked yet again.
David agreed and emphasised the long-term nature of sustainability analysis and John reiterated the challenge of investment horizons. Larry replied with a powerful meteorological metaphor – with an image embedded in the email – that is worth quoting at length:

I like to think of [SI analysis] as applying a low-pass filter on the market. We’re here to look beyond the chaos of the market to see where things will likely be in a future far enough out in time that current market players aren’t acting on that information even if they understand that these factors exist.

To use a metaphor – the PMs are reacting to weather (the day to day fluctuations of the market) and we are mapping out the climate – where things are going long term. In the image below we are the red line. We should be able to say what the season will be like (cold or warm) while the PMs need to look at the window to determine whether they need a rain coat or a short sleeve shirt.

![Image](image.png)

We can look out and state that there are some storms on the horizon but when the hurricane hits it’s the PMs that need to board up the shop and find a way to take cover. By enhancing the level of understanding and communication between the two houses we should be able to maximize the returns by avoiding downside risk and investing in the economy of the future and not the past. This process will get ever more important as the pace of change and the number of black swans increase in frequency and duration.

The subtext of the messages from SustAM back to Mike seemed to be that SustAM’s analysts were not going to start operating fully like traditional financial analysts, revising their forecasts as the wind changes.

SustAM hired a new Managing Director (MD) of Research soon after this who – similar to Sarah – was a qualified investment manager with a strong background in ESG, but who would be based at the London office. He was hired to help advance the integration process with all of SustAM’s clients. The new MD arrived at a time when the company was transitioning from a more research-based start-up company to a more established asset-management advisory firm. The bespoke financial software that SustAM and the teams of PMs used was up-and-running. SustAM had an established team of analysts that had been developing their sector expertise and had now built up quite a large research data base. There were fewer requests for company analysis from clients since many companies had been ‘rated’. The new MD had a deep understanding of how PMs operate and made some key changes to the way that SustAM worked with most partners to be more aligned with this. The analysis that SustAM produced became more focused on key factors in order to be more ‘in-step’ with the PMs. This entailed a move away from producing
comprehensive, holistic reports for every company being rated and instead following key issues and adjusting scores where needed. The bespoke financial software was a key platform for realising this change. The new MD also structured interactions to be more in line with how he saw mainstream investment houses operating and to overcome the distributed nature of SustAM’s team. He instituted morning meetings every day to discuss market events and identify opportunities to engage with the PMs. When companies reported their financial market results every three months, he wanted to create “a sense of earnings season” across the SustAM team and show that the team was being responsive and checking whether anything reported impacted the sustainability rating. SustAM analysts gradually began to operate more like financial analysts in their day-to-day work, even if the factors that they were looking at were more like “mapping out the climate” than “reacting to the weather”.

These changes aimed to overcome the difference between the ways of working of portfolio managers and sustainability analysts. PMs are engrossed ‘in the market’ as it is constructed on each individual’s screen in the same way that Knorr Cetina and Brueggar (2000) depict. They are also frequently talking on the telephone to brokers who are trying to sell their view on certain stocks and have more of a market culture. Sustainability analysts are researchers and have more of an academic and learning culture. One of the PMs from another of SustAM’s partners highlighted a key difficulty to me when he stated that “we send requests through to you guys but we know it takes time to do the research and sometimes when we get the scores back the stock’s price has moved”. This is frustrating for both parties. The fundamental difference in ways of working was a barrier to the vision of integration being implemented. The new MD brought the rhythm of SustAM’s analysts more in-line with the PMs. This entailed a move to what was considered a more ‘dynamic’ approach to investment analysis. By instituting regular team meetings, he intensified how knowledge circulated within SustAM in a way that demanded daily engagements with market events for discussion. Analysts’ days become less flexible as they were structured more firmly around the operations of the PMs. Being part of the mainstream meant being ‘in the market’ whilst preserving the gaze of sustainability. These changing organisational forms shaped how valuation was practiced.

The reports back from team members from the monthly meetings with UnionVest gradually became more positive and started to reference clearer and more frequent impacts and “Phase 3” successes. Mike’s fund started to ‘outperform’ slightly after six months. The environmental impacts of the fund were also calculated to be significantly below ‘the benchmark’. This meant that Mike was making enough money – judged relatively – by investing in companies with lower environmental impacts – also judged relatively. There was a shared sense of positivity and “getting to where we wanted to be” across the team, but there was little observable navel gazing. David and John asserted that it was “high time for a review of the model,” which is something that they had wanted to do for some time. An increasing number of SustAM’s competitors were now beginning to practice something more akin to ‘true integration’ and assess many of the same factors that SustAM analysed. John pointed out that the model was now “over seven years old”. The landscape of corporate sustainability and sustainable investing was substantively different. David clarified that “the world had changed and we need to keep moving”.

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The Material Construction of Integrated Investment Analysis

Before closing these three ethnographic chapters, I draw out the materiality of SustAM’s investment model with the aim of allowing the reader a larger window into the technicalities involved. I outline the spectrum of SustAM’s toolkit, which brings material form to the investment thesis, from the work carried out by individual analysts to the integration of sustainability analysts and the financial team. The area of the investment process that I focus on is the core function of the research team. SustAM also utilised a ‘quantitative screen’ using a combination of financial and ESG data in order to weed out the worst companies and assist both teams in focusing on stocks that were more likely to be attractive from both a financial and sustainability perspective. However, this was a background process to me as an ethnographer and to the research team, who spends its days qualitatively analysing companies with the support of various tools to manage and interpret data through the higher-level conceptual framework that constituted the ‘Sustainable Investment Model’ (SIM).

Each analyst has his or her own way of managing information and producing knowledge. Some gather information into a Word document and others into Excel, essentially making rough notes. In either case, they fill in a basic template that has headings for each main component of SIM. There are over 30 components of the model that are subsumed under the themes mentioned above (see Figure 3). I cannot disclose details of the entire model, but showcase edited aspects of it. What follows is an assessment and walkthrough of part of the model at various different stages of the qualitative aspect of the investment process.

Figure 3: Word Template for Model

The Word or Excel templates were filled out by a mixture of conducting proprietary research and synthesising third party information. The balance of the two would largely be determined by the needs of the portfolio manager. If “a quick rating” was required, SustAM’s analysts would rely more strongly on third party data and just plug the gaps in the rest of SIM through proprietary research. A quick rating was considered sufficient due to the level of access...
that *SustAM* had to ESG information. It was widely believed that many funds would use just one or two sustainability data inputs. Therefore, the multiple sources available to *SustAM* analysts and their skill in selecting the data that was deemed most financially material was considered appropriate. Some components of the model could be scored fairly easily by an assessment of third party sustainability data and a quick check to see if the analyst agreed with the assessment. Third party research was mainly ESG scores and data, such as scores for carbon and water efficiency management. It was the responsibility of each individual analyst to carefully select and interpret the third party information, essentially determining how this form of distributed cognition would be enacted. Figure 4 below shows how Excel is used by *SustAM* to rank companies for one sub-component of the model, in this case ‘Water Efficiency’. In this example, the analyst has selected seven companies within the same business sector, pulled in water consumption data from a third party provider using the providers’ Excel codes, calculated the 3-year average percentage change in consumption, ranked the companies according to this figure and then based on their latest intensity level.

Figure 4: Company Ranking Using Environmental Data

<table>
<thead>
<tr>
<th>Name</th>
<th>Country</th>
<th>Sector</th>
<th>Data Point 1: Water Consumption Intensity (volume relative to sales)</th>
<th>Average 3-year Intensity Change</th>
<th>Company Trend Ranking</th>
<th>Company Intensity Level Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>UK</td>
<td>Consumer Non Durable</td>
<td>2793  2605  2601  2979</td>
<td>-0.096</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Company 2</td>
<td>UK</td>
<td>Consumer Non Durable</td>
<td>3111  2805  2912  2943</td>
<td>-0.092</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Company 3</td>
<td>UK</td>
<td>Consumer Non Durable</td>
<td>961   1100  1345  1276</td>
<td>0.105</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Company 4</td>
<td>UK</td>
<td>Consumer Non Durable</td>
<td>6272  6314  6520  6619</td>
<td>0.018</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Company 5</td>
<td>UK</td>
<td>Consumer Non Durable</td>
<td>924   825   752   761</td>
<td>-0.061</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Company 6</td>
<td>UK</td>
<td>Consumer Non Durable</td>
<td>249   245   237   216</td>
<td>0.085</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Company 7</td>
<td>UK</td>
<td>Consumer Non Durable</td>
<td>1039  990   929   877</td>
<td>-0.035</td>
<td>4</td>
<td>8</td>
</tr>
</tbody>
</table>

However, a core feature of *SustAM’s* model was that each analyst who applied it was a sector specialist and developed expertise in analysing certain industries to focus on the issues that they saw as principally important to investment. They developed their own idiosyncratic ‘Key Performance Indicators’ (KPIs) or frameworks for interpreting corporate practices, whether through data, speaking to management and “sell side” analysts or reading through available information. The data shown above is only part of the picture and it would be up to the individual sector analyst to look beyond the numbers. For instance, Company 4 may have just committed to a strategy of reducing water consumption by 50% over the next five years and it could be that the higher intensity level is explained by the core business or product mix having a higher water footprint than the others and therefore not be attributed to poor management. For sectors like ‘food products,’ a critical factor was water use in the supply chain, which would not be captured in the consumption figures shown above. In addition to this, the majority of the components of *SustAM’s* model – such as social factors – were not amenable to quantification and required empirical research into key issues. The accumulated organisational knowledge about what worked and what did not as well as what to look for, sector-by-sector, was considered a key “value add” of *SustAM’s* model.
Tools such as these were useful for supporting analyst judgements and helping them navigate the complexity of corporate sustainability. A key intervention from the new MD of Research was to develop this data capability further with the help of financial engineers and statisticians, though these plans are still only being developed as I write. The model intentionally has broad definitions to allow analysts flexibility when researching companies, while still giving a holistic view of the corporate entity. The trick was to transform that holism into an analysis that emphasised the most financially material aspects. Analysts would distil scores from workings out like those above and polished narratives from rough notes into their Word documents for each of the components of the model. The components – such as water efficiency – were coded within the bespoke financial software that was built for SustAM (see Figure 5).

Figure 5: Entering Data into Financial Software

Once the 30 or so “value driver” scores have been entered by the analyst, the overall SustAM score was calculated. The idea was to have a single score that would be accessible to a portfolio manager and determine whether the company was investible and, if so, how attractive it was from a sustainability perspective. Notably, the portfolio management teams would also produce a financial score and the ranking scales of the two teams were harmonised so that an “integrated” score could be produced. All of SustAM’s calculations – based on the scores produced by analysts – had previously taken place via Excel manually and computed by John. It took several days to complete the Excel “delivery file,” which had a great number of interacting Worksheets and tied the team to monthly communication of scores. It was not deemed acceptable to just average all the scores since the impact of different value drivers varied by business sector. Each score was weighted according to the industry, such as that carbon efficiency would have a high weight for an Oil & Gas company, but a low weight for a Media company.

When the financial software solution was implemented, the Excel file was no longer needed since all the scoring was automated and analysts produced scores in real-time, throughout each month. The configuration of this scoring mechanism determined the level of weight placed on any given score within SIM for each business sector and therefore determined the overall score. This was achieved through a collaborative team project that aimed to harness the team’s collective experience. It was also guided by recommendations from the International Integrated Reporting Framework, a NGO that aims to increase the adoption of integrated reporting globally. Overleaf is a screenshot of part of the model’s weighting in Excel with the edited numbers indicating the level of weight given to each of the components of the model. This artefact of a collective team process only exists as a ‘hardcopy’ for SustAM to keep as a record and as the blueprint to be used by financial software engineers as it is coded into their systems.
The weighting system was as much of a background process to SustAM’s analysts as the Word and Excel templates of SustAM’s analysts were background processes to the portfolio managers. However, another major “value add” of SustAM’s model is how it became articulated with the financial team of experts. Convincing PM’s of partners to allow sustainability factors to alter their scoring process is no small feat. “True integration” at SustAM meant acting upon this willingness to push for the creation of a shared virtual and physical space for working. The goal was to bring the two teams together. A key aspect of that was the utilisation of shared terminals for displaying the scores of each team, the companies held in the portfolios and the ones of interest to each team, for monitoring. Overleaf is a screenshot of a “Watchlist” of stocks. The example is based on a random pick of a sector and list of companies in that sector for the purposes of illustration. Windows with the same structure were set up to unify the gaze of SustAM’s analysts and the financial teams.

SustAM and portfolio manager scores – such as those of UnionVest PMs – were displayed so that any individual could have a snapshot of the sentiment of the financial and sustainability teams on any given stock or list of stocks which had been analysed (see Figure 7). Scores were also displayed for each component of the financial analysis just as they were for every component of SIM, allowing the team to identify areas of perceived weakness or strength with regards to a given company (see Figure 8). The visibility of the scores was central to the investment process. If the combined sustainability and financial score was below a certain threshold, the portfolio manager would not invest. This in itself was also considered a major step since it essentially meant a transition of power from the portfolio mangers to the sustainability analysts. In practice, it meant that the worst performing sustainability companies would be un-investible. There was also added pressure on the PMs to invest in higher scoring stocks since failing to do so would suggest that they were not deeply committed to the investment process. In addition to the scores, postings of analysis from SustAM – which were reproduced forms shown in Figure 3 above – and postings from PMs were tagged to respective companies and displayed on a type of internal social media platform that recorded dialogue that recorded analysis and of companies. Together with the display of the scores, this was the final material stage of the investment process.
Judging what is technically innovative about investment models is inherently difficult, both for the ethnographer who is interested in philosophical reflection and the investment practitioner who is interested in developing a competitive and attractive investment product. However, some grasp on the novelty of SustAM’s model is crucial for thinking about the intervention it is making in capital markets. I have shown that the model should be understood in socio-technical terms. SIM was considered conceptually strong and sophisticated since it combined analytical factors and KPIs that had carefully and collaboratively been developed over many years by experienced sustainability experts. Added to this are the aggregated skills of individual analysts in being able to navigate the model while building business sector knowledge that re-fined how the model was applied. The whole operation was underpinned by strong demand for the type of knowledge produced within a broader institutional setting. However, it was still necessary to convince gatekeepers that the investment products are of value. Once a deal had been made, there was a persistent need to maintain relationships with PMs, senior managers and the sales teams of clients to show that the investment solutions are still desirable.
The material artefacts of investment practice have been showcased above and carry the trace of collaborative labour. In the case of the bespoke financial software, it took three years to get to the stage depicted above and the process of development was on-going. This sometimes pushed the platform to its limits and the IT engineers at the financial software company had to develop numerous workarounds to produce the solution SustAM requested and which acted to reconfigure the interactive order of investment practice there. In the case of SIM’s components, some of these can be traced back to the models used at David’s previous company in the 1990s. The many un-connected Excel files that carry traces of the model – such as that in Figure 6 – and the more sophisticated interacting Excel files that performed financial and ESG screens utilised a range of programming techniques, from basic Excel formulas to advanced functions and coding. These material components of SustAM’s model simplified the global economy and rendered it subject to analysis.

Summary
In trying to change the DNA of capitalism, there was a whole host of physical and conceptual institutional barriers to surmount, organisational complexities to unravel and personal issues to deal with. David had to try to keep everyone happy at once, internally and externally. At times, he seemed beleaguered. In one meeting, he held up a sign to Sally that stated “it’s lonely at the top”. This was at an especially difficult time when the research team was dealing with an unpredictable and heavy workload and people were getting tired “of all this company scoring”. The business development team was operating under conditions “of austerity,” which meant reduced pay and a check on the travel budget, since a large sum of money had been spent on sales and marketing. There was tension between some team members because the business development team would make requests to the research team at a time when they were “already stretched”. In addition, clients continually made demands and raised issues that were often ambiguous and difficult to respond to. SustAM then lost out on winning a potential client deal that it had invested a lot of time and effort in trying to secure and that had been hitherto been considered a very promising and likely deal. The potential client cited internal changes as preventing any new contracts being signed with external investment advisers. However, some people within SustAM thought too much had been taken on and that the deal could have been secured if more time was spent on it. Several people across the firm expressed frustration, concern and discontent at the outcome of the deal, while the whole situation had to be explained to EuroCap after it had been built up. During this difficult time, David rationalised that “changing the DNA of capitalism is a long game” and “we’ll live to fight another day”.

The tenacity to change the DNA of capitalism plays out through sociality and materiality of the investment agency that David founded. This socio-technical configuration – which is the focus of this thesis – is not clearly defined by the actors involved. This view goes beyond economic motivation, which is a difficult facet of humanity to examine. David’s efforts could, for instance, be interpreted as altruistic and a heroic attempt to remedy the ills of capitalism from his standpoint. This could be supported by a satisfaction for operating in an area of finance where there is a
perceived higher purpose or ‘good’ to what is being done. They could also be viewed as self-interested, a risky throw of the dice with a potentially large payoff. David could have retired comfortably after selling his first company with his family all very well off, though perhaps he saw being away from home as a smaller price to pay now that his kids are all grown up. Maybe the whole endeavour to change the DNA of capitalism was a framework for a deeply personal process of self-actualisation, supported by a strong dissatisfaction with how finance operates and intellectual satisfaction in improving the status quo. My guess is that all of these explanations for economic motivation might hold true as self-rationalisations and reasons for engaging in economic practice at different times. However, they do not reveal much about the way that the tenacity manifests in the world and how it holds firm in certain situations and through networks and groups of people who each have their own agendas and opinions. To grasp all of this we need the human economy, which directs the researcher to the whole body of economic life that is rooted in an account of a specific group of actors. Without this, we end up with second-rate and reductionist accounts of how economic life is lived.

The world that SustAM occupies is partly the product of a commitment to financial innovation – being “at the forefront” – that by its nature crosses existing boundaries of theory and practice. It also stems from the drive for social and institutional change that is expected to result from this particular innovation. In building the category of the sustainable investor as distinct from ‘ethical’ or ‘values-based’ investing and ‘mainstream’ investing, SustAM explicitly espoused and perpetuated the ‘value/values’ dichotomy. The stance at SustAM is on the side of ‘value,’ but historical and extant links with ‘values’ investing meant that this was never truly out of the picture and frequently came to the foreground. The labels were identity tags and signposts for the people involved and central to building their identity as sustainable investors, even if this new category was difficult to grasp for the people implicated. They were also used by SustAM’s leaders to win arguments when ‘personal ethics’ were perceived to be slipping into the valuation framework, which is itself intertwined with commercial elements.

Sustainable investing straddles the line between finance and the ‘real’ economy. By its definition and nature, it cannot operate as a largely detached realm. Yet the links between what SustAM does and the companies invested in – the ‘real’ economy – were not explored day-to-day by the actors that I worked with. There was still a distance between their world and investee companies. It was mainly assumed that the aggregated capital allocation decisions of SustAM and other such sustainable investors would have an impact and cut off the cheaper funding supply of capital markets. John rationalises:

Having [worked with David for many years], I feel a sense of pride that we were there in the early days, fighting to change attitudes among investors and making a business case for ESG/SI. But I now have a very jaundiced view of what SI can achieve. For me it is too remote, to distant, too slow to deliver. I am pleased to see that impact investing is a new movement, as it can potentially deliver on the ground change.

Sarah ran a clean-tech fund for another company to have “on-the-ground” change and surmount this distance.
John acknowledged that what *SustAM* is aiming for is “incremental change” in corporate practices. While the investment thesis represents a fundamental change in investment practices, the changes outside of finance are another matter. These concerns are shared by others in the industry who “wonder how real the changes are, how deep their roots go, and whether we are occupying a niche market that deserves a nice pat on the back, but no more” (Lydenberg 2008, xviii). Investors associations have emphasised growing shareholder advocacy and the increasing prevalence of, and support for, shareholder resolutions for ESG issues that are raised directly with companies at their Annual General Meetings with shareholders (US SIF 2016). Nonetheless, the impact of specific ‘capital allocation’ decisions on company behaviour is difficult to grasp or measure. I do not mean to play down the impacts of SI. Raising the agenda of sustainability with the world’s largest corporations, even incrementally, promises to make a huge difference, but the exact lines of causality – from the activities – are unknown from the sustainable investors that I worked with. Referencing success cases of SI in the real economy was therefore not descriptive of their own practices, but a clarification of ambition and legitimisation of purpose. It was a way to identify with a wider movement to lift the benchmark for corporate sustainability.

Within *SustAM* there was also a model for how an investment company should be run and the type of organisational culture that this can engender. There is a sharp contrast between the experience of the analysts that emerges from the investment agencies depicted by Ho (2009) and those at *SustAM*. The predicament of the investment banking analysts is one of exploitation, stress and isolation. These tribulations are an accepted feature of life at the bottom of the institutional hierarchy where the main task is to crunch numbers on the factory floor. Unlike investment bankers, analysts at *SustAM* were not usually expected to work long hours. The work was demanding at times and the job of a research analyst is never complete, but the work was managed in a collegial and flexible way relative to investment banking. When interns were hired, they could easily have been assigned to spreadsheet work and data gathering. Instead, they were treated as analysts, included in any meetings and given focused research tasks which were presumed to be more interesting for them. By working alongside SI analysts, I have been able to draw out the importance of teamwork and collaboration for these actors. This is due partly to the difference in methodological approach – working directly with the team of experts that I depict relative to Ho (2009) – and partly due to the organisational ethos at *SustAM* and the role of the analysts there.

This inclusive approach also extended to *EuroCap’s* interns. One of *SustAM*’s analysts remarked to me that *EuroCap’s* interns – as part of a much larger organisation – would sometimes “just appear in the office,” without *SustAM* knowing in advance. He said that team *SustAM* would invite *EuroCap’s* interns on any team drinks nights because they did not seem to get much opportunity to do this with their own company. This conviviality was also evident in the relations between *SustAM* and the financial actors of its partners. This demeanour seemed crucial to building a strong body for sustainable investment that allows the project of changing the DNA of capitalism to flower.

The approach to the human economy that I have outlined focuses on what animates financial markets with a focus on the ‘how’ rather than the ‘why’. This perspective has guided the
content of Chapters 1 through 3. The stage was set when David decided to found a new asset management company that constructed the category of sustainable investing while at the same time trying to transcend it. To do this, he had to mobilise a group of close and trusted contacts and historical institutional relations. SustAM was operating in a competitive arena with what was considered a “shoestring budget” alongside institutions with huge resources. The drive to change the DNA of capitalism ‘from within’ was intertwined with the same competitive dynamic that is foundational to capitalism. The competitive spirit was untouched and perpetuated. ‘Changing the DNA of capitalism’ then refers to the re-engineering of mind-sets and interactive modalities of financial actors and – by supposed extension – economic actors so that they can operate successfully in a competitive landscape. The rules are changing, but the game goes on. However, the social relations that ultimately reformat the information carrying structures of the DNA of capitalism are characterised by collaboration and trust, where groups of experts work together to unravel the organisational, intuitional and personal complexities of these paradigmatic transformations in investment valuation and the uncertainties that they import.
Chapter 4: Reflections on Sustainable Investing: Impact, Policy and Practice

The preceding three chapters identify the social relations of a group of investors and their material practices through the eyes of the human economy. This chapter broadens the scope to reflect on the significance of these practices and to think through current transformations in the institutional investment industry. It also takes time, where appropriate, to draw out some conclusions for future ethnographies, though these aims are met more fully in Chapters 6 and 7. Its main theoretical goal is to elaborate on the moral economy of SI. This may seem a curious choice since my interlocutors, and many in the industry, define their practices as not about ‘values’ but about ‘value’ or the ‘business case’ for sustainability. I will show, however, that SI can be understood as a moral economy that is based on changing norms and ideals that govern investing. The empirical validity of investment models – as judged by their impact on stock prices – is inherently difficult to judge, as outlined in the Introduction. The category of the sustainable investor is also open and unclear, especially at an institutional level. In the absence of these clear and present truths, the normative plays a greater role.

E.P. Thompson (1971, 90) reminds us that the location of morals in economic frameworks is important when he argues that with “the new economic theory questions as to the moral polity of marketing do not enter, unless as a preamble or peroration”. He was referring to the repeal of regulation against forestalling in the 18th century and the intellectual support for a self-regulating market that cohered in Adam Smith’s *Wealth of Nations*. Morality is located outside of this economic model since the self-regulating market is already assumed to operate for the common good and is therefore a moral imperative in itself. Thompson (1971) contrasts this with the paternalistic model of market supervision and consumer protections over food production and consumption that preceded it. Thompson’s (1971) moral economy is against ‘the market’ and is anti-capitalist, with a focus on 18th century food riots in England. This does not sit comfortably with the contents of this thesis, which is based on actors within a market setting at the centre of capitalism. Can we identify a moral economy in this sort of setting and if so what type of moral economy is it? Hann (2010) suggests that using moral economy to refer to any behaviour other than individualistic economising risks trivialising the concept. He also warns that the term privileges ‘the normative’ relative to other terms like society and that norms are, not only complexly distributed, but also something that elites possess. Similarly, though sustainable investors explicitly remove morals or values from their economic judgements, there is clearly a normative aspect to the whole practice that should be examined. Sustainable investors cannot be considered simply as operating in the amoral world of the self-regulating market. They are trying to institute fundamental change in the global economy and this is an inherently normative endeavour. It is a different type of moral economy. By teasing out the substantive aspects of these normative elements – that encapsulate their market engagements or economising activities – and their relation to broader institutional and social matters, we should hopefully maintain a place for using the moral economy analytically in this sort of setting without trivialising it.
The concept of moral economy that I adopt is akin to that used by Ourousoff (2010) in *Wall Street at War* and refers to institutional ideals within which people operate. Ourousoff (2010) argues that the notion of self-interest does not define the relationship of corporate executives and credit analysts to the economy within the moral economy that they operate. Rather, it is an “instrumentalist orientation towards profit which, because of its benefit to society, is morally good” even if this moral economy has broken down through analysts’ attempts to manage uncertainty (Ourousoff 2010, 29-30). Similarly, investment managers are legally mandated to make money for their clients. They operate as though ‘self-interested’ in their transactions, though the actions are undertaken for clients or beneficiaries. An instrumentalist orientation to risk more accurately describes their relationship to the market in carrying out this mandate than self-interest (Ourousoff 2010). The need to produce a ‘return’ for their clients frames their market engagements.

*SustAM’s* analysts work with people who have an institutionally structured instrumentalist orientation to risk and profit. Therefore, it seems that *SustAM’s* analysts have an instrumentalist orientation to the intersections of corporate sustainability and investment risk. They are also “thinking subjects” who overtly engage with complexity and ambiguity, suggesting that they are “reflexive,” rather than just “rational” profit maximizers (Miyazaki 2013). People also make transactions within a system of institutional values that they do not always share and sometimes have to accommodate, as illustrated through the team interactions at *SustAM* that are outlined above (Ourousoff 2010, 30 fn9). The same is true of sustainable investors who may not always be comfortable with the outcome of their activities and who are less comfortable with the norms of mainstream investing. However, rather than a shared orientation toward profit, and despite explicit attempts to remove morals from the equations by the actors involved, there is an underlying moral principle to the institutional changes being made; namely, a pragmatic, utilitarian moral principle within institutional investing whereby the practice of investing should, on balance, fundamentally encourage the maximisation of positive outcomes and the minimisation of negative outcomes in the global economy, society and investing.

The focus or orientation to ‘profit’ for the people that I worked with was more of a way of leveraging their views in mainstream finance than a belief that profit is morally good in a narrowly construed sense. Rather than assuming that ‘profit’ could be beneficial for all stakeholders in an instrumentalist manner, they wanted to at least try to understand how this could work by including social factors in profit making decisions. In doing so, they are not acting against the market principle itself, but the way in which it is being implemented in the mainstream. Ourousoff (2010) focuses on the moral outcome of wealth generation, but SI intends to create social outcomes and generate wealth. This does not mean that it is trying to reshape finance and the economy to be fundamentally based on social values. Rather, much like anthropologists, sustainable investors must think through and analyse social institutions, forms and processes; they are also concerned with how wealth can impact social life as well as the changing role and meaning of wealth. This analytical gaze is propped up by a utilitarian principle within a moral economy that makes certain specifications for finance, the market and capitalism. The remainder of this chapter is presented as a series of reflections on the moral economy of SI.
Sustainable Investing and Sustainable Capitalism

Changing the DNA of capitalism has been shown to refer to the goal of instituting long-term thinking and a focus on non-traditional or sustainability factors into capital market investment processes. It aims to change the valuation frameworks and transactional configurations of finance within the competitive dynamic of capitalism to bring about incremental change in capitalist practices. This ‘performative’ dimension is intended to stretch beyond investment decision-making due to investors’ influence over corporations; the categories of analysis are intended to represent and shape corporate practice (Callon 2006). While this ethnography centres on one person’s stated life mission and the material practices that this engendered, this should be understood within a broader sphere of activity; namely, the drive for ‘Sustainable Capitalism’. A critical view of this should complement the ethnographic ambiguities that are revealed above. This term encompasses the notion of the sustainable corporation and sustainable finance as “an economic system within which business and capital seek to maximise long-term value creation, accounting for all material ESG...metrics” (Generation 2015, 1). It is a market-led attempt to transform capitalism to respond to a number of global challenges, many of which we could argue are a product of capitalism in the first place. Sustainable investing is wedded to the mission of economic growth that is implied within mainstream finance whereby investment funds and the companies that they invest in are expected to competitively ‘outperform’ on profitability. Yet it can be said that economic growth runs contrary to sustainability (Viederman 2008, 194). Thus, SI overlooks the debate around non-growth capitalism or a steady-state economy. For these reasons, the nature of this growth and how it is encouraged by SI should be critically examined.

SI does not address the concentrations of capital and economic power in large corporations. The opposite is true in theory since investments are made on the basis of expectations about continued corporate profits. Thus, a major concern, for me, is that SI becomes an arm of the very thing that it is trying to change; namely, big business. My worry is that SI could ultimately provide enough legitimacy to corporate behaviour to help stave off a strong ‘double movement’ from society in a Polanyian (1944) sense. For instance, companies can adopt sustainability as a form of branding whilst only making minor changes to their business strategies that are still far from aligned with the interests and needs of society. The only purpose of an economy – in my opinion – is to function for the societies within which it is embedded. A danger of a transformation ‘from within’ is that it gets hijacked by the very people and organisations that are the intended targets for change. If the sustainability paradigm adds to the free market myth this could be destructive and validate Polanyi’s (1944) concerns. Larger companies have more resources and can afford to spend more money on ‘investor relations’ and sustainability staff. They can also afford to pay consultancy fees to companies – such as Ernst & Young – who provide ‘sustainability services’ that assist companies in their reporting. It is easier for these companies to legitimate their business strategies. While SI may target companies that provide solutions for a low-carbon economy, for example, it also has to invest in a range of business sectors to diversify,
since this is how mainstream portfolio management is structured. This point will be revisited in the
next chapter. The main challenge here seems to be in the ‘best-in-class’ aspect of this particular
strategy and since “relative benchmarking ensures there is always a sector leader” (Robins 2008,
14). In other words, investors must be open to choosing companies from all business sectors,
even if none of the those companies are especially appealing from a sustainability perspective.
This "mirrors the benchmark hugging...strategies of the investment mainstream” that I discuss in
more detail below (Robins 2008, 14-5). To this extent, SI may run the risk of operating in the
same way that credit rating agencies have been shown to in channelling and concentrating capital
in large ‘investment grade’ corporations (Ourousoff 2010). Sustainable investment funds are
generally only able to invest in ‘higher rated’ companies from a sustainability perspective,
otherwise they are at risk of breaching their investment mandate.

