

**ANALYSIS ON SOCIALLY RESPONSIBLE INVESTMENT USING ECONOMIC,
SOCIAL AND GOVERNANCE (ESG) FRAMEWORK IN INVESTMENT DECISION
IN INDIA.**

Research dissertation presented in partial fulfilment of the requirements
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MSc in Accounting and Finance Management

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Dissertation Supervisor: **Dr. Tamil Venthana Ananthavinayagan**

Student Name: Jolanda Blanche Simoes

3rd of September 2021

Candidate Declaration

Candidate Name: Jolanda Blanche Simoes

I, Jolanda Blanche Simoes certify that this thesis entitled: Analysis on socially responsible investment using economic, social and governance (ESG) framework in investment decision in India, submitted for the degree of **MSc in Accounting and Finance Management** is the result of my original research work and that where reference is made to the work of others, due acknowledgment is given.



Candidate signature: Jolanda Blanche Simoes

Date: 3rd of September 2021

Student number: 3047286



Supervisor Signature: Dr. Thamil Venthana Ananthavinayagan

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List of Acronyms

Acronyms	Full form
ESG	Environmental, Social and Governance
CSR	Corporate Social Responsibility
MSCI	Morgan Stanley Capital International
BRR	Business Responsibility Reporting
FDI	Foreign Direct Investment
BSE	Bombay Stock Exchange
NIFTY	National Stock Exchange Fifty
OECD	Organisation for Economic Co-operation and Development
DJSI	Dow Jones Sustainability Indices
ICRA	Investment Information and Credit Rating Agency of India Limited
CARE	Credit Analysis & Research Ltd

Abstract

ANALYSIS ON SOCIALLY RESPONSIBLE INVESTMENT USING ECONOMIC, SOCIAL AND GOVERNANCE (ESG) FRAMEWORK IN INVESTMENT DECISION IN INDIA

Many companies and investors are now showing their concern towards a sustainable development and creating awareness of environmental stability and socioeconomic development. The apparent lack of governance during the global financial crisis, the growing threat of global warming, social activism, and other factors have recently led to an agreement on the significance of holistic growth and responsible investment. Environmental, social, and governance (ESG) oriented investing is one such technique that has steadily acquired traction among investors. Under the broader issue of sustainable and responsible investment, the Environmental, Social, and Governance (ESG) theme is a successful portfolio selection strategy (SRI).

Through semi- structured interview conducted with a sample size of six interviews, the researcher has chosen non- probability method. The primary data was collected from semi-structured interview, the participants for this interview were investors and working professionals who are actively trading in stocks and other funds.

The thesis will cover 3 main research areas, all interlinked with each other. The first research area will be how rating agencies influence the decision of an investor. The second research area will be the correlation between international governing bodies and Indian government policies for sustainable investment decisions. Finally, the research paper will be looking at how ESG scores can possibly create market confusion causing investors to have different views and opinions. All these three areas are covered in the questionnaire framed and answered.

This study found that a variety of psychographic and extrinsic factors influenced investors decisions in relation to investing in ESG funds.

Before moving to the analysis part of this research study, the researcher has analysed a case study to state the importance of Environmentally Sustainable Governance for any company.

To summarise the research findings, demand and supply is one of the main area for any investor while making investment choices. The outcome of the study also highlighted that, in addition

to price, other factors such as availability of investment options, profits and awareness also play a major role.

Chapter 1: Introduction

One of the most pressing challenges of our day is sustainability. In recent years, there has been a rise in public awareness about the importance of environmental and social well-being, as well as the role that businesses play in these areas (Panwar *et al.*, 2006). As a result, there are more expectations for firms to engage in environmentally beneficial and socially responsible operations.

ESG stands for Environmental Social and Governance, all these three elements form part of ESG. They are the non- financial factors that influence the company and decision making of an investor. Most investors and companies are now opting for sustainable investing options as corporate governance issues, climate and global issues have now pressurized companies and Governments to act in a much responsible way.

ESG investing began as socially responsible investment in the 1960s, with investors eliminating stocks or entire industries from their portfolios based on business actions such as tobacco manufacture or membership in the apartheid system in South Africa. Such stocks are termed as “*sin stocks*” and can be traced back to 18th century (Guenster, 2012).

