

# GREENWASHING AND ESG INVESTING AT A CROSSROADS



ECGI + Indiana U Kelley ICG - Public Lecture Series On Corporate Governance  
[ December 7, 2023 ]



## Pedro Matos

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Administration  
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Management



DARDEN SCHOOL  
*of* BUSINESS

# ESG INVESTING AT A CROSSROADS:

2021:



## How 2021 became the year of ESG investing

December 23, 2021

2022:



2023:



THE WALL STREET JOURNAL Dec. 5, 2023

## Green Investors Were Crushed. Now It's Time to Make Money.

The lessons have been hard, and are a reminder of the basic facts of investing

### Big Bright Green Misery Machine

Stock price change this year



Vestas Wind Systems ADR  
Source FactSet

**The New York Times**  
*On Wall St., 'Socially Responsible' Is Common Sense. In Congress, It's Political.*  
Lawmakers are trying to restrict these investment choices in workplace retirement plans, but big fund managers are trying to give shareholders a voice.

**WSJ**  
*Wall Street's ESG Craze Is Fading*  
Investors pulled more than \$14 billion from sustainable funds this year

**WSJ**  
*Defense Stocks Benefit From War, Renewing ESG Debate for Everyday Investors*  
Shares of weapons makers have outperformed the S&P 500 since Oct. 7

**Bloomberg**  
*'ESG' Is Too Important to Ax, Investors Say*  
• BI survey shows vast majority of C-suites, investors back ESG  
• Survey findings come as ESG fund flows show a mixed picture

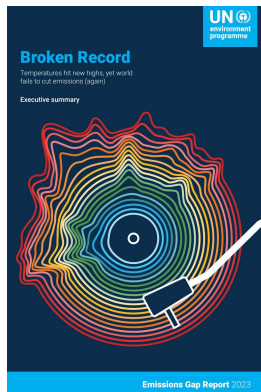
**How 'ESG' came to mean everything and nothing**  
19th November 2023, 06:30 ET

Dec. 2, 2023.



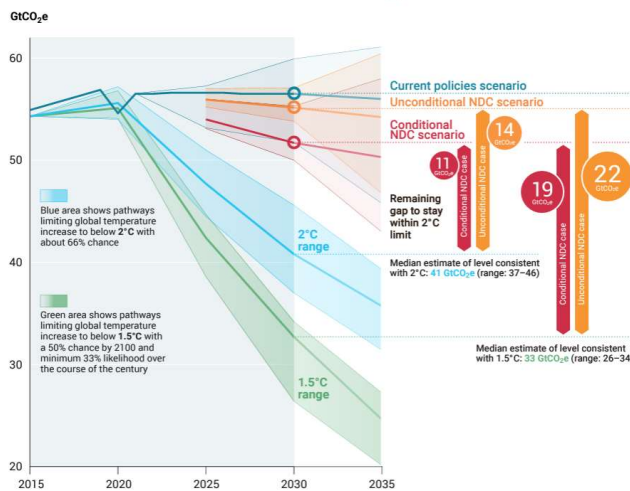
# ESG INVESTING AT A CROSSROADS (2):

## Reasons to be a pessimist...

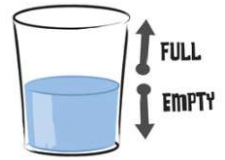


<https://www.unep.org/resources/emissions-gap-report-2023>

Figure ES.4 Global GHG emissions under different scenarios and the emissions gap in 2030 and 2035 (median estimate and tenth to ninetieth percentile range)



## ... or an optimist?

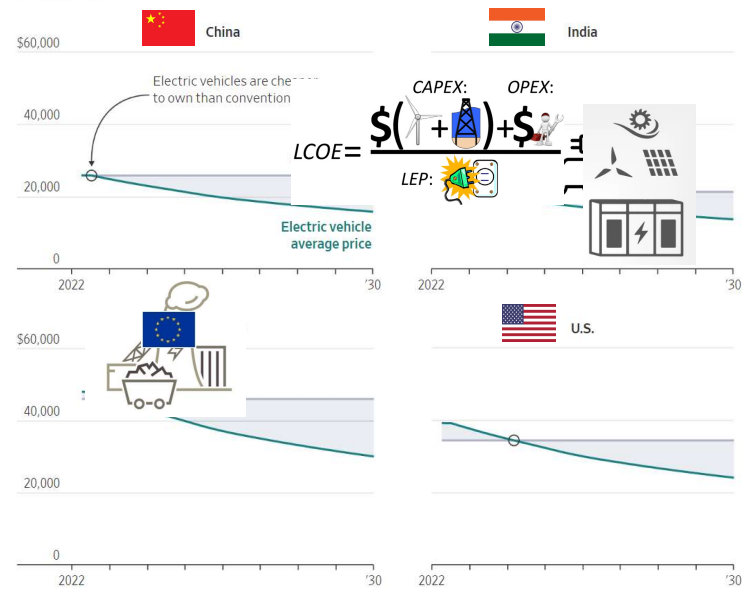


### THE WALL STREET JOURNAL

## Now for Some Good News About Climate

By [Ed Ballard](#) [Follow](#)  
Nov. 27, 2023 12:01 am ET

Projected ownership costs for mid-range electric vehicles and internal-combustion-engine vehicles in key markets



Note: Projections from 2023 onwards; price includes purchase price and cost of use; future cost projections are based on historic trends.  
Source: Economics of Energy Innovation and System Transition



## ESG INVESTING AT A CROSSROADS (3):



... new data?

... new risks and investment opportunities?

...

... an investment style?

... a methodology?

... a risk management system?

...

... a philosophy?

... an ideology?

... “woke agenda”?

...



... hyperbole or nonsense?

# ESG INVESTING AT A CROSSROADS (4): “GREENWASHING”?

## Greenwashing

[grēn-, wō-shin]

The act of providing the public or investors with misleading or outright false information about the environmental impact of a company's products and operations.

Investopedia



### Progress Report on Greenwashing

“... **greenwashing** is a practice where sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product or financial service. This practice may be misleading to consumers, investors, or other market participants.”

## 2022:



Financial Times

### Blowing the whistle on ESG

In Desiree Fixler's short time at Germany's top asset manager DWS Group, she made a ... In other words, she accused DWS of greenwashing.

Jun 7, 2022 -



Financial Times

### German police raid DWS and Deutsche Bank over greenwashing allegations

German police raided the offices of DWS and its majority owner Deutsche Bank on Tuesday morning as part of a probe into allegations of...

May 31, 2022 -



Financial Times

### DWS chief resigns after police raid over greenwashing claims

The chief executive of Germany's top asset management firm DWS Group has resigned hours after the company's offices in Frankfurt were raided...

Jun 1, 2022 -



Reuters

### DWS to pay \$25 mln to end US probe into greenwashing, other issues

Deutsche Bank-controlled investment firm DWS will pay \$25 million to settle charges over misstatements regarding its environmental, social,...

Sep 25, 2023



Financial Times

### SEC fines BNY Mellon over ESG in first case of its kind

The US Securities and Exchange Commission has fined BNY Mellon's investment adviser division \$1.5mn for allegedly misstating and omitting...

May 23, 2022 -



BNY MELLON | WEALTH MANAGEMENT

WHAT WE DO | OUR THINKING | OUR LOCATIONS



Financial Times

### Goldman Sachs to pay \$4mn penalty over ESG fund claims

Goldman Sachs has agreed to pay a \$4mn penalty over US regulatory charges that the bank's asset management division misled customers about...

Nov 22, 2022



# GREENWASHING AND ESG INVESTING AT A CROSSROADS

## 1. Background on ESG Investing

- Matos (CFA Institute, 2020) *“ESG and Responsible Institutional Investing Around the World: A Critical Review”*

## 2. Greenwashing: Do Investors “Walk the (ESG) Talk”?

- Gibson Brandon, Glossner, Krueger, Matos & Steffen (Review of Finance, 2022) *“Do Responsible Investors Invest Responsibly?”*

## 3. Does “Walking the (ESG) Talk” Result in Real Impact?

- Atta-Darkua, Glossner, Krueger & Matos (working paper, 2023) *“Decarbonizing Institutional Investor Portfolios: Helping to Green the Planet or Just Greening Your Portfolio?”*

## 4. Conclusions + Open Questions for Future Research

# GREENWASHING AND ESG INVESTING AT A CROSSROADS

## DISCLAIMERS:

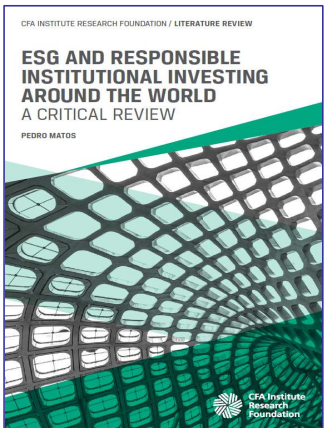
### Main message:

- It's good to have a healthy dose of skepticism!
- ESG investing is undergoing a shakeout in which “greenwash” and “hype” lose out but I see ESG factors increasingly part of the toolkit for investors to succeed (and for us as professors and students)!

### Caveats:

- a biased focus on **my own journey** in this topic (with special thanks to my co-authors!)
- there are a lot more papers than the ones I'll cite, there are **many other good surveys** (e.g. Starks AFA Presidential address 2023) and do watch **Kelley ICG /ECGI Public Lectures on ESG!**
- beware of ESG “**competency greenwashing**” and recall Alex Edmans: “**1. A story is not fact** (it may not be true) ... **2. A fact is not data** (it may not be representative) ... **3. Data is not evidence** (it may not be supportive) ... **4. Evidence may not be proof** (it may not be universal) ... Even if you've documented causation (not just correlation) in one setting, it may not apply to other settings. Beware of studies that claim indisputable proof!”

# TAKING A STEP BACK ... DEFINING “ESG INVESTING”



ENVIRONMENTAL	SOCIAL	GOVERNANCE
<ul style="list-style-type: none"> <li>Climate change and carbon emissions</li> <li>Natural resource use and energy and water management</li> <li>Pollution and waste</li> <li>Ecodesign and innovation</li> </ul>	<ul style="list-style-type: none"> <li>Workforce health and safety, diversity, and training</li> <li>Customer and product responsibility</li> <li>Community relations and charitable activities</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder rights</li> <li>Composition of boards of directors (independence and diversity)</li> <li>Management compensation policy</li> <li>Fraud and bribery</li> </ul>


• **Investors:**

GLOBAL SUSTAINABLE INVESTMENT ALLIANCE  
REVIEW 2020

Global sustainable investment at \$35.3 trillion

**BlackRock**

"A Fundamental Reshaping of Finance"

STATE STREET

The "Responsibility" Factor

Vanguard

The Four Principles of Good Governance

• **Corporations:**

On August 19, 2019, nearly 200 CEOs of America's largest companies

**Statement on the Purpose of a Corporation**

"We commit to:

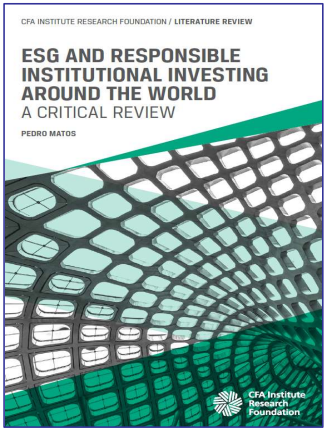
- Delivering value to our customers...
- Investing in our employees...
- Dealing fairly and ethically with our suppliers...
- Supporting the communities in which we work...
- Generating long term value for shareholders..."

Source: BR Business Roundtable

<https://rpc.cfainstitute.org/en/research/foundation/2020/esg-and-responsible-institutional-investing>



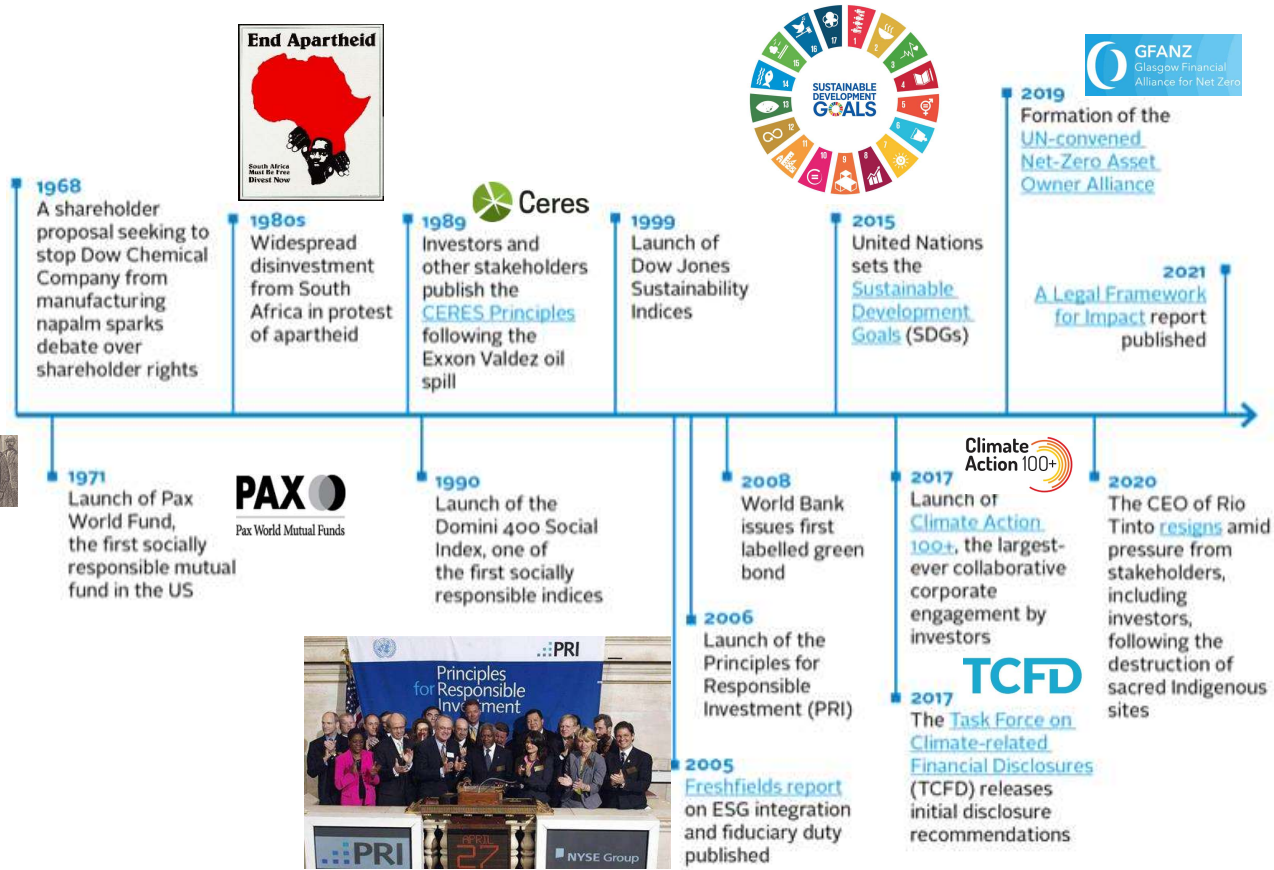
# TAKING A STEP BACK ... DEFINING “ESG INVESTING” (2)