The case of Food Inc. – one of the world’s largest food and beverage companies
introduced above – offers a pertinent example of encouraging concentrations of capital and one
that is disruptive to sustainable investment logic. Cases like Food Inc. are a window into the
current challenges that SI faces. The way in which investment companies navigate key issues such
as these is fundamental to what SI becomes. Food Inc.’s involvement in a multitude of ethical
dilemmas is telling but I focus on the issue of water – which Food Inc. bottles and sells – for
purposes of illustration. The company’s CEO once stated that water was not a human right,
essentially denying the right to live. Food Inc. has since been embroiled in water-related
controversies around the globe - in Pakistan, Canada and California - due to opposition to its
bottling plants. These plants take water from local communities in water-scarce areas to
commoditise it, which often results in a backlash.

However, on many metrics that sustainability analysts use, the company would “score
well” on water management and it has been spotlighted by numerous organisations for good
practice. The company recently maintained its high ranking in the Dow Jones Sustainability Index,
where it has a leading environmental ranking in the industry. It also received a ‘leadership’ rating
from the Carbon Disclosure Project’s Water Programme for its water stewardship. Food Inc. has
also notably been praised by a leading international charity for its water management practices
and its recognition of the importance of water in a campaign that assesses the sourcing policies of
large food companies. Moreover, if one were to compare Food Inc.’s water management practices
in its own facilities with that of other companies in this sector, they would appear strong relatively;
the company has made considerable improvements in the water efficiency of its direct
operations and has set ambitious reduction targets.

I do not mean to suggest that SI analysis is redundant in these cases, as the ethnography
of this company has shown, but that there should be a reliance on judgment. Yet judgement is
expensive since it takes time to enact. Due to the ways in which analytical information and
knowledge is commodified in the competitive landscape of institutional investment, there is a
danger that investment strategies specify easily replicable options. It would be less labour-
intensive for an investment strategy to focus on the easily-quantifiable aspects of food and
beverage makers’ water management strategies, such as their direct operational water usage and
ignore the relations that these companies have with communities. These can still be discussed in
the language of risk, as a threat to 'reputational capital' perhaps, but would require some critical thinking. The impact of community-related controversies is difficult to predict or quantify whereas pulling water consumption statistics is fairly straightforward. However, one can still be left with the decision to invest in one major global food company over another in the hope that it will keep growing its profits.

John highlighted the flaws in this logic when we were being critical of another major processed food manufacturer for showcasing the nutritional value of its product portfolio when a key brand was, in John's terms, "shite mixed with water, bonded with emulsifier to make it go further". The goal was to pick the companies who were at least trying to raise their game and support this incremental change. It is a bit like guiding a runaway train through the path of least destruction and gradually slowing it down to a more manageable level, rather than simply jumping out of the way and avoiding it altogether. The latter course of action might be characteristic of ethical investors avoiding 'sin stocks,' but in mainstream investment, this is not an option unless the financial case can be made. In cases like food and beverage companies, where the argument for sustainability is perhaps more difficult to make than with renewable energy companies, it seems that a more active and engaged role may be required to encourage the type of incremental change that SI promises. In other words, as Sally pointed out, companies should not be given "an easy ride". One effect that sustainable investing might be able to have is to raise the agenda of sustainability within companies where the case for sustainability is not so clear cut. There are likely to be people within most major companies that are championing this. I spoke to a couple of senior sustainability executives - from Food Inc. as it happens - when at an investor event. They expressed frustration at the difficulties they faced trying to raise sustainability issues to the level of the board of directors. In this case, SI might give more voice to these executives, but at the moment the jury is out as to what its impacts might be.

The question of the impact of SI on the economy, ecology and society may have to be answered retrospectively at a future date, but two broad areas are worth keeping in mind when thinking about this. Firstly, part of the question will be whether and how capital markets successfully support the transition to a low-carbon economy, before the planet warms to beyond the '2 degrees' threshold, after which it is believed there will be severe consequences for life of earth. While the recovery of the ozone layer attests to the effectiveness of global society in responding to climate issues and can afford us some optimism, there is a strong feeling amongst many of the environmental experts that I maintain relations with that we are doing too little too late on climate change. I do not have the space to outline the climate change debate or address the issues of climate sceptics. Instead, I turn to the international body whose role it is to examine climate change science.

The latest report from the Intergovernmental Panel on Climate Change (2014, 2) suggests that "recent anthropogenic emissions of greenhouse gases are the highest in history". This does not necessarily point to a failing of SI, but it suggests that more needs to be done and that ongoing ethnographic research here is needed. Secondly, with escalating monetary inequality around the globe - now within countries - the question of how SI deals with this redistributive problem should be addressed. SI does not address this issue directly since it invests existing
wealth to generate more wealth. SI’s role in combatting inequality is through tackling excessive remuneration and supporting social infrastructure (Robins 2008, 5). For instance, many of the metrics within SI place a positive value on strong labour rights, prevention of excessive pay (particularly short-term incentives) and programs to invest in staff development. Companies that demonstrate a strong commitment to these issues have more chance of receiving a positive rating from SI analysts. The ethnographic method seems well-suited to tracing these aforementioned linkages and teasing out the current impacts of capital markets on the economy. Ethnographic studies that can unravel and follow these threads – perhaps by eliciting the corporate view of sustainable investment – will have clear lines of engagement with financial and business actors.

The Moral Economy of the Sustainable Fiduciary

The impacts of sustainable investing on economic institutions are unclear and are an open question. The question of the impact of sustainable investment within investing and on investment funds is also far from understood. This centres on whether the practices of investors like those at SustAM ‘add value’ in the way they hope and claim to. A major focus of academic and industry studies into the impact of SI is its role in the ‘performance’ of investment funds. Through looking for correlations between sustainability factors and market prices, they question whether SI actually manages risk or ‘adds value’ successfully, since this is one of the primary thresholds that it must surpass in order to shape mainstream investing. A recent ‘meta-study’ indicated that “Superior sustainability quality (as measured by aggregate sustainability scores) is valued by the stock market: more sustainable firms generally outperform less sustainable firms” (Clark, Feiner & Viehs 2014, 38). SustAM team members also referenced similar studies in their interactions, while acknowledging that they do not expect to make a correct decision or “good call” on every occasion. The performance of investment funds is the standard by which SustAM believes it will be ultimately judged. David has highlighted a “double standard” in how sustainability analysis is judged, pointing out that “60-80% of TRADITIONAL managers can under-perform benchmarks each year” without people calling for their banishment. Sustainable investors – trying to cross over from the margins of the mainstream – are caught up in a constant process of having to prove their worth, as judged by financial performance, and using models that are less-established and unconventional.

My own research may offer little assistance to David, who has been grappling with these types of institutional barriers for decades in an attempt to change mainstream financial practices. His knowledge of these extant power structures and his interpretation of the worldview of these actors are based on years of first-hand experience. David is also astutely aware and enthusiastic about new ways of thinking from people like anthropologists that may help to overcome these. As an anthropologist immersed in the immediacy of the practice of investment analysis, there just was not the time for me to explore this issue ethnographically. However, this is a research

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6 See for instance a study by Harvard Business School which found that US companies with high sustainability strategies outperformed the stock market and posted greater profits (Eccles, Ioannou & Serafeim 2014). There are also many reports from within the industry that make positive links between sustainable investment strategies and better investment returns (Morgan Stanley 2015).
question that anthropologists could explore with people like David who are open and sympathetic to collaborative and lateral thinking.

What is more, the ‘value add’ of SI is still an open question in some quarters. For instance, a leading investor coalition in the sustainable investment space recognises that “the relationships between specific social and environmental issues and investment performance are often not clear, [and] that the investment tools for analysing these issues remain relatively underdeveloped” (UNEP FI 2015, 14). It is also significant that SI, as practiced by my colleagues, is based on the hope that financial markets will become more ‘efficient’ and recognise that sustainability matters financially. Yet it also assumes that markets are inefficient enough in the meantime for them to capitalize on this. These points are not mutually exclusive, but they do bring us back to the issue of timeframes and the temporality of sustainable investing. For SI to even begin to be about structural change, it still needs to survive pragmatically in a world of short-term performance measures for investment funds and markets that are prone to boom and bust. This is a core contradiction that my interlocutors are confronted. This is shown in the interactions within SustAM when developing a strategic position for the oil and gas sector, discussed below, the pressure from UnionVest for quick results, in Chapter 3, and general statements to this very fact from my interlocutors.

Sustainable investors recognise the need for urgent change while simultaneously acknowledging that their work might only produce slower, incremental changes in the real economy. They also claim to be able to ‘add value’ to investments in a world where the present is obscured by the complexity of interacting forces and a future where the outcome of investment decisions, and indeed the place of SI in the mainstream, is unknown. I do not believe that this somehow invalidates their claims and efforts or makes them disingenuous. For SustAM, it clarifies purpose and plans. It also suggests that the construction of financial markets presents a number of practical challenges. Zaloom (2006) points out that companies and traders bring globalisation into being whilst also trying to catch up with it and that this requires analysing finance as a series of practical problems. The same is true for sustainable investors with regards to sustainable capitalism. People are acting in situations that are difficult for them to interpret, influence and even define – as evidenced by the multiplicity of acronyms that point to something other than ‘finance as usual’ – as well as acting where the outcomes are uncertain. Despite these uncertainties, there seems to be a growing sense of agreement that ‘sustainability’ is the way to go in finance, even if people are not sure what that is, or how to get there. Whether this is down to changing generational attitudes, post-crash sentimentalities, burgeoning social problems, ecological challenges or some other phenomenon, more is being expected of monetary wealth and the people who act as stewards of this capital. At the moment, sustainability sells and this buys investors more time to understand the impacts, sharpen their tools and clarify their purpose. However, the temporal pressures of mainstream finance are never out of the picture.

Within the moral economy of SI, and against this uneven and uncertain backdrop, there are two ways that sustainable investors have driven more enduring changes in institutional investment. Investors have grouped together under various associations with the aim of legitimating, understanding and advancing some area or other of sustainable investment and
contributing to upholding the faith in, and commitment to, this emergent paradigm. A key focus of these efforts is a challenge to the figure of ‘the fiduciary’. By formally changing what it means to be ‘a fiduciary,’ sustainable investors can secure their presence in mainstream markets. Board members of *SustAM* have been highly influential actors in this very project. The fiduciary relationship is a legal obligation that is internalised in investment agencies as a means of governing conduct. The mode and make-up of this role is changing with SI. The section below gives an outline of contestations of the figure of the fiduciary and shows the entanglements of sustainable investing with politics and law. The section after the next exemplifies the second way in which sustainable investors can enact institutional change; namely, through the development of successful financial products that have enduring ideas and practices. While one could argue that ‘ESG’ or ‘sustainable investing’ is an example of this, I focus on the development of a new strategy at *SustAM* and discuss this in light of the figure of the sustainable fiduciary.

**Constructing the Sustainable Fiduciary: Investor Coalitions and State Consultations**

‘Fiduciary Duty’ is the legal concept that sustainable investors have focused on in their efforts to shape the policy space. From a policy perspective, the figure of ‘the fiduciary’ has been a central imaginary in sustainable investing and its collective efforts at establishing a firm foothold in mainstream investing. The ‘fiduciary’ figure should be considered a close relative of the figure of ‘the investor’ that Preda (2005) depicts. He shows that the concept of ‘the figure’ is useful for depicting changing ideas about the roles of economic actors in society. Sustainable investors have been transforming the fiduciary figure through investor associations. This exemplifies ‘Non–State Market–Driven’ governance systems, thus it is important to grasp how they gain legitimacy and durability. These “domestic and transnational private governance systems…derive their policy-making authority not from the state, but from the manipulation of global markets and attention to customer preferences” (Cashore 2002, 504). We should also consider the question of state regulation and how this impacts SI. ‘Fiduciary duty’ is a contested concept whose meaning is structured by jurisdictions in different countries and regions (UNEP FI 2005). ‘Regulation 28’ of the ‘Pension Funds Act’ in South Africa is generally considered progressive action in this area by SI, requiring pension funds to indicate how they will integrate ESG factors into investment policy documents. However, the policy context elsewhere is less amenable to sustainable investing.

Rather than attempt a broad review, and aside from a brief explanation of what this term means, I focus on the specific actions of investor groups in influencing this concept and explore its relevance to UK investors in particular. In examining debates over what it means to be a fiduciary, I focus on the influence of investor coalitions on the *UK Government*.

An examination of efforts at defining what it means to be ‘a fiduciary’ at an institutional level will reveal the entanglements of investment risk and value in law and politics. While my method in this section is archival, ethnographic research that depicts how legal, regulatory and back-office processes are changing under SI – what Riles (2010) calls ‘collateral knowledge’ – would be a window into concrete impacts of the paradigm change. Still, a grasp of how sustainable investors are trying to impact the broader policy framework of investment...
management as well as how this is changing, brings a key actor in this domain into play; namely, the figure of ‘the fiduciary’. Maurer’s (2005b) work in offshore finance illustrates how the management of risk goes beyond calculation to rely on judgement and ethical self-fashioning. In jurisdictions that were trying to get off the OECD’s (Organisation for Economic Co-operation and Development) blacklist as ‘Tax Havens,’ ‘due diligence’ procedures were instituted that invoke the common law notion of ‘rational man,’ rather than the ‘self-interested’ man of economics. This does not operate under signs of certainty but situational judgements. As Gluckman argues, judges establish truth, not through fact, but through legal and moral norms (cited in Maurer 2005b, 494). The implication for sustainable investors’ attempts at re-constructing the figure of the fiduciary is that what counts as a ‘fact’ within an investment process is not absolute or purely economic and thus can be judged relative to wider, transformational standards about what it means to be a manager of wealth at different historical junctures.

Fiduciary duties are considered to be a form of obligation that various types of professional people have when they control money for some other person. They exist to ensure that the person who is managing the money – ‘the fiduciary’ – acts in the interests of the person whose money this is – ‘the beneficiary’. In this case, investment managers have a duty of loyalty and prudence when investing money of asset owners and, by extension, the underlying pension and insurance holders. The former is about acting in ‘good faith’ and is more of an ethical code of conduct. The latter duty, of prudence, specifies that “Fiduciaries should act with due care, skill and diligence, investing as an ‘ordinary prudent person’ would do” (UNEP FI 2015, 11). This is an important threshold for monetary transactions. It keeps the institution in view as the main player, and holds the individual accountable to the firm and client through a legal reminder of his or her ‘duty’ to remember too that institutions are constellations of relationships. The actions that initiate investment transactions are not simply those of atomistic individuals maximising profits. Nevertheless, the notion that fiduciaries exist solely to maximise financial returns for their clients or beneficiaries is a prevailing belief that can act as a barrier to ESG integration and thus has been the focal point of sustainable investment associations.

Sustainable investors have vied for a reinterpretation of fiduciary duty through prisms of sustainability and ESG factors. They argue that the notion of ‘fiduciary duty’ should be redefined in the context of global challenges. With their focus on the importance of ESG factors, the duty of ‘prudence’ seems to be the main area for transformation. Viederman (2008) reveals a subtle distinction in the meaning of prudence in investment. If the concept of ‘prudence’ used to mean being ‘far-sighted,’ today it is defined as being circumspect, wise and having good judgement. He argues that the ‘prudent’ fiduciary “now looks through the rear-view mirror to confirm what has been done, rather than looking through the windscreen to see what must be done” (Viederman 2008, 192). In other words, one could be construed as acting ‘prudently’ by simply following the procedures of ‘traditional’ investing and modern portfolio theory, as they are described in the next chapter. This elevates the ‘forward-looking’ methods of sustainability analysts to the very purpose and being of investors as imagined through the figure of the fiduciary.

We can observe attempts to change norms and shape the policy space with respect to ‘the fiduciary’ in the actions of investor coalitions that aim to legitimate sustainable investment.
The PRI and UNEP-FI – with their international scale and United Nations backing – are two leading authorities in this area. Over one decade ago, UNEP FI (2005) produced the landmark *Freshfields* report by inviting one of the world’s leading law firms to assess “whether institutional investors...are legally permitted to integrate environmental, social and governance issues into their investment decision-making and ownership practices”. The conclusion centred on the notion of fiduciary duty:

there is no general requirement in English law or Scots law for investment decision-makers to invest according to ESG considerations but ESG considerations are relevant considerations that must be taken into account in the process of investment decision-making... It is not a breach of fiduciary duties per se to have regard to ESG considerations while pursuing the purposes of the trust. Rather, in our opinion, it may be a breach of fiduciary duties to fail to take account of ESG considerations that are relevant and to give them appropriate weight, bearing in mind that some important economic analysts and leading financial institutions are satisfied that a strong link between good ESG performance and good financial performance exists.

The intention of the report was to transcend a threshold that prevented sustainable transactions in wealth management; namely, by clarifying that it was not a breach of fiduciary duty to consider something other than financial profits, narrowly construed, in an investment process.

With reference to the UK, the report suggested that, in a legal case over breach of fiduciary duty:

a court will inquire whether care, skill and diligence have been exercised by the decision-maker, whether regard has been had to the need for diversification and to the ‘suitability’ of each investment, and whether the decision-maker has taken into account all relevant considerations (UNEP FI 2005, 94).

It also suggested that the court would determine if they acted ‘reasonably’ and considered all options, which should include ESG factors even if these were not ultimately financially material (UNEP FI 2005, 94). In the context of the global financial crisis – where fiduciary duties were largely ignored – and on the back of considerable momentum for sustainable investment, UNEP FI (2009) followed this up by producing a legal roadmap with guidance for including ESG factors in investment contracts and mandates.

This was undoubtedly a huge milestone in itself, though the direct impacts are difficult to trace. Nonetheless, if we examine changes to the formal figure of the fiduciary in one jurisdiction, we can see that little has changed at an institutional level in the ten years since the *Freshfields* report was penned. A review by Professor Kay for the Department for Business Innovation and Skills into the effectiveness of the UK equity markets for the British economy made a number of influential recommendations to combat the short-termism that pervades investing, partly using the work of UNEP FI as a platform (UK Government 2012). It revealed considerable uncertainty throughout the investment value chain over whether fiduciary relationships exist and over their content; it recommended that, within a broader concept of ‘stewardship,’ the fiduciary standards of prudence and loyalty should be upheld (UK Government 2012, 67). The report firmly locates the responsibility to act prudently in individual judgement and distinguishes this from ‘lemming’ or ‘herd’ behaviour (UK Government 2012, 68). It supported a broader interpretation of fiduciary duty by pension trustees and emphasised that some:
equated their fiduciary responsibilities with a narrow interpretation of the interests of their beneficiaries which focused on maximising financial returns over a short timescale and prevented the consideration of longer term factors which might impact on company performance, including questions of sustainability or environmental and social impact (UK Government 2012, 68).

Thus, another key recommendation was that the UK Law Commission should “review the legal concept of fiduciary duty as applied to investment to address uncertainties and misunderstandings on the part of trustees [pension companies] and their advisers [investment managers]” (UK Government 2012, 69).

This guidance was followed by the UK Government. After a two-year consultation period, the UK Law Commission (2014) concluded that pension trustees should take into account factors that are financially-material. They clarified that this ‘may’ include ESG factors that are material to investments. However due to ESG being “a portmanteau concept, covering so many different factors, and used in so many different ways, it would not make sense to say that trustees must take an ESG approach” (UK Law Commission 2014, 101). It was also recommended that the government review the reference to “social, environmental or ethical considerations” – notably conflating value and values – as one of the matters to be included in the statement of investment principles, to ensure that it accurately reflects the distinction between financial factors and non-financial factors (UK Law Commission 2014, 146). This was welcomed by the National Association of Pension Funds (NAPF) since it gave them “reassurance that trustees should indeed use their judgement” (Pension Funds Online 2014). Nothing needed to change from the view of pension funds. However, sustainable investors – this time operating through the UK Sustainable Investment and Finance Association (2014) – had a different view. Emphasising their collective capital power – £550B – they sought ‘statutory clarification’ over fiduciary duty from the Coalition Government through an open letter to Vince Cable. The Department of Work and Pensions ran a consultation period on this point from 27th February to 24th April 2015 with a response expected to be published later in the year (UK Government 2015).

UNEP FI (2015) then published a report, ‘Fiduciary Duty in the 21st Century,’ that outlines a “global roadmap for ESG integration,” endorsed in the foreword by Al Gore’s Generation Asset Management. The report’s intentions are to elicit the views of leading sustainable investment managers around the globe, rather than seek legal clarification, and acts as a platform for the collective voice of sustainable investors. It captures the current landscape where ESG factors are becoming normalised in institutional investing. “Fiduciary duty is not the obstacle it is commonly assumed to be...although fiduciary duty is often presented as an excuse for not taking action” (UNEP FI 2015, 15-16). Though there has been ‘little change’ in the law over fiduciary duty over the last decade, there have been changes to the requirements for ESG disclosures by institutional investors as well as the incorporation of ‘soft laws,’ such as the ‘2012 UK Stewardship Code,’ which encourages investors to be ‘active’ owners and disclose how they engage with the companies that they own on a ‘comply or explain basis’. The report emphasises the ‘high-level’ commitments by institutional investors to ESG integration and argues that it is no longer a controversial topic. However, it argues that, even after the legal clarification from Freshfield’s,
many investors still point to their fiduciary duties as reasons for not adopting sustainable investment strategies (UNEP FI 2015).

The report explores whether a redefinition of fiduciary duty is in order and questions if fiduciaries are ‘required’ to consider the social and environmental impacts of their investments. For the UK, it outlines specific requirements for the government to amend the ‘Occupational Pensions Schemes (Investment) Regulations’ and lists action points for the Financial Reporting Council (FRC 2012), both with the aim of encouraging ESG integration (UNEP FI 2015, 23). In the context of the Law Commission’s actions, it suggests that “there appears to be an emerging consensus among legal practitioners and investment professionals that the integration of ESG factors into investment decision-making will become the norm even if not prescribed by the law” (UNEP FI 2015, 54). More broadly, it is suggested that the book will fall on the process followed rather than the outcome of investment decisions since:

courts will distinguish between the decision-making process and the resulting decision. The law is reluctant to test fiduciaries against the perfect wisdom of hindsight, or second-guess judgments that inherently involve a balance of commercial risks, providing that the fiduciaries can demonstrate that they applied an appropriate degree of diligence in their good-faith pursuit of beneficiaries’ interests (UNEP FI 2015, 16).

This moves the burden from individual responsibility that the UK Government (2012) identified, whereby “the ‘prudent man’ must exercise his own judgment – he cannot discharge his duty simply by doing what others do,” to the process that individuals follow. This implies that it is institutions, rather than individuals, that will be accountable for any breaches of fiduciary duty and leads us to question whether the figure of the fiduciary signifies an imagined individual figure or an institutional process. The lack of any concrete changes with respect to the legal aspect of the fiduciary figure over the last decade amid clear institutional changes suggests that we are seeing changing norms within a moral economy. These norms are driven by collaborative institutional relations that aim to perpetuate the changes that are being made to the information carrying structures of capitalism’s DNA.

**Constructing “Low Carbon” Wealth**

Investment strategies evolve and are constructed by different groups or networks of actors within financial institutions. This occurs within a changing institutional and commercial landscape that defines what is possible. SustAM’s core strategy, as depicted above, is one example. If ‘fiduciaries’ will be judged on the process followed, it pays to explore how such processes are constructed at the highest level in an investment agency. As part of the thought process of the company and the evolving ‘house view’ on the topics at hand, the outcomes of the associated debates are linked to stock selection decisions and business development positions and strategies. The ‘divestment debate’ about whether investment funds should divest from fossil fuel assets – oil, gas and coal companies – is taking place on an international scale and involves investors from across the value chain, investment beneficiaries (e.g. pension holders), the media, academia, fossil fuel companies and politicians. The divestment debate is perhaps the foremost topic that questions the role of the fiduciary and that has the potential to spark legal cases against
asset owners and managers for breaching their duty as fiduciaries to take into consideration issues such as climate change in their investment processes. Consistent with the approach of this thesis, by examining how this debate was articulated within one investment agency – SustAM – we can see how a ‘house’ view is formulated at an investment company. In this case, we can also explore how a new investment strategy was created that was both commercially-viable and more in-line with the vision of a sustainable economy that David has formulated there. The outcome of these internal debates, about external issues, has implications for the definition of sustainability at SustAM, the framework being debated aims to make definite preferences about the types of companies that operate the global economy and how monetary transaction should be re-formulated accordingly.

The issue of the environmental impact of the energy sector is a long-standing one that intensified during my fieldwork as concerns over climate change became more acute. Fracking for gas is considered by some as a lower-carbon alternative to burning oil, despite strong concerns over its impacts on the local environment around fracking sites. In 2013, before SustAM had signed the deal with EuroCap, John shared an article about fracking with the team, which at the time included Sarah, David and I. I replied to ask what their view on fracking was. John’s replied:

*We are still mulling over the house view on the O+G [Oil and Gas] sector generally. It’s going to remain a cash cow for another 30 years most likely, but the future liabilities are huge. And as people who love innovation my take is we gotta want more in the way of alternative energy in our portfolio.*

David then outlined his position, “totally concur on the alt. energy front, as well as our ‘traditional’ approach of favouring those large, traditional O&G companies who can at least SPELL ‘a-l-t-e-r-n-a-t-i-v-e e-n-e-r-g-y’!”. These statements embodied the vision of SustAM, which is an economy fuelled by clean and renewable energy rather than fossil fuels, but this was a long-term vision that required investment in oil and gas companies at the present for three reasons. One was that these companies would make money and not investing in them would risk the profitability of any fund run by SustAM. Another was based on the view that divesting immediately from oil and gas companies would damage both the economy and risk the world’s energy supply. The third reason was that divesting at this stage would dent their legitimacy as mainstream investors.

Under this house view, a suitable oil and gas company would be one that, in addition to scoring well on other SustAM factors, was beginning to reorient its business towards renewables and that committed a significant portion of its huge financial and organisational resources to innovation and development in this area. SustAM’s analysts expressed a clear preference for ‘clean tech’ and renewables – on many occasions in their interactions and consistently in their analytical work – but reconciled this with the pressure of short-term performance by choosing ‘best-in-class’ companies in sectors that were perhaps not favourable. This means sometimes having to choose the ‘best’ company in a sector that the actors involved know is environmentally damaging in order to be considered a mainstream investment house, deliver on portfolio performance, and remain commercially viable. On the one hand, we could see such an outcome as perhaps comparable to investing in *Food Inc.*, as discussed above. On the other, encouraging companies with huge power and resources to improve incrementally could have tangible impacts. *Royal Dutch Shell*’s capital expenditure was around $35 billion in 2014 (Scheck 2014). Even if one-tenth of this was invested
in renewable energy, due in part to investor pressure, it may be considered a worthy path to follow and potentially a better financial investment. The logical consequence of this would be that, during the period where the world moves away from burning fossil fuels, capital markets favour those oil and gas companies that manage their environmental impacts better than peers and that support and catalyse the shift to renewables.

The house view at SustAM remained open to new information and external transformations. David later shared the report Unburnable Carbon (Carbon Tracker 2013) with the subject labelling it "A possible game changer" and the following body text:

Just FYI ……. looks to be an excellent and potentially game-changing report. The only tiny problem I can see is that 99.9% of the entrenched power-holders don't actually GIVE a damn about the planet going to hell after they're dead (or at least their careers are over), so the mere fact that it’s planetary lunacy from a RATIONAL perspective is neither here nor there, unfortunately ……….The ultimate example of Garrett Hardin’s Tragedy of the Commons.

The report suggests that if climate change regulations are enforced, 60-80% of coal, oil and gas reserves of listed firms may become 'unburnable'; in this low emissions scenario, equity valuations of fossil fuel companies could be reduced by 40-60%. This could mean that the 'game changing' shift away from fossil fuels may have to happen earlier than anticipated since the effect on stock prices would be devastating. However, David questioned whether the people who could enforce the relevant regulations had the impetus to do so, with the implication of the need to encourage more sustainable practices in the energy sector in the meantime.

The fossil fuel divestment debate lay dormant at SustAM until the EuroCap partnership had been signed. Meanwhile, the report had ostensibly had some 'game-changing' effects. In short, the concern about climate change had intensified and a growing number of investors saw the need for urgent action. One analyst attended an event at St. Paul’s Cathedral where Christiana Figueres – Executive Secretary of the UN Framework Convention on Climate Change – discussed the challenges of climate change. After she emailed the team her notes from this, John stated that SustAM’s needs to develop a position on this, given how 'carbon intensive’ investment funds can be. He pointed out that, when running its own live fund, SustAM had taken:

the 100% traditional mainstream view at the time that there will always be a buyer for oil until the very last drop has been extracted and the Maldives are 6ft under water, Wrexham has disappeared into a hole in the ground and the fastest growing companies are those producing masks and respiratory treatments and soil and water remediation services.

John outlined three present options; namely; to ignore reports like the ones above and target "dirty investors"; continue to "sit on the fence" by investing in carbon assets that are "fractionally more sustainable"; “or go the whole hog and start investing in clean tech”. David and John both acknowledged that the 'ideal' situation would be to invest in the clean-tech companies of the future, but the situation was not so straight-forward. The resulting email exchange between David and John revealed that at the core of the issue were questions of investment value, timeframes and legitimacy.

John argued that divesting from the Oil and Gas sector implies that you cannot justifiably invest in any other main industries since these are all hugely carbon intensive. David emphasised
the importance of being client-driven in terms of the products offered, which may not always support divestment, and the need to “reconcile our L/T [long-term] convictions with S/T [short-term] PERFORMANCE -- without that, we won't have the luxury of reforming advanced monopoly capitalism”. The client-driven focus requires SI to be socially astute within the investment community, but this can challenge investment principles, as depicted through the *UnionVest* case above when there was pressure for short-term performance. With the case of fossil fuels, David acknowledged the difficulty in lengthening the investment horizon to the point where fossil fuel companies start underperforming other sectors. In this context, David proposed a ‘default position’ for *SustAM* that kept its commercial options open whilst preserving the desire to combat climate change. The position was that of ‘long-term’ investors that were acutely aware of the “necessity to find a ‘glide path’ to a low-carbon future” but who were also “realists” that “recognize the HUGE functional, economic, and social dislocations which an abrupt, large-scale boycott of fossil fuels would create”. The goal was to be “disciples of better, more strategic company management” and use “capital markets to leverage ‘better’ corporate behaviour”. David characterised this as “enlightened, principled (but not suicidally principled) pragmatism... And I used to be a neo-Marxist …… sigh”. The ‘strategy’ or goals of *SustAM* were carefully articulated within a utilitarian moral economy and supported by an instrumentalist orientation to the intersections of corporate practices and investment risk.