Moving forward to 2006, ESG issues were first referenced in the PRI report from the United Nations during this time, which included the Freshfield Report and "Who Cares Wins." (Atkins, 2020). PRI stands for Principles for responsible investing is a company that aims at providing and creating awareness about responsible/ sustainable investment choices to its online audience. They release yearly reports talking about their strategic plans and future goals. Being a PRI signatory will affirm your company's commitment to incorporating environmental, social, and governance (ESG) considerations into investment decision-making and ownership (PRI, 2021).

According to PRI 2020 report, they have highlighted 3 reasons why an investor should invest responsibly, and they are:

- 1) Materiality
- 2) Market Demand
- 3) Regulations

Looking at the Asia Pacific region, according to a recent MSCI 2021 Global Institutional Investor poll, 79 percent of investors increased ESG investments "substantially" or "moderately" in reaction to Covid-19. In (Franco, 2020) article, mentioned there is little

evidence that stock markets in Asia-Pacific react negatively to ESG scandals and rating downgrades.

Globally, investors have begun to incorporate environmental, social, and governance (ESG) stocks into their portfolios, which has increased dramatically during the COVID-19 chaos (Rubbiani, Khalid, Samitas and Ali, 2021).

In a study conducted, the researchers investigated 1452 firms from 16 different European countries and suggest that in the first half of 2020, firms with greater ESG performance had much larger cumulative abnormal returns and significantly reduced volatility (Engelhardt *et al.*, 2021).

We can conclude that while the economy is in a slump, ESG-certified investments outperform the rest of the market. As this trend continues, ESG investment figures are anticipated to climb, allowing for greater opportunism and greenwashing.

1.1 Research Question:

- 1) MSCI ESG Ratings, Moody's and Fitch are some of the top rating companies, does ESG rating influence the decision of an investor?
- 2) What is the correlation between international governing bodies and Indian government policies for sustainable investment decisions?
- 3) Can different scores create market confusion and give conflicting results to small investors?

The main objectives of this research paper:

- To examine if there is a direct correlation between investors and ESG rating companies and if these ratings have any impact of portfolio diversification.

Sub objectives will include:

- To look at the international regulatory bodies who implement policies and framework for better investment options.
- To evaluate opportunities for the Indian companies in Asian market.

Hypothesis for this study can be H1: there is direct correlation between investors and ESG ratings influencing their decision for portfolio diversification and Ho: there is less to no

correlation between investors and ESG ratings influencing their decision for portfolio diversification.

The goal is to understand how effective ESG investments are in India, knowing that ESG is still at its infancy in the market. In the further chapter, the researcher has discussed and analysed a case study showing the importance of proper management of ESG related issues. This case study will give the readers a gist of how ESG is of growing importance for a better world.

This study will concentrate on ESG rating agencies and how these ratings must be analysed in a systematic manner to avoid future crises. This will be understood with the help of inputs received from participants.

1.2 ESG in India:

Among 193 countries, India stands on 120 position on the scale of sustainability which is a low score(Sustainable Development Report, 2021)

In India, the scope of ESG is growing yet is limited to a much greater extent. To promote ESG, companies have to submit two reports BRR (Business Responsibility Reporting) reporting and CSR (Corporate social responsibility) reporting (Rana, 2013).

Under BRR (Business Responsibility Reporting) reporting the top 1000 listed firms by market capitalization submit a report (part of their annual report) to Indian stock exchanges and the failure to submit a BRR is deemed a breach of the Equity Listing Agreement's Clause 55 (Bhuva, 2021). These 1000 listed companies should follow the format prescribed by the Securities and Exchange Board of India, the BRR shall outline the steps done by listed firms in terms of environmental, social, and governance (SEBI).

To promote sustainability in India, sustainability indices include S&P BSE Greenex, S&P BSE 100 ESG Index, S&P BSE Carbonex, NIFTY 100 Enhanced ESG Index, NIFTY 100 ESG Index. The Socially Responsible Investment (SRI) asset base in India is USD 28 billion, or 0.1 percent of global SRI assets. This expansion is primarily driven by domestic asset managers(Angel One, 2020).