#METOO SEXUAL HARASSMENT	DATA PRIVACY	MONEY LAUNDERING	ENVIRONMENT	OPIOID CRISIS / RX DRUG PRICING	Coronavirus (COVID-19)

<https://rpc.cfainstitute.org/en/research/foundation/2020/esg-and-responsible-institutional-investing>

# TWO STEPS BACK ... SHORT HISTORY OF ESG INVESTING



<https://www.unpri.org/investment-tools/introductory-guides-to-responsible-investment>

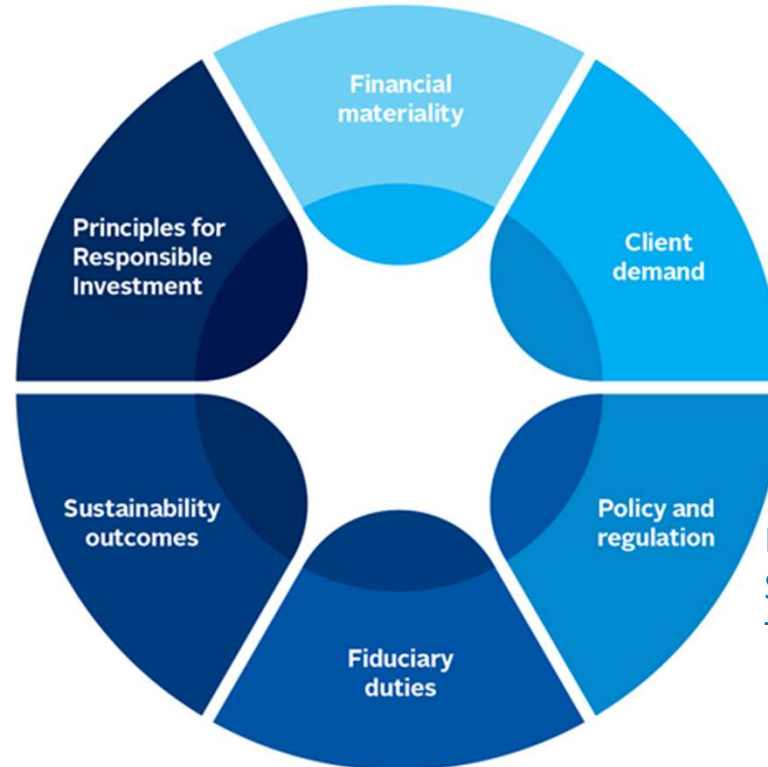
# WHAT'S DRIVING ESG INVESTING?

ESG issues and financial performance?

## PRI Principles?

- 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4: We will promote acceptance and implementation of the Principles within the investment industry.
- 5: We will work together to enhance our effectiveness in implementing the Principles.
- 6: We will each report on our activities and progress towards implementing the Principles.

SDGs? Paris Alignment?



**Value** = Improve Investments?  
→ Control risk? Enhance returns?  
**Values** = Improve the World?  
→ Do no harm? Make a difference?  
Drivers: shifting social landscape and evolving investor preferences?

Disclosures?  
Stewardship?  
Taxonomies?

Biden Vetoes Anti-ESG Investing Legislation?

<https://www.unpri.org/investment-tools/introductory-guides-to-responsible-investment>

# HOW BIG IS ESG INVESTING?

Depends where you look!!!

... \$2.7 trillion (2023-Q3)?

Morningstar: Global Sustainable Fund Flows Q3 2023

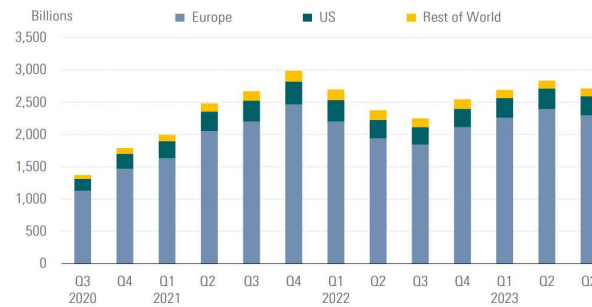


Oct. 25, 2023

## Global Sustainable Fund Flows: Q3 2023 in Review

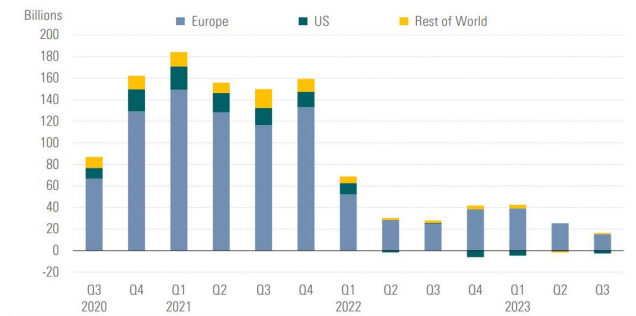
Inflows decrease further amid gloomy markets, but Europe continues to show resilience.

Exhibit 3 Quarterly Global Sustainable Fund Assets (USD Billion)



Source: Morningstar Direct, Manager Research. Data as of September 2023.

Exhibit 2 Quarterly Global Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct, Manager Research. Data as of September 2023.

# HOW BIG IS ESG INVESTING?

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... \$2.7 trillion (2023-Q3)?

Morningstar: Global Sustainable Fund Flows Q3 2023

... \$30 trillion (2022)?

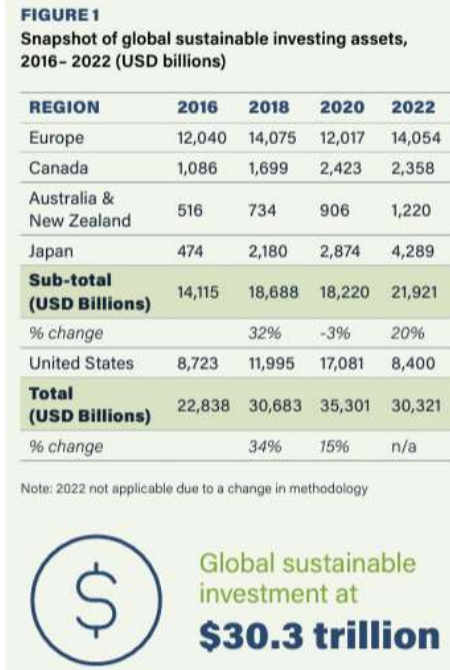
GSIA: Global Sustainable Investment Review 2022

**Bloomberg**

## Global ESG Market Shrinks After Sizable Decline in US

- The industry's assets fell to \$30.3 trillion from \$35 trillion
- Drop in US tied to change in methodology for calculating number

November 28, 2023



<https://www.gsi-alliance.org/>

# HOW BIG IS ESG INVESTING?

Depends where you look!!!

... \$2.7 trillion (2023-Q3)?

Morningstar: Global Sustainable Fund  
Flows Q3 2023

... \$35 trillion (2022)?

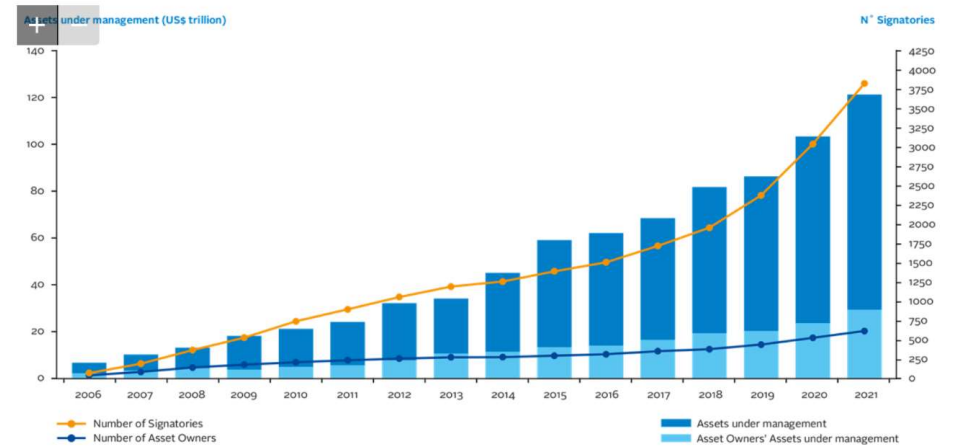
GSIA: Global Sustainable Investment  
Review 2020

## ... \$120 trillion (2021)?

PRI: UN-Sponsored Principles for Responsible Investment



PRI growth 2006-2021



<https://www.unpri.org/about-us/about-the-pri>

# MY RESEARCH ON ESG INVESTING



## Do Responsible Investors Invest Responsibly?

Rajna Gibson Brandon, Simon Glossner, Philipp Krueger, Pedro Matos, Tom Steffen



DARDEN SCHOOL  
of BUSINESS



UNIVERSITÉ  
DE GENÈVE | GENEVA FINANCE  
RESEARCH INSTITUTE

## Decarbonizing Institutional Investor Portfolios: *Helping to Green the Planet or Just Greening Your Portfolio?*

Vaska Atta-Darkua – UVA Darden School of Business  
Simon Glossner – Federal Reserve Board\*  
Philipp Krueger – University of Geneva  
Pedro Matos – UVA Darden School of Business

\* The analysis and conclusions contained in this paper are those of the authors and do not necessarily reflect the views of the Board of Governors of the Federal Reserve System, its members, or its staff.



Matos (CFA Institute, 2020) *ESG and Responsible Institutional Investing Around the World: A Critical Review*



<https://www.unpri.org/about-us/about-the-pri>

THE SIX PRINCIPLES AND SIGNATORIES' COMMITMENT

- 1 We will incorporate ESG issues into investment analysis and decision-making processes.
- 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4 We will promote acceptance and implementation of the Principles within the investment industry.
- 5 We will work together to enhance our effectiveness in implementing the Principles.
- 6 We will each report on our activities and progress towards implementing the Principles.

Launched in 2006, the Principles for Responsible Investing (PRI) is widely recognized as the most influential organization devoted to the advancement of ESG investing globally







# Matos (CFA Institute, 2020) *ESG and Responsible Institutional Investing Around the World: A Critical Review*



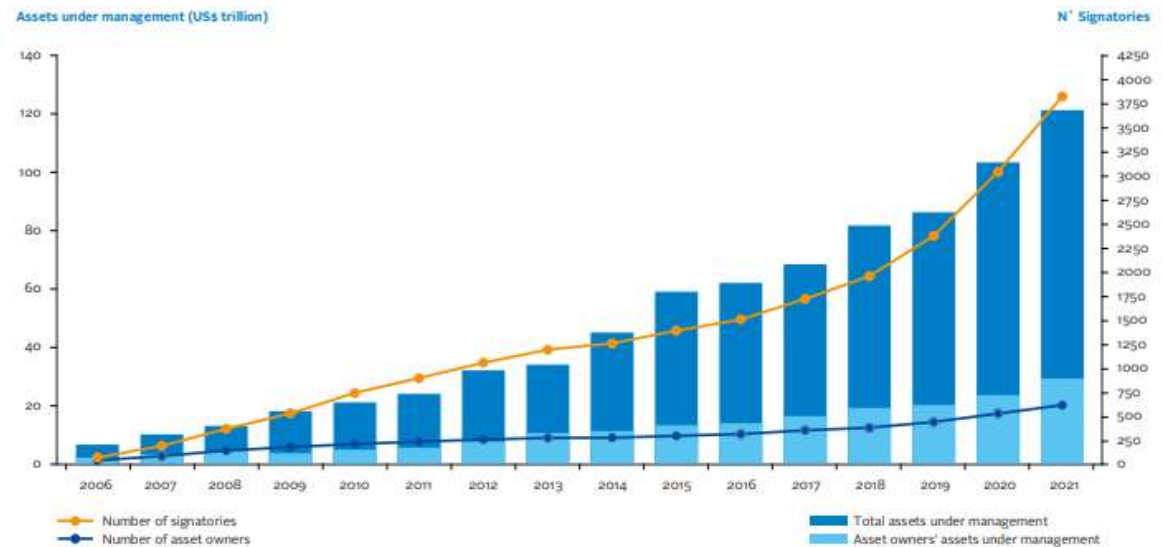
<https://www.unpri.org/about-us/about-the-pri>

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The PRI has grown consistently since it began in 2006:



As of April 2021

Source: PRI Annual Report 2020 <https://www.unpri.org/annual-report-2020/how-we-work/more/new-and-former-signatories>