From this point, pressure on fossil fuel investments intensified as a number of high profile funds divested. The most notable and symbolic was probably the Rockefeller family, who cited ‘moral duty’. Their wealth was generated by fossils fuels but the family had been campaigning since 2004 to get the company that their ancestors founded, *ExxonMobil*, to address climate change, rather than support funding that discredits climate science (Goldenberg 2015). Other parts of the divestment debate played out in the language of investment risk. The largest of these was from the *Norwegian Government Pension Fund* who decided to divest from coal companies because “coal investments were both a global warming risk and financial risk” (Carrington 2015). *SustAM* had to be careful about the implications of taking a strategic position that would affect its legitimacy as a sustainable investor in the eyes of potential clients such as these.

In 2015, *SustAM* and *EuroCap* jointly launched a new ‘low-carbon’ fund as a sort of halfway house between full divestment and pure play investing in renewable energy. Such a fund would not have been viable or conceivable for mainstream investors prior to the aforementioned changes. The concept of the fund was developed mostly by David and the business development team, while Sarah’s experience with clean-tech companies and her contribution to identifying these for the portfolio, was indispensable. The fund seeks to outperform in the same way any mainstream fund is expected to, but it also intends to return a ‘carbon neutral’ portfolio for asset owners. It can hold ‘best-in-class’ fossil fuel-based companies and also includes ‘transitioning companies’, low carbon solution providers and innovative, breakthrough carbon reduction technologies and solutions. This resulting strategic position was not only commercially viable, but also brought my colleagues closer to reshaping capital markets in the way they intended. The strategy creates a new way of mediating monetary transactions within the investment agency with the hope of attracting funds from asset owners. It was defined as an ‘active’ form of money
because companies were bought and sold in the way depicted in Chapter 5. When introducing the fund at a fossil fuel divestment debate, David referenced a leading 'low-carbon' index or passive fund that held ExxonMobil, which he saw as unacceptable. For David, a problem with passive investing is the limited influence it can have on companies and the level of scrutiny. SustAM’s new fund went beyond this.

*SustAM’s* decision-making process for dealing with the key investment issue of fossil fuel divestment occurred in the absence of regulatory changes to mandate sustainable investing, but required institutional legitimacy. It resulted in two strategic positions. The first was a 'best-in-class' strategy aimed at mainstream investment funds and the second was a more niche offering for mainstream asset owners that were specifically concerned about the carbon footprint of their investments. These strategic positions are high-level frameworks for organising investment transactions. The creation of an encompassing strategy creates a new financial taxonomy for capitalism and shapes the imagined institutional figure of the fiduciary, who ostensibly will be legally judged according to the investment processes followed within these strategic frameworks. If successful, these could become the institutional ideals within which individuals operate. What we are seeing then is a historical shift in how monetary transactions are mediated within a new moral economy. This nuanced positionality exists in the interstitial space between personal and collective dispositions, team relations and professional histories and boundaries between different investor groups. It also crossed an institutional threshold by constructing a process that creates and manages 'low-carbon' money, which could appeal to fiduciaries on either side of the divestment debate – who support or do not support divestment – as well as 'pure play' investors.

**Encountering the Unknown: The Nature and Structuration of the Analytical Framework**

The question of how knowledge is constructed in investment analysis is central to understanding investment practice. The overall 'strategy' of *SustAM* – to make investments based on assessments of sustainability and financial criteria – is implemented through the analytical role of sustainable investors and their relations with financial experts. This is coordinated by *SustAM’s* ‘model’ from the perspective of the research team and by the overall ‘investment process’ that incorporates and integrates this with the portfolio management team, as depicted in Chapter 3. The nature and structuration of the valuation framework should be critically examined because the role of the sustainability analyst is the immediate link to the financial transactions and therefore, in theory, to the broader societal implications of this emergent sphere of investing. Ethnography can help us look beyond the façade of investment models and see the fluidity with which they are created and refined.

If we acknowledge that investment analysts are a type of intermediary that evaluates corporations or stocks for their clients, rather than simply matching capital with companies, we can see how they play a crucial and active role in the creation of markets and market dynamics “through their power of mediation between different logics, principles or worlds” (Bessy & Chauvin 2013, 86). A central feature of this role at *SustAM* is that valuation was an active process of

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7 I use this term rather than 'structure' to suggest that the framework is not fixed and that my focus is on how the structure is constructed.
translating and creating knowledge, not just transferring it (Beunza & Garud 2004). Each individual analyst formed an opinion on the practices of the corporations that they were assessing for investment. While there were points where each individual analyst would simply copy and paste information that was relevant to a part of the model – such as company water usage data – analysts would also need to give their ‘view’ of that performance and state its significance, giving context or meaning. This was also communicated via the numerical scores that were assigned for different parts of the model. In these instances, as well as those that involve straight copy and pasting, knowledge was being created as well as translated, since the meaning and significance was being changed through the model. Company performance was being made visible and material through the intricate sustainability prisms of the investment agency’s model. In other words, the team of investors at SustAM operated as an information management and knowledge production machine that isolated and interpreted a multitude of corporate practices across the global economy.

Thus, through their knowledge practices, SI analysts act, to some degree, as critics and ‘frame-makers,’ producing “internally consistent associations between categorizations, analogies and key metrics” and these valuation “frames play a powerful symbolic role in generating legitimacy” (Beunza & Garud 2004, 5). David is well aware of this, which is why he suggested that the model should be objectified so often in investment communication documents. It was considered important to show clients – existing and potential – that the process was systematic and consistent. The model – as it existed on investment process diagrams, across multiple spreadsheets, coded into bespoke financial software, explained in internal documents and contained in peoples’ heads – brought a degree of alignment in judgement that was important to communicate. It brought a necessary degree of standardisation from the commotion of inter-subjective negotiation between different actors. As with other investment analysts, one could argue, then, that sustainability analysts have “an extraordinary ability to generate a compelling argument to persuade under conditions of extreme uncertainty” (Beunza & Garud 2004, 19).

Analysts have an active role in capital markets through building these interpretive frames to overcome uncertainty in a Knightian sense (Beunza & Garud 2007). This can carry an illusion of confidence in a world of uncertainty.

Frank Knight’s (1921) distinction between economic risk and uncertainty is indeed instructive here for understanding market function. Economics and decision theory have espoused the distinction by using ‘risk’ to refer to decisions in situations where probabilities are known and uncertainty for ones where they are not. The distinction is actually more subtle on a closer reading of Knight and we can see that risk “rests on an empirical classification of instances” whereas, with uncertainty, the instances are so dissimilar that this is not possible (Runde 1998, 540). ‘Instances’ are the objects being judged. ‘Risk’ or ‘probability’ decisions require a homogenous classification of instances. ‘Estimates,’ on the other hand, are utilised when there is no basis for classification and relate to “Knightian uncertainty, where it is impossible to assign probabilities to events because the relevant instances are so dissimilar as to preclude classification and the calculation of chances” (Runde 1998, 541). In the case of investment management, these ‘instances’ can be understood as the companies that investors compare when making investment decisions in the hope of future
returns. The purpose of the analytical framework is to compare companies. Acknowledging this continuum between risk and uncertainty is important for grasping how heterogeneous companies are classified and made homogenous.

For traditional financial actors that measure ‘risk’ mathematically, each company is understood through the statistical categories which make all listed companies in the global economy classifiable. Financial analysis entails a process of isolating and extrapolating certain aspects of a corporation to make the company amenable to risk analysis. Companies are ‘rendered’ financial or economic through processes akin to those highlighted in pragmatist studies of finance markets (Muniesa, Millo, & Callon 2007, 3). These theories are revisited in Chapter 6. Investment managers and the analysts that support their decision-making are mandated to produce a financial “return” or profit using “funds” or money that belong to their clients. Yet nobody truly knows what stock prices will be in the future. Investment models ultimately aim to predict them or at least identify if the stock prices are likely to rise or fall by guiding investment decision-making. Knowledge of the future is inherently imperfect and immeasurable and this stands in stark contrast to the mathematical risk models that investors use to manage predict corporate profits. Finance and economics are different to physics and we cannot truly objectively measure the future. The statistical probability models and investment models discussed based on accounting data embody this fundamental contradiction. Indeed, the failure of the investment management industry to accurately forecast stock prices has long been documented, as discussed in Chapter 5.

For financial and sustainability analysts concerned with the underlying businesses that they invest in – or getting an ‘information advantage’ – a different set of classifications are needed to deal with the empirical information. Yet the same process of building classifications is undertaken and this is fundamentally what SustAM’s model achieves. It makes possible a classification of instances of corporate sustainability and economic action that were otherwise unknown to investors. SI models, then, are risk models based on assessments of future trends and the current corporate exposure and quality of management of these trends. Thus, they embody the same fundamental contradiction as traditional risk models but incorporate much more emphasis on longer-term risk factors and do try to grapple with economic trends that are uncertain. Instead of relying on statistical probability models, market prices and accounting data to diversify risk and generate investment value, sustainable investing incorporates analysis of future trends that are believed to have a financial impact on companies. They venture further into the realm of the unknown – further along the risk-uncertainty continuum toward the uncertain end of heterogeneous instances – and find their way by building analytical categories to guide them.

Sustainable investors also act as future makers to the extent that they try to bring the future into being through their interactions, actions and transactions. Both traditional and sustainable investment models aim to manage and measure the future by rendering corporations financial in order to measure risk, but in fundamentally different ways. Some investors have vocalised the need for the investment management industry to understand Knightian uncertainty rather than rely heavily on statistical risk models (Hoyle 2014). In other words, investors need to spend more time grappling with ‘unknowns’ that are not necessarily perfectly measurable. Chapter
1 discusses the investment logic of sustainable investing, which is understood to be ‘forward looking’ in its measurements and future-orientated. Sustainability investment models – from the perspective of investment theory or logic – are a response to the failure of traditional investment risk models to appropriately account for investment risk. For instance, SI assumes that things such as climate change and poor labour practices have a negative impact on company profits and tries to identify which companies are managing these factors most effectively in the hope of avoiding a negative event in the future. A company may have its ‘books’ in order but it may be exposed to a considerable amount of future environmental and social risk through its operations. It is believed that these risks are not captured using traditional investment risk models. With the emergence of the sustainable investing paradigm, standards of value are being fundamentally transformed. These new risk models do not attempt to eliminate uncertainty but to manage risk in a more complete way by instituting a forward-looking gaze as a core aspect of decision-making.

My ethnography depicts the socio-technical aspects of financial practice where a sustainable investment model was created, developed and learned situationally. There are numerous dimensions to this. Networks of trust, roles and relations within teams, individual intentions and histories and personal positionalities shape the model and colour how it is used (see pages 24-25, 27-32, 38, 40, 42, 45-58, 60, 67-71, 77-79, 92-96). The relationship between sustainability analysts and financial analysts, who operate according to different temporalities and concepts of value, defines what ‘the model’ ultimately becomes in practice (see pages 54-55, 59-71). Practical pressures, ways of working, and organisational configurations and hierarchies texture and structure the model (see pages 24, 26, 30, 41-43, 45, 48-50, 54-56, 59-67, 70-71, 75, 77). The material construction of the model aligns judgements across the team (see pages 72-77). The elucidation of these dimensions emphasises the social nature of economic reasoning over investments and the socio-technical framework for economic action. However, a deeper examination of how the model operates as a system of knowledge is needed.

The sustainable investment model that I have depicted constitutes ‘techniques of enumeration’ that make social, financial, economical, ecological and technological complexities legible and manageable (Urla 1993). These contingencies are obscured by the objective representations of the model within the company as well as those across the industry more broadly. The model depends on the use of ‘indicators’ from both corporate reports – as a key source of information – as well as investment indicators that capture and manipulate this information. These indicators – which are quantitative and qualitative – are a central part of the valuation process since they produce the foundational knowledge for investment decision-making.

As a form of knowledge, indicators carry “the appearance of certainty and objectivity” and operate to “convert complicated contextually variable phenomena into unambiguous, clear, and impersonal measures” through the construction of standardised categories of measurement (Merry 2011, S84). This ethnography shows that such indicators – like those used in SustAM’s model – are the product of groups of investors dealing with uncertainty, a process that is obscured when the indicators are purified into objective representations on investment process diagrams and textbooks. This suggests that it is important to consider the circumstances that allow for the construction of the objectivity and subjectivity of value (Helgesson & Muniesa 2013, 7).
Ethnography can help us look critically at how indicators are used and constructed as well as reveal the information sources upon which they are based (Merry 2011). Given the extent to which ‘truth’ is constructed in this expert domain, a critical account of the cultivation and reproduction of these valuation frames must examine the structuration of the valuation process that determines how monetary wealth is transacted and how what counts as value is negotiated.

I approach this issue by exploring the following three questions regarding the framing. What is included and excluded? How reliable is the framework? What are the implications of the way that the valuation process is constructed? Firstly, the question of what is captured or not by the valuation framework is central to those concerned with the social-embeddedness of sustainable investing, since money here operates to index or serve interests of particular groups. There are two issues at hand. The first is that sustainable investment valuation frames privilege the views and interests of elite financiers rather than the people who many of these investors are ultimately acting for; namely, individual beneficiaries such as pension holders. Anthropologists have emphasised the chasm between expert models and the reality of everyday people, particularly in relation to development initiatives (Craig & Porter 1997; Mitchell 2002). I understand corporate social responsibility programs that are enacted by companies – and which are evaluated by sustainable investors – to be a form of privatised development. Recent work has continued this critical reading of expert paradigms in a closer proximity to sustainable investment. Coumans (2011) has highlighted the difference between the shareholder resolutions that values-based SRI agencies propose and the objectives of local communities. Similarly, Schwittay (2011) emphasises that ‘Base of Pyramid’ initiatives – which are factors that would score positively for some sustainable investors – can fail to address the structural issues – social, political and historical – in local communities that (re)produce poverty. Partridge (2011) reveals the distance between the ethical claims of corporate agendas and the lives of workers, calling for supply chain citizenship and democracy. These scholars highlight a gap between the types of corporate behaviour that sustainable investors could place a positive value on and the priorities of some communities and workers impacted by these companies.

Though community relations and employment issues are not the direct concern of SI analysts, these actors still have to actively mediate between the agendas of the parties involved and judge the significance within an investment context. These matters are still likely to be ‘factored into’ rigorous analyses. Lack of community engagement, failed sustainable development initiatives and hollow rhetoric coupled with supply chain mismanagement would all have negative impacts on a company’s evaluation at SustAM. Anthropological fieldwork that reveals these sorts of gaps will have clear channels for engagement through the ‘key performance indicators,’ metrics and valuation processes of sustainable investors as well as those working in investor relations departments of corporations. This assumes that investors care whether or not companies achieve the sustainability goals that they set. I can only speak from experience. If it was revealed that a corporate sustainability program failed due to the neglect of community needs, this would negatively impact the assessment of the company and constitute a useful point to engage with executives there. It would also help analysts differentiate between those corporate actors who purport to be operating within the sustainable paradigm only rhetorically and those that are more
committed with the hope of incrementally raising the bar. However, in this utilitarian moral economy, only ethical issues that are deemed to hit company profits will have a significant impact on analysts’ valuation process. For instance, corporate malpractice may result in a few health and safety related deaths, but in the grand scheme of things, these deaths are not deemed financially material. In this utilitarian moral economy where ethical issues are ‘factored in’ and framed in terms of risk, as Welker and Wood (2011) argue, this displaces ethical agency onto other areas of society.

The second issue is who determines the framing of the sustainability models and therefore of how uncertainty is managed. While this thesis highlights the importance of situated action through an extended case study, there is an institutional-level texture to the models that should be examined. The valuation frames that analysts create and reproduce are always at the edge of corporate practices, with the aim of identifying companies that are judged to be ‘leaders’ in the given area. There is no point developing metrics for things that cannot be measured. This is partly why SI encourages ‘incremental change,’ as outlined above. This represents a threshold for these monetary transactions within which each investment agency will develop its own specific ranking principles. Aside from this restraint, many of the ‘factors’ or ‘metrics’ used by sustainable investors are shared around the investment community in some way or other in addition to being developed situationally ‘in-house’. Research in the form of academic papers and reports on business, investing and sustainability is shared publicly and through client and friend networks from a number of organisations, such as collaborative collective initiatives, business consultancy groups and investment houses. A good example is the UNEP FI (2014) report on which I worked as a project team member and where a key theme was having practical relevance to investors. Some investors read these reports to inform their metrics and will adopt parts of them situationally in building their models.

SustainAM engaged with NGOs around key topics and tried to stay current with emerging issues, but there was a limit to how much of this could be undertaken due to time constraints. The issues concentrated around the concerns upheld by national and transnational institutions that lead research in these very areas. Their interests are market-based yet seem generally more geared towards a collective and solidarity based view of the economy, emphasising the importance of practices such as collaboration, stakeholder engagement, community empowerment, environmental efficiency, fair remuneration, labour rights and equal opportunities. These issues may be encased in business and financial terms and thinking, but they have now acquired significant floor space in a mainstream paradigm of valuation that had historically mostly concerned itself with a narrow definition of profitability, market prices and accounting-driven data. With these kinds of concerns being cultivated in corporate mindsets, the expectations placed upon the business world contrast sharply with those upheld under the shareholder value regime, when all that mattered was profitability, narrowly construed, and over the short-term. Sustainability – for David and SustainAM – is not an ‘add-on’ for the sake of social consciousness, but a transformation of the understanding of profit and a redefinition of how to invest intelligibly.

The process of ‘rendering financial’ necessarily means that much is bracketed off. This is inherent to comparative analysis. The question is what is the significance of the process?
Ourousoff (2010) reveals that, in the case of credit rating agencies, analysts deploy a rationalist model that turns the contingency or indeterminate risk in the economy into something measurable and determinate. Yet from the view of corporate executives, “[t]he capitalist dynamic…is an open indeterminate field shaped by contingency and the response to contingency” (Ourousoff 2010, 19). The point for the capitalist is to take the right risk to generate the unpredictable reward; eliminating risk – as credit analysts intend – rules out this entrepreneurial endeavour. In the process of rendering financial, it is not only aspects of a corporation themselves that can ostensibly be bracketed off, but the worldview of the key actors in this domain. Sustainable investing at **SustAM** tried to be much more in-tune with what corporate executives were doing and to understand their world and worldviews, either by meeting with management or by reading company reports that gave relevant insight here. A key step for future research would be to try to grasp how corporate actors – people operating in the companies that **SustAM** analyses – interpret and understand their company’s activities from a sustainability perspective and how they encounter the associated unknowns. How does ESG integration appear from the view of the real economy? This could then be contrasted with the models of investors and the ways in which sustainability and financial analysts negotiate the possibilities for the integration of sustainable practices.

The second question about the reliability of the valuation framework is implied above where I discuss the methods that analysts developed in response to their concerns about using information disclosed by companies. These methods have been developed to a significant degree in response to voluntary company disclosures; this raises an implicit question about the reliability of the valuation framework used by analysts. Indeed, the issue of information disclosure, transparency and reliability is a widely debated topic in the industry. There are several initiatives aimed at improving ‘disclosure’ and ‘transparency’ in corporate reporting. The aim is not simply to encourage openness or accountability per se but to be “instrumental in defining future-oriented behaviour” (Strathern, cited in Holmes 2013). Although the influence of international frameworks, such as the Global Reporting Initiative and Carbon Disclosure Project, are growing considerably, the standards of sustainability reporting remain voluntarily upheld (Main & Hespenheide 2012).

‘Integrated Reporting’ – the unification of accounting-based financial statements and ‘non-financials’ – is largely seen as a potent sign of best corporate disclosure practice and what many in SI are calling for, some seeing it as a mechanism for ‘integrated thinking’. Effective ‘integration’ of the two is considered to be when a company reports the monetary value of a sustainability strategy, but in the vast majority of cases the information is either missing or anecdotal (IRRCI 2013, 7). Moreover, the percentages of the world’s biggest companies not reporting sustainability information on key factors is still considerably high; that is, on issues like carbon emissions (60%), water consumption (75%) and employee turnover rate (88%) (Confino 2014). This presents a problem for those whose job it is to analyse and compare companies on such factors.

These conditions of shared uncertainty between analysts and corporate executives feature in the parts of **SustAM’s** investment process that utilises higher levels of human judgment or perception. In these cases, a gut feeling or impression can be integral to using the best of one’s judgement. It would not be considered practical to simply attribute blanket low scores for every
company that did not report carbon data since there would still be ways to differentiate between companies. A good example is when analysts highlighted ‘the narrative’ of ‘Corporate Social Responsibility’ or sustainability reporting. Some would discuss carbon issues as though they were a regulatory burden and others in a more proactive manner, even if they had not made the next step of reporting carbon impacts. From a business development or marketing perspective, SustAM believed that it was important not to shy away from making necessary assumptions, but to ensure that these were defensible and transparent to clients and potential clients. A key way of managing these analytical challenges was to be open about the steps taken and the limits of knowledge.

There is also another question – that I touched on above – about the reliability of a valuation framework based on voluntary corporate reporting. Ouroussoff’s (2010) work shows that companies are constantly learning how to tell credit ratings agencies what they want to hear, which implies that there is no accurate measure of risk. Sustainability analysts share the same knowledge problem as credit analysts since both have to place a degree of trust in corporate executives. This not only favours companies with more resources at their disposal and that are perhaps more inclined to hire the best corporate advisory services. It also raises the question of the impact of consultancy firms on the valuation framework. I interviewed a sustainability analyst that worked for an asset manager in Manchester and who had previously worked for a consultancy firm that advised companies on their sustainability reporting. When I asked her – naively at the time since this was before I worked with SustAM – if she thought that companies exaggerated their claims, she emphasised that she would often find “genuine pockets of best practice by committed individuals, by business streams where it made sense”. However, she argued that the end result of the consultation process was usually the presentation of “a coherent sustainability report” that did not accurately represent how fragmented everything was “behind the scenes”. It is no great surprise that companies rhetorically present their sustainability strategies in a flattering light and this is why David urged the team to be sceptical of what companies say. However, this is more difficult from an analytical point of view when companies are communicating in the language of sustainable investors’ models, but in a way that masks or obscures reality.

The implications of this feed into the third issue that I assess; that is, the nature of the process by which the valuation frames are constructed. I touched above on the commodification of knowledge in institutional investing. A huge amount of work and resources go into making knowledge in financial markets transactable. Analytical work from investment research houses and advisors is produced to be bought and sold in a competitive market. However, at the same time, it intends and claims to reveal some degree of truth about the respective companies being analysed. Given how labour intensive it is to analyse a company critically as a human analyst, there is a tendency for research providers to choose scalable solutions that would presumably require less human judgment and risk not really penetrating corporate practices. If indicators can be quantified and sold in a way that can be applied broadly, the investment products have more reach and are more profitable. A leading practitioner in the field warns that “sustainable investing will need to overcome the temptations of pragmatism and opportunism, and to reassert its strategic mission of structural change” (Robins 2008, 16). There seems to be two options for
sustainable investors. One is that they develop their valuation frameworks based purely on existing corporate practices and act more passively to translate the information into sustainability ratings.

The other, more idealistic and akin to an anthropology influenced by the ‘ethics of possibility’ is that they always try to raise the bar of corporate performance and actively engage with companies through shareholder meetings and voting (Gregory 2014). If monetary wealth can do more than represent corporate practices and instead more fully index environmental and social matters that affect owners of those companies and capital, institutional investing can function as a platform for encouraging more rapid change in society. In other words, investors can rest on their laurels as sustainability is in vogue or they can actively try to raise the threshold of what can be achieved with monetary transactions. This latter option is better aligned with the goal to change the DNA of capitalism, even if it adds to the overall ‘transactions costs’ of the information exchanges being made and is less profitable for the investment agency. However, as my ethnography shows, the challenge for sustainable investors committed to this goal is that there is always the necessity of balancing this drive with the demands of clients and the type of research they require as well as the caveat that raising the bar might take one into the territory of values-based decision-making. As I will show in the following chapter, investors’ concept of ‘materiality’ – which emphasises what is believed to matter financially – intends to address all of these issues and to stabilise the unfolding category of sustainable investing.

Paradigmatic Transformations in Investment Decision-Making

The previous section offers some reflection on the significance of how the analytical framework is constructed in SI. We should also examine the relationship between this analysis and investment decision-making in more detail. The very presence of SI and its pressings upon mainstream finance suggest that we are seeing the budding of a paradigm change in institutional investment. This is a view shared by many in the SI space. David has written widely on the topic but also emphasises “systematic resistance” to SI and sees much of shift as occurring “glacially and off a microscopic base.” He is sceptical of the rhetoric of many leading investment agencies and often points to the size of their sustainable investment teams as a sign of how deep and committed they are. There are ostensibly investors who are less-committed to integration, who perhaps make a token commitment for the sake of window-dressing and keeping their clients happy (Gray 2009). While noting these caveats and the general ambiguity over the category of the sustainable investor exposed in this thesis, one of the main sources of change are the many emerging collective initiatives, such as UNEP FI and PRI discussed in this thesis, that encourage the mainstream adoption of ESG factors and “contribute to the development and diffusion of new knowledge, practices and norms” (Jemel-Fornetty, Louche & Bourghelle 2011, 86). The transformation is mostly taking place through institutional mechanisms; namely, coercion from some asset owners, collaboration through investor networks that promote ESG integration and the promotion of normative standards through professional associations such as those mentioned above. We are witnessing the early efflorescence of a paradigm change in institutional investment.
that could not only lead twenty-first century society to question the very purpose of finance, but that could also entail a mutable blueprint for how finance and capitalism can serve society.

However, in active investing, everything initially comes down to the impact of sustainability on investment decisions. While this is difficult to judge, this thesis has depicted how the material infrastructure of financial markets has changed to enact sustainable investing. SI analysts try to ‘add value’ by supporting ‘good calls’ on stocks – calls that are made by financial experts – whilst carefully managing these very relationships. Sustainable investors are, after all, encroaching on a domain of decision-making that was previously occupied by financial experts. These shared models or investment tools enable the ranking of different investments in the animation of monetary transactions of professional wealth managers. The model operates to identify and manage ‘material’ information or evidence. This is a dynamic type of evidence that is at once narrative, performative and conversational. The sustainable investment model establishes what becomes ‘material’ in a performative manner using both quantitative and qualitative analysis. This knowledge is then converted into scores and commentaries or is ‘rendered financial’ – known more broadly as ESG integration – for portfolio managers to use. Under this scenario, the impacts on decision-making are difficult to measure and can largely remain unknown, but we can still consider the implications of cases where impacts have been made; namely, those company examples depicted above in the UnionVest case as well as more general moves from David and John to “raise the bar on our scores,” or try to ensure that a higher SustAM score is a prerequisite for investing in any given company.

What lies beneath the investment models is people – sustainability and financial experts – dealing with uncertainty that is inherent to their economic judgements or their judgements of financial value. Investing is not about knowing what stocks to buy, but about making and maintaining valid judgements based on accepted criteria that together constitute the prevailing valuation convention – echoing Keynes (1936) as discussed below – that is established during ‘frame-making’. Investment models are not tools for revealing or applying truth or universal laws of nature. They are ways in which groups of people measure risk in order to manage uncertainty that is inherent in their decision-making. In this way, SustAM and its analysts collectively build resilience to uncertainty as well as broaden the definition of investment risk to include ‘intangible’ value factors beyond market prices and accounting book values. This renders uncertainty in the economy, ecology and society amenable to investment decision-making. Core to the investment thesis is that ‘intangible value’ can help investors deal with a changing world. Sustainability intends to build resilience to uncertainty within an investment context – by including more factors in the stock selection process – and not relying largely on short-term drivers. The aim is not to eliminate uncertainty, but to find ways of managing it in a systematic way.

To achieve this, sustainable investors uphold an instrumentalist orientation to the intersections of corporate practices and financial models that is in step with the risk and profit orientations of portfolio managers, even if these orientations are not always harmonious in practice. The chapters above indicate that this resilience and orientation is found in the sociality of investment practice at SustAM, namely, the cluster of professional and commercial relations, interactions and histories, material and conceptual arrangements, organisational processes,
corporate and institutional relations and personal dispositions that collectively enact situations of institutional investing. This sociality is most clearly crystallised at times when uncertainty comes back to the fore. This happens when things do not turn out as expected or where situations are especially difficult to judge; namely, when the future of key issues is debated, as the above cases of fossil fuel divestment and discussions about the investment strategy above demonstrate, when highly rated stocks engage is some form of bad practice and at times of wider economic uncertainty.

The configuration of the paradigm change at SustAM incorporates a greater lateralisation of knowledge and reasoning – as opposed to vertical and deductive – since the role of the analyst is to assess empirical information from a plethora of financial and economic settings and relate this to sustainability issues, all within an investment context. This is partly because the daily interactions of financial experts are now intertwined with ‘others’ or experts from another field who try to impress their views upon – and from within – the financial domain. Investment decisions are supported by the use of mixed analytical methods which combine financial and sustainability data and information from a wide range of sources with empirical research into companies and trends. The lateralisation can also be seen in the importance of narrative to the frame-making activities of sustainable investment analysts. The approach to investing depicted above emphasises both qualitative and quantitative methods within an industry that is dominated by quantitative rationality.

As Guyer (2004, 52) argues:

the capacity of numbers to express other values is now a hegemonic idea in the modern economy, enforced by law and inculcated by competitive and professional organizations...It is only by a massive discounting of the ‘tournament of value’ that we can retain the notion of the theoretical dominance of supply and demand in ‘markets’ as the main representation of the operation of value in modern economies.

My study shows that even in locations that are founded on processes of ‘relentless formalization,’ there are deeper issues at play that define the tournament of value within moral economies and that cannot be reduced to numbers and reductive models like supply-and-demand, even though these are a key part of the picture (Guyer 2004, 52). SustAM may be an atypical case, but it is not against calculative thinking and in favour of a qualitative analytical approach over the quantitative. There are many ways in which quantitative methods are useful in SI. Investors that want to seek out companies with strong balance sheets and steady reductions in carbon emissions, for instance, would utilise quantitative data and methods, as SustAM does.

However, the extended-case with this agency does highlight the importance of narrative to investment value. This thesis has shown that when it comes to the kind of action needed to combat things such as climate change and water scarcity, interpretive frameworks and stories can be more powerful than hard data. Yet, at SustAM, everything was still ultimately converted into a ‘1-10’ number, since this was considered more financially friendly; the numerical scores were easy to integrate into the scoring system of the financial team and also met their desires for the message of the analysis to be delivered concisely. Yet there was the perceived danger than the financial experts would just “look at the score” in a box-ticking way. SustAM was astutely aware of
this and frequently refined its methods for combining narrative and number to impact investment decisions. These are the type of challenges that we should learn more about. This lateralisation is not the only possible configuration for ‘ESG’ or sustainable investing. There are many investment approaches that would not place such a high value on judgement and qualitative analysis and that would instead find ‘safety in the numbers,’ a phrase borrowed from the title of the following chapter. A greater value placed on quantitative analysis in the investment industry means less need for the qualitative analysis undertaken by SustAM’s research team and other such ESG analysts across the industry.