1.3 Uptrend in ESG

Only a handful of corporations declared their environmental performance two decades ago when the Global Reporting Initiative released its guidelines, but now 93 percent of the world's largest companies by revenue report ESG information, according to the Global Reporting Initiative.(Campagna *et al.*, 2020)

A study published in The Journal of Fixed Income Summer 2016 issue, they studied the relation between ESG and corporate bonds and concluded that any gain by ESG is here to stay and is not a consequence of a mere buying pattern or trend (Polbennikov *et al.*, 2016).

Despite the market selloff caused by the coronavirus, India's sustainable funds garnered more than \$500 million (about Rs 3,700 crore) in January-March, owing to increased investor interest in environmental, social, and governance issues(The Economic Times, 2020).

1.4 Rating Agencies:

ESG is now monitored and rated by more than 25% of publicly traded firms throughout the world (OECD, 2020).

A crucial step in making ESG investing more accessible to individual investors is by having reliable sources of data. ESG investment decisions are based on the rating given by rating agencies, the company framework, and the external factors.

Looking closely at the agencies at the global level: we can categorize into 1) Full-service providers and 2) Specialised ESG companies.

Full-service agencies are Standard & Poor's, Moody's, MSCI, Refinitiv, and others are among them. They provide financial services as well as non- financial services like credit ratings.

Specialised ESG companies are Oekom, South Pole Group, Vigeo EIRIS, Trucot, RebecoSAM, and others are among them. These companies specifically carry out their research in relation to ESG investments and ethical matters.

For this research, the researcher will be looking at three of the top ESG rating organizations and their ESG frameworks to see how they might affect foreign investment in India.

- 1) Fitch

- 2) Moody's
- 3) MSCI ESG Government Ratings

Having a quick glance on our selected agencies and their methodologies.

- 1) Fitch
- 2) Moody's
- 3) MSCI ESG Government Ratings

Table 1: Overview of ESG rating companies and their methodology

ESG Rating Company	Background	Rating Scale	Methodology
Fitch ESG scores	Fitch Ratings ESG Relevance Scores Data provides ESG relevance scores for the majority of publicly rated entities and transactions from Fitch Ratings, including corporates, banks, non-bank financial institutions, public finance (international and US municipal), global infrastructure, and structured finance	Individual relevance scores for E, S, and G range from '5' to '1'. A score of '5' indicates that the factors have a significant impact on the credit rating and are a key rating driver. A score of '1', on the other hand, indicates factors that have no credit impact and are irrelevant to the sector and the entity, transaction, or program from a credit standpoint.	Fitch Ratings maintains 100 unique ESG sector templates across analytical groups, all of which correspond to sector-specific Ratings Navigators. When assigning ESG Relevance Scores, credit analysts use these to evaluate each entity, transaction, or program.

	(ABS, CMBS and RMBS).		
Moody's	Worked on 5,000+ ESG assessments of large cap companies with 273 unique ESG data points	Global Long-Term Rating Scale - AAA to C Global Short-Term Rating Scale - Prime 1,2,3 and Not Prime.	1. Conduct Credit analysis 2. Methodology Scorecard (Check for materiality) 3. Other Considerations
MSCI ESG Government Ratings	Worked with 6,000+ companies and 350,000 equity and fixed income securities are rated.	AAA to CCC	Analysis 37 key esg issues and data collected from public

These three companies are few of the leading full-service agencies or third party who work closely on ESG and over the years have taken over specialised ESG firms. Also, long before the establishment of their ESG rating products, these above firms are credit rating firms. These organizations claim that they will continue to assess ESG criteria separately from their ESG rating products, with a focus on ESG factors that can have a meaningful negative or positive influence on credit worthiness. For example, Fitch uses a systematic scoring system to show how ESG factors are important in the credit rating process.

Different rating agencies have created distinct ESG rating systems; some of the rating systems are ESG performance-based, while others are ESG risk-based (Giese *et al.*, 2019a). Therefore, there is no industry-wide standard, it is critical for any company depending on an ESG rating to grasp the process and what it means for them. It is very important for the data user to know how and what the criteria is used to measure Environmental, social and governance factors.