Matos (CFA Institute, 2020) *ESG and Responsible Institutional Investing Around the World: A Critical Review*

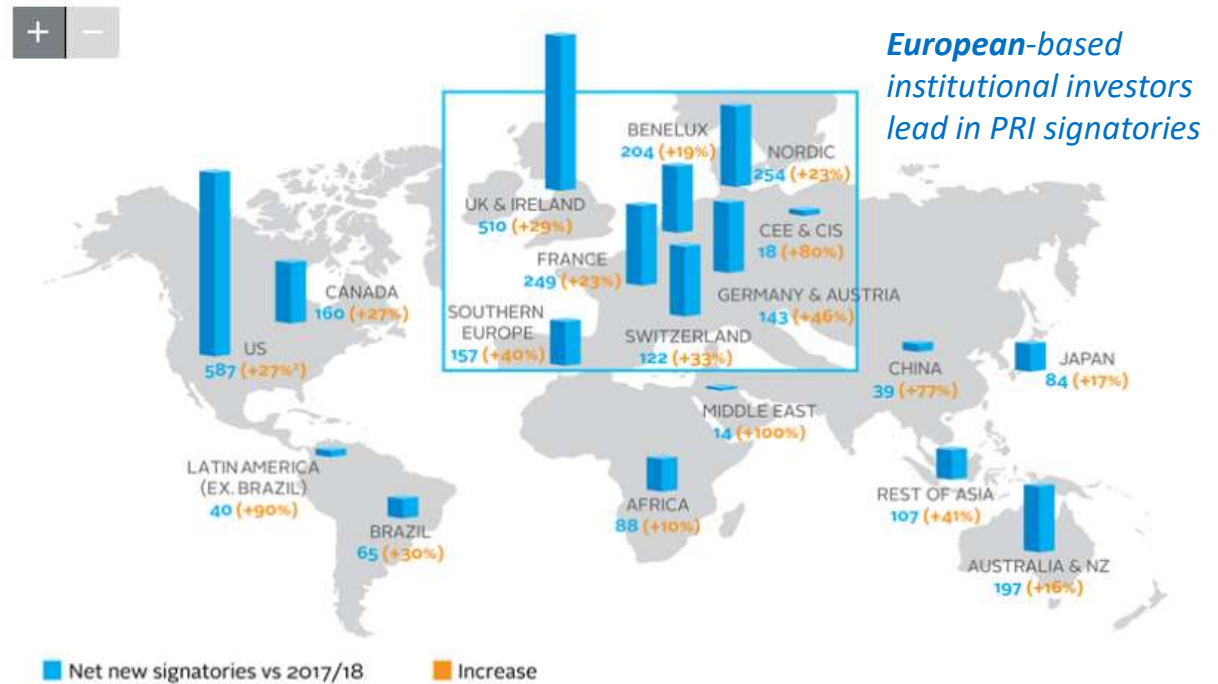


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1: As of 31st March 2020  
2: Net new signatories since 1 April 2019



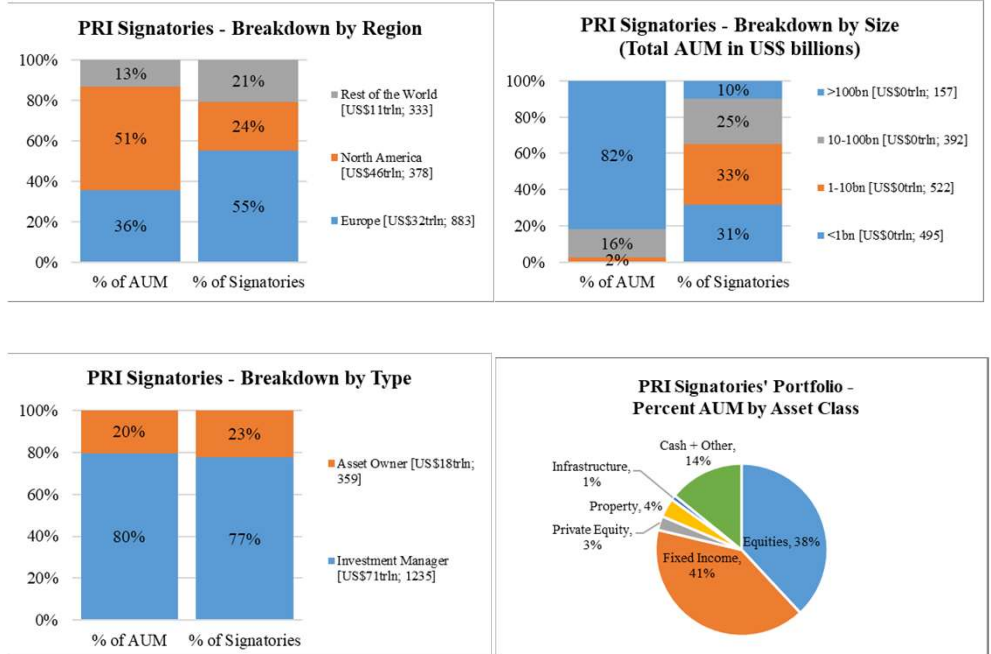
Matos (CFA Institute, 2020) *ESG and Responsible Institutional Investing Around the World: A Critical Review*

**Table 2. Top PRI Reporting Signatories by Region (as of 2019)**

Region	Investor Name	Signatory Year	Type*	Total AUM (in US\$ bn)
Europe	Amundi	2006	IM	\$1,626
	AXA Group	2012	AO	1,625
	Credit Suisse Group AG	2014	IM	1,354
	Legal & General Inv. Mgmt.	2010	IM	1,201
	Norges Bank Investment Management	2006	AO	976
North America	BlackRock	2008	IM	5,976
	The Vanguard Group, Inc.	2014	IM	4,867
	State Street Global Advisors	2012	IM	2,511
	Fidelity Investments	2017	IM	2,420
	Capital Group	2010	IM	1,677
Rest of the world	GPIF	2015	AO	1,377
	Japan Post Insurance Co.	2017	AO	660
	Korea National Pension Service	2009	AO	569
	Sumitomo Mitsui Trust Asset Mgmt.	2006	IM	554
	Nippon Life Insurance Co.	2017	AO	529

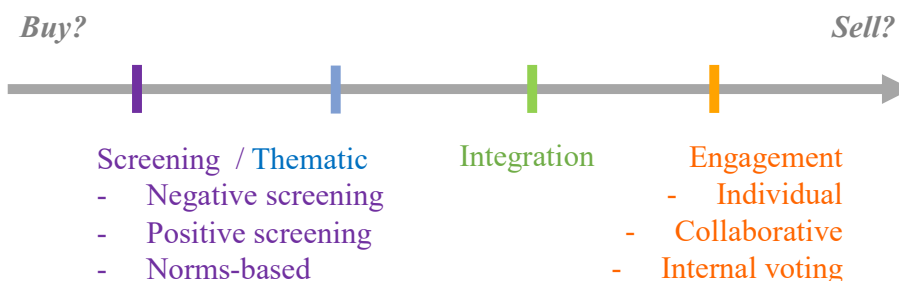
\*IM stands for investment manager; AO stands for asset owner.

**Figure 5. Statistics on PRI Signatories Reporting in 2019: AUM and Number of Signatories**



<https://rpc.cfainstitute.org/en/research/foundation/2020/esg-and-responsible-institutional-investing>

# HOW TO INVEST RESPONSIBLY?



## Screening:

- **Negative screening:** *The exclusion from a portfolio of certain sectors, companies, or practices based on specific ESG criteria.*
- **Positive/best-in-class screening:** *Investment in companies selected for positive ESG performance relative to industry peers.*
- **Norm-based screening:** *Screening of investments against minimum standards of business practice based on international norms.*

## Thematic:

*Investment in assets specifically related to sustainability (e.g., clean energy, green technology, or sustainable agriculture).*

## Integration:

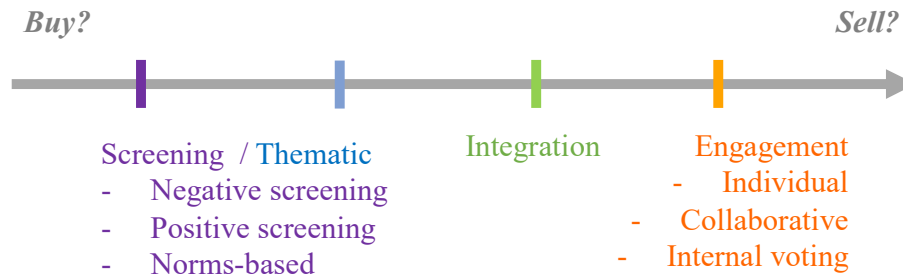
*The systematic and explicit inclusion of ESG factors into financial analysis.*

## Engagement:

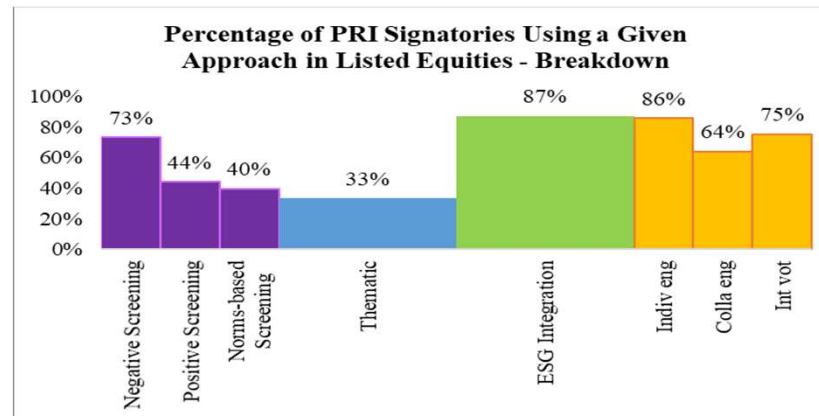
- **Individual:** *The investor's internal staff using shareholder power to influence corporate behavior, including through direct corporate engagement (i.e., communicating with senior management and company boards) and filing shareholder proposals.*
- **Collaborative:** *The conduct of corporate engagement, as defined above; however, it is undertaken jointly with other investors.*
- **Internal voting:** *The use of proxy voting guided by ESG guidelines where the voting decisions are undertaken internally and not outsourced to an external service provider.*



Matos (CFA Institute, 2020) *ESG and Responsible Institutional Investing Around the World: A Critical Review*



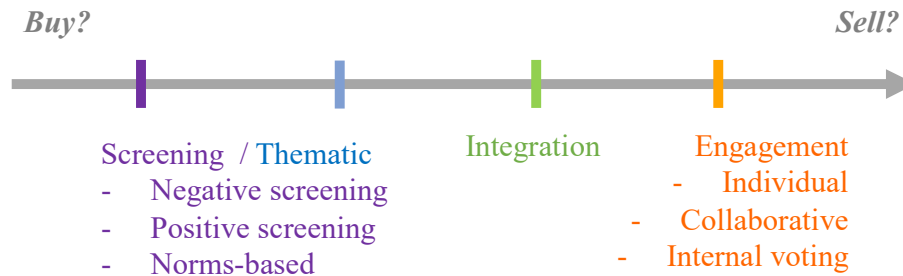
When surveyed on ESG incorporation, a large fraction of PRI signatories report high levels of engagement, ESG integration and negative screening.



**Figure 6. ESG Incorporation—Extensive Margin: Percentage of PRI Signatories Using a Given Approach**



Matos (CFA Institute, 2020) *ESG and Responsible Institutional Investing Around the World: A Critical Review*



When surveyed on ESG incorporation, a large fraction of PRI signatories report high levels of engagement, ESG integration (US) and negative screening (Europe).

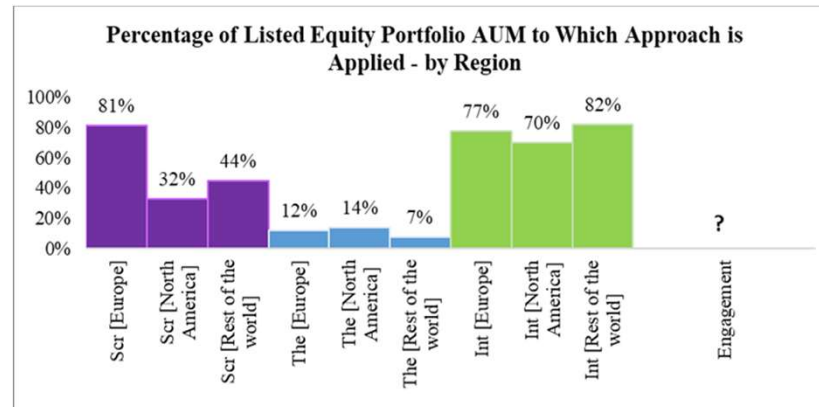


Figure 7. ESG Incorporation—Intensive Margin: Percentage of Listed Equity Portfolio AUM to Which Approach Is Applied

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## 4. Conclusions + Open Questions for Future Research

## Gibson Brandon, Glossner, Krueger, Matos & Steffen (Review of Finance, 2022) [Do Responsible Investors Invest Responsibly?](#)

- Responsible investing (RI) no-longer a fringe phenomenon in financial markets
  - USSIF (2018): \$12tn ... GSIA (2018): \$30tn ... PRI (2020): >\$100tn in assets?
  - What % of investors really implement ESG (or “greenwash”) and does it lead to more sustainable capital allocation?
- ... yet, only emerging academic work on RI by institutional investors
  - ESG policies
    - Dyck et al. (2019); Starks, Venkat & Zhu (2018); Gibson & Krueger (2018)
  - Active ownership on ESG issues
    - Dimson, Karakaş & Li (2015, 2018)
  - Valuation & social preferences for RI of investors
    - Hartzmark & Sussman (2019); Riedl & Smeets (2017), Ceccarelli, Ramelli & Wagner (2019); Krueger (2015); Hong & Kacperczyk (2009); Renneboog, Ter Horst and Zhang (2008)
  - Institutional investor surveys on ESG and climate risk issues
    - Amel Zadeh & Serafeim (2018); Krueger, Sautner & Starks (2019)