The place of SI within the investment industry also points to another possible configuration. Consider, for instance, a chapter from a popular book on SI that examines how ESG analysis and analysts on the ‘sell-side’ operate within brokerages (Lucas-Leclin & Nahal 2008). Notably, these ‘sell-side’ actors are different to the analysts discussed in this thesis. They work for investment banks or brokers who ‘make a market’ in the given stocks, in the same way that a trader on a vegetable market stall buys and sell potatoes. The stocks or company shares are bought and sold by asset managers, such as EuroCap or SustAM, in the financial marketplace. The chapter raises a useful point when it suggests that:

   the best sustainability service is one that could be provided by mainstream financial analysts themselves...Financial analysts, especially on the sell-side, have an immense knowledge of their sectors and stocks, along with a solid grounding in the quality of their company’s management”


They allude to a practical reason for this. Financial analysts on the sell side cover only a handful of stocks and are specialists in these over their careers whereas sustainability analysts can cover many more “with far less experience and an often limited financial background” (Lucas-Leclin & Nahal 2008, 43). In other words, financial analysts on the sell-side know the companies more intimately; if they learned about sustainability then they would be best-placed to integrate this.

Although ESG analysis does exist on the sell-side currently, its impacts are limited. The authors attribute this to the structure of mainstream brokerage:

   brokers are largely organized to provide instant reactions and short-term analysis to corporate moves: the faster the better, as the market immediately integrates information and rewards brokers...[L]ong-term analysis is almost always sacrificed in favour of short-term profits by both investors and the brokers (Lucas-Leclin & Nahal 2008, 44).

The incidence of sustainable investing ultimately being folded into the domain of traditional financial analysis raises the question over how the diversity in decision-making could be upheld. A consequence of this new moral economy of sustainability, as configured at SustAM, is that actors who are not traditionally part of institutional investing will continue to have a stronger influence on decision-making there as the “pirates in the navy” start to become the navy. This may have the effect of resisting the process whereby investment models become ever more essentialised, abstract and de-contextualised. With a range of actors from different institutional environments and who bring to the table contrasting expert backgrounds – environmental science, environmental finance, management consulting, corporate sustainability and anthropology – a greater diversity in the models constitution is presumably reached. In other words, the
institutional positioning and character of how the information structures of capitalism's DNA is being reengineered should be closely examined.

The view of sustainability models as simply 'ESG analysis' applied to investment cases elides the ways in which the models are the product of a distinct group of actors who are collectively leveraging their expertise – commercial, practical and analytical – and the balancing act that this entails. Everything coheres in a strategic position that defines the types of models that are possible for managing monetary wealth. If these models are all built within the walls of large financial institutions such as Wall Street investment banks, the rendering financial could be more likely to reach levels of abstraction and de-lateralisation that ultimately acts against the stated purpose of the models (Ho 2009; Ourousoff 2010). An emphasis on the contextual nature of the categories that investors use to manage risk and uncertainty, whether through number or narrative, is central to understanding the fluidity of the concepts, a point that I will revisit in Chapter 6. This can have a bearing on the concepts themselves. The non-contextual nature of investors’ analytical categories is artificially reinforced when investment management is represented as though it were an accumulation of essentialised and naturalised concepts; that is, the ‘textbook’ approach and the usual ways in which finance represents itself, as simply testing models in the way that economists do. To preserve and map the lateralisation of financial practice, we must go beyond these representations.

It seems that if people approach uncertain situations by isolating or constructing principles and fixing them, there is the tendency that these principles become progressively essentialised and naturalised and increasingly detached from the grounds of uncertainty. Rather, if people remain cognisant that this fixity is but an illusion – as it is exposed to be in the following chapters – and trace, instead, the fluidity of both the grounds of uncertainty and of their concepts for managing this, they may be more likely to have the conceptual tools needed to cope with contingency. In other words, perhaps the most important thing to learn is critical thinking skills and lines of questioning – based on lateral knowledge – rather than learning to apply artificial models to real-world problems.

This thesis suggests that institutional investing is more than a sphere for calculatively or instrumentally allocating capital, managing risk and transacting assets. With the advent of sustainable investing, and in this case, it is becoming a moral, legal, technical and professional relationship with SustAM and between SustAM and EuroCap, EuroCap’s underlying clients (e.g. pension funds), the ultimate beneficiaries of these investment funds and companies in the real economy. We cannot understand investors’ concepts like ‘risk’ and ‘value’ in abstract or essentialised ways that are detached from this. This is especially true with the advent of SI, which has helped to crystallise linkages with other domains. It is useful to keep in mind that organizations are constellations of relationships, the myriad types of which are identified throughout this thesis, and therefore investors’ concepts and practices are also caught up in this web. SI valuation takes place at the intersections of different investment temporalities, complex investment processes, contrasting beliefs about what can be considered material and conflicting and contradictory incentives and institutional norms and rules that drive investment practices, all within a global political economy that seems increasingly volatile.
Ethnography can help us unearth the "dynamics of change" that seem to elude others as this paradigm change develops (Jemel-Fornetty, Louche, & Bourghelle 2011, 109). There could also be an entry point for ethnography here to assess the social practices of knowledge production in this sort of setting. In doing so, ethnographers – akin to sustainable investors – will engage laterally with other paradigms (Riles 2006). A challenge is to stay true to ethnography’s intellectual endeavours without undermining the confidence that corporate practice tries to portray. My situation was fortunate because David did not expect me to make any commitments about the value of my research to his company. For those who are not so fortunate, or who indeed may wish to advance an applied anthropology in finance, it may be useful to stress the corporate value of the ethnographic encounter where ethnography undoes or unpicks the process of producing confidence and the illusion of certainty. The human economy can hopefully provide some additional methodological guidance here, while my use of moral economy may provide a useful analytical framework. More directions for future studies are given in Chapters 6 and 7 after first unpacking the historical and institutional dynamics of investment management relevant to this study.
Chapter 5: Safety in Numbers: A Brief History of the Forecasting of Profits and Prices in Investment Management

The previous chapter elaborated the moral economy of sustainable investment practice, largely from the point of view of one investment agency. However, in a human economy approach, the vernacular meanings of the terms that people use and the anthropological sense of them do not always converge. This chapter enters into a more critical or deconstructive mode, in order to understand SI and SustAM anthropologically, not just ethnographically. For these purposes, we should keep in mind the concept of Knightian uncertainty, as it is defined above, where risk is based on an empirical classification of instances (Runde 1998). Uncertainty refers to encounters with the unknown – at one end of the risk-uncertainty continuum – where this is not possible. To refine and clarify the anthropological aim of this chapter, I play with an analogy between markets and technology, both being human creations that are subject to political influences, and that also contain magical and rhetorical elements (MacKenzie 2006a, 275). I argued above that SI builds resilience to uncertainty in decision-making. When viewed in the context of investment management history, we see that, as with other investment models, they have a similar basic function to the practice of magic in the Kula trade; namely, to avert danger or chance in distant voyages and to manage or resist uncertainty. A historical account of the prevailing configurations of investment concepts can supplement the fluidity of practice and offer a critical view of their nature and the legitimacy that propels them. This is partly my aim in this chapter, but I also endeavour to deconstruct many of the key investment ideas that feature in my ethnography. The title ‘Safety in Numbers’ gets at two things; firstly, that there has been a growing reliance on numbers and the quantitative in traditional investing, as opposed to human judgement based on empirical information; secondly, that these investors also seek safety in following the current convention and mimicking others.

This manoeuvre assumes that investor rationality is a historically-created logic, rather than an aspect of human nature. In depicting this historical process, my focus is on different styles of investment per se, rather than the technological or political context that supported these logics. I overlook the manner in which technical developments were supported morally and politically as financial exchange was made de-political, technical and non-speculative. The processing power or ‘non-human’ agency of computers is foundational to the enactment of the calculative models discussed here, a point emphasised by practitioners (Bernstein 1992, 5). Spreadsheets and similar software enable comparative analysis and networks allow information exchange for the evaluation of companies on the scale discussed here. Moreover, by re-articulating an uncertain future as calculable risk, speculative financial trading was supported morally and politically. Finance and insurance were depoliticised as:

speculation came to be regarded as a technical and economically logical response to objectively existing business risks, which made possible the silencing of political critiques of the financial exchanges through the discursive, albeit unstable, separation of gambling from finance (De Goede 2004, 204).
This process of de-politicization displaces responsibility in decision-making because, even when things go wrong, people have acted ‘correctly,’ though such questions are now up for debate perhaps with the challenges to the figure of the fiduciary that are discussed in the preceding chapter. Since risk is a profitable cultural process and a business in itself, we could argue that the rise of modern investment risk is a key channel of global financialisation (De Goede 2004). The construction of the category of ‘the sustainable investor’ is at the core of this thesis. It extends from the construction of ‘the investor’ as distinct from ‘the speculator’ as is the case with ‘arbitragers’ (Miyazaki 2013). The distinction is important to uphold for the actors involved because it confers legitimacy.

Investment management is a professional practice that enables the transaction of wealth and contracts in the ownership of assets, such as company shares. In identifying a historical shift where the notion of scientific or mathematical finance defined investment practice, this chapter illustrates how this money form was framed as institutionalised statistical risk management. It depicts borders between different groups in the investment community as defined by their approach to value and the investment beliefs that they espouse. The rise of modern finance took the form of conceptual and institutional thresholds that determines how wealth was transacted; namely, in increasingly ‘passive’ ways, according to a competitive dynamic, strapped to notions of relative risk and return and based largely upon on financial data. All of these sites actively mediate transactions of monetary wealth and corporate ownership in a way that is substantively different to the previous way in which investment management was structured where risk was more instinctual, less competitive and more personal. These differences will be explained below and should serve to illuminate the historical circumstances through which *SustAM* has arisen.

My fieldwork centred on a group of people whose approach to investing explicitly challenges, and seeks to profit from, prevailing beliefs about how financial markets function. As investors, *SustAM*’s team members define themselves in opposition to those economists and financial analysts who believe that stock markets are efficient institutions populated by ‘rational’ actors. Understanding the underlying financial theories and investment techniques to this opposition is crucial to comprehending this thesis; I aim to be as concise as possible in explaining these. Economic anthropologists will recognise that many concepts from neoclassic economics are formalised, re-formulated, contested and upheld in investment management. I deal with the implications of this in the concluding chapters. Here, I briefly explain how investment management operated prior to the infusion of ‘scientific’ ideas of risk and return and then depict how its practice was subsequently defined by opposing views about how the stock market and the economy operates.

The assumption that the incumbent financial paradigm is based on market rationality that is ‘scientific’ is central to how financial markets are ordered and ruled; for this reason alone, market rationality should be investigated (Yalçın 2010). Furthermore, the financial crisis of 2007-2008 reasserted the view that the objects, processes and ideas that structure rationality in financial markets should not be left in the hands of practitioners and scholars of finance and financial economics. Thus, this chapter has two main aims. Firstly, it foregrounds the main theories and practices from *within* the investment world that I encountered as a fieldworker-
practitioner and with which I engage anthropologically in this thesis. Secondly, by demonstrating that the question of what investing is and how it should be practiced is deeply contested by investors themselves, this chapter reasserts the importance of alternative studies of investment management. It peels away the veil of science that shrouds investing to open the floor for fine-grained and probing accounts of the rationalities, practices and processes within that domain. These are dominant representations, but also contested and precarious.

From Intuition to the Scriptures of Mathematical Science

The dominant paradigm of “scientific finance, based on neoclassical economics, collectively constructs an ideal, perfect and abstract reality of capital markets and market participants” (Sun, Louche & Pérez 2011, 5). The central tenets of this paradigm are market efficiency and rational behaviour. The ascendance of scientific finance also attempts to detach free markets from moral issues by instituting the pursuit of profit, narrowly construed as financial gain, as the moral imperative of business (Sun, Louche & Pérez 2011). Becker’s (1976, 5) point that “the combined assumptions of maximizing behavior, market equilibrium, and stable preferences, used relentlessly and unflinchingly, form the heart of the economic approach” certainly applies to mainstream finance. The models through which financial markets have operated can be characterised as performative emblems of neoclassic economic ideology. Indeed, if economists “mistook beauty, clad in impressive-looking mathematics, for truth,” the misapprehension on the part of financiers is acutely greater (Krugman 2009). Many anthropologists familiar with the literature on markets – some of which is discussed in Chapters 6 and 7 – would presumably agree with these statements. However, it is important to explore and unpack the specifics with the case of investment management and how rationality is constructed in that domain. This is not only for explanatory purposes and to foreground or contextualise the ideas discussed in this thesis; it also shows that transformations discussed in this ethnography are never absolute, consistent with the substantive thrust of the thesis. An ethnographic account of human words and acts is ephemeral since it offers only a slice of life captured during fieldwork but anthropological analysis of particular human understanding of words and acts can have longevity because concepts can be enduring.

The process of rationalization in how stock market investments are managed gathered considerable pace in the 1970s, but the conditions for this revolution were formulated from the 1950s when institutional investors started to dominate the market and replace individual investors as the foremost category of market participant. Prior to this, financial institutions were far from performance oriented and “competition played a negligible role” (Bernstein 1992, 8). Before the revolution, investment management was family-oriented and “performance was...measured in human satisfaction rather than in comparative rates of return” (Bernstein 1992, 10). This refers to a time when the personable element of the investor-client relationship was much more important. I have had first-hand experience of this in my previous role as a stockbroker when working for the ‘full services’ agency mentioned in the Preamble (see Parkinson 2014). Many of the clients of this firm were of the generation that Bernstein (1992) refers to and wanted to retain the personable
element. It was widely accepted that some clients mainly just wanted to call "for a natter". As institutional investors proliferated, so too did the demand for performance and, since the funds they invested were tax-free, trading activity also increased, as there were no associated tax charges when profits were made. This is because institutional investors are not people or individuals liable to pay tax but institutions that invest money for clients. The relationships between investment managers and clients became less personal and it became gradually more important for investment houses to produce comparable or higher returns than their counterparts in order to retain their client base.

From the 1950s, a largely disparate group of academics applied mathematical concepts of reward and risk to investing and outlined the difficulty in gaining a competitive advantage in stock markets. As Bernstein (1992) shows, they were building on work from statistician Bachelier – work originating from the turn of the twentieth-century – and on studies that reveal that stock market forecasters have a poor history of forecasting. These ideas "added a measure of science to the art of corporate finance" but initially they came up against a significant amount of resistance from investment practitioners (Bernstein 1992, 7). Even with the competitive thrust of institutional investors, many investment managers in the 1960s continued to invest as they had previously, without much regard for comparative return; in other words, if stock markets rose, they expected to make money and vice-versa. They were investing much larger sums of money now for institutional clients but were still only investing in a small number of companies; according to the emerging financial theories, this did not sufficiently manage risk. When the stock markets around the globe crashed in 1973-4, their strategies were challenged and they had to be open to these new ideas in order to protect their legitimacy. It took this “to convince investors that these miracle-workers were just high rollers in a bull market and that they too should be interested in risk as well as return” (Bernstein 1996, 251). This prompted investment managers to respond and theories of stock diversification or 'Modern Portfolio Theory' gradually redefined investment management.

Modern Portfolio Theory (MPT) is comprised of mathematical techniques that calculate risk and return associated with a group of assets based on how much the assets have paid to investors (return) and how much their correlated prices had fluctuated (volatility). Few, if any, professional investors today would disregard the need to spread and measure risk to try to maximise return or performance. Put simply, not putting all your eggs into one basket and calculating how best to distribute those eggs are deemed tasks worth undertaking. A consequence of this is that stock-picking activities were replaced by calculations of standard-deviation for different groups of stocks in order to identify the optimum level of risk (Bernstein 1992). In other words, investors calculate how groups of stock prices might move rather than analysing individual companies. For most of the history of stock markets, it had “never occurred to anyone to define risk with a number...Risk was in the gut, not in the numbers” (Bernstein 1996, 247). Financial performance was judged by how much money was made and risk had nothing to do with it. Investing was becoming more about plugging stock prices and price movements into formulae to calculate variance based on historical numbers. This entailed “substituting a statistical stand-in for crude intuitions about uncertainty” (Bernstein 1996, 256). This process was not isolated to
investment markets and applies to options trading, and finance and economics broadly, which became more mathematical (MacKenzie 2006a, 271).

The takeaway point from this section is that the practice of competitive mathematics and wrapping investing in a veil of science were instituted as the pillars of investment management rationality. The incumbent process of reasoning that mostly entailed intuition and tax implications was replaced with statistical concepts of risk and return. Investment ‘rationality’ was defined and fixed as the optimal diversification of risk. Diversification became “a veritable religion among investors” (Bernstein 1996, 264). The objects that investment managers began to use in their daily lives – formulas and market prices – were understood through mathematical and engineering terms (Bernstein 1992). These models take objective, abstract and quantitative data as inputs and specify a desired portfolio of assets. While these financial theories and models were refined and altered, the way in which rationality was structured remains fixed with a numerical and statistical form and a character of mathematical science that confers legitimacy in the face of challenges to the professionals who maintain this process of reasoning. The industry became defined by the management of a portfolio of assets in this way. These are the historical precedents for the short-term pressure on the PMs that SustAM worked with, the requirement to talk in the language of risk and the need to ‘perform’ and compete. Just as a “canoe built without magic would be unseaworthy,” investing without the models of modern finance would be considered equally perilous (Malinowski 1922, 115). The comparison between magic and models will be explained in the final section with reference to the social context of each.


In mainstream economics, to say that people are rational is not to assume that they never make mistakes, as critics usually suppose. It is merely to say that they do not make systematic mistakes—ie, that they do not keep making the same mistake over and over again.


Professional investment management became gradually split into two broad approaches to investment; namely, ‘active’ and ‘passive’ investing. Each style circulates money and wealth according to diverging beliefs and principles. My anthropological fieldwork was with the former type of investor and is the focus of the majority of this thesis. Nonetheless, it is important to consider both the theoretical relationship between the two and the practical implications of the difference. These embody contrasting views on market efficiency and resemble different standpoints on how best to make investment decisions. The purpose of this discussion is not simply to demonstrate human diversity through the comparative method. Rather, it constitutes a useful reflection on the depiction of active asset management in Chapters 1 to 3 and a potent example of fixity in models for managing uncertainty. The distinction between active and passive investing is also important for this thesis because it is crucial for understanding the relational way in which each type of investor tries to build legitimacy for their approach in opposition to the other. Adherence to the active style of investing – and all the assumptions and beliefs that come
with this – was considered the most effective way to change the DNA of capitalism. SustAM’s investment process was supported by a strong focus on the corporations behind the ‘stocks’ being traded. SustAM was deeply concerned with the businesses it was advising on buying. For the actors whose role it is to enact financial transactions – to make investments – this is surprisingly not a necessary, or even desirable, position to assume. The deep analytical gaze on the individual companies was not undertaken by the individuals buying and selling the companies as ‘passive’ investors.

This section depicts a rise in ‘passive’ investing from the 1970s, which is a challenge to the profession of active investors. There are two important points to note before proceeding. Firstly, both styles of investing use ideas and techniques that predate the rise of Modern Portfolio Theory described above. The process that I describe, then, is one of formalisation and fixity, as opposed to a theoretical innovation or discovery in the 1970s. Secondly, although I discuss ‘active’ investing in more detail below, it is worth understanding briefly at this juncture what it aims to do. Active asset management refers to the way in which a ‘fund’ or ‘portfolio’ of assets is managed with the aim of achieving a return. It specifically rejects the belief that stock markets are ‘efficient’ and that market prices convey all available information, points which I expand on below. Active investors’ core purpose is to beat ‘the market’ either by spotting trends to predict future prices or by calculating the ‘intrinsic value’ of stocks to look for stocks that are mispriced in the stock market; in either case, the stock market would be regarded as not operating to efficiently reflect all information through its pricing system. The aim is not to perfect markets but to exploit them. The remainder of this section discusses the passive style of investing, which, in direct contrast, is based on the belief that stock markets are indeed efficient.

The passive style of investing emerged directly as a result of many of the financial innovations described in Bernstein’s (1992) seminal book. These concepts are used to manage risk and compare returns when managing a portfolio of investments. The theories are based on mathematical, statistical, probability techniques and the twin observation that stock market forecasters have a poor history at forecasting stock price movements, while stock prices appear to have random movements. The most relevant financial theory is Eugiene Fama’s ‘Efficient Market Hypothesis’ (EMH) which subsequently won him the Nobel Prize for Economics and became a central tenet of financial theory. As Fama argues:

A market in which prices always fully reflect all available information is called efficient….a market where there are large numbers of rational profit maximizers actively competing, with each trying to predict future market values of individual securities, and where important current information is almost freely available to all participants (cited in Yalçın 2010, 26).

By ‘rational profit maximizers,’ Fama is referring to investment analysts that try to determine the ‘intrinsic value’ of a stock. These analysts can be the ‘fundamental’ analysts discussed in this thesis as well as those who work for investment banks that ‘make’ markets in the stock at hand. The actors are expected to operate to eradicate any discrepancies between ‘value’ and ‘price’. The key implication for money managers is that another group of actors are concerned with the underlying profitability – or ‘intrinsic value’ – so they may as well diversify risk based on market prices, a concept of value that easily fits the mathematical modelling. There are large numbers of
professionals’ who buy and sell a given stock and whose job it is to correctly predict the future profitability of these very stocks. Thus, there is little point trying to outwit this group of ‘rational’ experts. Since companies provide financial information through standardised reporting and other means, all of these actors freely have access to this information at the same time and will immediately reflect this in the price of the stock.

Investing competitively combines skill and luck. Due to the ‘paradox of skill’ and the fact that there are now many more ‘skilled’ participants in investing, this has reduced the level of relative skill between investors, which means that luck is becoming a greater determinant of investment results (Mauboussin 2012). In short, outperforming your competitor investment managers through skill is getting increasingly more difficult. Thus, it is unlikely that active investors or ‘stock pickers’ will consistently beat ‘the market’ – defined here as a group of professional investors and investment analysts – but their persistent efforts to this end are what keep the stock market ‘efficient’ (Fabozzi 1995, 214). While there are still ‘irrational’ traders in the stock market, their actions will be cancelled out by ‘rational’ investors who can correctly calculate stock valuations (Yalçın 2010). Picking which companies will do well or do poorly is largely a game of chance and so the best option is to simply ‘diversify risk’. As an emic term, rationality was defined as the capacity to execute the principles of modern portfolio management and stock analysis. With reference to the quote at the start of this chapter, these people are assumed to be rational and would not make systematic mistakes, over and over.

These are not simply theoretical points. The implications of EMH – that states that the market cannot be consistently beaten – and theories of diversification – that aim to manage risk mathematically – were foundational to the growth of passive investing. This determined how money flowed in the global economy. The first ‘index’ or passive fund was established in 1975 (Heaney 2012). In 2012, it was estimated that passive funds constituted 11% of the global total, a portion that is expected to double by 2020 (see Figure 9 overleaf), though this understates the situation as I explain below. For these investors, there is no decision-making process over which individual companies to select. Instead, the idea is to build an ‘index’ or list of stocks that aims to replicate all stocks under a given definition. If the goal is to invest in Chinese companies, the transaction costs – brokerage fees – of buying every stock would be huge and so a smaller number is purchased that aims to track ‘the market’ in that area. Making sure the smaller number of stocks ‘tracks’ this larger number is the main concern.
These figures above notably do not differentiate between those investors that are classified as ‘active’ managers but who allegedly manage their portfolios as ‘closet indexers’ or ‘benchmark huggers’. These managers hold so many stocks with the aim of diversifying risk that they end up resembling an index fund since the higher number of shares would correlate more with the broader market movements. This tendency proliferated during the 1990s and currently encompasses approximately one-third of US mutual funds’ assets. This practice is criticised for being associated with poor performance and unjustified fees paid to managers, which are much lower in true passive funds (Cremers & Petajisto 2009; McLaughlin 2014). There is a growing number and proportion of investment managers that rely on other actors to calculate profitability and evaluate the companies or assets that they invest in. Their ‘capital allocation’ decisions are based on statistical concepts of risk and the belief that ‘markets’ are efficient, that investors are rational, that almost all relevant information is freely available and that investment risk can be diversified away by calculating variances. Whether it is explicitly passive investors or closet indexers tracking a benchmark, an increasing number of investment ‘decisions’ are based on these assumptions. A broad shift in investment rationality with regards to managing uncertainty occurred where quantitative risk and return models replaced stock-picking and where rationality was explicitly defined, by the actors involved, as the ability to maintain ‘efficient’ financial markets. It was an extreme enactment of Modern Portfolio Theory.

Under this style of investing, ‘the market’ is considered to be a conveyer of truth. The position is agnostic to the profitability of companies since everything in believed to be reflected in
the stock price. It assumes that the vast majority of investors are building their canoes with the magic of modern finance. This displaces the whole decision-making process around what specific companies to invest in with a practice that invests in all companies under a given definition or ‘index’. This circumvents the question of uncertainty over corporate profits and the challenge of comparing these companies on risk criteria to counter this. Instead, all companies are assumed to be being judged efficiently by ‘the market’. As the next section elucidates, by side-stepping the question of uncertainty over corporate profits, passive investing overlooks widespread deviations from ‘rationality’ as they define it.

**Market ‘Anomalies,’ Behavioural Biases and Lessons from Keynes**

The social object of skilled investment should be to defeat the dark forces of time and ignorance which envelop our future. The actual, private object of the most skilled investment to-day is ‘to beat the gun’, as the Americans so well express it, to outwit the crowd, and to pass the bad, or depreciating, half-crown to the other fellow (Keynes 1936, 139).

The underlying assumptions of EMH and market rationality are so clearly evident, to me as an anthropologist and investment practitioner, that ‘underlying’ hardly seems an appropriate adjective. Criticisms of the (re)structuring of investment rationality discussed above come from far and wide. In this section, I discuss those that are most directly relevant to active investment management and sustainable investing. Many economic anthropologists would presumably take issue with investors’ assumptions that financial markets are efficient institutions, populated by rational-maximizers. On this point, they share a similar view to investors and psychologists from a school of thought that has tried to counter these assumptions and profit from their consequences. The object of their focus is market movements or ‘anomalies’ that are inconsistent with EMH. There are many studies into what causes these but behavioural finance – based on psychology – has perhaps had the largest impact on how investors think and act. The relatively new field of study is academically ground-breaking and has had a massive impact on how investors operate; it is also very relevant to sustainable investing.

Behavioural finance would explain anomalies as phenomena resulting from “repeated patterns of irrationality, inconsistency, and incompetence in the way human beings arrive at decisions and choices when faced with uncertainty” (Bernstein 1996, 281). Insights from behavioural economics and finance present a resounding critique of the notion of an efficient financial marketplace populated by purely rational investors. They have highlighted the influence of cognitive biases, emotions and collective behaviour on investment decision-making and market movements (Barberisa, Shleiferb & Vishnya 1998; Benartzi & Thaler 1995; Kahneman 2011). The notion of financial markets that this approach upholds is not one that exists in a mechanical world of rational thinking, but one that is very much tied to the ‘imperfect’ cognitive and behavioural dimensions of humankind. This advances a discipline that follows the assumption that Roosevelt made when he stated that all that Americans has to fear was fear itself (Ferguson 2012). This
work gives strong support for theories of active sustainable investing since it shows that stock prices do not necessarily sufficiently convey truth.

However, a large thrust of this work does not question the substantive aspects of the rationality that is the focus of this thesis and it does not prescribe an alternative foundation for reasoning in the way that SI does. Instead, behavioural financiers act as ‘Theory Police’ that monitor investors’ adherence to the models that they purport to follow and highlight the importance of managing our emotions (Bernstein 1996, 284-303). This is a huge contribution to the understanding of financial markets that places a massive dent in the ideology of modern portfolio management in particular and neoclassic economics in general, but it stops short of investigating the ways in which the rationality may be restructured. It does not question the integrity of the foundation directly but shows why this does not hold up in practice when individuals make decisions. This is in contrast to sustainable investing which offers a different structure for investor rationality – a different blueprint – as is explained further in the closing section. A more holistic human economy approach may allow us to investigate alternative configurations for rationality and is hopefully less vulnerable to being used simply as a way of ‘perfecting’ the extant structures of rationality.

The implication of ignoring different configurations of rationality is that the insights of behavioural finance simply become used as a way of making markets more efficient. This is exemplified in Bernstein’s (2008) argument that the only way to explain the existence of ‘alpha’ – otherwise known as ‘outperformance’ by active investors over passive investors – is:

from the behavioural side. Otherwise alpha [or returns beyond those of ‘the market’] wouldn’t exist.
If people didn’t let their emotions dominate, mis-pricings wouldn’t exist or would be ephemeral. If everybody read Kahneman and Twersky [leading scholars in behavioural economics] and acted accordingly we would have a fully efficient market.

If only we could all act more ‘rationally,’ markets could be efficient. In other words, if only the core assumptions of modern portfolio theory were true, then the theory would be validated. Yet this is precisely the point. As a champion of passive investing and Modern Portfolio Theory, Bernstein (1992, 306) argues that the financial theories upon which these styles are based are the essential insights into how people do act and how people should act as they engage in the competitive battle...abstractions cannot tell investors whether to buy or sell – in the end, that secret remain hidden from us – but they can tell us how to manage our affairs so that the uncertainties of human existence do not defeat us (emphasis mine).

This standpoint prescribes a certain structure for investor rationality. While this acknowledges the impact and existence of emotions, it leaves little or no room for decisions to invest in one stock over another; it does not focus on the profitability of those companies specifically and enacts a particular conception of how capital markets should operate to manage uncertainty where market prices are believed to convey truth.

The behavioural theories discussed above highlight the distance between the ideal and reality, but they do not question the ideal itself. One could argue that behavioural finance can build resilience to uncertainty by trying to grapple with irrationality. It can help to ensure that investors follow their models correctly, but it does not consider radically alternative models.
Keynes’ (1936) writings on the stock market in *General Theory* are instructive here – not for the macroeconomic implications – but for their recognition of how investors operate. Keynes (1936) view of temporality also furthers our view of the historical context of sustainable investing. Keynes (1936) was acutely aware that behavioural factors have an influence on investment decisions. The poignant point, for the purposes of this thesis, though, is not Keynes’ (1936) focus on psychological or behavioural influences on decision-making *per se* but his implied point that this came at the cost of overlooking the ‘valuation’ of a company. He argues that investors’ long-term expectations with regards to a company’s value are not based on what is most probable, but on the confidence placed in forecasting itself. The forecasting that he is referring to is the calculation of a stock’s ‘yield,’ such as that done by financial analysts mentioned in this ethnography, who try to forecast the future profitability of a stock. The ”essence of this convention” is that we must proceed as though the “current state of affairs will continue indefinitely,” even though we know this is unlikely (Keynes 1936, 136). Investors accept the market valuation as ‘correct,’ even though they know that the end result is likely to be very different. This is acceptable since investors can revise their judgements as relevant near-term news appears. In this context, the stability of the whole process comes from the extent to which we can rely ”*on the maintenance of the convention*” (Keynes 1936, 137).