Whenever a company decides to participate in an ESG rating scheme Deloitte recommends, it to establish a sound ESG governance structure to ensure that sufficient and effective ESG management policies and systems, internal controls, and implementation measures are in place

to achieve good ESG performance, as well as forming a loop to continuously improve and optimize performance (Deloitte, 2018)

ESG ratings is mostly used by asset managers who manage diverse portfolios to assess a company's value and creditworthiness for both equities and fixed income products.

1.5 Major standards and framework

- 1) UN Sustainable Development Goals (SDGs)
- 2) Sustainability Accounting Standards Board (SASB)
- 3) Climate Disclosure Standards Board (CDSB)
- 4) Global Reporting Initiative (GRI) Standards
- 5) International Integrated Reporting Council (IIRC)
- 6) Carbon Disclosure Project (CDP)

In the sustainability disclosure environment, there are many different types of organizations that perform different roles, which has led to continued uncertainty about which actors are playing which roles and how firms and investors should deal with these varied parties.

In 2015, 193 governments established seventeen Sustainable Development Goals (SDGs) for implementation by 2030 at the United Nations General Assembly. These SDGs serve as a road map to a more sustainable future as well as a challenge to scientists (Sustainable Development Report, 2019)

The United Nations approved the Sustainable Development Goals in 2015. They've been in place for five years, and many countries already appear to be lagging behind on their goals (Sustainable Development Report, 2019).

In 2020, GRI, the Sustainability Accounting Standards Board (SASB), CDP (formerly the Carbon Disclosure Project), the Carbon Disclosure Standards Board (CDSB), and the International Integrated Reporting Council (IIRC) have announced their intention to collaborate (SASB, 2020).

This step will help the community get uniformity throughout its reporting standards.

1.6 ESG trends in Asian Countries.

China: In China, the level of ESG investment is still quite low. Many companies still do not have a complete understanding about ESG. However, there has been a significant growth in creating awareness about ESG investments mostly due to the new regulation by the China Securities Regulatory Commission (CSRC) on company disclosures, especially environmental (CFA Institute, 2019).

Singapore: According to CFA institute, ESG integration is becoming more prevalent in Singapore and Asia, and ESG issues are increasingly having an impact on prices. The Asian economy is maturing. Asian countries are considering the long term rather than just putting food on the table today. Asian countries are at the beginning of their journey, but they are eager to learn about ESG as soon as possible. The most significant barrier to incorporating ESG factors into equity investments in Singapore is a lack of comparable and historical data (PRI, 2019)

Hongkong: In the research paper(Briand *et al.*, 2011)concluded that Hong Kong is one of the world's major financial centres and Asia's leading financial centre, well-established financial market regulations are a top priority. With proper regulations and opportunities, ESG reporting has increased the credibility of NFIs to stakeholders, particularly investors, over time.

2. Literature Review

Part I

Under literature review, the researcher has selected key areas to be focused on which will direct this research study. It will be done by critical examination of scholarly literature and theories in this literature review.

The themes are broadly stated below:

- ESG and CSR
- ESG rating agencies
- Trends in ESG
- FDI in India

2.1 Exploring ESG and CSR

Institutional investors, in particular, may consider environmental, social, and governance (ESG) factors while making investment decisions. Corporate Social Responsibility is taken up by the company to promote sustainability and integrate ESG in their internal control systems. Lately, Asset owners and portfolio managers with billions of dollars in assets aim to include environmental, social, and governance (ESG) factors in their investment decisions (Albuquerque *et al.*, 2019). Asset managers got to integrate risk management and potential returns linked to ESG factors.

Why do companies now are pushing the whole idea of sustainability and ESG investing? A research done on the US listed companies concluded that there is a positive relation with profitability, and that environmental awareness in banks is highly related to profitability, with consequences for policymakers and policy takers (Brogi and Lagasio, 2019). Especially with the coming of Covid 19, many companies are now headed towards ESG.