# Gibson Brandon, Glossner, Krueger, Matos & Steffen (Review of Finance, 2022) [Do Responsible Investors Invest Responsibly?](#)

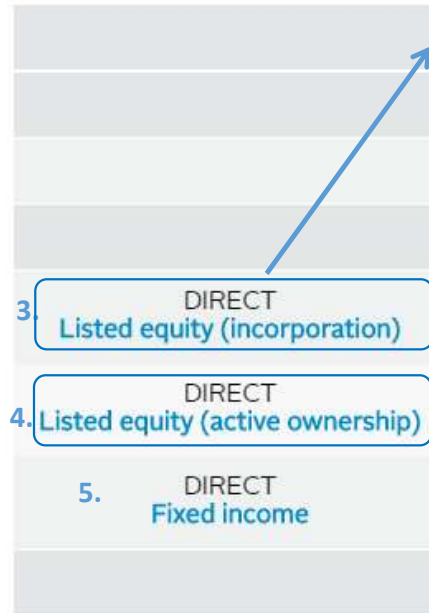
BlackRock



Signed the Principles: 7 October 2008

- Signatory category: Investment Manager
- HQ: United States

View latest Transparency Report



**LEI 01. Percentage of each incorporation strategy**

01.1. Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies (+/- 5%)

ESG incorporation strategy (select all that apply)

<input checked="" type="checkbox"/> Screening alone (i.e. not combined with any other strategies)	Percentage of active listed equity to which the strategy is applied	4 %
<input checked="" type="checkbox"/> Thematic alone (i.e. not combined with any other strategies)	Percentage of active listed equity to which the strategy is applied	1 %
<input checked="" type="checkbox"/> Integration alone (i.e. not combined with any other strategies)	Percentage of active listed equity to which the strategy is applied	30 %
<input checked="" type="checkbox"/> Screening and integration strategies	Percentage of active listed equity to which the strategy is applied	1 %
<input checked="" type="checkbox"/> Thematic and integration strategies	Percentage of active listed equity to which the strategy is applied	1 %
<input checked="" type="checkbox"/> Screening and thematic strategies	Percentage of active listed equity to which the strategy is applied (+/- 5%)	1 %
<input checked="" type="checkbox"/> All three strategies combined	Percentage of active listed equity to which the strategy is applied	1 %
<input checked="" type="checkbox"/> We do not apply incorporation strategies	Percentage of active listed equity to which no strategy is applied	61 %

Total actively managed listed equities 100%

Source: <https://www.unpri.org/signatory-directory/blackrock/948.article>

Gibson Brandon, Glossner, Krueger, Matos & Steffen (Review of Finance, 2022) [Do Responsible Investors Invest Responsibly?](#)

# Data (cont.):

**BlackRock**

<https://www.blackrock.com/corporate/sustainability/pri-report>

## Principles for Responsible Investment

### 2020 Highlights

- BlackRock earned an **A+ Strategy & Governance** score, reflecting the strength of our overall sustainable investing and ESG integration programs. The median score for large asset managers was A.
- BlackRock Investment Stewardship (BIS) earned an **A+** for **Listed Equity Active Ownership**. This stands out from the median score of B for large asset managers.
- Every BlackRock direct investment practice area improved** its score with **A+ earned in equities, fixed income, private equity, property, and infrastructure**. BlackRock investment teams have dedicated significant resources in recent years to integrate ESG into investment practices and communicate their efforts clearly.
- BlackRock continues to increase transparency and report on new practice areas. **In 2020 we reported our infrastructure solutions activities for the first time and received an A+.**

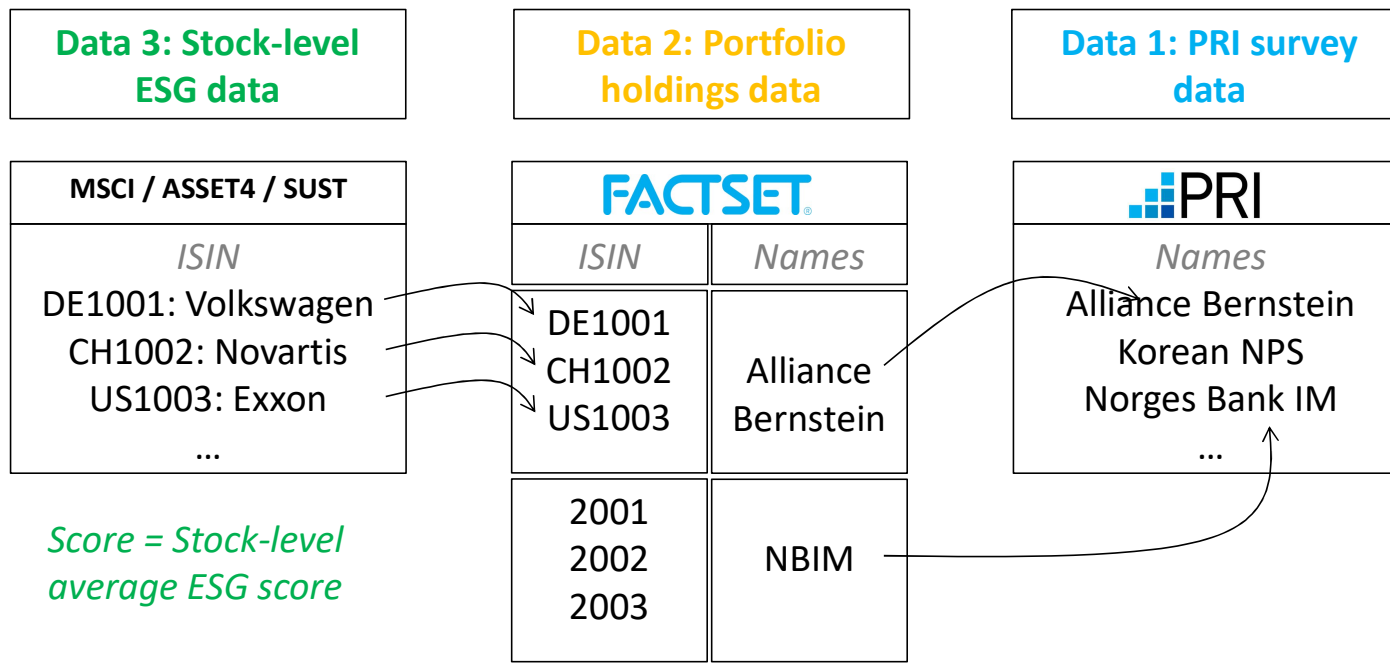
Below is BlackRock's 2020 PRI assessment report card and for key highlights in our submission, read our RI Transparency Report.

[Full report >](#)

	2019 BLK Score	2020 BLK Score	2020 Median
Strategy & Governance	A+	<b>A+</b>	A
Listed Equity Incorporation	A	<b>A+</b>	A
Listed Equity Active Ownership	A+	<b>A+</b>	B
Fixed Income SSA	A	<b>A+</b>	B
Fixed Income Corporate Financial	A	<b>A+</b>	B
<b>Managed by BlackRock</b> Fixed Income Corporate Non-Financial	A	<b>A+</b>	B
Fixed Income Securitized	B	<b>A</b>	B
Private Equity	A	<b>A+</b>	A
Property	A	<b>A+</b>	B
Infrastructure	A	<b>A+</b>	A

<https://www.blackrock.com/corporate/literature/publication/blk-pri-public-transparency-report-2020-web.pdf>

# Data (cont.):



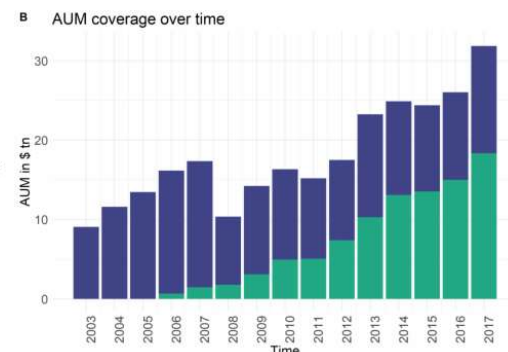
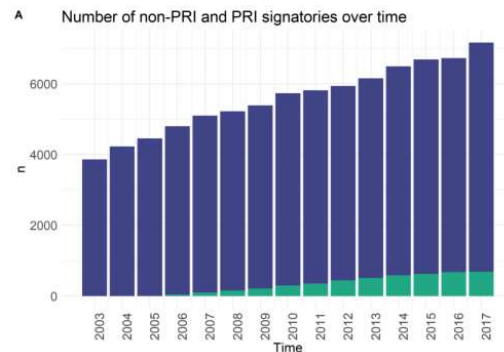
$$Portfolio\ Score_{j,t} = \sum_{i=1}^{N_{j,t}} w_{i,j,t} \times Score_{i,t}$$

Portfolio-level ESG footprint = value-weighted ESG score of the stocks in the portfolio

# Results:

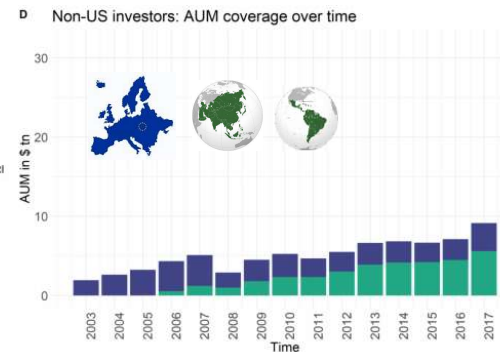
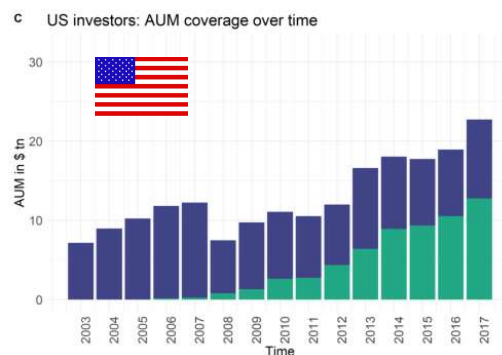
**Fig. 1.** The growth of the Principles for Responsible Investment

-> Growth in number of *PRI* signatories



-> Growth in \$ AUM of *PRI* signatories : ~60% by 2017 !

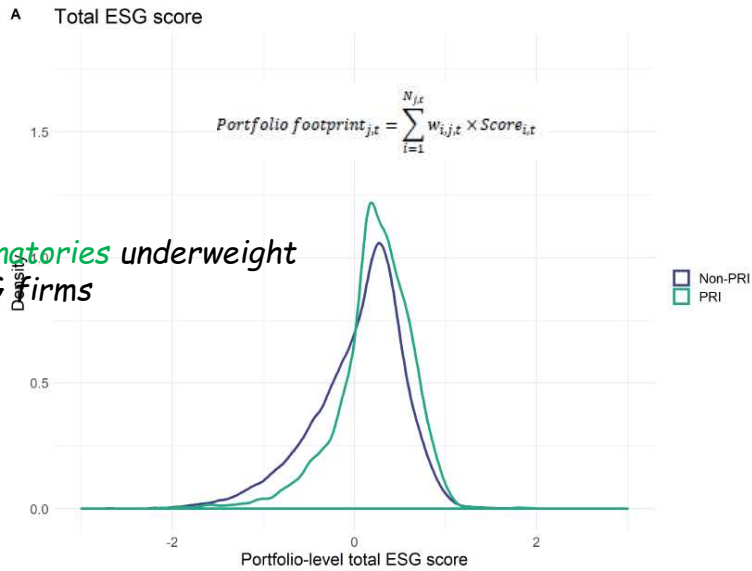
-> *U.S. PRI* signatories: late, ~ 50% of AUM



-> *Non-U.S. PRI* signatories: early, ~75% of AUM!

# Results (cont.):

Densities of portfolio-level ESG footprints: PRI signatories vs. non-PRI investors



PRI signatories **“walk the ESG talk”** in their portfolio holdings, but **US-domiciled PRI signatories do not: is it “GREENWASHING”?**

Table 3. Is the ESG portfolio footprint different for PRI signatory institutional investors?

Panel B: US sample				
	Dependent variable:			
	Total ESG footprint (1)	Environmental footprint (2)	Social footprint (3)	Governance footprint (4)
PRI dummy	-0.05* (0.03)	-0.05 (0.03)	-0.03 (0.02)	-0.04** (0.02)
Controls	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
Observations	43,620	43,620	43,620	43,620
Adjusted R <sup>2</sup>	0.35	0.36	0.31	0.25

Panel C: Non-US sample				
	Dependent variable:			
	Total ESG footprint (1)	Environmental footprint (2)	Social footprint (3)	Governance footprint (4)
PRI dummy	0.07*** (0.02)	0.05*** (0.02)	0.06*** (0.01)	0.04* (0.02)
Controls	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
Observations	32,715	32,715	32,715	32,715
Adjusted R <sup>2</sup>	0.24	0.24	0.20	0.17

# Results (cont.):

- PRI survey uses commonly-used taxonomy of RI (Amel-Zadeh & Serafeim, 2018; CFAI, 2015; GSIA, 2018; see also AQR, 2019)



-> this paper: "ESG incorporation"!