For Keynes (1936), this is precarious since people trade investments without sufficient knowledge and since the market is vulnerable to price fluctuations and mass changes of opinion that are not relevant to the stock’s profitability. Thus, even professional investors:

> are concerned, not with what an investment is really worth to a man who buys it “for keeps”, but with what the market will value it at, under the influence of mass psychology, three months or a year hence”. An investor does not use “the best of one’s judgment” since he or she is concerned more with ”average opinion” or ”what average opinions expect average opinion to be” (Keynes 1936, 137).

This type of investing is about beating the gun or “outwitting the crowd,” which he refers to as ‘speculation,’ as distinct from calculations over stock yields (Keynes 1936, 137). However, even skilled investors with long-term investment horizons are pressured by these short-term influences. Though Keynes (1936, 145) has a clear preference for long-term investing, he acknowledges that “human decisions affecting the future...cannot depend on strict mathematical expectation, since the basis for making such calculations does not exist”. Our ”innate urge to activity” keeps everything moving and we are often “falling back for our motive on whim or sentiment or chance” (Keynes 1936, 145). Stock market transactions are driven by “conventions” of valuation, but these are subject to mass psychology as there are “no strong roots of conviction to hold it steady” (Keynes 1936, 138). Keynes (1936) questions the structure of investor rationality itself, which the behavioural finance scholars mentioned above do not.

Keynes (1936) penned *General Theory* prior to the emergence of Modern Portfolio Theory, numerous other techniques for forecasting corporate profitability and the huge processing power

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8 A new body of work called ”convention theory” aims to show how collective beliefs serve to uphold the status quo in stock valuation (Jemel-Fornetty, Louche & Bourghelle 2011, 92). Anthropologists may find opportunities for engaging with scholars from across the halls who have a more heterodox approach to economics.
of computers. The ‘basis’ for calculation has grown considerably, as have the roots of convictions. If behavioural finance highlights how ‘irrational’ investors deviate from the dictates of MPT, Keynes (1936) argued that, though devoid of a sufficient foundation for rational calculation, investors have a shared fidelity in market valuation that stabilises the process and, rather than focus heavily on the profitability of investee companies, devote their time trying to outwit and mimic each other. This is also a significant point because it explains why the adoption of new approaches – such as SI – in investing is slow. These conventions are self-sustaining and impede the adoption of new valuation techniques.

Rather than expend too much effort fundamentally revising their magical models, investors are happy to apply them in their current format since they believe that most other investors will be doing the same. As the section below illustrates, the same processes that Keynes (1936) identified also exist in modern investment management. The maintenance of valuation conventions has – particularly those under the aegis of MPT but also others as we shall see – diverted many investors from calculating the profitability of companies. In the main, they have not altered the structure of their rationality. Passive investors aim to diversify and ‘track’ or reproduce the market in their investment portfolios. Many active investors collect higher fees for purporting to be able to ‘beat the crowd,’ but have been shown to largely mimic it or not be victorious. Diversification and variance models proliferated as the dominant methods for managing uncertainty in stock price movements, but are based on the assumption that rational investors were correctly forecasting the profitability of companies. These are the key elements that bestow passive investing with its legitimacy. As the following section shows, this has analogues, divergences and implications for active asset managers.

**Stock Selection in ‘Active’ Asset Management**

In the context of the shortcomings of investment managers that were crystallised in the 1970s, the rise of the passive investor and multiple studies that reveal the failures of stock forecasting, active investors face considerable challenges to their credibility and the very foundations of their expertise. This section examines the intended purpose and structure of these models in active investing since these, and the models of passive investors, represent key points of departure for **SustAM**. The growth of passive investing, in particular, represents a challenge to the legitimacy of active asset management and a sizeable portion of its share of the investment industry. For the vast majority of active asset managers, managing a portfolio that returns more than the given index is their **raison d’etre** and the basis upon which they are judged professionally or ‘benchmarked’.

Passive investors would argue that it is not a question of whether active investors *can* consistently beat the market, but that the ones who do are few and far between; truly successful investors like Warren Buffett or Peter Lynch are believed to be hard to come by and when they do come along, they either would surely either invest their own money or manage private partnerships with limited amounts of capital to invest so as to protect their advantage (Bernstein 1992, 143; 1996; 2008; Segal 2013). In other words, for the limited number of investors that find
a way of consistently making correct judgements about the profitability of companies – seeing value in places where other market actors do not – they would surely keep acting on this to make profit and not share their magical recipe for success widely. If everyone made investments on this basis, the pricing mechanism of the stock exchange would arbitrage out the advantage. Moreover, with the rise of institutional investing, there are so many “avid and intelligent” investors trying to outwit the market or each other that they make life difficult for one another. Still, the possibility and hope of higher returns keeps everybody trying. “A little inefficiency goes a long way in making the game worth playing” for active investors and many are happy to take an educated best-guess (Bernstein 1992, 161). This is the view of active investing from the perspective of the passive investor.

The rise of the passive approach to investing has significant implications for active investors like *SustAM*. Essentially, it means that active investment managers must have a perceivably credible strategy for generating investment value – above and beyond ‘the market’ – by identifying and exploiting ‘drivers’ of stock price movements. If active investors are successful, they will ‘outperform’ the benchmark or indices that passive investors use; they will make more money for their clients than a passive investor would have if the same amount of money had been invested using that approach. Active investors must be seen to be prescient in managing ‘risk’ or finding ‘value’ when buying and selling shares of companies. Unlike passive investors, they must identify ‘drivers’ of stock prices since it is based on the belief that stock markets do not efficiently convey all relevant information. Active investing has formalised in opposition to passive investing since the active approach is predicated on the belief that ‘the market’ can be beaten, under the assumption that markets are not efficient and that mispricing exists and can be consistently exploited for financial profit. However, as indicated in the introduction, an additional challenge for active managers is the higher fees that they are paid – relative to passive investors – and that these fees act to undercut any returns. A huge appeal of passive investing is the lower fee structure. With active investing, there is a team of portfolio managers and financial analysts whose wages need covering and now – in many cases – sustainability research to buy on top of this.

Whatever techniques or strategies are used, they ultimately culminate with a stock-picking judgement. For instance, if a stock is deemed to be ‘trading cheaply’ with a market price that is less than the calculated ‘intrinsic value,’ it would signal a ‘buying opportunity’ since it would be assumed that the stock market – or the market actors who calculate the value of shares – would eventually catch up as the company continued paying good dividends to shareholders. This, as well as judgements about different industrial sectors, is where ‘outperformance’ is judged to be located. Yet the techniques of active investors allow them to compare companies – as classifications of instances in a refined Knightian sense – and therefore measure risk as a way of dealing with uncertainty. The models must always be communicated in a way that convinces clients that they can ‘outperform’ in this world of contingency and experimental classification of corporate practice.

The goal of active investing is to pick stocks that ‘outperform’ or increase in price more than others or fall less. Since there are usually thousands of potential stocks that can be invested
in – known as the investible ‘universe’ – active investment managers have to narrow their options down in some way to identify the target stocks that will enter the portfolio. They apply various criteria to stocks through their models, with the hope of identifying companies that are more likely to outperform. Sustainability and ESG data is one such example. Active investors use a multitude of techniques and strategies to identify the stocks that they will invest in. These are not used exclusively, though some investors will champion one approach over another. Many use a combination of them. I now discuss one approach used by ‘traditional’ investors.

The ‘traditional’ approach to financial analysis revealed in Chapter 3 is called fundamental analysis and is practiced by some of the PMs that worked for SustAM’s partners. It tries to determine if stocks are over or under-priced by calculating their ‘intrinsic’ or ‘true’ value and by comparing this to the current market price. The intrinsic value is calculated by predicting future cash flows or dividends that holders of the stock would be entitled to. Increases in these cash flows themselves – as income – and the increases in share price that this would normally be associated with – as capital gains – are expected to result from increases in the profitability of the company at hand. The market price may fluctuate wildly but the ‘true’ value – the expected price increase and dividends that result from the underlying profits accrued by the company – will anchor these short-term trends. Better company profits should ultimately mean greater shareholder value, implying that market actors will ultimately be ‘rational’ enough at some point to be able to judge this. The capacity to forecast and make judgments over this profitability – above and beyond the skill and efficiency of ‘the market’ – is the core skill of an active investment manager using this style. The remainder of this section succinctly depicts how the rationality of this type of professional is structured. This is important because it exemplifies the investment approach that the sustainable investors with whom I worked encounter, most directly, as they try to change capital markets.

The passive investors and Modern Portfolio Theory practitioners discussed above attempt to manage the uncertainty of stock price movements by calculating statistical correlations between stock prices, through the diversification of risk and by identifying price trends. Fundamental analysts, on the other hand, aim to manage the uncertainty of corporate profitability, which largely underlies and drives the uncertainty of stock prices, over the long-term at least. Investors and portfolio managers that adopt this approach utilise a range of techniques that are beyond the scope of this thesis. The foundational techniques predate the rise of modern investment management described in the above section (see Graham & Dodd 1934). The process of reasoning in fundamental analysis largely relies on financial information; namely, accounting data reported by the company at hand, such as that shown in Figure 10 overleaf, a screenshot that exemplifies the financial data that is analysed in this process. Each will interpret the data differently. For instance, some may consider the fall in ‘Research and Development’ spend from 2008 as a symptom of a falling commitment to innovation. Others would be concerned with the drop in revenues in 2012. However, the inputs to the decision-making process are of the same type.
Figure 10: Example of reported financial information

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$871,352</td>
<td>$1,051,756</td>
<td>$978,393</td>
<td>$886,506</td>
<td>$956,270</td>
</tr>
<tr>
<td>Operating costs and expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>582,596</td>
<td>662,085</td>
<td>623,224</td>
<td>669,163</td>
<td>681,314</td>
</tr>
<tr>
<td>Research and development</td>
<td>151,697</td>
<td>141,097</td>
<td>138,960</td>
<td>170,778</td>
<td>207,362</td>
</tr>
<tr>
<td>Marketing and selling</td>
<td>63,217</td>
<td>59,470</td>
<td>56,592</td>
<td>64,946</td>
<td>57,330</td>
</tr>
<tr>
<td>General and administrative</td>
<td>50,107</td>
<td>48,003</td>
<td>48,316</td>
<td>50,352</td>
<td>42,080</td>
</tr>
<tr>
<td>Other operating (income) expense</td>
<td>(898)</td>
<td>1,582</td>
<td>4,895</td>
<td>800,563(1)</td>
<td>19,085</td>
</tr>
<tr>
<td>Total operating costs and expenses</td>
<td>846,709</td>
<td>912,237</td>
<td>871,987</td>
<td>1,758,802</td>
<td>1,007,171(4)</td>
</tr>
<tr>
<td>Income (loss) from operations</td>
<td>24,643</td>
<td>139,519</td>
<td>106,406</td>
<td>(889,296)</td>
<td>(50,901)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(10,997)</td>
<td>(17,140)</td>
<td>(23,997)</td>
<td>(28,893)</td>
<td>(24,533)</td>
</tr>
<tr>
<td>Interest income</td>
<td>468</td>
<td>787</td>
<td>1,291</td>
<td>5,337</td>
<td>29,046</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>1,514</td>
<td>339</td>
<td>1,134</td>
<td>9,644(3)</td>
<td>3,906</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>15,628</td>
<td>123,505</td>
<td>84,834</td>
<td>(880,008)</td>
<td>(42,482)</td>
</tr>
<tr>
<td>Income tax (expense) benefit</td>
<td>(14,771)(3)</td>
<td>(1,053)(3)</td>
<td>(13,815)</td>
<td>(7,896)(3)</td>
<td>39,089(3)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$ 857</td>
<td>$124,558</td>
<td>$71,019</td>
<td>$887,904</td>
<td>$3,384</td>
</tr>
<tr>
<td>Net income (loss) per share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$ 0.00</td>
<td>$ 0.46</td>
<td>$ 0.27</td>
<td>$ (3.38)</td>
<td>$ (0.01)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ 0.00</td>
<td>$ 0.44</td>
<td>$ 0.25</td>
<td>$ (3.38)</td>
<td>$ (0.01)</td>
</tr>
</tbody>
</table>

Source: (Qorvo 2012)

The common thread among the techniques of traditional active investors and financial analysts is the degree to which the reasoning process is structured by similar objects; namely, reported financial or accounting information. These are the main inputs to the models that determine how portfolios will be constructed or which companies will be invested in for active investors. Thus, even those investors that are keenly focused on the profitability of companies have a strong reliance on financial information. A useful reference point to consider is the investment industry’s global ‘Gold Standard’ qualification ‘CFA’. One can see this by examining the textbook that the CFA Institute (2012, 6) has described as the ‘cornerstone’ of its program. The book introduces the ‘value’ style of active investing, discussed above, which tries to determine the ‘intrinsic value’ of stocks using ‘fundamental analysis’ of financial statements. The three main substyles that it lists centre on price, earnings and ‘book’ value. The same is true of ‘growth’ investors who also analyse sales revenues (Maginn, Tuttle, McLeavey & Pinto 2007, 433). The same pedagogical focus was evident for the ‘Certificate in Investment Management’ when I obtained it in 2008 from the then Securities and Investment Institute. Even these ‘dynamic’ methods for valuation forecasting are still largely based on static and backwards-looking accounting-driven data. Although asset managers adapt these styles situationally, the core inputs are the same.

It is important to note that active investment managers or ‘stock pickers’ do not use these objects or tools based on accounting data exclusively. Many also employ qualitative and quantitative assessments of the macroeconomic outlooks, the business cycle, industry trends and company management. Moreover, as with those PMs discussed in my ethnography, there also exists a less-formalised, final stage leading up to a stock selection decision that is a more
idiosyncratic layer to the process, such as a preference for companies that are judged to have ‘a moat’ around them or be ‘self-help’ companies undergoing radical change. The point is, though, that objects of reasoning based on either accounting data or market prices constitute the thrust of active investors’ analyses. Analysts may look forward to such things as industry or economic trends but the valuation process is anchored in this conventional way; financial analysts’ everyday analytical tools – ratios, calculations, valuations, forecasts – are largely based on ‘book’ or accounting values. Though financial markets may “price what investors believe will happen in the future,” the forecasts are made in a linear way using this backwards looking data (Gorte 2008, 34, italics in original). As suggested throughout this thesis, the models also uphold a certain temporality, which Keynes (1936) also astutely observed. Most investors are not concerned with holding investments ‘for keeps’ and financial analysts only make forecasts over the short-term. Financial markets mostly only ‘price in’ near-term events. As an investment manager once told me, “beyond two years, everything gets wobbly”.

To summarise this chapter thus far, the institutional-level structuring of modern investment management rationality has advanced under a veil of mathematical science. However, lying behind this is a precarious mixture of assumptions about human rationality, behavioural tendencies and a strong reliance on market prices and accounting data as the primary inputs in determining how and where the financial wealth of the world should be distributed. These are contrasting techniques and theories for measuring risk to manage uncertainty in stock prices and market movements and corporate profits. Each constitutes a different set of institutional ideals or moral economy. The actors in each domain have a contrasting orientation to profit and risk. Their magical models contrast sharply.

**The Entry Points of Sustainable Investing**

Confronting the foundations of traditional investing as a way of ‘Changing the DNA of Capitalism’ has been one of David’s main life missions. The negotiation of extant institutional structures entailed finding a place for the new moral economy of the sustainable investor within the mainstream. Sustainable investing was developed at a historical juncture in investment management where competitive, scientific mathematics dominates as risk is measured to manage uncertainty. This can be achieved through a belief in market prices as conveyors of truth, as in passive investing, or through a deeper focus on the profitability of companies being invested in, as in active investing. Sustainable investing can be both passive and active but the practices depicted in this thesis are defined as active investing or stock-picking. This is also occurring at a time when active investors are under more pressure than ever to ‘perform’ due to the higher fees relative to passive investing and the historically poor track record of active investors relative to the market.

Even though sustainable investors, like any other investor, are still trying to calculate the impacts of their models on investment performance, the investment thesis is ostensibly deemed valuable enough to give a chance. Sustainable investing is a compelling story of financial outperformance in its own right as new magic is weaved into the models of traditional investing. Despite the necessary ambiguity over the link between sustainable investment models and prices – echoing MacKenzie (2006a) – there is strong demand from institutional investors for this type of
analysis. For an active investment advisor like SustAM, there is the dual challenge of convincing gatekeepers – or buyers of the product – that both active investing and sustainable investing can add value in order to justify the costs of the research. The question of how fieldworkers and investors distinguish between objective research and marketing ploys punctuates the struggles that the active investment industry and SustAM face. The asset owners that I met during multiple European business development trips seem acutely aware of sales tactics and almost always try to dig into the detail of the investment process and stock ideas to test for substance over form. That was the exact reason for my attendance at these meetings. Further ethnographic research could examine the fee structures of investment contracts between asset managers, research providers and asset owners, with ‘pay for performance’ giving a strong indication of substantive research. However, as indicated above, demand for sustainability research is currently very high. This perhaps explains why some of SustAM’s partners and several other asset owners that I have spoken to were content to cover the costs of sustainability analysis. They believed that there was enough institutional support to develop the substantive elements of the research together. Yet before this could even be conceivable, sustainable investing required some careful framing. The purpose of this section is to identify where sustainable investment models intersect with mainstream models as a step to exploring the social context of both and how sustainable investment models are constructed to appeal to mainstream actors.

Chapter 4 shows that the place of SI within the mainstream and its impacts there are still to be determined. Sustainable investment changes how transactions of wealth and corporate ownership are mediated across what Guyer (2011) calls “active sites of mediation” and a “historical shift” where key attributes are called into question. Whether we assign causality to changing generational attitudes, the pressing immediacy of climate change or critical sentiment toward finance through repeated financial crises, paradigmatic transformations are under way. The concept of SI – as ESG – is pivotal to how these sites of mediation are being transformed. Indeed, much of the power of the praxis of sustainability appears to be in its capacity to occupy a space around borders and thresholds within the undulating transactional order of institutional investment management. SI models have to be analytically and commercially tractable and structured within, and around, mainstream financial rationality and, to some extent, as distinct from investors in the ethical and SRI camps (MacKenzie 2006a).

The form of sustainable investing (SI) that this thesis has focused on specifies a different structure to investor rationality. The investment concepts of ‘materiality’, ‘timeframes’ and ‘integration’ or ‘process’ are evoked by SI actors to establish and confirm how, where, and why they will impact the rationality of mainstream investment management. These three concepts can also be considered as thresholds that must be transcended in order for SI to re-shape the associated monetary exchanges and begin to dissolve the borders between SI and traditional investing. We can consider these to be three principles of investing that are formalised through the moral economy of SI. It is through these levers that SI attempts to broaden the definition of risk in investing in order to manage uncertainty more robustly. These are emic terms that are often used explicitly by sustainable investors, such as my colleagues, and other times implied, in their interactions with each other and with their clients. They are essential to the sustainability
space that is being carved out against and within ‘mainstream’ investing. SI maps directly onto the practices of traditional investing and specifies a change in practice there through these channels. To evoke the investment concept of materiality is to ask what is material to an investment decision? What factors should be included? The answer for my colleagues is Environmental, Social, and Governance factors and other ‘intangible’ values. The need to change attitudes and beliefs about the financial materiality of ESG issues is considered essential to their mainstream adoption (PRI 2013a, 22-3; UNEP FI & WBCSD 2010). ‘Process’ asks in what way should the factors that are deemed material enter the investment process? The answer in this case is by ‘integrating’ them alongside traditional financial factors. ‘Timeframes’ asks how long the investment horizon is. For sustainable investors, it is a longer timeframe than mainstream market actors.

This institutional vernacular and logic helps to establish identity, place and purpose. Yet this positionality should not only be understood relative to the mainstream. We should also consider antecedents in ethical and socially responsive investing (SRI). Various groups of professional investors have operated outside the ‘mainstream’ financial markets for moral and ethical reasons for some time. Investment styles with ‘non-traditional’ goals – and which could conceivably be defined as ‘sustainable’ – date back at least to the Quakers in the 1700s and have analogues in 1960s when linked to social concerns such as apartheid in South Africa and the Vietnam War. SRI emerged in the latter half of the twentieth-century and would usually result in various ‘bad’ investments being negatively ‘screened out’ or, more recently, ‘best-in-class’ companies being positively targeted (Deutsche Bank 2012; Welker & Wood 2011). David considers SRI and other ethical forms of investing as destined to remain ‘niche’ or ‘marginalised’ and, thus, unable to infiltrate the mainstream, since investors have so many different moral positions. These investors are likely to stay fragmented and on the side-lines if they focus on values.9 For instance, a SRI fund investing the money of religious institutions would exclude investments in companies that make weapons whereas a SRI fund investing the pension funds of healthcare experts would exclude tobacco. The investment decision is not driven by a judgment about investment value which would make it relevant to mainstream investors since these actors are mandated to make profits.

The principle of ‘materiality’ is considered to be the key point of distinction for SI and the key to unlocking access to the mainstream. It anchors judgements of value by reminding the analyst to focus only on factors of corporate behaviour – whether positive or negative – that will impact profits in a significant way. The focus has to be on investment risk and return. If moral or ethical positions are not expected to be financially material to a given company then they should not – from this standpoint – have a material impact on the investment decisions there. A company manufacturing advanced weapons may be contributing to the deaths of thousands of people but it may stand to make a lot of profit in a world of rising conflict. SI is overtly and explicitly about value rather than values. If the financial case for an ethical issue cannot be made, then it will not be emphasised in the analysis.

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9 See comparable comments from David Blood – co-founder of Generation Asset Management with Al Gore – who runs an investment strategy overtly similar to SustainAbility (Gilbert 2015).
SustAM and other sustainable investors espouse the value-values dichotomy as an identity marker to distinguish themselves from SRI and ethical investing, but the construction of this category is not so straight-forward. Many of the present organizations and actors in the sustainable investing space are still trying to define what sustainable investing is or are practicing a style of investment that they call by another name, such as ‘responsible investment’ (RI) or ‘Socially Responsible Investing’ (SRI), when others would label it ‘SI’. While some use ‘SI’ as a catch-all term to subsume all of these 'non-traditional' styles of investment, for others, using SI as an umbrella term is problematic (Deutsche Bank 2012). One of the main barriers to integration that David and his industry counterparts cite is a widespread confusion of SI with Socially Responsible Investment (SRI) and other ethical investment styles. The problem that they acknowledged is that values-based investing does not calibrate so easily with the points of impact on mainstream investing in the way that SI does since it proceeds with the language of morality rather than risk. Although notions of fiduciary duty are being challenged, as Chapter 4 shows, any consideration of environmental and social factors in mainstream finance must be on grounds of risk. Since investment managers are mandated to make money for their clients using institutional concepts of risk, this has to be their ultimate goal. This is why the distinction from ethical investing is so crucial for SustAM to construct and uphold. Rather than investing based on a pre-defined moral position, SI works in the contours of investment risk and return with a focus on factors that are considered financially-material and that have a long-term horizon.

Sustainable investors’ use of ‘materiality’ aims to import a degree of certainty in an uncertain world with murky and choppy waters. This is true of identity distinctions and investment decisions. This thesis has shown that the identity side is less clear-cut, even if the judgements of SustAM’s analysts are more firmly rooted in the ‘value’ or the business case for sustainability in finance. The question of values still emerges – despite attempts to frame SI as ‘ESG’ – whether through questions from clients or from internal team discussions. This may be partly due to sustainable investors’ historically "strong links to the...ethical and socially responsible investment communities” that they hope to distinguish themselves from (Krosinsky & Robins 2008, xxi). Many SI or ESG investors have worked in values-based investing. Some within the industry explain the transition as one where people no longer wanted to talk about ‘ethical’ investing and so started talking about ‘ESG,’ but ended up just talking about risk. This took them beyond their purpose for being involved in sustainable investing in the first place. This suggests that there is a sense with some in the industry that treading too far into mainstream territory can result in a moral conflict where the moral economy of sustainable investing is perhaps a bit too business like. Maintaining an instrumentalist orientation toward the intersections of financial profit and corporate sustainability requires operating around boundaries between different groups of investors. At SustAM, peer reviews of analytical work and collective discussions about the materiality of the investment issues had the effect of reproducing reasoning based on risk concepts rather than morality, especially with newcomers. It was through these interactions that the pragmatic, utilitarian, moral economy of the sustainable investor was upheld in practice.
Models, Technology and Magic

In outlining the historical and substantive aspects of investing, this chapter adds texture to the concluding argument in Chapter 4, where institutional investment models are shown to be part of a complex constellation of organisational relationships. Risk and uncertainty have been shown to not only be a facet of investment cases, but concepts that are interlinked and applicable to client demands, organisational processes, team relationships, broader institutional relations such as fiduciary ones, commercial prospects, personal careers and life goals, intellectual property and identity conceptions over ethical and mainstream figures. I have shown models to be the infrastructure of financial markets, technologies that are intertwined with the vested interests of different groups of actors (MacKenzie 2006a, 275). By viewing these models in socially functionalist terms, rather than rationalistically, we can identify a deeper purpose to them that stretches beyond simply managing financial risk in investment cases. As with Kula magic, the magic of sustainable investment models is all-pervading and all-important. Their crucial sociological function can be grasped if we consider Malinowski’s (1922, 115-6) distinction between magic and craftsmanship. Both are considered indispensable during canoe building if voyages are to be successful.

The comparison of investment management to the construction of canoes for trade in tribal societies is also fitting when we consider that joint-stock companies – the very first corporate entities that could be owned by shareholders and whose shares were traded on the first stock exchanges – were created to raise capital from different investors to fund dangerous distant voyages (Walker 1931). Unlike Kula, though, there is no comparable division between the craftsmanship entailed in making a canoe that is both “stable and swift” and where magic adds to those properties (Malinowski 1922, 115). Magic is the craft of investors who build and operate models to manage uncertainty. Yet the function of magic is similar to that in Trobriand society. It gives “order and sequence” to activity, confers confidence in the success of labour and helps secure the co-operation of the community (Malinowski 1922, 116). Each is also supported by a belief in the efficacy of magic in managing uncertainty, whether that belief is supported by the rationality of Kula trading or institutional investment management.

The homology that I posit between investment management models and magic can be further grasped by considering Gell’s (1988) discussion of the dualism between magic and technology, which he intends to dissolve. The key distinction is that magic is more of a symbolic nature and is not – from an analytical perspective – physically efficacious, meaning that it does not exploit the causal properties of things (Gell 1988, 7). Spells are meaningless on their own; hence the social context must be understood. Yet the same is true of technologies and tools since they are dependent on social systems of knowledge that “make possible the invention, making and use of tools” (Gell 1988, 6). This is where magical elements are threaded into technological realities. Drawing on Malinowski, Gell (1988, 9) argues that magical thinking is interwoven with gardening techniques where it metaphorically describes the ideal garden and has the effect of focusing people on practical action.

The magic of investment models that follows from this can be identified in a number of core investment concepts. Investment models – like SustAM’s or those of traditional asset
managers – are a form of technology. These tools are actualised through computers and also structure the cognitive frameworks of investment decision-makers. They enact specific forms of calculative judgement; a formula for calculating a stock’s intrinsic value produces a numerical value and has a tangible impact in the world, just as SustAM’s model produces scores and narratives that direct investment decisions. The models are efficacious. In this respect, they operate like technologies, as opposed to magic.

Magic resides in the social context of investment models. Modern investment managers are ultimately judged on the outcome that their investment models have brought about; namely, the ‘performance’ of their funds, as measured by the stock price or market value of investments that they own, relative to other managers. Stock prices are the primary arbiter of success. They also play a mediating role in determining the entry and exit points for investing or divesting from a given company. Investment managers are always at the mercy of the stock market, even if they do not believe it to be a ‘rational’ domain. In this world of uncertainty, the core assumptions of investment models metaphorically describe different ideal market activities. These spells are uttered by investors and inscribed on commercial and internal investment documents. With regards to passive investors, the ideals of the ‘Efficient Market Hypothesis’ and the ‘rational’ investor have been exposed above. For active investors, the ideal of consistent ‘outperformance’ has also been highlighted in the context of studies that have demonstrated that stock forecasters have a poor history of forecasting (Bernstein 1992, 33-38; Malkiel 1995). The poor performance of investment analysts is revealed by the Wall Street Journal’s ‘Investment Dartboard,’ a regular feature that demonstrates little difference – in terms of investment returns – between stocks picked by analysts and by throwing darts at the financial section of the newspaper (Mishkin 2004, 160 & 163). Given the uncertainty of investment returns, the narratives and stories of outperformance are a rhetorical form of magic.

Sustainable investors espouse the ideals of the ‘long-term’ investor and the ‘sustainable corporation’. While there are presumably investors who hold companies for a period of time that can warrant being defined as ‘long-term,’ the average holding period – the length of time that a company is owned before it is sold – for a company within the types of funds managed by agencies like SustAM or EuroCap is approximately 1.2 years (Bogle 2015, 190). This is a shorter time period than SI usually requires for the trends that it identifies to begin having a significant financial impact. One could also argue that the imaginary sustainable corporation is an ideal since, as David reiterated, only “solar-powered tofu manufacturers in Botswana” might fit this category, ruling out the entire universe of investible stocks. The role of the magical aspects is to give the actors involved some certainty in the outcome of their actions and to guide these actions. They also operate to convince other economic actors to join them for the journey. Gell (1988, 9) argues that when technologies become so powerful, these magical elements are not needed. With investment models, this is not yet the case, which means that the threads of magic are currently interwoven with technical practice.
Chapter 6: Approaching Investment Management

The Introductory chapter foregrounded the changing role of financial markets in society through the case of sustainable investing. This was followed by three ethnographic chapters that revealed how sustainable investment operates within the walls of one investment agency. Chapter 4 considered some of the implications and associations with sustainable investment more broadly and Chapter 5 unpacked the ethnographic data through a discussion of the historical and institutional changes in institutional investment. This chapter elaborates on the main anthropological points of this thesis. It has the dual purpose of refining the perspective on the moral economy of sustainable investing and the construction of the category of the sustainable investor and of offering some theoretical signposts for future sociological and anthropological studies of finance. I argue that the moral economy of SI is an attempt to socialise capitalism by changing information carrying structures that shape financial forecasts and corporate behaviour as the capitalist body manifests in the world. The discussion is wide-ranging since an ethnography of sustainable investing touches on a number of research areas; the most directly pertinent of these includes the anthropology and sociology of the economy, money, value, finance, markets, organisations, business, expertise, sustainability and capitalism. While a detailed juxtaposition of my research with such areas could be very insightful, for practical purposes, I maintain a focus within social studies of financial markets and economic anthropology. I hope to contribute academically to the emergent subfield of the anthropology of finance; hence this is afforded a deeper emphasis throughout.

Ethnographers of finance professionals and financial practices have attempted to grasp an array of expert lifeworlds as is illustrated in Chapter 7. When making their objects of study or expert worlds intelligible, some of these scholars have used their findings in an engaging and confrontational manner in relation to the market actors that they study. My fieldwork has led me to be somewhat hopeful about finance and what it can achieve; therefore, I proceed with a sense of critical optimism. An understanding of how financial markets operate from an anthropological perspective can prevent us from accepting the accounts of experts and scholars that have dominated research of the financial domain. The discussion advances as follows. The first section explores the political economy of institutional investing and the implications for the relationship between market and society. The second part centres on the social role of money that is imported with sustainable investing. The third section discusses the nature of financial theory and practice and examines how best to approach this. The fourth explores the question of agency in financial markets.