Over the years research have pointed out problems with respective to ESG investment ideas. They are as follows:

- Lack of standardisation
- Lack of transparency

- Lack of credible sources
- Trade of problems
- Delays in reporting
- Use of old data
- Lack of auditing of self-reported data.
- Lack of Independence.

All these problems were mentioned by Windolph in her research work.(Windolph, 2011). The researcher suggests that lack independence and transparency can be solved by prominent collaboration with one or more NGOs in the rating process, as they are the most trusted party where one can get their data from, this could be a possible improvement for the reliability of ratings (Laufer). However, independence and transparency are also important for other CS assessment methods such as audits, certifications, and labels. NGOs are the most trusted party where one can get their data from.

One of the factors that keep investors away from ESG investment is the fact that this market is not heavily regulated. Return on investment in ESG can take up to 5yrs or more.

According to a study on the iron ore mining industry in Goa, many large mining companies have their own initiatives for environmental and social development. However, a structured CSR policy and planning is lacking, particularly among the industry's small and medium-sized players.

CSR research in India was extremely limited in comparison to what it is today. Singh and Ahuja conducted the first CSR study of 40 publicly traded companies in 1983. They discovered that 40% of the companies disclosed more than 30% of the items included in their survey. The Lok Sabha voted on February 19th to replace India's 56-year-old Companies Act with the Companies Bill, 2011, which brings corporate management in line with global norms. It introduces concepts such as responsible self-regulation with adequate disclosure and accountability, as well as guidelines for increased shareholder participation and a single forum to approve mergers and acquisitions.(Sharma *et al.*, 2013.)

Corporates have the expertise, strategic thinking, manpower, and financial resources to facilitate broad social change. Effective collaborations between corporations, non-governmental organizations, and the government will propel India's social development to new heights.

A wide range of CSR initiatives are available, including income generation activities for livelihood, health check-up camps, mobile health services, education, adult literacy, agricultural development, water supply, and management. Indian companies are responsible for the exploration and development of natural resources, as well as the construction of infrastructure facilities. Many businesses promote and implement CSR initiatives through their Human Resource Department, foundations, or in collaboration with non-governmental organizations (NGOs), but they do not have a full-fledged CSR department. Although the overall approach to work is shifting from philanthropic to welfare and sustainable development, no link was found between the company's CSR agenda and the Millennium Development Goals.

2.2 ESG Ratings

Looking at the present scenario, ESG market have always been changing and is fiercely competitive. With multiple mergers and takeovers in recent years, providers are racing to acquire critical mass. Many full-service firms have developed collaborations with other ESG data companies to expand their businesses and influence. The ratings method is like that of corporate credit rating organizations like Moody's or Standard & Poor's. Companies are ranked by these organizations based on their financial performance. Credit agency results tend to be closely matched, owing to the same and well-defined parameters they use. Companies have come a long way in terms of revealing their environmental, social, and governance (ESG) performance.

Even after having gaining popularity, ESG framework has no form of standardisation. The researcher Stephanie Mooij studied 218 ESG initiatives and analysed them according to the method selected, conducting 45 interviews. They conclude that the findings show that the ESG initiative industry is a barrier to Responsible Investment adoption (Mooij, 2017). By putting normative pressure on businesses, the sector has undoubtedly aided in the adoption of Responsible Investment. ESG ratings and rankings are also the most efficient technique to test for ESG criteria. Their research also highlighted the fact that many small specialised firm follow CDJ or DJSI benchmark and to form their own control systems (Mooij, 2017)

ESG risk has been incorporated into credit ratings by rating agencies such as Moody's, which incorporates qualitative and quantitative ESG factors in the overall analysis of credit drivers.

2.3 ESG and Credit Rating agencies

ESG ratings are provided by a third-party firm who rate and reports the company based on their Environment, Social and Governance framework. Some of the top third part data providers are: Thomson Reuters ESG Research Data, Sustainalytics Company ESG Reports, MSCI ESG Research, Dow Jones Sustainability Index (DJSI) and many more.