## Asset allocation

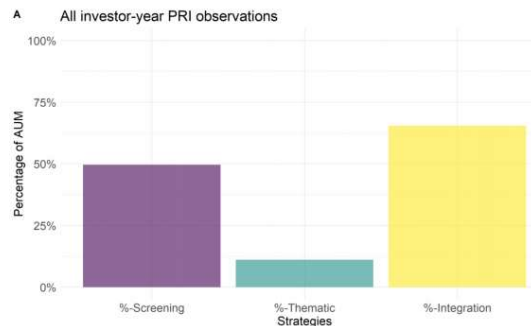
- Screening
- Thematic

## Integration

## Engagement

- Individual / Collaborative Engagement & Voting

Table 2. Statistics on the reported ESG strategies of PRI signatories



## Results (cont.):

**Table 5.** Are the ESG footprints of PRI signatories different by level of ESG incorporation?

Panel B: US institutional investors				
	<i>Dependent variable:</i>			
	Total ESG footprint (1)	Environmental footprint (2)	Social footprint (3)	Governance footprint (4)
PRI: Fully committed	-0.04 (0.03)	-0.06 (0.04)	-0.03 (0.03)	-0.03 (0.03)
PRI: Partially committed	-0.07 (0.05)	-0.08 (0.05)	-0.04 (0.03)	-0.06* (0.03)
PRI: Uncommitted	-0.12** (0.04)	-0.13** (0.03)	-0.08 (0.04)	-0.04 (0.03)
Controls and year fixed effects	Yes	Yes	Yes	Yes
Observations	17,641	17,641	17,641	17,641
Adjusted R <sup>2</sup>	0.34	0.36	0.26	0.15

Panel C: Non-US institutional investors				
	<i>Dependent variable:</i>			
	Total ESG footprint (1)	Environmental footprint (2)	Social footprint (3)	Governance footprint (4)
PRI: Fully committed	0.09** (0.02)	0.05** (0.02)	0.07** (0.02)	0.05 (0.03)
PRI: Partially committed	0.06 (0.03)	0.07* (0.03)	0.07* (0.03)	-0.05 (0.04)
PRI: Uncommitted	0.06 (0.03)	0.03 (0.03)	0.05 (0.03)	0.04 (0.04)
Controls and year fixed effects	Yes	Yes	Yes	Yes
Observations	12,870	12,870	12,870	12,870
Adjusted R <sup>2</sup>	0.22	0.23	0.17	0.18

-> US signatories with no ESG incorporation have worse (!) footprints than non-PRI investors ... "greenwashing"?

-> Non-US signatories with full or part ESG incorporation have better footprints

# “Greenwashing” in the U.S.: Why is there a continental divide in ESG incorporation?

## (1) commercial motives in the U.S.:

US institutions receive higher investor flows after joining the PRI and are more likely to sign the PRI when they recently underperformed.

## (2) regulatory uncertainty about fiduciary duties in the U.S.:

Regulatory shock in UK: UK PRI signatories improve their portfolio ESG scores relative to non-signatories in the UK after the regulator’s clarifications.

## (3) lower ESG market maturity in the U.S.:

As % of AUM by PRI signatories increases in a region, so do portfolio ESG scores of PRI signatories



# Conclusions:

- First paper to use data from PRI Reporting Framework to study ...
  - institutional investors' public commitment to ESG in active equity investing
  - effectiveness of ESG incorporation strategies in delivering portfolio-level sustainability
- Main findings:
  - **In the US:** Disconnect between ESG commitments and portfolios, consistent with “greenwashing” (especially if underperformed recently, are retail-oriented and joined the PRI late)
  - **Outside the US:** “words” and “actions” more aligned; we observe better footprints for signatories that report full/partial incorporation of ESG
  - further research should be done on this “transatlantic divide”!

# Gibson Brandon, Glossner, Krueger, Matos & Steffen (Review of Finance, 2022) [Do Responsible Investors Invest Responsibly?](#)

## Do Responsible Investors Invest Responsibly?

Rajna Gibson Brandon, Simon Glossner, Philipp Krueger, Pedro Matos, Tom Steffen

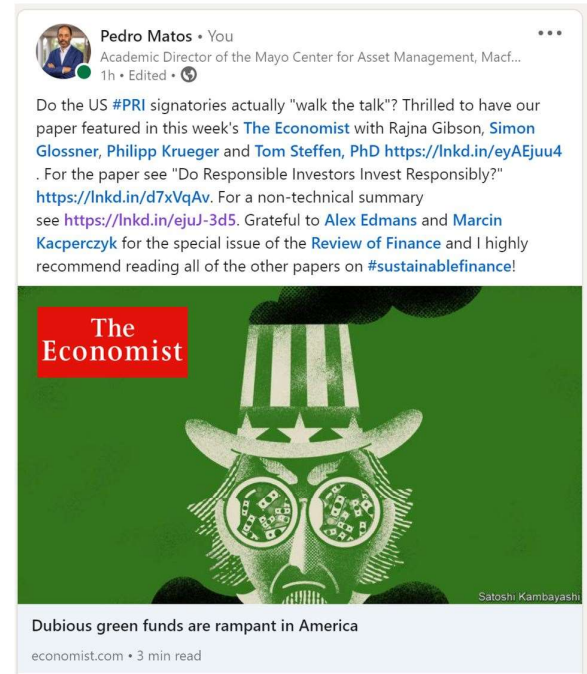
Review of Finance, Volume 26, Issue 6, November 2022, Pages 1389–1432,  
<https://doi.org/10.1093/rof/rfac064>

Published: 22 September 2022 Article history

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### Abstract

We study whether institutional investors that sign the Principles for Responsible Investment (PRI), a commitment to responsible investing, exhibit better portfolio-level environmental, social, and governance (ESG) scores. Signatories outside of the USA have superior ESG scores than nonsignatories, but US signatories have at best similar ESG ratings, and worse scores if they have underperformed recently, are retail-client facing, and joined the PRI late. US signatories do not improve the ESG scores of portfolio companies after investing in them. Commercial motives, uncertainty about fiduciary duties, and lower ESG market maturity explain why US-domiciled PRI signatories do not follow through on their responsible investment commitments.



[https://www.linkedin.com/posts/pedro-matos-644bb633-dubious-green-funds-are-rampant-in-america-activity-7004162409787498496-iQI4?utm\\_source=share&utm\\_medium=member\\_desktop](https://www.linkedin.com/posts/pedro-matos-644bb633-dubious-green-funds-are-rampant-in-america-activity-7004162409787498496-iQI4?utm_source=share&utm_medium=member_desktop)

<https://www.economist.com/finance-and-economics/2022/12/01/dubious-green-funds-are-rampant-in-america>

## VERY ACTIVE LITERATURE:

- **PRI:**  
Kim & Yoon (2023, US equity mutual funds), Liang, Sun & Theo (2022, hedge funds), Humphrey & Li (2021, reducing carbon footprint), Dimson, Karakas & Li (2023, coordinated engagements), Dikolli, Frank, Guo & Lynch (2022, voting on shareholder proposals), Ceccarelli, Glossner & Homanen (2022)
- **Greenwashing / impact washing by US mutual funds:**  
Dumitrescu, Gil-Bazo & Zhou (2022), Parise & Rubin (2023), Heath, Macciocchi, Michaely & Ringgenberg (2023), Michaely, Ordonez-Calafi & Rubio (2023), Sachdeva, Li & Naaraayanan (2022), Andrikogiannopoulou, Krueger, Mitali & Papakonstantinou (2023)
- **Greenwashing by banks:**  
Kacperczyk & Peydró (2022), Kim, Kumar, Lee and Oh (2023), Giannetti, Jasova, Loumiotis & Mendicino (2023)
- **Greenwashing by corporations:**  
Yang (2018), Raghunandan & Rajgopal (2020), Duchin, Gao & Xu (2022), Bingler, Kraus, Leippold & Webersinke (2022), Dzieliński, Eugster, Sjöström & Wagner (2023), Cornaggia & Cornaggia (2023), Baker, Larcker, McClure, Saraph & Watts (2023)
- **Conflicts of interest by ESG rating agencies:**  
Berg, Kölbel & Rigobon (2022), Berg, Fabisik & Sautner (2020)

# COMBATING GREENWASHING?

## Voluntary Standards:

<https://www.cfainstitute.org/en/ethics-standards/codes/esg-standards>



## Regulation:



The EU sustainable finance framework



SEC Announces Enforcement Task Force Focused on Climate and ESG Issues

FOR IMMEDIATE RELEASE  
2021-42

SEC Adopts Rule Enhancements to Prevent Misleading or Deceptive Investment Fund Names

FOR IMMEDIATE RELEASE  
2023-188 Washington D.C., Sept. 20, 2023

## Is the Grass Always Greener? Greenwashing Risk and Regulation

### Sample of Greenwashing Measures

Dec 05 2023



Jurisdictions	Product disclosure (pre-contractual/periodic)	Entity disclosure	Portfolio requirements	Labels	Naming / Marketing Rules
EU	<ul style="list-style-type: none"> <li>SFDR: disclosure templates incl. Taxonomy and Sustainable Investments</li> </ul>	<ul style="list-style-type: none"> <li>SFDR (incl. PAIs)</li> <li>Taxonomy</li> <li>CSRD</li> </ul>	<ul style="list-style-type: none"> <li>SFDR article 9 product: 100% Sustainable Investments</li> <li>ESMA guidelines (TBC)</li> <li>French AMF DOC-2020-03</li> </ul>	<ul style="list-style-type: none"> <li>Optional EU Green Bond Standard</li> <li>Optional national fund labels: label ISR, Febelfin, Greenfin, LuxFlag...</li> <li>SFDR 2.0?</li> </ul>	<ul style="list-style-type: none"> <li>ESMA guidelines (TBC)</li> <li>French AMF DOC-2020-03</li> <li>AFM Guidelines on Sustainability Claims</li> </ul>
UK	<ul style="list-style-type: none"> <li>TCFD</li> <li>UK SDR: strategy, relevant KPI</li> </ul>	<ul style="list-style-type: none"> <li>TCFD</li> <li>UK SDR: TCFD report</li> </ul>	<ul style="list-style-type: none"> <li>Four optional labels: &gt; 70% of invested in accordance with its sustainability objective</li> </ul>	<ul style="list-style-type: none"> <li>Optional labels: Focus, Improver, Impact and Mixed</li> </ul>	<ul style="list-style-type: none"> <li>FCA Guidance on the anti-greenwashing rule</li> </ul>
US	<ul style="list-style-type: none"> <li>ESG template (TBC)</li> </ul>	<ul style="list-style-type: none"> <li>SEC climate disclosure (TBC)</li> </ul>	<ul style="list-style-type: none"> <li>Investment Company Act "Names Rule: 80% aligned with stated goals"</li> </ul>	<ul style="list-style-type: none"> <li>Mandatory labels: ESG-integrated, ESG-Focused, Impact (TBC)</li> </ul>	<ul style="list-style-type: none"> <li>Investment Company Act "Names Rule: 80% aligned with stated goals"</li> </ul>
HK	<ul style="list-style-type: none"> <li>TCFD disclosure</li> <li>HK SFC ESG Circular</li> </ul>	<ul style="list-style-type: none"> <li>TCFD disclosure (HK SFC)</li> </ul>	<ul style="list-style-type: none"> <li>HK SFC ESG Circular: min % commensurate to the ESG focus of the fund</li> </ul>	<ul style="list-style-type: none"> <li>NA</li> </ul>	<ul style="list-style-type: none"> <li>HK SFC ESG Circular: use of ESG terms subject to authorisation</li> </ul>

# COMBATING GREENWASHING?



[https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance\\_en](https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance_en)

## Sustainable Finance Disclosure Regulation (SFDR)

Light Green Products      Dark Green Products

### Article 6

Products which do not integrate sustainability into the investment process.

### Article 8

Products that promote environmental or social characteristics

### Article 9

Products that have sustainable investment as their objective

Some working papers:  
Lambillon & Chesney (2023), Scheitza & Busch (2023)

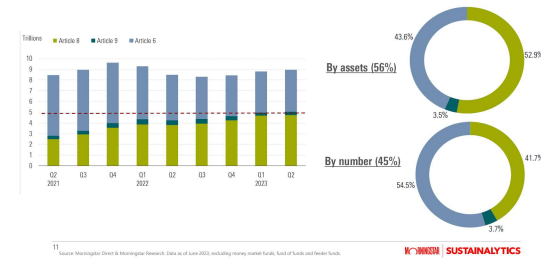


## SFDR Article 8 and Article 9 Funds: Q2 2023 in Review

Article 8 funds bleed money again, while Article 9 funds register their lowest inflows on record.