Sustainable Investing, World Economy and the Rise of the Large Corporation

Money and finance should be studied as part of society and as the outcome of ideas and institutions. Dominant representations of finance help to construct that domain as a de-politicised and socially-detached realm (De Goede 2004; Hart & Ortiz 2008; Tett 2009). It is important to illuminate money’s role in shaping global society and to examine the links between monetary arrangements and social configurations (Hart & Ortiz 2014). Indeed, the financial crisis of 2007-
2008 painfully crystallised the links between money and society. It revealed the pivotal impacts that a group of financial experts – who were managing a new commodity form in a largely unregulated sector – can have on economic cycles. Far from socially-detached and abstract, the case of financial derivatives exemplifies the dominance of financial capitalism. Nonetheless, the crisis coincided with a resurgence of interest in alternative market models (Engelen et al. 2011; Sun, Louche & Pérez 2011). To understand how finance can become the servant of society, its social role must be critically de-constructed. While the proceeding discussion advances with relatively broad strokes, it should be acknowledged that these macro-transformations are constituted by constellations of overlapping and intersecting moral economies – as defined in this thesis – and the challenge is to unravel these threads to better-understand the object of study.

Given the relationship between finance and society, the question of how, where and why sustainable investing is socially-embedded is of fundamental importance and urges us to probe its purpose and significance. This subsection approaches this question from three interrelated angles. Firstly, it outlines how sustainable investing is the product of a distinct political and economic history. It then examines the present linkages between finance, economy and society. Finally, it explores the implications of this for the role and function of money and finance in society as well as where sustainable investing intervenes. Once this has been achieved, I will explore how SI can be conceptualised anthropologically in the closing sections. Placing the genesis of SI within a world system of political economy is more than a contextual backdrop; the activities that I describe in this thesis are potentially influential in driving how global finance and economies operate. I begin with the backdrop.

From the nineteenth-century, a commitment to the ideals of economic liberalism and self-regulating markets resulted in the commodification of land, money, and labour as a means of ensuring the perpetuation of industrial production (Polanyi 1944). Polanyi’s (1944) macro-view of the market and society suggests that only in a market society can the economy operate as if it were disembodied from social relations (Polanyi 1957). Polanyi (1944) believed that this has not been achieved at the time he was writing and he saw the Great Transformation as the fall of nineteenth-century civilisation and the result of the pursuits of the ideal of self-regulation. This book was more of a critique of economic liberalism than an account of capitalism (Hann & Hart 2009, 6). It situated the idea of the free market as just that – an idea – because the history showed a close collusion between the state and emerging capital interests. The political and legal framework for mass consumption and industrial production were established. Concurrently, money and markets have been managed through state bureaucracy under national capitalism while national governments are intertwined with international and regional organisations or networks that enact decision-making beyond state control as well as transnational corporations that defy regulation by any one government (Hart & Ortiz 2014). Societies and their productive activities were increasingly governed by the market principle. In anthropological terms, the significance of this is, in part, that the anthropological record allows us to understand that, for many societies of the world, markets were once considered to be dangerous and in need of extreme levels of regulation because of the danger they posed to traditional society.
Finance has always played a central role in world events since “the control of the way that finance flows around, through and between countries is at the core of the structure of the international system itself” (Cerny 1993, 6). A new era of global finance emerged in the 1970s. America had been funding the huge expense of the Vietnam War by printing money. At the time, the value of money was backed by gold but there was now more currency circulating than gold. In 1971, pressure on the US-dollar and the gradual replacement of Keynesian thinking with the ‘neoclassic synthesis’ – an economic theory that retains Keynes’ position on economic policy but that overlooks the intersubjectivity of international finance – effectively ended the Bretton Woods system of international monetary governance. A system of ‘floating’ currency exchange replaced the ‘gold standard’ which had fixed the value of the US dollar as the foundation of the international monetary system. Money became a commodity. This fostered an exponential growth in financial flows and the de-regulation of domestic financial systems, as finance transcended national production and politics (Best 2004; Cerny 1993; Gregory 1997; Hart & Ortiz 2014). International money exchange became dominated by money-money transactions, rather than money for good and services transactions (Hart 2009, 99). The international financial system became more precarious, volatile, disorderly and uncertain (Strange 1982). Anthropologist Chris Gregory (1997) describes this as the time when money became ‘savage’ because it had gone wild.

In the UK, the 1986 ‘Big Bang’ broke up the ‘old boys’ networks that dominated the stock exchange and opened the marketplace up to foreign ownership and fostered competition between brokers; together with the capacities of electronic trading, this led to an explosion of trading (Clemons & Weber 1990). The resurgence of neoliberal free-market capitalism from the 1980s was driven by the devotion of Thatcher and Reagan to the thinking of economists Hayek and Friedman and led to further dismantling and privatisation of the state. This has coexisted with repeated crises, whilst removing many of the safety nets that protected social groups (Hann & Hart 2009; Stiglitz 2001). There are some great challenges facing twenty-first century society of which burgeoning social inequality and the ‘Anthropocene’ – the newly defined geological epoch that recognises the acute impact of humanity on our planet – may be our greatest. Polanyi’s question of the relationship between economic systems and societies is as pressing as ever, hence his work is being revisited by anthropologists (Hann & Hart 2009). He refers to land, labour and money as ‘fictitious commodities’ since they are not objects produced for sale in the marketplace and that contain elements very different to commodities, such as that labour is just another label for humanity and since the environment is something that we depend on for our very survival. Fictitious commodities are inalienable, which means that their social value cannot be extracted at any price and hence to turn them into commodities is to violate the social value. This will not end well and leads to a cycle in which, after a process of destruction of social value, the restitution of value must begin again. He also points out that in order for them to be commodities, they must be managed by government plans, emphasising the myth of the free market (Polanyi 1944). The combination of the rampant commodification of these critical and complex elements and the absence of effective controls over this process alongside the new commodification processes in finance which produces commodities – in the form of financial instruments – whose risk is little
understood and which governments cannot or will not effectively regulate on society’s behalf constitutes the scenario within which sustainable investing is embedded.

In the above context, the conditions for the rise of the large corporation were in place and this became a dominant form of capitalist social and economic organisation (Hann & Hart 2009; Hart & Ortiz 2014). Corporate influence has grown as socialism has fallen and neoliberal policies have strengthened. Joint-stock companies emerged in the 1500s as a way of raising capital to fund distant voyages with this amount of capital reaching a significant portion of national wealth by 1720, as the ‘South Sea Bubble’ revealed (Walker 1931). However, the rise of the corporation has been exponential since and economic power has become massively concentrated in corporate forms. The revenues of Shell and Wal-Mart in 2011, for instance, were greater than the nominal GDP of all but 26 of the 206 countries recognised by the United Nations (Serafeim 2013). Before the crash, the revenues of Goldman Sachs exceeded the GDP (Gross Domestic Product) of one-hundred countries (Ferguson 2012). The impact of large corporations on ecology and society has grown considerably. The sovereignty of the nation-state has been reconfigured as corporations have gained sovereign powers – setting social and environmental standards – raising crucial questions over the nature of corporations and the impacts on all forms of life (Welker, Partridge & Hardin 2011). In sum, the world system has been characterised by the de-centralisation and globalisation of corporate and financial activities as well as the decline of state power to regulate this.

SI, as I define it, emerged in the context above but it is also dependent on crucial linkages between finance and the economy since these are the channels through which it is formally embedded. At the macro-level, the financialization of the global economy has fostered a system whereby financial actors have a growing influence over corporate and social actors. As I have highlighted elsewhere (2014), companies have not only become more dependent on capital markets for funding, rather than commercial banks, they have also changed internally through establishing financial divisions to boost profits and by replacing ‘Chief Operating Officers’ with ‘Chief Financial Officers’ (Blackburn 2006, 42; Lapavitsas 2011; Zorn, Dobbin, Dierkes & Kwok 2004). Corporations have also been transformed more fundamentally through the ideology of shareholders value, largely driven by institutional investors who have reformulated the purpose and governance of corporations and aligned corporate interests and behaviours with those of capital markets (Deutschmann 2011; Ho 2009; Palley 2007). Sustainable investing is part of an industry that has had a growing influence over corporations and their activities.

To understand the linkages between finance and the economy, we must also explore how value can and does circulate. While financial markets are believed to operate, to a large degree, as a ‘secondary order’ that is decoupled from the real economy or beyond production and consumption, there is a ‘performative’ aspect to them that should be understood (Callon 2006). As with economics, finance has a performative impact on the economy since financial theory determines where money is allocated in and therefore which actions are supported. MacKenzie (2006a; 2006b) demonstrates this through his analysis of financial derivatives and options theory, which affected price patterns by guiding behaviour. However, investment or stock markets have a more direct link to corporations than derivatives, since they trade contracts in the ownership of
companies. The impact can be observed in the shareholder value model, for instance, which does not simply represent corporations or the economy for financiers in a way that allows them to identify investment opportunities; it also operates through “feedback loops between the worlds modeled and instantiated by finance theory,” such as imposing a widespread model for corporate management that is founded on maximising short-term profits whereby “the world is remade in the image of financial logics” (Ho 2009, 33; Maurer 2006, 26). The models of sustainable investing also impose a normative framework on the behaviour of corporations; however, they aim to foster an economy based on longer-term thinking and, in the case of SustAM, try to grapple with the predicament of each corporation, rather than impose an abstract financial model.

Investors, specifically long-term investors, as the ultimate owners of investee companies, can influence corporate activities through direct engagement, voting at meetings and allocating capital. This is where financial exchange interacts with economic production and consumption. Though stock markets have existed for centuries, the importance of these marketplaces to society has grown considerably from the mid-twentieth-century with the rise of institutional investing. They have become increasingly used as a ‘risk-management’ system for investors and, as economically ‘efficient’ institutions, have acted as a mechanism for ‘optimal’ capital allocation in the economy. At the international level, when outlining how financial markets can better serve society, the Organisation for Economic Cooperation and Development (OECD) (2013) considers the social role of institutional investors in a market economy as “hardly a moral issue,” but a technical one of “capital allocation and monitoring of corporate performance” (Çelik & Isaksson 2013, 6). Investors can operate as ‘engaged’ – as opposed to alienated – owners of capital and produce new information that “improves the allocation of productive resources and makes better use of resources that are already employed. It is therefore the very basis for genuine value creation and economic growth” (Çelik & Isaksson 2013, 6). Investors are notably framed here in technical terms, even if they are defined as part of a broader economy.

The sociological figure of ‘the investor’ has often been neglected in studies of capitalism, but this concept and the notion of market efficiency co-constitute the social role of finance as defined by practitioners and regulators (Ortiz 2015; Preda 2005). When this role is understood through a narrow concept of profitability it contradicts these core purposes. Ho (2009) argues that the shareholder value model can have impacts on companies that destroy value in the long-run. The view from SI is that a narrow focus on financial profitability – by companies and investors – will ultimately lead to value destruction. This is the point that SI intervenes by broadening definitions of risk and constructing an approach to investing that is engaged in what is going on in the real economy and in society. I argued above that these impacts are not necessarily known by the people involved. A key challenge for SI, then, is to make these links clear (Viederman 2008, 195). If capital markets have the impact that some sustainable investors expect through their models, it would exemplify what MacKenzie (2006b, 41) labels ‘effective performativity,’ since SI impacts the economic processes themselves. It would also exemplify a stronger sense of performativity since the models would have “brought about a state of affairs of which it was a good empirical description” (MacKenzie 2006b, 66). With new approaches to investing – such as
'impact investing' which invests in specific economic projects – the effects on the real economy are presumably much clearer.

Sustainable investing – from within mainstream investment management – begins from an expert area that has been cultivated as detached from society. From this perspective, sustainable investing is socially-disembedded in its positioning or starting point. As discussed above, a key aspect of SI is that at a strategic, rhetorical and definitional level, it is about ‘value rather than values’. It is about investment risk and return, rather than morals or ethics. SI is situated in the same expert domain as mainstream investors whose risk models are based largely on market prices and financial data. Thus, SI poses an alternative view of how markets can operate as more socially-embedded, but it does not aim to usurp the dominant model. Sustainable investors call for policies that are market-led but they have had little formal impact on policy; the slow moving nature of policy around fiduciary duty was foregrounded in Chapter 4. Sustainable investors value innovation and entrepreneurialism over bureaucracy. They believe that the financialisation of the economy can be a positive thing for humanity, as long as this is not based on short-term thinking. One interpretation of SI, then, is that it is a product and a driver of financialised, neoliberal capitalism but that it is calling for a re-financialisation of this system. My ethnography shows that the moral economy of SI involves an attempt to socialise capitalism by embedding it in social and environmental valuations of long term corporate forecasts.

Sustainable investors aim to transform institutional investing by instituting long-term decision-making in investing with the expectation that this will influence the business practices of the world’s largest corporations so that they operate more in the interests of their stakeholders’ – employees, customers, suppliers and local communities where they operate – rather than exclusively for their shareholders and corporate executives. What is good for ‘society’ is deemed good for business. SI is not so much a ‘double movement’ in the Polanyian sense where finance, and by extension the economy, is being re-embedded in social relations as a societal response to markets (Polanyi 1944). The transactions that take place are between expert market-based actors within an occupational area and institution – the stock market – that is central to market-based society. Rather, sustainable investing is a defence from market actors against the effects of free markets. SI is a paradigm change that is broadening definitions of risk and value within investment management – within financial markets – beyond market prices and financial data and toward social and environmental factors. The metaphor ‘changing the DNA of capitalism’ points to a precise re-engineering of the way that the capitalist body will manifest in the world by changing the information carrying structures of the DNA. This has been shown to require a careful negotiation of the social context; namely, multiple orders of expertise, intra- and inter-organisational relations and ways of working, institutional relations and power structures and personal dispositions and intentionality.

Given the ways in which capital flows in the global economy, as outlined above, the changes described are of considerable importance. This is especially the case given that the financial industry has a disproportionate role in allocating wealth in the economy (Hart & Ortiz 2014). Sustainable investors are trying to gain access to capital that is entrusted with pension funds and other asset owning institutions and to redirect this within a different circle of valuation.
They aim to harness these gigantic clusters of stored wealth by transforming financial markets and, in turn, the business practices of large corporations, as a response to the many challenges and uncertainties facing humanity. The flow of invested capital is being directed towards companies that have shown a commitment to social aims and interests, such as combating climate change and eradicating human rights abuses, rather than simply towards companies that are judged to be financially attractive. The nature of the relationship between institutional investors – who transact capital and investments or contracts and rights to ownership of public companies – and the nature of the relationship between those financiers and corporate actors is becoming more socially-minded. An attempt to socialise disembedded financialization is occurring. This situation should continue to be critically examined and one key question is SI’s impacts on the distribution of wealth. SI raises the possibility of finance serving a different function with regards to the monetary wealth of the world. This potentially social role contrasts greatly with Polanyi’s (1944) depiction of self-regulating markets and the horrors that they produced. If monetary wealth is a measure of the things valued in a given society, the paradigmatic transformations in investment valuation highlight money’s changing role in communicating, indexing and constructing these values. The following two sections consider some terms for interpreting and accessing these macro processes.

### A Model for Monetary Transactions

Monetary wealth is the enduring link between sustainable investing and the economy and society. Anthropological theory can help us identify this transactional sphere. Investment markets exchange a restricted ‘money form’ since investment funds are a form of credit that can be invested in companies and liquidated then withdrawn back into state currency. In a sense, they are a transformation of state money into a marketplace money form; namely, credits of cash or ‘investible funds’ that are exchanged back and forth for shares. The total account balance is then credited or debited according to the ‘return,’ as determined by the price of shares, profits and losses made in the buying and selling of investments and any dividends received for shares held. Investment management uses existing monetary wealth to generate more monetary wealth by investing in profitable companies or assets. It could be argued that this thesis presents a case where people are attempting to modify this abstract money form – investment funds that have been calculatively detached from the real world – so that these signs now represent environmental and social factors. Under this view, the abstracted nature of investment funds – state money deposited on account in the form of ‘investible cash’ or shares purchased – has enabled the operation of a paradigm of scientific money management and the narrow pursuit of pure profits. However, as Maurer (2006) urges, we should move beyond analysing money simply as a sign that is abstracted from a material economic base and explore the effects of money – as particular kinds of ‘techniques’ or socio-technical operations – in certain contexts. He celebrates the move in the anthropology of money “from meanings to repertoires, pragmatics, and indexicality” (Maurer 2006, 30). This thesis continues is that vein and explores what money does or can do in certain settings and more broadly.
The case of SI reveals the multiple uses inherent to money forms and the open-ended, multi-stranded and culturally-embedded nature of money, echoing studies of state money outside of capitalism (Akin & Robbins 1999; Bloch & Parry 1989). It is important to understand the role of monetary wealth in extending the boundaries of society – a process in which money and markets originate – and in transforming identities, indexing hierarchies and mediating between people and society (Hart & Ortiz 2014; Hart 2009). Figure 11 below gives a basic outline of the complex array of actors that investment funds index. By examining how investment funds are also constituted by a variation in money's four classic functions, we can begin to better understand how they function as monetary transactions (Guyer 2011). The ‘unit of account’ function can be observed in how shares are priced in various state currencies and how the total value of investment portfolios is calculated as such. The ‘mode of payment’ and ‘medium of exchange’ functions are evoked when investments are bought and sold in a financial marketplace with state money heading to the seller’s account. Yet all of these functions, it could be argued, are secondary technicalities in the wealth management industry and the primary function of investment funds is to operate as ‘stores of value or wealth,’ as well as sites where wealth can accumulate and circulate. In a financial system that is understood to be an expert domain that is detached from society, the social benefit of these functions is the optimal allocation of capital in the economy and the perpetuation of a system for accumulating wealth. To go beyond a reductive view of these market dynamics of investment monies, we must question their social functionality in light of sustainable investing.

Figure 11: The relationships that underlie investment funds

The emergence of new strategies for managing monetary transactions (re)shapes the money form. The advent of sustainable investing suggests that there could be additional functions of this type of money to the four aforementioned classic roles. The money that we are referring to is digital symbols on the accounts of the various financial institutions within the wealth
management industry. We can see that this sort of exchange becomes de-personalised and that
transactions are “focused on equivalence, calculation and the quantitative rather than the human
or the social consequence” (Horst & Miller 2012, 6). Digital technologies align with the virtual
properties of money which makes it “more abstract, more deterritorialised, cheaper, more efficient
and closer to the nature of information and communication” (Horst & Miller 2012, 6). However,
these very properties also open up new possibilities.

Firstly, we can see how investment funds can function as a ‘memory bank’ or a source of
‘economic memory’ for society (Hart 2000; 2009, 100). Sustainable investment strategies and
products – within which investment funds are held – embody attempts by variously situated actors
to initiate change in finance and the economy. Records of this can be seen in practitioner
discussions of strategies on social media and in reports available online, in media reports and
academic studies on the subject. Each investment agency will also have its unique and private
history of strategic successes and failures. This all contributes to the narrative of sustainable
investing. Secondly, investment funds can also function as a way for society to envision how it
can operate, in this case under a framework of ‘sustainability’. This thesis investigates the
investment manager’s role in this process and the ethnographic data is used as a platform for
revisiting these points in Chapters 4 and 5.

The question of how this type of money transaction can be conceptualised through an
ethnographic study has been addressed in this thesis. Guyer’s (2004; 2011) work might assist us
in moving forward in this sort of domain since she successfully connects global processes, regional
research and monetary relations (Hart & Ortiz 2014). With SI, we are dealing with an area where
values are being changed. Thus, her terms and approach to analysing monetary relations in
Atlantic Africa seem suitable. Guyer’s (2004) analysis of monetary transactions illuminates the
uneven ground where value is negotiated, hermeneutic, multiple, intricate and open. As alluded to
in the introductory section, though Guyer (2011) is interested in ‘soft currency’ transactions in an
economy that has not historically been subjected to persistent formal capitalist monetary
institutions, her analytical concepts are pertinent to SI. She highlights microstructures that exist in
the absence of macro control whereas my thesis centres on monetary transactions in high finance
where investment capital is exchanged for ownership of economic institutions or corporations.
While this is a highly formalised domain, formalisation process are never absolute in their
application. Moreover, with sustainable investing disrupting the investment management domain,
the fluidity of macro and micro dynamics of monetary transactions is being crystallised. In other
words, Guyer’s (2001) approach to value as multiple where there is “coexistence of different
monies within transaction systems” fits well with a paradigm change if we acknowledge that
different investment paradigms create new money forms.

Guyer (2011) also offers us some useful concepts for how monetary transactions are
ordered in different situations. She points to three broad ways in which monetary exchanges are
actively mediated within spheres through borders, thresholds and historical shifts:

The borders that we focus on are social and between communities of currency users. The thresholds
are conceptual and institutional between distinctive capacities of different moneys, often implicating
different moral economies of fairness (in the short run) and transcendence (in the long run). The
historical shifts are moments when combinations of attributes are brought into open question and submitted to deliberate reconfiguration (Guyer 2011).

This reminds us that financial markets are more than simply ‘pricing mechanisms’ where money operates uniformly. Instead, they are sites were people create and exchange money forms through different transactional mechanisms. There are ‘historical shifts,’ such as SI, where the attributes of these transactions are challenged and transformed under a new moral economy.

Institutional and conceptual ‘thresholds’ exist that mediate money in different types of investment agency. ‘Borders’ between different communities of investors – each with their own moral economies – constitute another layer of transactional mediation. While these sites of active mediation order investment exchanges, monetary transactions are animated through investment agencies with specific strategies and investment processes. This is the framework through which investment funds are converted into investments or company stocks. Guyer (2011) also emphasises how monetary transactions occur at nuanced positions through different ranking principles. We must consider the ways in which these transactional phenomena are ranked through decision-making within investment management organisations. I have drawn on Guyer’s (2011) terminology throughout this thesis as a useful way of depicting the social structures that underlie paradigmatic changes in the information structures of capitalism’s DNA. The remaining three sections offer some useful concepts for investigating these sorts of locations through ethnographic fieldwork.

**Fluidity and Fixity in Investment Theory and Practice**

To understand money’s new role in constructing a market that is not abstracted from society, we must explore finance intrinsically and empirically without resorting to reproducing the dominant representations of finance as a purely technical or objective domain. While the macro dynamics discussed above locate sustainable investing amid broader social changes, this thesis has shown that everything ultimately comes down to exploring how a group of market actors – operating with a changing moral economy – make judgements over which publicly-listed companies they should invest their clients’ money in. The category of the sustainable investor is in a perpetual state of construction. Scholars interested in studying such areas require an appropriate conceptual toolkit.

My inquiry into the above phenomenon begins with investment management practice. As I have shown, institutional history is the context of ethnography of practice. A holistic account of the changes in investment management practice requires a consideration of historical and present institutional-level dynamics. While my ethnography shows the present, Chapter 5 serves an investigation into the intellectual history of the concepts and practices depicted. To some extent, this echoes the formalist-substantive debate in anthropology which centred on whether ethnography should focus on the maximising behaviour of individuals or on the way that the economy is embedded in different social institution’s (Polanyi 1957; Wilk 1996). This thesis has a substantive thrust because it shows how the formal logics of finance are substantively patterned with the case of modern investment management. Similar to the economy, finance is an instituted
process. The curious point here is that my research area is a financial domain where the logics of ‘the market’ – efficiency, competition, rational choice – have been strongly formalised or instituted. Though anthropologists have long argued that the economy is a category of culture, we must also take account of ‘reflexive modernity’ where systems are formalised on principles of efficiency and competition (Zaloom 2006, 12). For some investors, ‘rationality’ is largely understood as the capacity to objectively apply the models of modern financial theory. If we consider formal economics as “the logic of rational action,” the management of modern investment portfolios should be a perfect example of formal economistic logics at work within the financial domain (Polanyi 1957, 31). The amount of money is the scarce resource and the objective of investment is to achieve the maximum gain available. Logics of rational choice determine which companies or assets are bought, and in which quantities.

However, these logics are not only instituted in social and technical formations, but are also contested amongst investors themselves. This becomes evident in my discussion of modern investment management in Chapter 5, which explains how assumptions of rational investors and market efficiency coupled with mathematical risk models and contestations over these points define the industry. Thus, while I believe that it is important to see finance, as well as the economy, as an instituted process, as opposed to the embodiment of humankind’s ‘true’ nature as *homoeconomicus*, it is also important to move beyond the relativist-universalist and individual-society dichotomies (Graeber 2001, 12; Wilk 1996). Understanding how rationality is constructed and reproduced and how it operates in practice can achieve this; it can reveal the many substantive factors that drive human decision-making, some idiosyncratic to the particular group of people and many shared.

A middle-ground between economists’ models and ethnographic description is possible. Theoretical models based on assumptions of the universal rationality of individuals are likely to continue failing in practice, irrespective of the power structures that support them. Yet theories based on social relativism are largely only apt if we believe that anthropology’s purpose is to document the diversity of human life or produce deeply contextualised accounts of our research areas. While these tasks are important, I hope that anthropology might continue to be able to contribute to theoretical and practical advancements that are relevant across the social sciences and elsewhere. I am not suggesting that anthropologists become ‘applied’ ethnographers of finance, but that we explore such expert domains with an interdisciplinary angle. Scholars of elites and professionals can achieve this by engaging ethnographically with others’ paradigms, concepts and practices. By definition, this should also mean that an important outcome should be that we also get to engage ethnographically with the paradigms, concepts and practices of anthropology. Riles (2004) refers to this as the “unwinding of anthropological knowledge” based on her study with technocrats at Japan’s central bank who have similar knowledge practices to anthropologists. This thesis has shown that the same is true of sustainable investment analyst. I return to this point in the next chapter.

The approach that I have adopted begins in direct human action, which in this case involves situations of investment practice. An institutional-level analysis is useful for contextualising this but clearly it is not sufficient for capturing the dynamics of everyday
One way to engage with financial expertise is to examine how these models and their effects are produced by an organisational or occupational culture, such as that of Wall Street investment bankers. Karen Ho (2009) has shown how these experts are socialised into an elite world of market-centricity, hard-work, short-termism, rampant job-insecurity and compensation schemes; bankers do not simply enact a model of shareholder value but a “cultural model of themselves as coeval and identified with the market” (Ho 2009, 252, *italics in original*). Drawing on Maurer’s (2006) points outlined above, she thus argues that anthropologists should counter understandings and representations of markets through abstract principles since this obscures the social heterogeneity of finance and fails to critically investigate powerful forms of expertise. Though inspired by this type of study, my approach differs somewhat because I am more interested in exploring how financial models and abstractions operate in actual situations of investment practice, rather than ethnographically exploring the cultural, local or occupational underpinnings of these models *per se*. Ho (2009) is interested in Wall Street’s role in reshaping corporate America and in engendering market booms and busts. She seemingly addresses Wall Street as a broad occupational community to establish the necessary causal link for this (Ho 2009, 4 & 18; Parkinson 2014, 169). This does, however, mean that situations where investment bankers’ models are used are only afforded a fleeting examination and are mostly based on informants’ narratives (Ho 2009, 83-7). It does not venture far enough in the configuration of the primary transaction, though this is understandable given the location of the study and the barriers to access that are illuminated.

In contrast, my study is focused largely on one investment agency that I locate within a transnational paradigm change in institutional investing. As I explained above, my approach is more akin to the work of Ortiz (2013) and Zaloom (2006) who both operate as participating observers within financial organisations. Given that I had the opportunity to do so, exploring what this entailed in practice along with the implications seemed like a useful way to spend my fieldwork period. A central aspect of the paradigm change is fundamental transformations in investment valuation; accordingly, it is these practices that are the primary focus of this thesis. This emphasis will be of interest to scholars who wish to explore, more broadly, valuation techniques and their relationship to macro-social trends, of which finance is a fruitful site. However, we must maintain flexibility when applying the concept of value if we are to explore how the associated activities engage and enact multiple registers (Bessy & Chauvin 2013; Helgesson & Muniesa 2013; Kjellberg *et al* 2013; Ortiz 2013). At a definitional level we can examine value as a noun and consider, for instance, the elements that fall under the definition of sustainable investment adopted in this thesis. One could argue that this construct translates a range of values into financial exchange value and outline the implications of this powerful valuation regime. However, by approaching value as a verb – as a valuation process or a productive activity – we can assess how value is created, how valuation frameworks emerge and change, how different valuation processes are related and how valuation processes are fostered organisationally and technically (Kjellberg *et al* 2013; Vatin 2013). By elucidating the social relations that underpin moral economies – as distinct from individualistic rationality – and the construction of material market arrangements we can study how institutional change is made possible.
This thesis has shown that “performativity” is a useful concept for thinking about the impacts of sustainability models. However, some more reflection on the nature of these models is needed in order to understand their significance. *SustAM’s* model differs from financial models used by traders since it is not about maths (MacKenzie 2006a). The model at *SustAM* is a research framework that produces scores and analysis covering the global economy. It is by nature more empirical than the model’s discussed by MacKenzie (2006a) since it aims to be both an engine – that drives effective performative change in the economic processes that it depicts – and a camera – that gathers information about the global economy. However, the framing of the picture is also key since it attributes a positive or negative value to the information gathered and also ‘crops’ or isolates those aspects of corporate practices that are deemed important. It should also be noted that the level of descriptive accuracy is also dependent on the extent to which the information gathered about companies – within a certain definition of sustainability – is itself accurate. This rests on the question of whether corporations are themselves knowable. Unlike financial economistic models, *SustAM’s* model does aim to be empirically valid, but the question of this validity is open and a key challenge that investment analysts face.

Another test for performativity would be to determine if higher sustainability rated companies – at *SustAM* or in the industry – post higher profits and if stock markets recognise this with higher stock prices for these companies. In this case, sustainable investment models could be said to have accurately identified sustainable companies and reflected reality as well as demonstrating “effective” performativity since they have helped shaped stock prices. Moreover, one could also posit effective performativity if there are cases where corporate practices have been influenced by the models of sustainable investors since the models create the economic process they posit. These two cases are inherently difficult to judge at the macro level because the basis of the judgements depend on the precise form of sustainability models in question. These are idiosyncratic to each firm and investment processes are opaque. Another way of judging this would be to look at the performance of sustainability funds relative to non-sustainability funds, but this raises the question of the types of strategy that fall under each labels and, for instance, whether sustainability funds practice “true integration” as well as whether ”non-sustainability” funds do not consider ESG factors at all. The challenge for sustainable investors is to illuminate the performativity of their models.