According to S&P Global, **credit rating** are subjective assessments of credit risk. They can provide a forward-looking assessment of an entity's ability and willingness to meet its financial obligations when they become due, as well as the credit quality of a specific debt issue, such as a corporate or municipal bond, and the possibility of default. In its 2021 Sustainable Investment Awards, prominent industry publication "Environmental Finance" named Fitch Ratings the most transparent credit rating agency (CRA) for ESG for the third year in a row.

Research done by Bhattacharya and Sharma (2019) concluded that, ESG performance and individual component performance (environment, social, and financial variables such as market capitalization and debt to equity ratio) were found to be significant positive indicators of creditworthiness as measured by credit rating. The relationship between governance score and credit rating was both positive and insignificant. ESG had a significant impact on credit rating in the desired direction only for small and middle-sized firms; ESG had no effect on large firms that already had a higher credit rating. It was also discovered that credit rating significantly influenced the extent of overall ESG reporting and disclosure of its components. For this analysis they examined the relationship between ESG scores and Credit Rating using a sample of 122 firms from the Bombay Stock Exchange 500. The scope of this study is limited to firms listed on the S&P BSE 500 that have made ESG disclosures and have been rated by credit rating agencies such as Crisil, ICRA, and CARE.

According to the research papers, ESG rating agencies do not fully integrate sustainability concepts into the corporate sustainability assessment process; as a result, they should incorporate principles such as the life cycle principle into their work to assist companies that they grade in developing sustainably.(Escrig-Olmedo *et al.*, 2019)

2.4 ESG and Financial Factors

Resource allocation has gotten more complex as investors and stakeholders became more aware of non-financial reporting and concerned not only about financial results but also about social expectations. Previous research and analysis have shown a correlation between better ESG criteria management and better risk management overall (Henisz and McGlinch, 2019). Financial institutions and intermediaries have improved their financial decision-making process by combining ethical choices and social aims, resulting in the rapid development of ethical investments, socially responsible investing, microcredit, and social banking. Some of the most influential research in finance and management literature have found that CSR has a positive impact on performance and value (Orlitzky *et al.*, 2003).

The researchers explain how firms achieve higher levels of corporate social performance by having the ambidextrous ability to pursue both instrumentally and morally driven social initiatives at the same time. They went on to explain that a company's overall social performance is determined by its ability to organize and resolve tensions between two types of CSR initiatives: those with a moral underpinning and are typically peripheral to the company's core business and those that are more aligned with the core business. (Hahn *et al.*, 2016).

Gunnar Friede, Timo Busch, and Alexander Bassen conducted one of the most comprehensive empirical studies on ESG and financial performance and discovered a positive ESG-Corporate Financial Performance relation (ESG-CFP) in nearly 63 percent of meta studies and 48 percent of vote-count studies, with less than 10 percent reporting a negative finding. The study combines the findings of nearly all academic review studies conducted between 1970 and 2014, including 60 individual review studies covering 2,200 primary studies, the vast majority of which focus on equities (87 percent) (Friede *et al.*, 2015).

2.5 ESG trends in Asian Countries

According to the Global Sustainable Investment Report 2018, sustainable investment assets have surpassed US\$30 trillion at the start of 2019, an increase of more than 30% from 2016. Some regions have grown faster than others in terms of their local currencies.

Green innovation and finance have become priority measures in Asian economies with resource and carbon intensive growth models in recent years. Green or sustainable business

theory, emphasizes the reduction of externalities and the maximization of social value through ESG-related activity that considers the needs of stockholders, consumers, customers, communities, and other relevant stakeholders (Freeman and McVea, 2001).

The researcher compared the FDI from 2003 to 2019 and mentioned all the various trend introduced by respective Governments to establish a much stronger hold on the FDI. Further the researcher compared China, Japan, and Korea's top leading ESG scores of 5 largest companies by revenue generation. In conclusion to the research done, While Japan has been a global leader in green patenting since the mid-1980s, South Korea and China have significantly increased their pollution abatement-related green patents in response to rising market demand for environmental solutions. Much of this was influenced by government policies emphasizing the importance of such endeavours. In contrast, while China has been the global leader in green bond issuances since 2015, issuances from large financial corporations and development banks in Japan and South Korea have increased(TOLLIVER *et al.*, 2021).