27 July 2023

### Article 8 & 9 funds reach EUR 5 trillion milestone

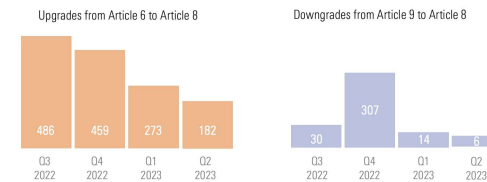


### Article 8 & 9 fund flows diverge



### Reclassifications slow down too

Still many upgrades, but the wave of downgrades is over



# GREENWASHING AND ESG INVESTING AT A CROSSROADS

## 1. Background on ESG Investing

- Matos (CFA Institute, 2020) *“ESG and Responsible Institutional Investing Around the World: A Critical Review”*

## 2. Greenwashing: Do Investors “Walk the (ESG) Talk”?

- Gibson Brandon, Glossner, Krueger, Matos & Steffen (Review of Finance, 2022) *“Do Responsible Investors Invest Responsibly?”*

## 3. Does “Walking the (ESG) Talk” Result in Real Impact?

- Atta-Darkua, Glossner, Krueger & Matos (working paper, 2023) *“Decarbonizing Institutional Investor Portfolios: Helping to Green the Planet or Just Greening Your Portfolio?”*

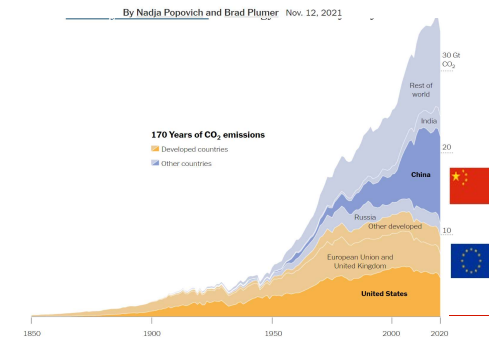
## 4. Conclusions + Open Questions for Future Research





# Addressing global warming

## Who Has The Most Historical Responsibility for Climate Change?



Need to reduce Greenhouse Gas (GHG)/carbon emissions to keep global temperature increase below 1.5C (Paris Agreement (2015), IPCC(2018))



Coordination to achieve the necessary actions is hard (Tirole (2012), Pedersen (2023))

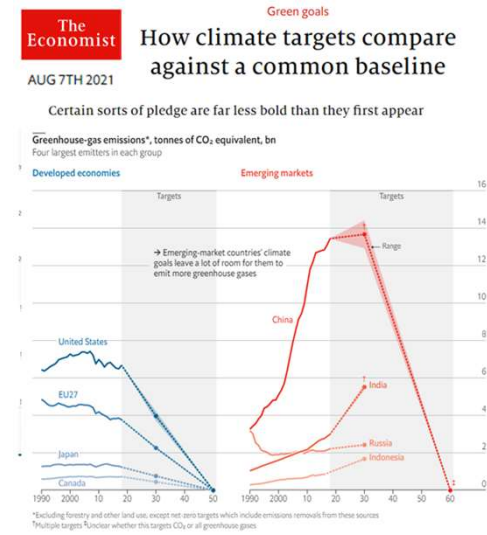


Can investor coalitions contribute to solving the climate crisis?

[ theory: Oehmke & Opp (2022), Biais & Landier (2022) ; surveys: Krueger, Sautner & Starks (2020), Stroebel & Wurgler (2021)]



# Addressing global warming



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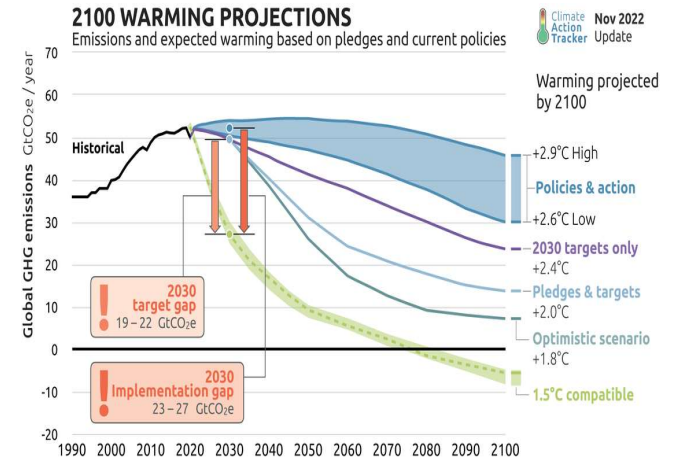


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# Addressing global warming



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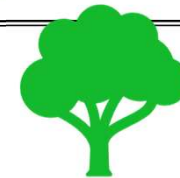
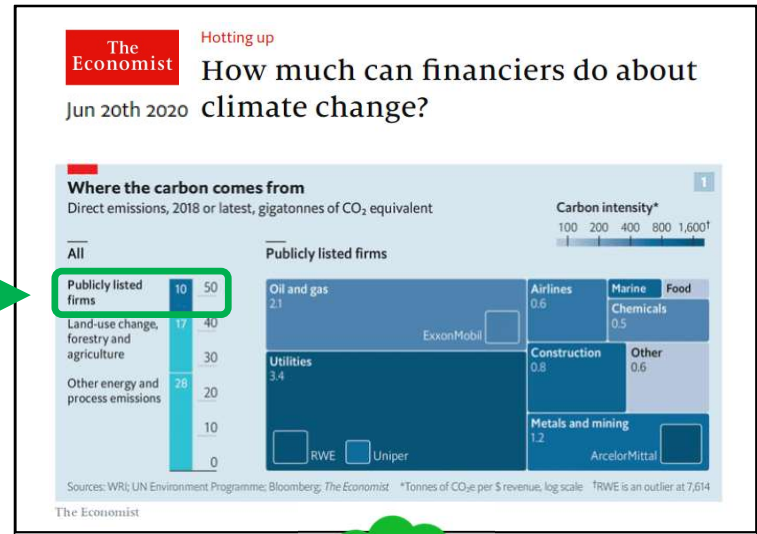


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[ theory: Oehmke & Opp (2022), Biais & Landier (2022) ; surveys: Krueger, Sautner & Starks (2020), Stroebel & Wurgler (2021)]



# Research Questions



Are climate conscious institutional investors decarbonizing their portfolios?

If so, how are they achieving decarbonization?  
[exit vs. voice: Broccardo, Hart & Zingales (2022)]

Are they going beyond carbon emissions and helping achieve a green transition?



## Related Literature

---

**ESG investing** - Pastor, Stambaugh & Taylor (2021, 2022), Giglio, Kelly & Stroebe (2021), Pedersen, Fitzgibbons & Pomorski (2021), Goldstein et al (2021), Dyck et al (2019), Matos (2020), Gibson et al (2022), Oehmke & Opp (2022), Biais & Landier (2022)

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**Climate finance** - Hong, Karolyi & Scheinkmann, (2020), Bolton & Kacperczyk (2021, 2021b, 2022, 2022a), Stroebe & Wurgler (2021), Hsu, Li & Tsou (2022), Duchin, Gao & Xu (2022), Pedersen (2023)

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**How institutional investors approach climate risk** - Krueger, Sautner & Starks (2020), Ilhan et al. (2021), Flammer, Toffel & Viswanathan (2021), Azar et al (2021), Cohen, Kadach & Ormazabal (2022)

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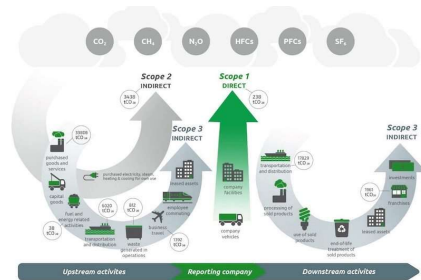
**Institutional investors' divestment** - Heinkel, Krauss & Zechner (2001), Hong & Kacperczyk (2009), Bessembinder, (2016), Davies & Van Wesep (2018), Choi et al (2022), Berk & Van Binsbergen (2022), Bolton, Kacperczyk & Samama (2022)


---

**Institutional investors' engagement** - Dimson et al. (2015, 2022), Edmans, Levit & Schneemeier (2022), Becht, Pajuste & Toniolo (2023)



# Data



- 2005+: CDP initiative
  - founded in 2000 as the Carbon Disclosure Project
  - Disclosure-focused: firm questionnaire (GHG emissions and targets) sent to over 13,000 companies in 2021
  - List of investor signatories (623 with \$20tn Equity AuM in 2019)
- 2017+: Climate Action 100+ (CA100+) 
  - Post-2015 Paris Agreement
  - Engagement-focused to accelerate the net-zero emissions transition, work with the top 100 largest emitters (now top 167)
  - List of investor signatories (268 with \$5tn Equity AuM in 2019)



CDP and CA100+: investor lists for coalitions



Factset: institutional equity ownership – 2005 - 2019



S&P Trucost: GHG emissions and disclosure–2005 - 2019



CDP: emissions targets – 2010 (2016) -2018



FTSE Russell: green revenues – 2016 - 2019

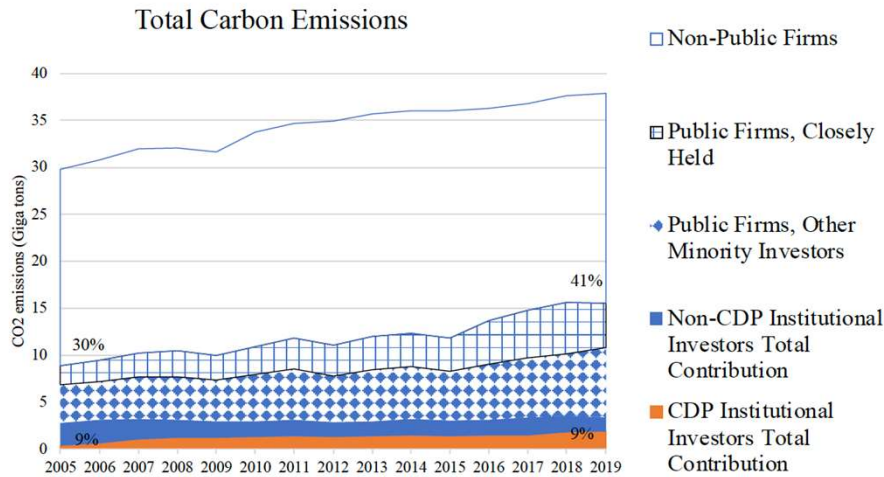


Darden GCPD: green patents – 2005 - 2012

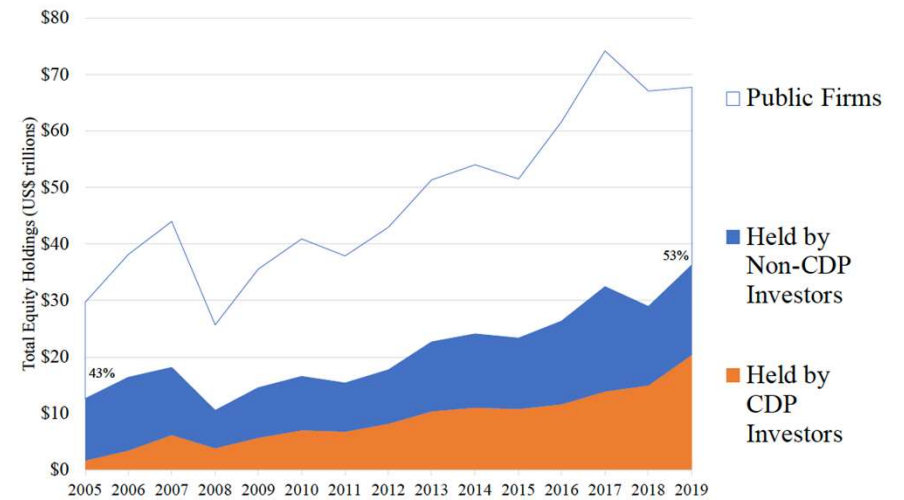


# Results:

Panel A: Total Carbon (GHG) Emissions



Panel B: Total Equity Market Values

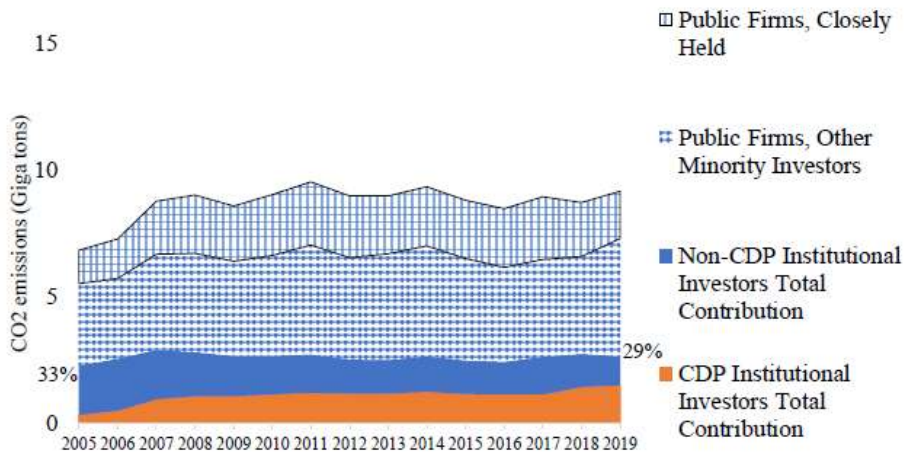


Institutional investors actively **decarbonizing** ... flat @ 9% of total global emissions instead of proportional 9% -> 15%  $\{= 9\% * [(53\%/43%) * (41\%/30\%)]\}$

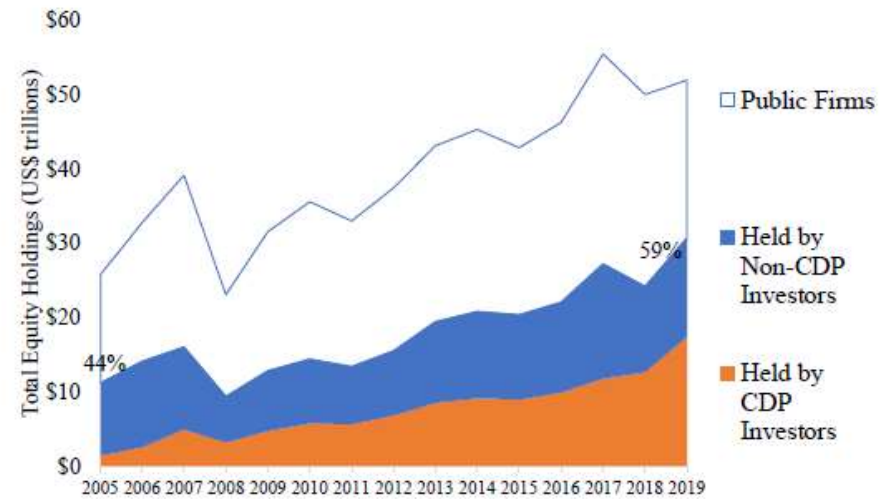


... and decarbonization by institutional investors even more pronounced if we restrict to MSCI ACWI stocks!