Seeing *SustAM’s* model as an example of “performativity” suggests that it is not a form of “derivation” since there are links between “design” and “price,” even if these links are ambiguous (Lepinay 2011). The model drives transactions of shares in corporate ownership through stock markets. However, as has been shown with *SustAM’s* model, processes of derivation can be identified in sustainable investing since the model contains elements that were not original research and incorporated scores, research and analysis from third parties. Thus, in sustainable equity investing, derivation seems to be a useful concept for judging how innovative a model or investing strategy is, as discussed in Chapter 3. Performativity assists us in understanding the significance of the model, which is an open question. In both cases, attention to the processual aspects of finance is fundamental.
By approaching investment valuation holistically through practice, my account of financial markets complements and critiques dominant representations of finance that fix certain principles or aspects of finance that then come to define it. When finance is framed as simply a matter of mathematical or technological advancement, this has the effect of de-socialising or de-humanizing it. Some pertinent examples of representations of institutional investing will further clarify this point. There are countless articles, textbooks and blog entries that define investment management through its various models by explaining and legitimating them. This is how the industry represents itself, as explained in the opening section of this thesis. Perhaps the most relevant example from within the industry is the course module content for the ‘gold standard’ professional qualification of investment analysts from the Chartered Financial Analyst (CFA) Institute. This constitutes the “core knowledge, skills, and abilities generally accepted and applied by investment professionals globally” (CFA 2014). It is practice-based and constructed through surveying thousands of investment managers. For the 140,000 or so members of the CFA, the core content of their professional certifications forms a significant part of the industry and how it collectively represents itself.

The outline of the CFA (2014) curriculum suggests that investment ‘practice’ is understood here as simply applying investment models to cases of investment. This is textbook learning characterised by a homogenous approach to understanding investment practice. The situated manner in which these techniques are adopted is not explored. The CFA (2014) and other investment textbooks present the normative account (Fabozzi 1995; Lofthouse 2001). My study addresses the descriptive, which is always in tension with the normative. I have, for instance, shown the many forces and relations that surround SustAM’s model and that would be elided by accounts that focus on the investment logics per se. Team relations, the tenacity of individuals, expert histories, personal dispositions, tacit skills and organisational dynamics not only enact the models, but determine what they become in practice. This sometimes calls for a formal revision of the normative account, as we have seen within SustAM and in institutional investing more broadly through the emergence of SI.

The intersections of the CFA Institute and sustainable investing are instructive here. The CFA certification program has only recently begun to include ESG in parts of its curriculum and is in the process of revising this (CFA 2015a). Some have been critical of the CFA for moving slowly here since it has acknowledged the need for the industry to ensure that its purpose is equated with the “means to ensure societies flourish” while ignoring, for instance, environmental factors in the face of climate change or governance factors in the face of financial crises (Confino 2014). It is also intriguing that the CFA supposedly has a practiced-based approach when a recent CFA survey highlighted that 73% of investment professionals take ESG into account for risk management purposes (CFA 2015b). Prior to including ESG factors in its curriculum, the CFA offered various ESG resources for members that were interested in the topic, but it has seemingly struggled to keep pace with the paradigmatic transformations that are under way.

While this attests the fluidity of, and contestation around, financial concepts, the way in which sustainable or ESG investing is represented by the CFA is also revealing. The CFA published an ESG ‘Manual’ for investors, offered an ‘ESG-100’ online voluntary course and issued an article
that identifies the significance of ‘true integration’ as I describe it in this thesis (CFA 2014; Bos 2014). However, the focus on SI is mainly on the analytical models and their components and why these are relevant within an investment process and more broadly. It is reasonable to assume that the inclusion of sustainable investing in the CFA curriculum will chime with this non-holistic format, consistent with the existing content. The point should become clearer as we explore how sustainable investors represent their practices.

A pertinent example is the UN-backed Principles for Responsible Investment (PRI), a global investor network that aims to encourage the integration of sustainability issues into investment processes. The PRI (2013b) showcases examples of ‘Integrated Analysis’ – a key focus of this thesis – where sustainability factors have been incorporated alongside financial factors in investment decision-making. In every case, it reveals how the sustainability factors were identified by specifying which metrics were used and then outlines how they were analysed. The ‘key takeaways’ in each example emphasise the importance or financial materiality of sustainability issues. However, there are no details given on how this actually happens in practice, how the key elements are transformed, or emphasis on the underlying relationships between the actors involved and their dispositions as well as the importance of logics – such as tactic ones – that are core to investing but not part of the formal logics. This thesis aims to begin to remedy this through the human economy.

My point is that relying solely on formal representations of finance will ensure that it is defined by its models and understood predominantly as abstractions without sufficiently attempting to grasp the underlying dynamics. A danger of this is not simply a shortfall in knowledge, but also that we do not appropriately investigate how finance operates (Ho 2009, 34). My interest, in contrast, is with how such abstractions are constructed in the first place and how they operate in situations of investment practice. The tools and models of investment paradigms themselves fix and isolate certain principles, but how does this happen and how do the associated practices change? A holistic approach to the concepts and practices of investors can analyse how these objects flow through different situations and over time as well as how they fix certain principles and become fixed themselves. This is an important point that implies a break from a line of thinking that has dominated Western philosophy since at least the pre-Socratic Greeks where our understanding of the world has been marked by a tendency toward “imagine objects that exist...outside of time and transformation” (Graeber 2001, 49-54 & 256-7). While we can argue that investment models are positivistic in their judgements of value or that they reify competitive and self-interested behaviour, stopping here prevents us from seeing how these models are constructed, contested and changed through collective human action and decision-making and upheld by moral economies.

My research shows how variously-situated actors – within SustAM itself and in external agencies – shape the model according to their views on corporate and financial sustainability. The model is embedded within organisational forms and ways of interacting that define what it becomes in practice and ground sustainable investing. For SustAM, locating the model within the interactions between two different teams was a primary goal and a key catalyst for this was the bespoke financial software that re-shaped how conversations took place. There was also a
pragmatic dimension to how the model was implemented – trying to do the best analysis possible under various constraints – as well as a commercial element that determined what was needed and possible in the first place. The whole model was due for an upgrade when the world of corporate and financial sustainability had been judged to have changed and when the time was considered appropriate, with the aim of staying at the forefront of an intensely competitive industry. In a dual sense, it is a world of change, and this change is animated through the social relations of the investment agency.

The Materiality of Finance and Human Intentionality

The question of the nature of agency in finance is a critical one if we are to grasp how change takes place there. A core dialectic is the interplay of material arrangements and human intentionality. ‘Embeddedness’ – extrapolated from Polanyi – is a useful concept for understanding how market economies operate, since it can reveal how associated activities are not socially-disembedded in the extreme way that economic models suggest as well as how rationality is not absolute. This goes beyond economists’ view of the atomised individual and shows how even the formalised market economy operates differently to a spot market and is instead embedded in social relations and networks between individuals and companies (Granovetter 1985; Uzzi 1997). This concept has also been transposed in sociological studies of financial markets that have emphasised how electronic capital markets are embedded in non-digital domains, policy frameworks and time-zones but that also show how markets can transcend space as they are constructed on trading screens (Knorr Cetina 2005; Sassen 2005). Even those markets that are supposed to operate in the most abstract of manners and to the ideal of self-regulation depend on their embeddedness in social forms.

Some of this “embeddedness” is organisational. The organisational configurations of investment agencies act to ground styles of investing and structure the interactions there. Investment models are embedded in organisational forms but not in fixed ways since organisational forms are always changing. The relationship between organisational forms and valuation can be seen through a brief comparison with ethnographies of finance. The velocity of the ‘deals’ or transactions of the investment bankers that Ho (2009) studied was shown to be driven by Wall Street’s local cultural practices of short-termism, hard-work, self-identification with the market, compensation structures and job insecurity. It is a rampant world of making deals and pushing those deals through. Similarly, Zaloom (2006, x) shows how “competitive situations...anchor capitalist practice” and aggressive risk taking with her traders in Chicago and London. In both settings, traders use their gut feeling and intuition by looking for social information in the numbers and by learning not to be too calculative. This is a frenzied world where people are trying to keep up with marketplace transactions.

In contrast, the rhythm of work at SustAM – knowledge production and decision-making – was mostly much slower-paced than investment banking and speculative trading. As long-term investors, transactions were given considerable thought and analysis by both the portfolio managers and sustainability analysts relative to these other types of market actor. It is also
significant that, while SustAM was ‘client-driven,’ the core teams supporting investment valuation and decision-making – both within SustAM and at its partners – were not the same people trying to win business development deals with new clients. While members of the Research team supported business development meetings, this was more ad-hoc and the main focus, as with PMs, was researching investments. This contrast strongly to the experience of analysts and associates in investment banking who frantically have to compute all the financial analysis ahead of client pitches, one of their main roles alongside servicing deals once they are made (Ho 2009, 92). While organisations are encapsulated within competitive industries, their internal set-ups can be structured by a multitude of ways of working. Broadly, we can see that transactions are enacted through different organisational cultures of market trading, Wall Street and long-term investing. Yet there are nuances within, and between, organisations that should be elucidated.

The material sociology of finance takes the notion of embeddedness one step further by examining how financial markets are embedded in material arrangements that are central to their calculative capacities. Notably, this contrasts with sustainable investors’ concept of ‘materiality,’ which is both an aspect of rationality that structures decision-making – since it is a category that defines what is material to investment decisions – and a concept that signifies aspects of the economy that are financially material. In drawing on economic sociology and the sociology of science and technology, the material sociology of finance grapples with financial market practice and questions the nature of agency as well as our understanding of the social. The emphasis on materiality is particularly useful in digital worlds like finance and reminds us that not everything can be reduced to social relations since being human involves “socializing within a material world of cultural artefacts that include the order, agency and relationships between things themselves and not just their relationship to persons” (Horst & Miller 2012, 24). Perceiving expert worlds in ‘socio-technical’ terms also reminds us that ‘the social’ here cannot necessarily be seen as a definite thing and can be viewed alternatively as a way in which humans and objects become associated and brought together (Latour 2005, 64-5).

The concept of agencement has been proposed to complement the notion of embeddedness whereby financial markets are considered to be assemblages of human and non-human actors through which the capacity to act and define action is distributed (Hardie & MacKenzie 2007; Muniesa, Millo & Callon 2007; Roscoe 2013). From this view, we can see how even something as ostensibly abstract as a stock ‘price’ must take physical form in order to be communicated. This materiality can affect the speed and extent of transmission; in the case of arbitrage trading, this can determine who gets to take the trade first (Beunza, Hardie & MacKenzie 2006). Prices on a stock exchange do not simply represent the consensus view as signs. The grounds of signification are important since prices can operate as icons, index and symbols. By examining the concrete or material arrangements that allow prices to be constructed we can avoid a binary view of prices in terms of sign or value, object or sign (Muniesa 2007). Anthropologist, Caitlin Zaloom (2006, 170), emphasises the importance of having a material form to enable abstract financial exchange – in both the trading pits and through online trading systems – technologies that “are inseparable from how financial traders ply their business”. In this case, the move to online trading changed how traders engage with the marketplace; they are no longer
physically in the market as in the pits and instead observe the market on their terminals. At SustAM, the core technological infrastructure for transactions was not an institutionalised exchange technology, but a dispersed decision-making assemblage for monetary transactions based on knowledge of social, environmental, corporate and financial sustainability. The configuration of this was reshaped through the introduction of new financial software that drew financial and sustainability actors together into the market and restructured the interactions between both teams.

The value of these sociological studies is that they can address the ‘technicality’ of financial markets as they are practiced and do not resort to reductive accounts of logic, whether activated by humans or machines and other non-human actors. They can grasp, for instance, how, as in science laboratories, trading rooms are “heterogeneous assemblages of human beings and technical devices, devoted to the production of workable knowledge” (Beunza, Hardie & MacKenzie 2006). Beunza and Garud (2007; 2004) remedy a gap in the financial literature on analysts which has either focused on how these actors mimic each other or has ignored the fact that uncertainty exists in decision-making and therefore assumed that analysts’ calculative judgments are straight-forward methods for processing information, as suggested in Chapter 4. This gap has overlooked how analysts deal with uncertainty when making decisions. My ethnography contributes to this literature by depicting a different and disruptive type of analyst. My depiction of expert practices in this thesis does not intend to conflate professional relationships with social relations, but instead draws out the sociality of a group of people within an organisational setting. It does not isolate a ‘social’ sphere within that practice, but instead sees everything through a social or human economy lens that reveals a collective and relational endeavour. Anthropology should maintain this focus on how people think and act as a group, but be open to drawing out the significance of material arrangements with regards to the expert practice as well as to the people involved.

SustAM’s model essentially manages a considerable amount of information and, in doing so, fixes certain ways of reasoning about how wealth should be circulated and used. Decision-making processes become formalised as material ‘market devices’ that were foundational to how SI analysis operated (Muniesa, Yuval & Callon 2007). As with other forms of expertise, investment analysis has coding systems that mask the debate preceding them as analytical categories become naturalised. The techniques and processes foregrounded in this thesis aim to standardise the investment valuation process but practice is far from absolute. When examining expert practice, it is important to consider everything from the ‘experiential-performative’ to the ‘social-institutional’ and the impact on valuation (Boyer 2008). Even in bureaucratic settings, the outcome of attempts to standardise valuation processes have been shown to be contingent on occupational conventions and the specifics of the objects being evaluated, as opposed to simply the official criteria (Strandvad 2014). In an institutional environment – like SustAM’s – that aims to foster innovation and creativity and where analysts are active in the value creation process, the balance between standardisation or formalisation and creative judgement is a key dynamic in the decision-making process. To understand market functionality beyond notions of pure logic, it is important to grasp the collective valuation process and how this is differentiated according to the degree of the
distribution of the associated definitions of value, their level of generality and their temporality (Bessy & Chauvin 2013, 111). Depicting how markets function calculatively through hybrid assemblages of humans and ‘non-human’ market devices can contribute to a much more complete understanding of markets than notions of rational individual maximizers (Muniesa, Millo & Callon 2007).

These scholars have hammered another nail into the coffin of *homo economicus*. However, Chris Gregory (2014) warns that this post-humanist approach can place too much emphasis on the agency of ‘things’ – in extreme cases even attributing intentionality to objects – and that its market-centricity risks eliding an investigation in the social relationships between people. Notably, my emphasis on ‘apparatus’ or ‘architecture’ and financial models does not draw out the intentionality or agency of objects but shows that these non-human elements are indeed part of the picture and are crucial to understanding market functionality. While one can argue that indicators – such as those that constitute SustAM’s model – create the phenomena they are measuring, their creation and utilisation are the product of human intentionality (Merry 2011). Post-humanist layers should be viewed through the lens of the human economy. Indeed, my situational analysis implies that they are artefacts of human intentionality, thought, creativity and action that are substantively constructed, reproduced, formalised and changed. It is the agency of a small number of powerful actors – led by a tenacious individual – that animates everything.

Non-human ‘actors’ make configurations of investment management possible. The software that SustAM developed to enhance its integration process for sustainable investors and PMs became a shared research platform that fostered and recorded interactions about investments. The many spreadsheets used to manage and produce data and scores for SustAM’s model made implementation possible. These aspects of investment practice at SustAM were referred to as ‘tools’ and they operated in the same way as tools for manual labourers, making tasks less laborious and redefining the boundaries of what is possible. Along with human actors, these investment tools enabled the rendering financial of sustainability information and made it amenable to investment decision-making. They also somewhat unified the gaze of the two teams of experts and formatted their interactive modes in a way that was considered more effective and aligned with the vision of an integrated team; however, the vision and the way it was shared and developed was the product of a small group of powerful human actors within an organisational setting.

**Summary**

In thinking through an approach to studying financial markets, I have established the importance of focusing on investment practice whilst maintaining a grasp of how the concepts there are not fixed, abstract entities but fluid, processual, situational and grounded by changing organisational forms. This chapter offers a perspective on the nature of investment practice within moral economies and suggests that investing can be understood through the notion of socio-technical assemblages but without side-stepping questions of political-economy or devaluing human agency or social relations.
While this discussion has hopefully offered some useful signposts for future studies, a core challenge is how to make use of privileged access to financial actors without sidestepping critical questions of political economy. It seems to me that, while an ethnography of institutional investors and market functionality alone would constitute a novel contribution to the assault of economic anthropology on neoclassic economists, there is more that can be done. Gregory (2014, 52-6) emphasises the ‘market-centric’ focus of the cultural economy movement in anthropology for which radical uncertainty about the outcome of markets, the importance of non-human actors and the grounding of anthropology in Knightian uncertainty are central tenets. I have shown that this approach can help us understand market function. However, Gregory’s (2014) broader point is to question the theory of value that is central to the cultural economy approach, which he argues acknowledges the dominance of finance in contemporary capitalism – following the changes to the international monetary system in the 1970s – but is challenged by emerging work in anthropology; namely, the pivotal work of David Graeber and the contributing authors to the _The Human Economy_ who have more of an activist approach (Hart, Laville, & Cattani 2010, 59 & 63). In other words, the fixation on non-human agency in the cultural economy approach overlooks the actions of groups of people that are operating in some way outside of or against ‘the market’. Gregory (2014, 64) champions an anthropology based on a different “approach to the theory of value in the twenty-first century that privileges the perspective of the precariat over the plutonomy” and suggests that cultural economists privilege the latter. This intervention intends to keep anthropology rooted in social relationships between humans, whilst not overlooking the ways in which peoples’ articulations with non-human entities sets the boundaries for economic action.

The location of my fieldwork privileges the view of market actors and my analysis has entailed the utilisation of the concepts of ‘risk’ and ‘uncertainty,’ which is similar to the cultural economy approach. However, my interest in positioning this work is with the relationship between the market and society. Frank Knight has been helpful in grasping what market actors are doing but Karl Polanyi can help us understand the significance of this. My ethnography may leave some of the political economy questions under-explored, but I have at least suggested holding sustainable and mainstream investing to account for their successes in dealing with these matters. I have also raised the possibility of studying the corporate side of sustainable investing – research that investigates the companies being invested in – to further elucidate the links between finance and the economy. Anthropology can critically explore the potentiality of changing market-based paradigms from a human economy perspective. In these undertakings, we must be careful to avoid couching our findings in ‘grand narratives’. “Labelling everything ‘neoliberalism’…is a poor substitute for studying world economy” (Hart & Ortiz 2014, 427). Hopefully the concepts outlined in this chapter can assist in these future studies. Such undertakings may not resolve the ambiguities of financial theory and practice, but tease them out alongside investors as is the manner of this thesis. These ambiguities represent a distinct opportunity for the social studies of finance and the anthropology of finance to continue addressing the imbalance in social science studies of finance.
Chapter 7: Toward an Ethnography of Financial Change: Reconciling Pragmatism and Political Economy

I have emphasised the importance of ethnographies that examine market theory and functionality as deeply as possible with a focus on the key actors in the given space and that consider the implications of this for past, present and future issues of political economy. A closer reading of existing ethnographies of finance in the context of the present study can further assist in navigating these waters. Thus, this concluding chapter reflects on the approach and findings of this thesis and aims to offer some theoretical and methodological guidance for anthropologists interested in studying finance. This thesis has illustrated – from the perspective of the human economy – the social nature of economic reason by showing how monetary transactions are mediated through constellations of moral economies and attempts to construct categories of investing. The questioning of how such insights are identified should be an on-going task. This study has been shaped by a synthesis of existing ethnographic work in the field of finance, but it was also defined by the conditions within which the research took place. This chapter examines both of these defining forces. The remainder of this section outlines a framework for reading financial ethnographies. The two subsequent sections review a smaller number of ethnographies in detail through this lens. The final part offers a brief reflexive account of my ethnographic fieldwork experience with the intention of addressing some key methodological questions for similar studies.

All ethnographies discussed below have been influential in thinking through my research and in directing my thinking, either prior to, during or after fieldwork. Therefore, my attempt at positioning this study within this subfield carves out similarities and differences that are equally as important to the approach I have taken. While studies of 'non-professional' investors and their engagements with the stock market can be seen as instances of financialization, the more economically significant financial processes seem to be those that are taking place within the various professions of finance (Hertz 1998; Harrington 2008). The body of research on finance professionals does not cohere easily in an overall frame since a range of expert practices have been covered from a number of different perspectives. The focus of financial ethnographies has produced a tapestry of insights that stretches to cover several kinds of traders (Abolafia 1996; Knorr Cetina & Bruegger 2000; Miyazaki 2003; 2013; Zaloom 2006), credit rating analysts (Ouroussoff 2010), retail bankers (Harper, Randall & Rouncefield 2000; Weeks 2004), investment bankers (Ho 2009), central bankers and technocrats (Holmes 2009; 2013; Riles 2004), asset managers who invest in credit derivatives (Ortiz 2013; 2014; 2015), the creation and management of derivatives products within a bank (Lepinay 2011), and alternative forms of money and finance and offshore finance (Maurer 2005b; 2005c; 2008).

My interest in this thesis has been with transformations in the financial market system. Ethnographies of 'retail' finance operations have mostly focused on workers within organisations and the strategies used to manage them. These studies have highlighted the importance of situated knowledge and practice and local and national culture but they do not examine the
linkages between these organisations and other economic institutions or actors in detail. This is perhaps because they focus on the more unitary and ‘backstage’ roles that give little insight into the ways that these organisations are part of a larger transactional framework with respect to the core functions of the businesses (Harper, Randall & Rouncefield 2000; Weeks 2004). Moreover, the ‘retail’ side of finance has not made much of an impact on sustainable investing or changed itself in this regard. Ethnographies of central bankers are not with market actors proper but bureaucrats or regulators that manage the nation’s financial and monetary system. From the perspective of sustainability, the limits of regulation have been identified above and have been juxtaposed with the moral economies and norms of practice. Nonetheless, the participation of the ethnographers in these expert worlds has produced novel accounts of the knowledge practices there that highlight the necessity of narrative and communicative strategies in anchoring expectations about money, beyond the limits of number as well as the limits of technocratic knowledge itself in always trying to keep up with the market (Holmes 2009; 2013; Riles 2004).

Institutional financiers have been making the big waves and they are the ones with the financial clout, which is to suggest that their actions have a high level of economic relevance due to the size of funds or money at their disposal. Honing in on ethnographies of these actors will allow a more focused discussion. While ethnographies of financiers can be differentiated by the type of institution or actor they are interested in, there are three more ways to broadly distinguish them. Firstly, we can consider the degree of participation of the ethnographer in the professional practices being depicted. Secondly, is the extent of their focus on market theory and functionality. Thirdly, is their engagement with broader issues of political economy, world history and social embeddedness. I understand the first of these, the degree of participation, as a continuum that acts as a window for the ethnographer to ask questions of market functionality and political economy. The following two sections draw out key elements of this literature through this framework and explore the implications in light of the present ethnography.

**Political Economy in Practice**

A strong focus on investment practice through *participant-observation* is important because it allows the ethnographer to see things that practitioners either do not see or do not have the time or desire to articulate in an elaborate way. The concentration of studies with financial ‘traders’ focuses on actors that buy and sell financial instruments in various marketplaces. The research has entailed direct participation in these exchanges from the ethnographers and produced nuanced accounts of how these domains operate in ways that reductive, economistic approaches would not capture (Abolafia 1996; Miyazaki 2013; 2013; Zaloom 2006). However, these studies largely overlook the relationship between the activities that they depict and the *productive* economy since they are focused on *exchange* transactions driven by marketplace-based decisions. The financial domain is understood through its elements that are most detached from economy and society. The next section highlights the merits of this approach that nonetheless seems to come at the cost of largely sidestepping questions of political economy.

For the remaining studies, towards one end of the spectrum are Ho (2009) and Ourousoff (2010), neither of whom worked directly in the *specific* area of financial practice that they depict.
The former, as suggested in Chapter 6, relied mostly on informants’ narratives – elicited in person and via email – since she was employed as an ‘internal management consultant’ rather than directly in the investment banking department, whose practices the ethnography centres on (Ho 2009, 14). Ourousoff’s (2010) ethnography is at the intersection of credit analysts and the corporate executives of the companies that credit analysts assess. It is based on fieldwork involving elite interviews with each camp. Neither ethnography intends to depict in detail how the associated area of practice is holistically and situationally constructed. Both accounts discuss the historical context of their chosen area of finance, which gives some sense of fluidity, but they do not capture the dynamics of any given analytical or transactional situation and hence give a relatively fixed view of what is going on at that moment in time.

Two examples from the perspective of sustainability might clarify this point. Firstly, the transactions of Ho’s (2009) investment bankers may still resemble a deal-making frenzy on Wall Street. However, ESG or ‘non-financial’ factors are increasingly shaping the valuation process that supports the types of deals – mergers and acquisitions – that Wall Street investment bankers transact (PRI 2012). Are these sustainability factors simply being used as a marketing tool in investment banking as they become subsumed by Wall Street culture? Or is there evidence of ‘true’ integration? What differentiates investment banks like Deutsche Bank who are making a strong rhetorical and strategic commitment to sustainability from those that do not and what is the impact of this on their valuation processes or bankers’ perceptions of these?

Secondly, on the back of investor pressure, Moody’s, one of the three main credit rating agencies in the global financial system, recently agreed to include ESG factors in its ratings (CERES 2014). How does this ‘intangible’ or ‘non-financial’ information articulate with Ourousoff’s (2010) depictions of credit analysts’ ‘rationalist’ and calculative models and their faith in these? The question of environmental factors possibly entering the fray was briefly foregrounded by one of her informants, which indicates that informants there have ideas about how their expert practices might change (Ourousoff 2010, 114). On the corporate side, as this thesis shows, sustainability factors are reshaping how company strategies are set. Does the emergence of the sustainability paradigm bridge the gap between credit analysts and company executives or are the two still split down ‘rationalist’ and ‘contingency’ lines? The ranking of companies according to different investment ‘grades’ – however they are calculated – shapes how investment managers direct capital and how monetary transactions are mediated. Ourousoff (2010) crystallises the boundaries between actors in the global economy and finance as well as the institutional thresholds, which I take to be the two aforementioned contrasting models for productive capital. The paradoxical system persists because corporate executives manipulate data to fit the rationalist model (Ourousoff 2010, 97). Perhaps an analysis of the nuanced positionality of one credit agency and one company would reveal the dynamics of how each practice might be changing.

While Ho (2009) and Ourousoff (2010) do not have a strong focus on participant-observation, they do use their findings to pursue questions of political economy. Ourousoff (2010) identifies the emergence of credit agencies and their impact on how capital circulates in the economy. She highlights the conflict between the opposing views of credit analysts and company executives, questioning whether the differences and the last financial crisis are “merely symptoms
of a much deeper economic transformation towards a dynamic that privileges capital consolidation over and above market competition” (Ourousoff 2010, 125). She connects the institution of rating agencies in the 1980s to perceptions of corporate debt and the impact on the relationship between investors and companies. Analysts’ models are not about enacting the pricing mechanism but are strategies for eliminating chance. These have arisen separately from the companies that they value and this prevents analysts from seeing how they are diametrically opposed to the models of the executives they try to influence.

Ho’s (2009) monograph is at the intersection of financial markets and political economy. Investment bankers manage financial transactions for corporations, such as mergers and acquisitions and corporate restructurings, and also ‘make markets’ in their shares by offering a price to buy and sell them in the market place to asset managers like SustAM. They represent both ‘the market’ and the corporate entities that are subject to the market (Ho 2009, 6). Ho (2009, 11) reveals how Wall Street’s local culture acts to “frame and empower...[investment bankers] to impose regimes of restructuring and deal making onto corporate America and, ultimately, help to engender financial market crisis”. This transfers investment bankers’ shareholder value model and that of the liquid employee onto corporate America whereby companies that were once social entities became financial entities. By offering a cultural account of ‘shareholder value’ and deconstructing the concept, Ho (2009) offers us a way of understanding finance beyond abstraction. However, by showing how these abstractions are supported by a broad occupational culture and deconstructing what members of this culture say about these abstractions, she fails to identify the types of nuances mentioned above.

Ho (2009) reveals the cultural drivers of financial models and critiques their effects; however, she does not depict how a specific grouping of actors constructs the categories that define practice with an investment bank. The issue with this approach is that it only gives an outline based mostly on informants’ account. For instance, when discussing the importance of ‘professional representation’ during the preparation of work for clients in investment banking, the example that Ho (2009, 93) draws in for comparison is not from a team of investment bankers but from her experience working in another area of the business. Investment bankers are assumed to be part of the same ‘liquid’ culture. We learn that race relations and social hierarchies texture this culture but the finer-grained ‘nuts and bolts’ of practice are left unexamined.

Ortiz (2014) goes a step further in his study of a large investment management agency within which he worked as an intern for fourth months alongside a fund management team who were trading ‘credit derivatives’. He examines the ambivalent strategies deployed by the team and their role in enabling actors to make sense of their daily situations and justify and advance their career trajectories. We get a picture of a different moral economy of market efficiency and liberal financial theory. In the conclusion, Ortiz (2014, 47) raises the societal issue that access to these financial roles is “extremely limited to a small minority, while the rest of the population has little or no agency in the process, and global inequalities remain the result”. Though the majority of Ortiz’ (2014) ethnography is not accessible to me as somebody who is not fluent in French, he does seem to explore the political and economic consequences of how finance is practiced.
Lepinay (2011) investigates the financial engineering of derivatives products within a bank and the unsettling impact of this innovation on the organisation of the bank itself and on the actors there, who were puzzled by the hedging of risk that the products entailed. He offers a critique of the bank which is shown to be "[t]rapped between offering ever-innovative services through a chaotic and hardly accountable organisation...while...simultaneously delivering itself as a publicly traded company" (204). Lepinay's (2011) work is not limited to the trading room and follows the typology and trajectory of the product, which interacts with engineers, sales and marketing teams, investors, regulators, customers and traders; it thus requires novel communicative strategies to mediate between each group. He emphasises the unintended consequences that result from the creation of products that could not be clearly valued and that opened up the walls of the bank to investors, clients and regulators. Lepinay's (2011, 230) focus is on highly quantitative finance, which he shows is more than abstraction since the process of derivation operates and sustains a "differential of properties". His research is based on the strong vantage point of a lengthy fieldwork period within the bank in question where he worked in multiple expert roles. The deep focus on financial practice enables him to unravel the socio-technical complexities of the financial products within the bank. The analysis is then used as a platform for understanding broader economic processes, where derivation is shown to be a central process behind value creation. This is quite a leap from the walls of the bank and the book stops short of examining in detail the political and economic significance of the specific products in question.

Miyazaki's (2013) ethnography – which spans 1998 to 2011 – tracks a small team of derivatives traders who are located in Japan and is based on assessments of internal records, interviews and direct observations. He did not work as a trader, but had access to a room where a smaller number of traders and the team managers worked as well as to the team’s library of books on trading, economics and derivatives, which were suggested to him by a key informant. Miyazaki (2013) depicts the typology of trading practices and draws out their cultural embeddedness relative to US techniques and approaches. He devotes a lot of attention to the personal and professional career trajectories and how traders’ “dreams” articulate with their trading strategies. He also extends the category of arbitrage to critiques of capitalism and aims to resolve the clear-cut distinction between this and the category of speculation, often espoused in critical accounts. Miyazaki’s (2013) book does not, however, offer a comparable level of depth to Lepinay’s (2011) in examining the micro-organisational and micro-sociological aspects of practice. The present study sits between these two, though it aims to be closer to the work of the latter scholar.