In India, the top Industry with a high ESG score is noted below:

- Information Technology - Infosys Ltd.
- Diversified - ITC Ltd.
- Other Industrials - Adani Ports & Special Economic Zone Ltd.
- Healthcare - Jubilant Life Sciences Ltd.
- Energy - Bharat Petroleum Corporation Ltd.
- Consumer Staples - Hindustan Unilever Ltd.
- Consumer Discretionary - Mahindra & Mahindra Ltd.

CRISIL Ltd launched its environmental, social, and governance (ESG) scores for 225 companies in 18 sectors in India, in line with its mission of improving market functioning. The scores are assigned on a scale of 1-100, with 100 denoting best-in-class ESG performance and are based on CRISIL's proprietary framework. The ESG score, which is powered by CRISIL's strong sectoral research capabilities and rich databases, considers the track record of, as well as trends and disclosure standards followed by, the 225 companies to provide a relative, pan-sectoral assessment on all material ESG parameters relevant in the Indian context. It is based on publicly available information, including information from third-party providers (IIFL Securities, 2021).

2.6 FDI in India

Most governments now recognize that foreign direct investment (FDI) can be a powerful engine of economic growth, and they are competing with one another to make their respective countries a preferred destination for foreign capital influx.

India performs poorly on a variety of environmental indices. In the 2010 Environmental Performance Index, it ranks 123rd (out of 163 countries) with a score of 48.3 (out of 100). (EPI). Similarly, India is ranked 101st in the Environmental Sustainability Index (ESI) (75th in non-OECD countries) with a score of 45.2 (Environmental Performance Index, 2021)

Foreign direct investment (FDI) increased at the fastest rate since the global financial crisis (GFC) of 2008–2009 in 2015. However, crossborder mergers and acquisitions and corporate reconfigurations accounted for the majority of the increase (United Nations Conference on Trade and Development) (UNCTAD, 2016)

Foreign direct investment (FDI) can prove to be beneficial for emerging economies to achieve faster economic growth rates. However, in most cases, FDI-led growth has resulted in environmental degradation. Furthermore, rising food and water insecurity, climate change, and growing economic disparities have emerged as major threats in this millennium. Many countries especially the developed countries are adopting the holistic approach in promoting FDI. According to the OECD's Economic Outlook 2021, the Indian economy contracted by 7.7 percent in 2020 due to a decline in domestic consumption. Despite the downturn last year, the OECD expects India's economy to grow by 9.9 percent in 2021, making it the fastest-growing G20 economy.

Nidhi Pant concluded that there is a positive relation between FDI and economic growth. Also, it is clear from the findings that the relationship is positive, and these findings have important policy implications (Pant, 2018). These findings have significant policy implications, as the government must consider the importance of FDI contributions to overall economic growth.

Figure 1: Sector- wise FDI Equity Inflow (2016-17)

Sector	Amount (US\$ Billion)	Share (%)
Services (as per DIPP classification)	8.68	20.0
Telecommunications	5.56	12.8
Computer Software & Hardware	3.65	8.4
Trading	2.34	5.4
Electrical Equipment	2.23	5.1
Cement and Gypsum Products	2.13	4.9
Construction (Infrastructure) Activities	1.86	4.3
Automobile Industry	1.61	3.7
Information & Broadcasting (incl. Print Media)	1.52	3.5
Metallurgical Industries	1.44	3.3
Total of Top 10	31.03	71.4
Grand Total	43.48	100.0

Sources: DIPP (2016, 2017).

The policy framework, according to Edmund Ntom Udemba's findings, should be aimed at boosting the economy through FDI and agriculture, with a focus on energy efficiency and environmental performance. Environmental performance is extremely important in attracting investors who are more interested in diversifying their portfolios.

2.7 Current Trends in ESG

ESG used to be analyst-driven before the bots. Human analysts would gather, process, and analyse data on climate change, safety conditions, human rights, corruption, compliance, and other topics – a procedure that allowed for both intuitive insights and reporting biases.

Several companies are making the move to incorporate a wide range of AI-powered applications into their operations. Ignoring the importance of technology and AI may have a detrimental influence on the company's reputation, resulting in a greater cost of capital and the likelihood of future shareholder value loss (Inampudi and Macpherson, 2020).