Panel A: Total Carbon (GHG) Emissions



Panel B: Total Equity Market Values

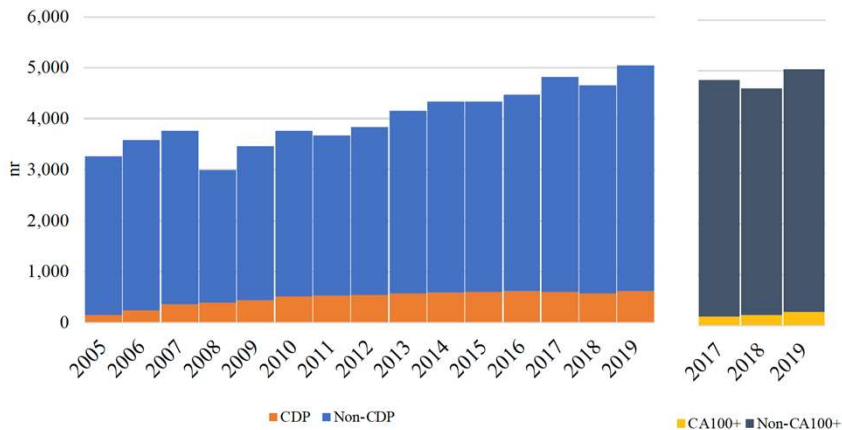


Institutional investors actively **decarbonizing** ... decreased from 33% =29% of MSCI ACWI total emissions instead of growing proportionally from 33% -> 44% {= 33%\*[(59%/44%)}

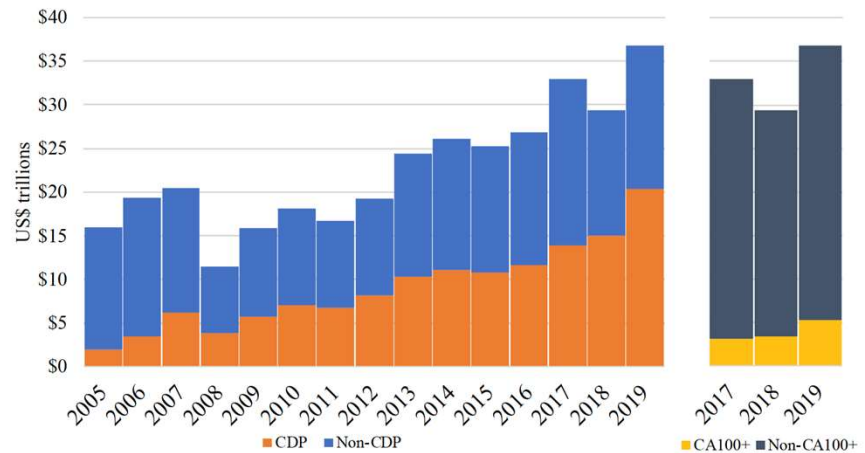


# Climate-Conscious Institutional Investors

## Nr of Institutional Investors



## US\$ Institutional Investor Equity Holdings





# Portfolio Carbon Emissions Measures:

## Internal

## External

Absolute

$$\begin{aligned} & \text{Scope 1}_{it} \\ &= \sum_{j=1}^{N_{jt}} \left( \frac{\$ \text{ Shares Held}_{ijt}}{\$ \text{ Portfolio Size}_{it}} \right) * \text{Scope 1 GHG Emissions}_{jt} \end{aligned}$$

$$\begin{aligned} & \text{Scope 1 Footprint}_{it} \\ &= \sum_{j=1}^{N_{jt}} \left( \frac{\$ \text{ Shares Held}_{ijt}}{\$ \text{ Market Cap}_{jt}} \right) * \text{Scope 1 GHG Emissions}_{jt} \end{aligned}$$

Relative

$$\begin{aligned} & \text{Scope 1 / Revenue}_{it} \\ &= \sum_{j=1}^{N_{jt}} \left( \frac{\$ \text{ Shares Held}_{ijt}}{\$ \text{ Portfolio Size}_{it}} \right) * \frac{\text{Scope 1 GHG Emissions}_{jt}}{\text{Revenue}_{jt}} \end{aligned}$$

$$\begin{aligned} & \text{Scope 1 / Portfolio Size}_{it} \\ &= \frac{\sum_{j=1}^{N_{jt}} \left( \frac{\$ \text{ Shares Held}_{ijt}}{\$ \text{ Market Cap}_{jt}} \right) * \text{Scope 1 GHG Emission}_{jt}}{\text{Portfolio Size}_{it}} \end{aligned}$$





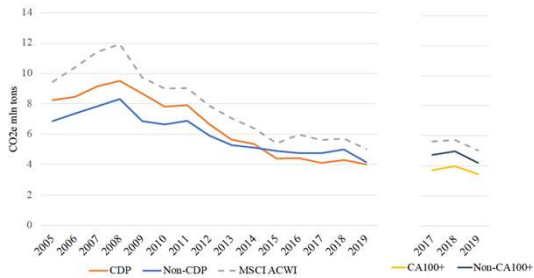
# Portfolio Decarbonization by Climate-Conscious Institutional Investors

## Internal

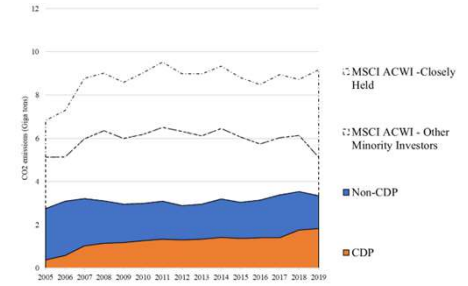
## External

Absolute

SCOPE 1

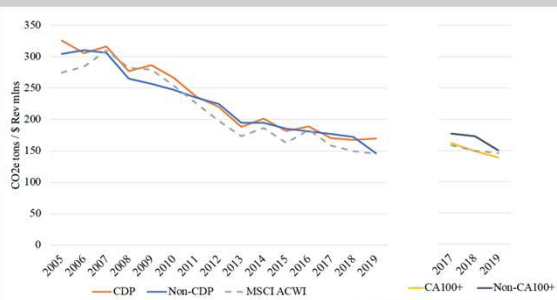


SCOPE 1 FOOTPRINT

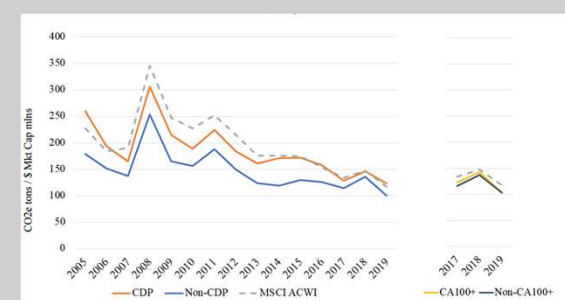


Relative

SCOPE 1/REVENUE



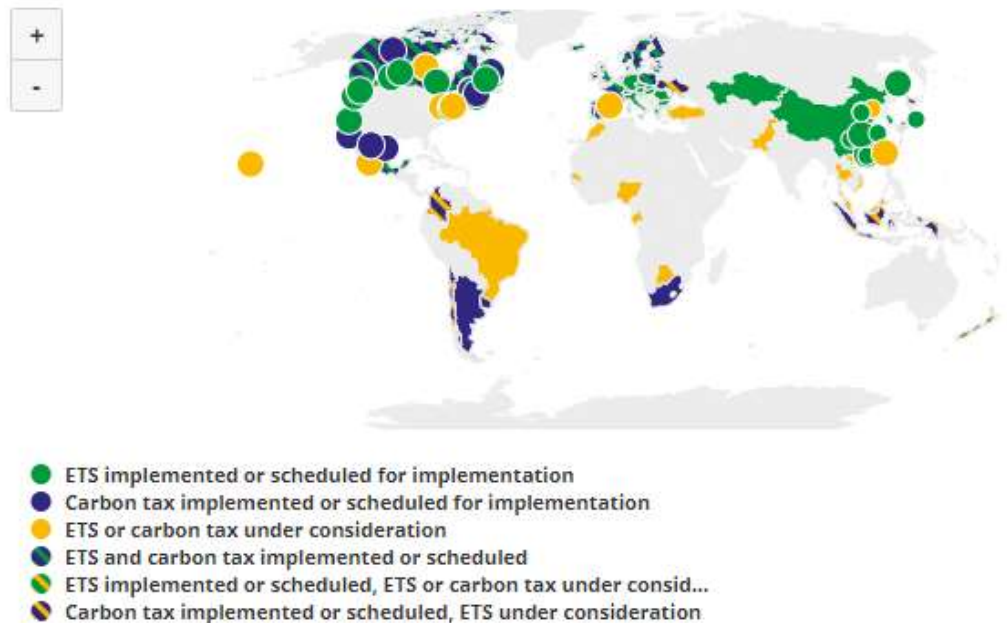
SCOPE 1/PORTFOLIO SIZE





# Carbon Emission Schemes (Source: World Bank Carbon Pricing Dashboard)

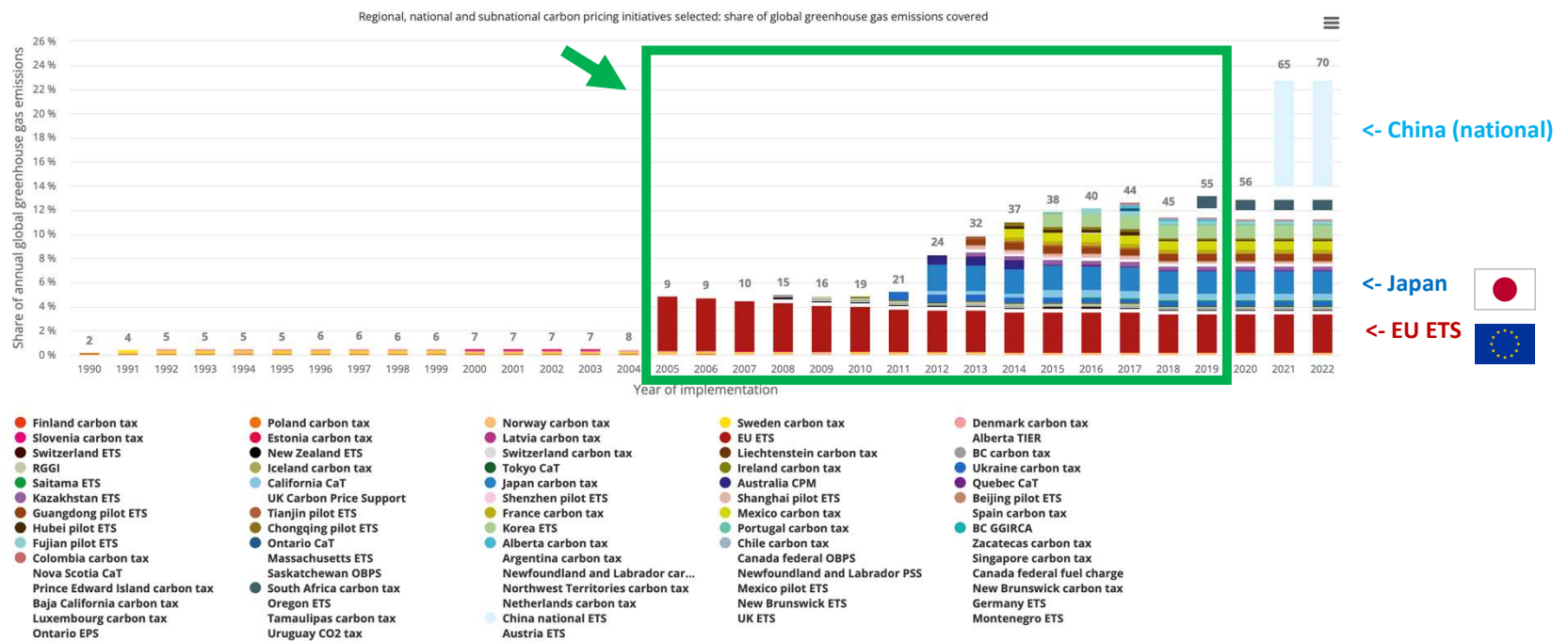
Summary map of regional, national and subnational carbon pricing initiatives



[https://carbonpricingdashboard.worldbank.org/map\\_data](https://carbonpricingdashboard.worldbank.org/map_data)



# Carbon Emission Schemes (Source: World Bank Carbon Pricing Dashboard)



[https://carbonpricingdashboard.worldbank.org/map\\_data](https://carbonpricingdashboard.worldbank.org/map_data)



## Do Climate-Conscious (CDP) Investors *Decarbonize* Their Portfolios Faster? (Yes/No **Emission Scheme**)

Yes, if based in countries with **carbon pricing emissions scheme** (i.e. within EU ETS) decarbonize @ -3% to -4% / year faster! (the 2015 Paris Agreement called for -7.6% / year decarbonization in 2020-30)

$$\Delta \text{ Portfolio emissions metric}_{it} = a + b * CDP_{it} + c * \text{Controls}_{it} + \text{Effects} + \varepsilon_{it}$$

Panel A: Scope 1 Emissions Yearly Changes ( $\Delta$  Total)