In this thesis, I have tried to advance the work of Ortiz (2013; 2014; 2015) and Lepinay (2011) by revealing how financial concepts are transformed through different situations of practice as these changes are happening and by exploring the implications of this more broadly. A danger of an attempt to reconcile a view of market actors in one local context with broad issues of political economy and world history is that we over-generalise or posit precarious causal links between the two. I have shown that ethnographies of finance can engage with questions of political economy without simply reducing it to ‘context’ or by deconstructing financial models.
through a political economy. Instead, I have asked what might be the political, economic and societal implications of the way in which financial concepts are changing as they are understood and practiced. This has put these changes to the test and pointed to areas for additional research as the paradigmatic transformations advance. It also unearths the many social dynamics and material arrangements that are central to the construction of the sustainable investor.

**Sustainable Market Theories: Money as Social Memory and Imaginary**

Ethnographic studies of financial markets have contributed to an understanding of market activities that goes beyond the reductionist idea that they are constituted by maximising individuals following their own self-interest. This work reasserts the importance of grasping the social nature of economic reason and the way in which the categories of logic are constructed, encountered, known and transformed. It allows a better understanding of the concepts themselves and gets under the expert theory. This is important because the idea that financial markets are comprised of investors who meet in free exchange and contribute to market efficiency for optimal allocation of social resources is the main regulatory position around the globe and across different jurisdictions (Ortiz 2015). Studies of financial traders have revealed non-individualistic dynamics in their activities; namely, how market rationality is locally-embedded and socially-constructed (Abolafia 1996), that trading strategies are culturally embedded (Miyazaki 2003; 2013), how traders share a common ‘postsocial’ – meaning human to object – orientation to ‘the market’ (Knorr Cetina & Bruegger 2000), and how the construction of market rationality includes material and social dimensions (Zaloom 2006).

Zaloom (2006) and Abolafia (1996) show that, even in sites that are supposed to operate through pure market logics, traders there do not transact as isolated individuals but through constructed modes of reasoning and material arrangements. Zaloom’s (2006) work stands out as an intricate and compelling account of market functionality that de-naturalises market exchange and rationality. She shows how ‘practical experiments’ – or attempts to purify the marketplace through processes of rationalisation that remove personal relations – ultimately come up against existing market norms, social formations and uses of social information to make judgements. As she concludes, “traders inevitably develop profit-making strategies that bring social and cultural materials back into the rationalized market, producing a cultured structure that organizes everyday life and labor in the futures markets” (Zaloom 2006, 177). Similarly, Ho (2009) emphasises the cultural dynamics that reproduce investment bankers’ financial models within an occupational setting, which reminds us that financial theories are always grounded in a local context. She also shows how the contradictory notion of market efficiency in this area is equated with corporate actions that most directly result in share price increases; this often leads to loss of shareholder value in the long-term which is the very measure of efficiency (Ho 2009, 163-4).

Ourousoff (2010) reveals that the corporate debt market does not operate according to usual market logics. As Ourousoff’s (2010) work shows, credit rating agencies do not enact a ‘supply and demand’ model but instead concentrate money in larger companies and fuel the expansionist dynamic of big business due to the institutional links between rating agencies and
large corporations. Ortiz (2015) confronts liberal theory with a focus on ‘market efficiency’ and ‘free exchange,’ which are foundational concepts to how finance is regulated and understood by practitioners. In the case of hedge funds, these ideas are also used by actors to make sense of everyday operations and to justify career trajectories and investment strategies. He shows that financial flows do not operate as liberal theory suggests but through bureaucratic commercial networks within which people advance their careers. Ortiz (2014) shows that investors are not ‘free’ since personal opinions are structured by the standard procedures and the models of financial theory. Moreover, changes in investment strategy can take contradicting and ambivalent positions on ‘market efficiency’ due to their entanglement with personal interests and power struggles in investment agencies. Chapter 5 points to both sides of the market efficiency debate and shows investment managers to be quite committed to their strategic positions. For SustAM to become a ‘passive’ investor would mean sending the company in a totally different direction. There would be no need for a large team of qualitative analysts and there would be no need for dialogue with PMs over stock selections. Yet we can still observe personal orientations to aspects of corporate sustainability – ethical issues and environmental concerns – as well as organisational power structures as SustAM’s strategy is made in a world where PMs hold the court on decision-making and where its clients are much larger institutions that must be negotiated with.

This thesis has shown how sustainable investing is constructed to be commercially and analytically tractable within and around mainstream investing (MacKenzie 2006a). Importantly, for my colleagues, the intended goal of this is not to perfect markets. Markets are a means to an end rather than an end in their selves. Nonetheless, the logical result of SI is that markets are made more ‘efficient’ under a standard definition. The stock market will keep the ‘cost of capital’ down since companies that are usually deemed to be sustainable are also deemed less risky (PRI 2016, 11). Thus, the stock market will manage risk more effectively for investors. Finally, financial markets will operate to allocate capital toward the most ‘sustainably’ productive parts of the economy since investors will target companies that think and act with a long-term horizon. For SustAM, this was not driven by a desire to solve equations. The linkages and refinements that they made to investment models are based on a vision of how the global economy should operate as influenced by capital markets. It is not about perfecting financial markets per se but questioning the very purpose of them in the first place and exploring their potentiality.

The new financial money forms that are emerging in this context may be importing two new functions for money. Money or investment funds – when exchanged for shares – index corporate activities that are believed to be more aligned with a stakeholder model of the economy and are based on investment processes that manage a colossal amount of information. As suggested above, money here operates as a ‘memory bank’ for society since each instance of a sustainability strategy also indexes some degree of human endeavour – whether ethically, morally, financially, or commercially-motivated – to promote financial, economic, ecological or social change (Hart 2000; 2009, 100). However, money is also operating as a way of envisioning the future of humanity and global society. ‘Sustainability’ is the dominant narrative for directing this process and the factors that constitute enactments of sustainability may determine what it is,
does and becomes. The pivotal aspect of this emergent paradigm change is the capacity that it bestows on money to operate as a memory bank and an imaginary for society.

These two new functions of money mentioned above seem to rest on a notion of money that combines Hart’s focus on how money is produced and how it can be re-socialised with Miller’s view of how consumption can build relationships (see Horst & Miller 2012). In other words, to understand how investment money can function as a social memory bank and imaginary, we need to look not only at how investment strategies create money forms but also how these financial products are consumed, by private individuals and by asset owner institutions. The missing link in this equation is the individual members of society who hold wealth in the form in pensions and other assets. Individuals have been successful at influencing corporate behaviour through collective action, with the SumOfUs campaigns having a notable impact on business practices, but most individuals that hold assets, many of which will be ultimately invested in companies, have not yet connected the dots. The initiative ShareAction is an exception and builds a platform for individual savers, pension holders and other entities to cohere and promote responsible or sustainable shareholdings. However, most investors remain alienated from their shareholdings and their investment portfolios cannot be considered ‘expressions of personhood’ to the extent that those of ethical investors can (Welker & Wood 2011). That is, unless we acknowledge that alienation is a key feature of personhood. The history of investment management revealed in Chapter 5 suggests that the rise of scientific finance and the institutionalisation of investing may have contributed to making investment management a system that acts to alienate people – beneficiaries – from their wealth. Wealth itself was commodified in the competitive arena of institutional investing. We should, therefore, be cognisant that behind the management of investment funds are complex constellations of relationships such as those illuminated in this thesis that demand our attention.

This focus may privilege the wealth function of money over others but it could also contribute to broadening the concept of wealth along social terms. Indeed, the concept of ‘the market’ under this system differs quite markedly from that of traditional mainstream self-regulating financial markets where ‘the market’ is understood as a distinct and detached form and where the operation of a free market is considered, at least rhetorically, as a moral project in itself. Sustainable investors have been calling for more regulation to institute their strategies within mainstream investing and, for the people that I worked with, it was not simply about market building or about trying to legitimate big businesses and concentrate capital in large corporations. The intention is to control this capital to influence these huge economic entities and produce better investment returns for clients. Social scientists should pay careful attention to how money’s role as a social imaginary is articulated and the impacts that this has on economic activity. It may pay to explore whether this function of money can bridge the gap between the individuals in society that hold wealth through pensions and insurance companies and the actors that manage this wealth. Anthropology can map out the many moral economies of sustainability in twenty-first century capitalism through the lens of the human economy and engage with those practices in a constructive way. The closing section offers a reflexive account of the present study to assist in such an endeavour.
Methods and Methodology for a Transformative World System

Practice and Practicing The ‘Extended-Case’: Lessons from the Manchester School of Anthropology

This thesis presents fieldwork material mostly from an extended-case study of one investment agency. While this is arguably a fortunate vantage point from which to understand the paradigm changes underway in institutional investing, relying largely on data from one case study has some important epistemological implications. It is significant for a number of reasons that an extended-case study most accurately describes my fieldwork. On the one hand, the study outlines "a theory of practice, one that, given its situationalism, comprehends praxis (including ethnographic praxis) as an on-going, open-ended dialectic, rather than a complete synthesis" (Evens & Handelman 2006, 5). In other words, the situational analysis that this approach entails emphasises the influence of 'practice' over theory or principles. On the other hand, I also use the extended case as a method "for empirically determining the actual mechanisms of practice in any particular case" (Evens & Handelman 2006, 5). My study of one asset management firm depicts the ways in which expert situations shape how investment theories are practiced and (re)constructed, but it also exemplifies how ethnographic data can be generated through a case study. For Gluckman (1961), the aim of this type of situational analysis is to reveal the morphology of the social structure. However, the problem of what animates the social configurations that we study ethnographically is one that both Gluckman (1961) and Malinowski (1922) are left with, the former spending time on judicial reasoning and the latter on magic. I have tried to identify what animates sustainable investing and there is more to the picture than simply people advancing their careers and making money. Some of the people that I worked with seem enchanted by the idea that what they do can make a difference and this helps to drive the work. I observed expressions of frustration, dissatisfaction and concern with how the economy and finance operate and desires to drive change, at the grandest level by changing the DNA of capitalism itself through reengineering its information carrying structures underpinning monetary transactions.

Another epistemological implication is the question of how typical or representative the case study that I focus on is of other asset managers. Given that statistical analysis is foundational to investment management, I assume that many investors might share these concerns. Yet the drive to generate and present data that can be considered representative of a broader group of people is also a feature of ethnographies of finance, as I discuss above (Ho 2009). Thus, it is necessary to specify exactly what can be expected from a case study in contrast to an approach that aims for 'typicality' or 'representativeness'. This is a particularly important question given that my goal is not simply to describe investment practice but to also contribute theoretically to an understanding of how 'global' capital markets operate. Mitchell (1983, 39) implies the challenge inherent in case studies in contrast to statistical analyses since in the former:
the inferential process turns exclusively on the theoretically necessary linkages among the features in the case study. The validity of the extrapolation depends not on the typicality or representativeness of the case but on the cogency of theoretical reasoning.

Success is not based, deductively, on the logical structure of the data but on the process of analytical induction. My analysis of how monetary transactions are mediated within one investment agency – which is explicitly understood by the CEO and his colleagues to be ‘atypical’ – allows for theoretical extrapolation because it reveals some principles and dynamics of these exchanges that can be used as a useful platform for questioning investment practices more broadly.

Ethnographic Analysis of Professional Analysts

Anthropological studies of professional analysts may encounter a number of challenges when using participant-observation due to the inherent homologies between each group. As I have shown, both entail carrying out empirical research, thinking through economic and social processes and interpreting the actions and behaviours of other groups of actors. Analysts at SustAM and anthropologists have a commonality here, but there is an added inherent challenge when studying professional financers and converging with their social practices; namely, that some of the concepts that are used analytically in anthropology have their counterpart in financial domains. Ortiz (2013, 65) points out that in financial theory and practice “the concept of value spans the registers of that which is technical, economic, moral, and political”. He warns against using the concept of value as an analytical term when studying finance because it risks stabilising a certain definition of value as monetary calculation in the economic sphere and also because it runs the risk that we “confuse the language of the observer with that of the observed” (Ortiz 2013, 77). Thus, he suggests that we take value as our ‘object of study’ and use broader terms like ‘meaning’ in our ethnographic analyses. I address each of these points in turn.

Firstly, with the issue of stabilising the value-values dichotomy, it is noteworthy that, for my study, this distinction is an ethnographic fact. The investors that I worked with explicitly evoke the value-values dichotomy in their investment thesis and in their definition of sustainable investing as distinct from ‘ethical’ investing. Thus, ‘value’ and its connection to ‘values’ is very much my object of study and a strategic position used by my colleagues. For instance, ‘value’ unifies a common goal and subsumes factors that are believed to be associated with the worth or potential worth of a stock. It is also used to differentiate between financial activities that are deemed worthy or not (Ortiz 2013, 73). ‘Values’ are understood to be the locus of ‘ethical’ investors and the term is used by my colleagues to differentiate themselves from these investors, since my colleagues believe that an effective way to redefine financial value through prisms of sustainability is to separate this from ‘values’. It is acknowledged that it is easier to agree over what drives financial value than it is to reach consensus over the morally ‘right’ type of investments to make. Value and values are actively and overtly negotiated. For these investors, the stated goal is not to champion, legitimate, or fix financial value in the aforementioned hierarchy; rather, the intention is to redefine financial value according to factors that are, nonetheless, values based. They are trying to change finance so that it has a broader social
purpose beyond pure profit maximisation; namely, to support economic activity with what is deemed a more positive social and environmental impact with a moral economy.

The question of how and whether sustainable investing achieves this and whether it contributes to upholding the economistic value-values dichotomy are a key line of critique. Moreover, since my fieldwork concerns financial change, the fluidity of the terms they use is not only evident in the fact that these terms enter multiple registers but that they change within these registers. By maintaining this strong focus on practice and value as valuation and an object of study, I hope to have answered such questions. This move should also hedge against Ortiz’ (2013) second concern; namely, about the danger of confusing the language of anthropology with the language of finance, though this will obviously require careful attention. Clearly, for ethnographers of financial practice, it is important to differentiate as distinctly as possible between our use of emic and etic terms when these terms are shared with our informants or colleagues. We must ensure that we do not use financial terms and concepts unreflectingly and investigate their intellectual history (Hart & Ortiz 2014).

On the second and related point, I am concerned that using terms such as ‘meaning’ in ethnographic analysis will run the risk that our accounts become too vague and esoteric. My focus on ‘decision-making,’ for instance, is an attempt to be more precise in my analysis and also engage other fields of study and concepts that are important within the financial domain as well as anthropology. If we take expert paradigms as our object of study and carefully analyse how the main concepts flow in practice, surely a more distanced and comparative perspective can still be applied. In this case, it would not stabilise the value-values dichotomy but unpack it with a strong focus on practice. It is a curious point that investors not only share terms with anthropologists but also, to some degree, methodologies. My interlocutors were often trying to interpret their own practices as well as those of a group of financial analysts and those of corporate executives. The investors that I worked with not only made assessments about investor culture and the broader investment community, but also engaged in practices of reflexivity. They explicitly identified that their own personal ‘values’ were coming to the fore in determining the identity of the company and the pursuits of financial value by the people therein.

It is important to consider where these ‘self-conscious critical faculties’ exist in relation to other modes of analysis within investment management and consider why they exist there (Holmes & Marcus 2005, 237). Investment analysis requires the interpretation of the documentation practices of corporate executives and corporate mind-sets. These coexist with the aforementioned interpretative practices that in some respects resemble ethnographic practice; that is, the more ad-hoc or informal instances where investors try to understand how finance was practiced. My ethnography has shown how interpretative organisational practices are intertwined with interpretative investment analytical practices and that these impact one another. This does not render anthropology redundant in such a context, quite the opposite. It can involve collaboration with informants to assimilate their critical insights and interpretative techniques (Holmes 2013). The level of reflection and lines of questioning that anthropological fieldwork fosters, in this case somewhat collaboratively with informants, pushes us to articulate expert practices more holistically than perhaps interlocutors do. Ethnography can be an entryway to
collaboration and dialogue with finance professionals (Miyazaki 2013). Most of the time, people are so caught up in the heat of practice that they have little time to reflect deeply on what they are doing beyond an instrumentalist understanding.

**Accessing Field-sites’ and Locating 'the Field'**

My fieldwork took place across multiple sites and was multi-dimensional. The notion of fieldwork that best suits this sort of endeavour is that of a ‘polymorphous’ or multivalent engagement with the emergent paradigm of sustainable investing with a focus on a small group of elite actors (Gusterson, cited in Ho 2009, 19). However, the deeper question is what limits the scope of the field site? In this case, it was my own position as a financial expert relative to my informants, the choices that I made as a researcher and the relationships of trust that I was able to forge. What does this mean for ethnography as a form of knowledge production? What does it entail for ethnography to embrace being multi-sited, multi-dimensional and multivalent and focused on depicting and analysing a core aspect of an expert system that spans and drives the global economy? The remainder of this section answers these questions from two angles. The first is by elucidating the situation in which ethnographic knowledge was produced in my study to understand both the types of knowledge produced and my intentions as a researcher. The second is to relate this to other ethnographies of finance.

The fixed, determinate manner in which I introduced the methods in the introduction elides the fluid situation in which they were largely crafted, selected and used. As I mentioned in the preamble, my initial plan was to gain access to investment management practice. Under the assumption that it would enhance the impact of my study, I had ideally hoped to work in one of the world’s main financial centres, at one of the ‘hubs’ through which embedded global financial capital flows (Knorr-Cetina 2005). Nonetheless, the key objective was to gain access to investment management practice, wherever it was happening, and I contacted asset managers based around the globe. The resulting ‘place’ was a secondary consideration and a goal not specified in the design of my research. Still, I had expected that when, and indeed if, access was finally obtained, I would need to be present and ‘immersed’ in a physical ‘place’ for the majority of my fieldwork. My past life as a stockbroker was firmly spatially and temporally bounded to the opening hours of the London Stock Exchange and the fact that trading on this exchange could now take place in dispersed offices outside of London, such as in Manchester where the local stock exchanges have been shut for decades. I figured that institutional investment would operate with longer but equally rigid ‘office’ hours. It also seemed likely that gaining a deep understanding of a group of investment actors would require being immersed for at least six months in a particular place with them. It was from the vantage point of this “strategically situated single site” that I planned to develop a nuanced understanding of investment professionals and the global system of capital circulation – construed contingently – that they partly constituted (Marcus 1995). These plans came up against several barriers to my re-entry into the financial world, as I have discussed.

Anthropologists have developed novel strategies for accessing high finance. Zaloom (2006, 8-10) leveraged a connection with a family friend to gain access to her trading company. Ho
(2009) utilised her elite university affiliation – as a Princeton graduate – to get an inside track to Wall Street, since this is where investment banks recruit from. She secured a job in a related role to investment banking proper in order to make connections to interview for ‘actual’ fieldwork and to ‘imbibe the actual and taken-for-granted language of ‘Wall Street’’ (Ho 2009, 15). I combined my experience in stockbroking, my current research in the anthropology of finance and a new interest in sustainable investing as a way of appealing to asset managers. My change of tack from the type of ‘traditional’ asset manager with whom I was familiar ultimately and ironically proved to be successful. Yet even when a company finally agreed to work with me, I was unsure whether this would give me what I needed. Persistent difficulties and concerns over gaining access to the ‘office’ of an asset manager imbued my fieldwork with a greater multi-sited and multi-dimensional nature. This has major implications for the role and significance of ‘place’ in my study, the ultimate object of the study and the context within which it seemed appropriate to discuss it. The unintended multi-sitedness of my fieldwork prompted me to trace connections and associations between the several threads or field ‘sites’ and identify a logic of interconnection (Marcus 1995). Rather than only focus on a group of geographically situated actors and capture their association and connection with large-scale economic processes, I also honed in on the economic (or financial) process itself and on how dispersed groups of people interconnected with the process, not only to make the world system but to endeavour to change it (Marcus & Fischer 1986). It was as though I was assembling a number of jigsaws that all had the same theme but a different picture that embodied the theme. Each individual picture gave me insight into the theme, without me ever really getting all the pieces to a single puzzle in place. The ‘theme’ that I explored was the paradigm change in institutional investment, an emergent object of study that I identified through the access I was able to obtain, largely through access to one investment company.

I focused more strongly on this one particular investment agency as fieldwork progressed. I was able to gain deeper access to their practices just as the company itself was becoming established and setting up offices. For the first thirteen-months of my fieldwork my field ‘site’ was predominantly my home ‘office’ where I interacted, on a weekly basis, with people at SustAM from London, New York, Toronto, Boston and Geneva. However, I also hedged my bets in this period and set up the internship with UNEP FI and several interviews as a way of gathering as much research data as I could. During this time, my electronic journal notes were mainly copies of emails that I summarised and analysed, notes from telephone and digital conferences and conversations, as well as my general reflections and thoughts. When SustAM finally established offices, from 2014 onwards, I focused my efforts fully on participant-observation with that company. I worked frequently from the London office of SustAM, which was itself relocated in 2015, and made numerous trips to the offices where SustAM’s partners were located. While my electronic journal notes were based more on scribbles on a pad during these times, telephone and digital interactions were still central to how investors there interacted and so this data still constituted the bulk of my journal entries.

In describing this sort of undertaking, spatial metaphors – site, flow, travelling, moving – are generally less useful, only partly applicable and only in some instances at that. Indeed, spatial metaphors may always have concealed the degree to which fieldwork has never been dependent
on a fixed place as well as the extent to which field ‘sites’ have been ‘performed’ (Coleman & Collins 2006). Gaining access to institutional investment ‘practice’ was not any single event in a given location, but a process structured by a series of key moments in which I was able to gain deeper insight into the paradigm change underway. This was made possible through different ‘sites,’ institutional frameworks, technologies and relations. With reference to the experience of ‘fieldwork,’ this involves ‘studying sideways’ with people at a similar social standing, ‘studying upwards’ to people with a position of power in relation the fieldworker, and ‘studying through’ relations, discourses and institutions (Hannerz 2006). At a more personal level, in my experience, it meant being open to and able to cope with serendipity and chance; building the capacity to improvise takes a considerable degree of patience, tenacity, flexibility and willingness to take on risk. It was stressful at times. The lack of certainty over what I was doing one week to the next, coupled with the thought that “I’ll only get one shot at this,” took its toll on me and my close relationships at times. Still, excitement and intrigue were the dominant emotions.

The difficulty in using spatiality to describe my fieldwork is also exacerbated by the fact that I spent a lot of my time, and gained key insights, from doing online research, attending webinars and physical events, and conducting exploratory interviews. Since I had not planned to study sustainable investing, getting to grips with such a large area of expert knowledge and practice was a major challenge. These methods were necessary for two reasons. Firstly, they helped me gain a clearer picture of the overall ‘theme’ of sustainable investing and how the ‘ethnographic’ data that I acquired and generated at SustAM fitted into this. This helped me to sharpen my focus on changes in investment valuation and to understand how these changes related to others in institutional investment. Secondly, they were central to me gaining and maintaining access to institutional investment practice. I knew very little about the area in November 2012 and since access was so precarious throughout my study, I felt that I had to give myself the best chance possible of maintaining it. These sources of information were not static but contained active information that is central to changing the global financial system.

My ‘presence’ as a fieldworker played a significant role in crafting and colouring this polymorphous engagement. Given that the ethnographer has traditionally been the main instrument for data collection as well as, perhaps, the complexity of cultural dynamics, anthropological knowledge has ideally been generated through ‘face-to-face’ encounters. Yet, due to its ‘indexical’ nature, ‘presence’ has in practice “contained within its rubric a huge range of activities and degrees of success in gaining access to social groupings” (Coleman & Collins 2006, 9). During my fieldwork, ‘face-to-face’ encounters occurred sporadically and infrequently until January 2014 when SustAM opened its London office. The initial lack of face-to-face interaction was a persistent concern of mine, particularly given the original intentions of my study. However, it was also a form of presence that my colleagues encountered and reproduced every day. It was a shared non-presence. To interact this way was to participate in their quotidain lives. The operation of ‘virtual’ teams is a fundamental characteristic of SustAM and the industry-leading working group that I supported, which was comprised of investors from various institutions. The majority of human interaction that I encountered within the sustainable investment paradigm reflected “the increasing virtualisation and distanciation of social life through electronic communications,” a
'time-space' disruption that may resist the trope of ethnographic immersion (Coleman & Collins 2006, 9-10). In my experience, one can still become ‘immersed’ in the communicative practices, relations, ideas and practice of a limited group of people and through a polymorphous engagement to grasp this as such. However, this did not all happen in any given ‘place’.

While one could argue that my choice to continue working with a company like SustAM imported a sense of ‘non-place’ for a large part of my fieldwork, the same dynamics were at play as with those ethnographies of finance that have an emphasis on ‘place’. While Zaloom’s (2006) depiction of trading in ‘the pits’ in Chicago is deeply insightful, it was her capacity to develop relations within the trading firm and secure a role trading online for them in London that allowed her to draw out the nuances of this technological change from two locations in ethnographic detail. Just as Zaloom (2006) forged a limited number of relationships with people in one organisation and Ho (2009) made connections with investment bankers that stretch across various investment banking institutions, my ‘fieldwork’ was based on cultivating relationships with a small number of elite actors. The access that we gain to people is more important than the access we gain to places. In addition to her elite alumni status, Ho (2009, 19 & 21) points out that her social identity was a key factor in her study as 40% of her informants were ”people of colour” and only “a slim majority” were men, while “Wall Street insiders” are understood to be “a rather homogenous, mainly white male crowd” (Ho 2009, 19). Our expert and social positioning towards research participants has implications for the ethnographic knowledge that we produce. Ho (2009, 13-19) argues that anthropologists cannot simply pitch their tents in financial institutions and emphasises the importance of blending ”immersion with movement” when studying financiers (Ho 2009, 18). The people that we follow must have some logical connection or connecting theme in a world where place and presence do not necessarily tie informants to one-another or ourselves. Ho (2009) recognises this but she still proffers ‘An Ethnography of Wall Street’.

My own strategy for dealing with this conundrum is to point to a ‘paradigm change,’ which I analyse based on the views of the small number of people that I worked with and to whom I gained access by increasing my own capacity to contribute to the processes that I depict. I cannot purport to offer an ethnography of ‘The City’ since the phenomena I describe is not captured within the geographical boundaries of London’s financial hub. In some ways, this unsettles ethnographic authority, since it reminds us that the ethnographer is active in directing the research lens; we are not simply rooted in a given location jotting down whatever seems important but are instead in a constant process of locating the field. Moreover, given my high level of participation, I was active in creating the very object that I describe. Accordingly, I have tried to make my own positionality clear throughout. I also rely on ‘auto-ethnography’ at times (Ellis, Adams, & Bochner 2011). However, this is with the intention of understanding more about the practices and people with whom I worked and I have spent much more time analysing what my colleagues say and do than elaborating my own feelings and thoughts. The depiction of the sustainable investment paradigm cultivated in this thesis is very much the product of my relations with a small group of dispersed actors; my decision to stay working with them over a long period of time ultimately led me to draw out the fluidity and social context of financial practice, which is the bedrock of my ethnographic analysis and theoretical discussions.
Conclusion

If this thesis has offered some useful signposts for studying paradigmatic transformations in finance then its strong focus on practice has been justified. Behind the models, jargon and expertise are groups of people constructing the category of the sustainable investor personally, commercially and analytically around, through and within boundaries and thresholds from nuanced positionalities such as that depicted at *SustAM*. At this agency, the category was upheld by an instrumentalist orientation to the intersections of corporate practice and investment risk that was intended to help financial actors build resilience to uncertainty in their investment decisions. This was based on lateral thinking enacted through the sociality and material arrangements of the investment agency. The investment strategies discussed in this thesis intend to win access to capital in a competitive commercial environment in order to invest in what they define to be sustainable companies. The outcome of this could shape how the global economy operates in the current era where capital is a dominant force. The rules of play are changing and it is crucial that the direction of this change is based on lateral and critical thinking, as opposed reductionist economic models. In this game, all of humanity has a stake due to the huge influence of corporations on ecology and society. Sustainable investing may be an ambiguous category to both investors and anthropologists, but this ambiguity should be embraced and explored.

The human economy approach expounded in this thesis offers a way of grasping the economic from the perspective of a group of actors operating in expert situations by elucidating the body of economic life using three guiding metaphors borrowed from Malinowski (1922). Firstly, the ‘skeleton’ of sustainable investing refers to the institutional and organisational regularities, which, for instance, reveals the norms, rules and formalised logics – investment mandates for making profits, team configurations and roles, organisational power structures and investment theses – that structure investment decisions and processes as well as technologies and tools – financial software, models and IT infrastructures – that shape how people work, think and interact. A key challenge for the group of actors at *SustAM* is to find a way of building their economic skeleton within and around the skeleton of the mainstream, with embedded notions of temporality – short-termism – presenting one of the largest challenges.

Secondly, the ‘flesh and blood’ shows life as it is lived around the skeleton, which refers to phenomena such as office etiquettes and breaches of these, tacit methods for managing analytical tasks and maintaining mental self-awareness when undertaking these, appealing to the sentimentality of others in economic relations, colouring one’s sentences with hyperbole and wit to get the point across and ad-hoc efforts at interpreting the ideas and practices of other groups of experts in an attempt to impact their decision-making. These aspects of daily life and common behaviour of a group of actors may seem piecemeal but they are far from irrelevant. Rather, these facets of the economic body keep everything and everyone moving together as the fabric of daily life.

Thirdly, the ‘spirit’ of the economic body refers to the perspective of the actors involved and reveals contrasting opinions about aspects of corporate sustainability, the tenacity shown by
the CEO to realise his vision, perceptions of the purpose and place of sustainable investing and personal dispositions to the work being undertaken. These have mostly been revealed in this ethnography through depictions of collaborative team interactions and personal conversations with various actors. The spirit is the most intangible aspect of the economic body and the most difficult to access. This thesis has shown that working with the same group of actors over a longer period of time can allow one to elicit a range of views as situations and people’s views of them change. Social relations between actors help to build the economic body, as we have seen through SustAM’s network of trust and the relations between sustainability analysts and financial experts, as actors operating within two different moral economies are brought together.

The human economy approach has crystallised the social context of money and knowledge as they are managed and produced in investment management as well as the social nature of economic reason there. I have referred to this as the information carrying structures of the DNA of capitalism, which reflect deep structural changes underway in financial capitalism that aim to embed environmental and social factors into long-term corporate valuations. The sociality of these paradigmatic transformations is of huge importance, not simply because it advances anthropological and sociological theory. Rather, it is only through the social context of investment decision-making that economic actors make sense of, and find their way through, the complexity of contemporary capitalism, as is the case with other forms of economic reasoning. All investors have to learn the logics of investment models, but these are always put into action through a human economy that crucially defines that practice. A better understanding of the thoughts and actions of financial actors may assist in constructing a financial system that serves society. The human economy approach should not stop with sustainable investing and this thesis has pointed to several areas where it can be applied. Without changing the DNA of capitalism in other areas of the global economy, sustainable investing may be similar to making cocktails on the Titanic. The anthropology of finance should track these paradigmatic transformations and try to ensure that it is part of the debate. In doing so, scholars of finance should embrace ambiguity in the economic categories that they explore and continue to unravel these complexities alongside finance professionals.
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