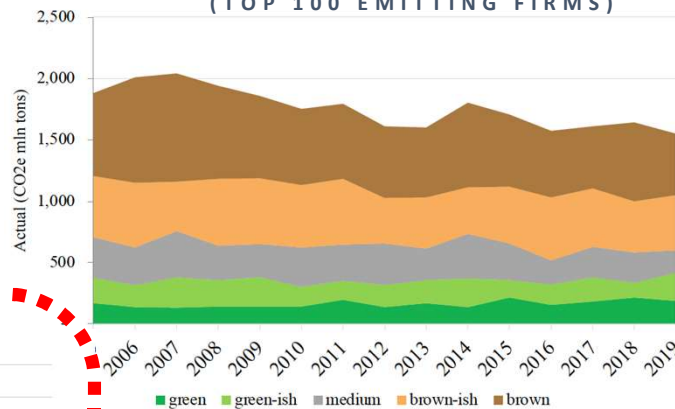
	Emissions Scheme				No Emissions Scheme			
	$\Delta$ Total log Scope 1 (t+1) (1)	$\Delta$ Total log Scope 1 Footprint (t+1) (2)	$\Delta$ Total log Scope 1 (t+1) (3)	$\Delta$ Total log Scope 1 Footprint (t+1) (4)	$\Delta$ Total log Scope 1 (t+1) (5)	$\Delta$ Total log Scope 1 Footprint (t+1) (6)	$\Delta$ Total log Scope 1 (t+1) (7)	$\Delta$ Total log Scope 1 Footprint (t+1) (8)
CDP	-0.030*** [0.008]	-0.027*** [0.008]	-0.039*** [0.013]	-0.035** [0.013]	-0.004 [0.015]	0.003 [0.015]	-0.016 [0.014]	-0.023* [0.011]
Investor Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Portfolio Controls	No	Yes	No	Yes	No	Yes	No	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	11109	11109	11109	11109	39888	39874	39888	39874
Adjusted $R^2$	0.024	0.026	0.008	0.012	0.011	0.012	0.010	0.011



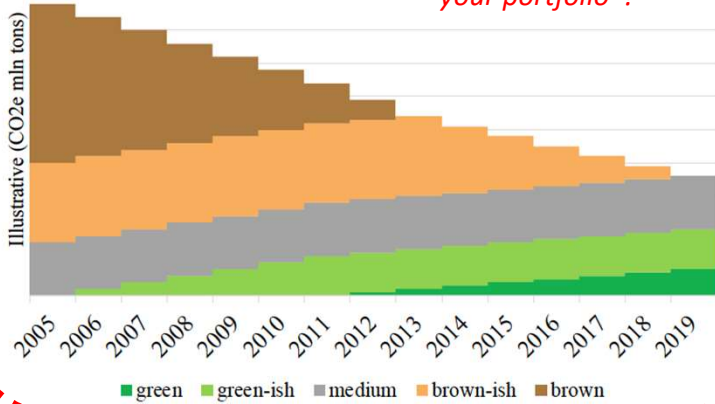
# Portfolio Decarbonization Strategies:

## INSTITUTIONAL INVESTOR TOTAL SCOPE 1 FOOTPRINT

### (TOP 100 EMITTING FIRMS)

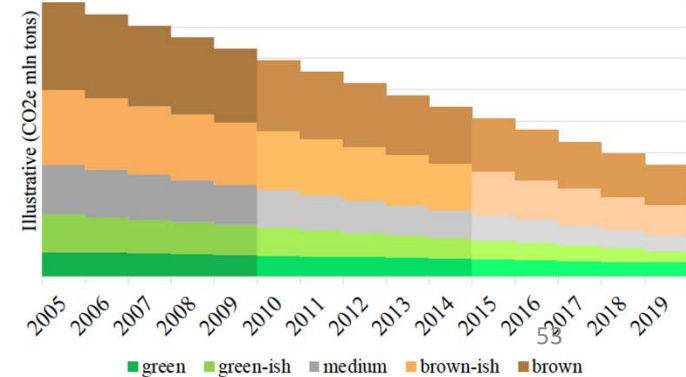


### RE-WEIGHTING



*Tilt to "green your portfolio"?*

### CORPORATE CHANGES



*Engage to "green the planet"?*



# Portfolio Emission Change Variables

TOTAL CHANGE

$$\begin{aligned} &\Delta \text{Total log Scope } 1_{it} \\ &= \log \left( \sum_{j=1}^{N_{jt+1}} \left( \frac{\$ \text{ Shares Held}_{ijt+1}}{\$ \text{ Portfolio Size}_{it+1}} \right) * \text{Scope } 1 \text{ GHG Emissions}_{jt+1} \right) \\ &- \log \left( \sum_{j=1}^{N_{jt}} \left( \frac{\$ \text{ Shares Held}_{ijt}}{\$ \text{ Portfolio Size}_{it}} \right) * \text{Scope } 1 \text{ GHG Emissions}_{jt} \right) \end{aligned}$$

## RE-WEIGHTING

$$\begin{aligned} &\Delta \text{weights} - \text{only log Scope } 1_{it} \\ &= \log \left( \sum_{j=1}^{N_{jt+1}} \left( \frac{\$ \text{ Shares Held}_{ijt+1}}{\$ \text{ Portfolio Size}_{it+1}} \right) * \text{Scope } 1 \text{ GHG Emissions}_{jt} \right) \\ &- \log \left( \sum_{j=1}^{N_{jt}} \left( \frac{\$ \text{ Shares Held}_{ijt}}{\$ \text{ Portfolio Size}_{it}} \right) * \text{Scope } 1 \text{ GHG Emissions}_{jt} \right) \end{aligned}$$

## CORPORATE $\Delta$ s

$$\begin{aligned} &\Delta \text{emissions} - \text{only log Scope } 1_{it} \\ &= \log \left( \sum_{j=1}^{N_{jt+1}} \left( \frac{\$ \text{ Shares Held}_{ijt}}{\$ \text{ Portfolio Size}_{it}} \right) * \text{Scope } 1 \text{ GHG Emissions}_{jt+1} \right) \\ &- \log \left( \sum_{j=1}^{N_{jt}} \left( \frac{\$ \text{ Shares Held}_{ijt}}{\$ \text{ Portfolio Size}_{it}} \right) * \text{Scope } 1 \text{ GHG Emissions}_{jt} \right) \end{aligned}$$



## Other Measures of “Greening” of Business Activities

- We look at two forward-looking measures to capture opportunities for developing solutions to address climate change

### Green Revenues

- FTSE Russell data for 16,000+ stocks, from 2017 onwards. Firm revenues classified as green using the EU Taxonomy on sustainable activities.
- We calculate a weighted average measure of the Green Revenue % of an investor’s portfolio



FTSE  
Russell

### Green Patents

- Combine UVA Darden Global Corporate Patent Dataset (<https://patents.darden.virginia.edu/>) developed by Bena, Ferreira, Matos and Pires (2017) and OECD environmental-related mapping developed by Hascic and Migotto (2015). **The mapping is also used in Cohen et al. (2022), Hege et al. (2022), Bolton et al. (2023).** We use granted patents, and since there is a lag in approving filed patents, this measure is available only from 2005 to 2012.
- Green Patent % is created as the ratio of average green patents to average total patents by the firms held by an institutional investor.

UVA DARDEN

GLOBAL CORPORATE  
PATENT DATASET





## (Preliminary) Conclusions:



CDP institutions **actively decarbonizing their equity portfolios** between 2005 and 2019

**Portfolio re-weighting is the predominant portfolio decarbonization strategy** (especially for investors in *Emission Schemes* countries)

**Very weak evidence of corporate changes** among holdings of top emitting firms, over longer time periods, and following the Paris Agreement through the CA100+ initiative

**No evidence** of preference in favor of stocks developing climate patents but **some re-weighting** towards companies generating green product/service revenues

Take-away: **Mostly “Greening Portfolios” (not Helping “Green the Planet”)** .... our analysis raises doubts about the effectiveness of institutional investors in helping reduce global GHG emissions



## VERY ACTIVE LITERATURE:

- **Carbon Pricing vs. Green Finance:** Pedersen (2023)
- **CDP/CA100+ and the Big 3:** Cohen, Kadach & Ormazabal (2023)
- **“Tilting in” vs. “tilting away” and the cost of capital channel:** Berk & Van Binsbergen (2021), Choi, Gao, Jiang & Zhang (2023), Pedersen, Fitzgibbons & Pomorski (2021), Giglio, Maggiori, Rao, Stroebel & Weber (2021), Ardia, Bluteau, Boudt & Ingelbrecht (2022), Edmans, Levit & Schneemeier (2022), Pastor, Stambaugh & Taylor (2023), Hartzmark & Shue (2023)
- **The debate over “carbon/green premium”:** Bolton & Kacperczyk (several papers), Aswani, Raghunandan & Rajgopal (2022), Karaolyi, Wu & Xiong (2023), Zerbib (2022), Sautner, Van Lent, Vilkov & Zhang (2023)
- **Spillovers along supply chain / outsourcing:** Duchin Gao, Xu (2022), Dai, Duan, Liang & Ng (2021), Bisetti, She & Zaldokas (2023)
- **Other asset classes:** Zerbib (2019), Baker, Bergstresser, Serafeim & Wurgler (2018), Painter (2020), Flammer (2021), Bauer & Rudebusch (2021), Berrada, Engelhardt, Gibson & Krueger (2022), Caramichael & Rapp (2022), D’Amico, Klausmann & Pancost (2023)
- **Monetary policy:** Papoutsis, Piazzesi & Schneider (2021), Hansen (2022)

# GREENWASHING AND ESG INVESTING AT A CROSSROADS

## 1. Background on ESG Investing

- Matos (CFA Institute, 2020) *“ESG and Responsible Institutional Investing Around the World: A Critical Review”*

## 2. Greenwashing: Do Investors “Walk the (ESG) Talk”?

- Gibson Brandon, Glossner, Krueger, Matos & Steffen (Review of Finance, 2022) *“Do Responsible Investors Invest Responsibly?”*

## 3. Does “Walking the (ESG) Talk” Result in Real Impact?

- Atta-Darkua, Glossner, Krueger & Matos (working paper, 2023) *“Decarbonizing Institutional Investor Portfolios: Helping to Green the Planet or Just Greening Your Portfolio?”*

## 4. Conclusions + Open Questions for Future Research

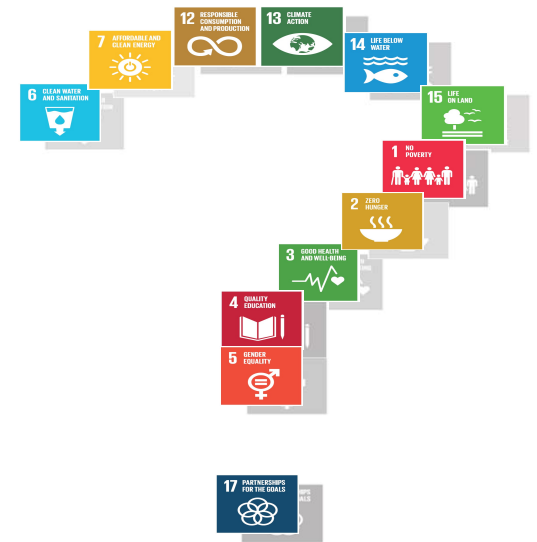
## CONCLUSIONS:

- Beware of “greenwashing”!
- Even if investors do “walk the (ESG) talk” (ex: by “greening their portfolios”) they may not help achieve the ESG goal (“help green the planet”)

## MANY OPEN QUESTIONS FOR FUTURE RESEARCH:

- Are there “chilling effects” from anti-ESG backlash and politicization?
- Other emerging dimensions of ESG in E (beyond climate ... ex: biodiversity?) or S (DEI, human rights, political influence)?
- Have ‘green’ regulations been effective?
- How does ESG/climate investing interact with social policies (ex: “just transition”)?
- ESG to SDG: what is the additionality and impact of ESG/climate investing?

...



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In 2023 (Tokyo) ...



**Pedro Matos** • You  
Academic Director of the Mayo Center for Asset Management, Macfarlane a.u.  
1w • Edited • 5

We are off with first session #PRIAN2023 here in #Tokyo! Martin Skancke just announced winners of outstanding research awards: (1) Marco Becht, Julian Franks, Miyajima Hideaki and Kazunori (Icko) Suzuki "Does Paying Passive Managers to Engage Improve ESG Performance?" <https://lnkd.in/d/v7RGTF>; and (2) Matilde Faralli "What Drives Beliefs about Climate Risks? Evidence from Financial Analysts" [https://lnkd.in/d/nUS\\_Rqa](https://lnkd.in/d/nUS_Rqa). Join us for the rest of the program here at #PRIinPerson <https://lnkd.in/d/ZBkph9>. Thanks to my ANC co-chairs Caroline Flammer, Laura Starks and Ayako Yasuda and also Katherine Ng and Zoe Hua from Principles for Responsible Investment  
#sustainability #esginvesting #priinperson



**ACADEMIC NETWORK**  
3 - 5 OCTOBER 2023

**PRI in Person**  
International Convention Center PAMIR, Takanawa, Tokyo  
3 - 5 OCTOBER 2023

**On Paying Passive Managers to Engage: Improve ESG Performance**  
Authors: [Marco Becht](#) (Université libre de Bruxelles, CEPR, and ECGI), [Julian Franks](#) (London Business School, CEPR, and ECGI), [Hideaki Miyajima](#) (Waseda University and RIETI), [Kazunori Suzuki](#) (Waseda University and ECGI)

**What Drives Beliefs about Climate Risks? Evidence from Financial Analysts**  
Author: [Matilde Faralli](#) (Imperial College London)

Richard Evans and 43 others  
1 comment • 1 repost

Upcoming research seminars

A blue banner for the PRI Academic Seminar Series. It features the PRI logo and the text "PRI ACADEMIC SEMINAR SERIES 12 JANUARY On ESG investing: Heterogeneous preferences, information and asset prices ITAY GOLDSTEIN Wharton School of Business, University of Pennsylvania". The background shows a laptop keyboard, a pie chart, and a pen on a document.

**PRI** Principles for Responsible Investment  
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On ESG investing: Heterogeneous preferences, information and asset prices  
ITAY GOLDSTEIN  
Wharton School of Business,  
University of Pennsylvania

<https://www.unpri.org/news-and-events/upcoming-events/pri-in-person-2024>



The background of the slide is a photograph of the University of Virginia campus, featuring a large bronze statue of Thomas Jefferson on the left, a circular fountain in the foreground, and a long, classical-style building in the distance. The entire image has a warm, orange-brown color cast.

# Thanks!

[MatosP@darden.virginia.edu](mailto:MatosP@darden.virginia.edu)



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