Lately, all big firms now account for their environmental and social footprints, as well as disclose and report on their operations (Sætra, 2021). One of S&P Global articles stated that “The Dow Jones Sustainability Index, S&P Dow Jones Indices' first index of sustainable investments, will use artificial intelligence to speed up assessments and supplement traditional research” (S&P Global, 2020).

Artificial intelligence (AI) is a relatively new technology in the financial technology and investment industries where it can be demonstrated that data containing ESG ratings are effective tools for building portfolios and selecting stocks, particularly for long-term value creation (Consolandi *et al.*, 2020). Firms benefit from a clearer vision of how to allocate scarce or threatened resources through models or novel insights; deep learning advances can help realise a plethora of long-term opportunities. Use of technology to analyse statistical data related to ESG investments can help asset managers and investors to predict the investment pattern and future trend. This gives the firms a chance to expand their portfolio and diversify them. As the dynamic nature of environmental problems such as climate change progresses and accelerates, AI innovations in approaches to ESG interpretation may prove critical.

One of the current trends in ESG is greater community involvement and stewardship, even in fields such as health and education. Companies are also taking a more comprehensive approach to customer experience and sustainability. For example, Air New Zealand has been in the airline industry for more than 75 years, connecting Aotearoa to the Pacific islands and the rest of the world. For the next 75 years, their vision is to “supercharge New Zealand's success socially, environmentally, and economically” (Air New Zealand, 2019)

Quality assurance (QA) has long been a focus of the European University Association (EUA), both at the European and institutional levels. In practice, this has meant active participation in European quality assurance. Policy discussions in which the association represents the voice of universities and works with its members to promote the development of internal QA systems and, more importantly, quality cultures (Gover *et al.*, 2015).

Sustainable Accounting- The ability to determine and develop awareness of environmental costs, which in turn aids in discovering ways for decreasing and avoiding such expenses, is cited as a benefit of corporate environmental accounting initiatives (Farouk *et al.*, 2012).

A research study conducted suggests that ethical issues can be resolved when environmental stewardship is framed in a financial context, and which gains greater importance from business (Rubenstein, 1992).

In the research study published in 2016, it demonstrates the significance of attracting sustainability competence for new generations of accountants.

Professional international organizations recognize the importance of accounting activities in achieving the SDGs. Association of Chartered Certified Accountants (ACCA),

Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting Council (ISAR), International Federation of Accountants (IFAC), World Business Forum on Sustainable Development are among them`

It is a challenge for the company as well as for the accountant to account for/ measure the damage done to the environment and will be of great importance to know the importance of sustainable finance.

2.8 ESG and Accounting

Research conducted much earlier studied the link between corporate sustainability initiatives and financial performance reveals that good sustainability performance and a lower cost of capital go hand in hand(Rodriguez, Cotran and Stewart, 2017). The cost of capital is the amount of money a corporation needs to invest in a capital project or to attract investors. An empirical study conducted by Orhan Akisik and Graham Gal, the findings show that CSR and accounting standards are substantially linked to sustainable development, even after adjusting for a number of macroeconomic variables such as inflation, foreign direct investment, and unemployment(Akisik and Gal, 2011).

2.9 Why is ESG investment needed?

Integrating sustainability into the analysis process provides investment managers with a differentiated lens for identifying companies with strong competitive advantages that can drive value creation over time. Simultaneously, it can assist investment managers in avoiding companies that have embedded risks in their business model or operations that are not fully visible to the market.(Odell and Ali, 2016).

This article's authors concentrate on asset owners who can implement ESG integration through index-based allocations to portfolios that seek to replicate ESG indexes. Index-based approaches are generally cost-effective and provide consistency, transparency, and replicability. Over a seven-year study period, global and regional versions of the MSCI ESG Leaders Indexes (as proxies for regional allocations) showed significant differences in their

respective ESG profiles and performance, but there was a clear reduction in all key risk measures in all cases.(Giese *et al.*, 2019).

II) Conceptual Framework



Source: Author

This conceptual framework was derived from a thorough review of the literature. The conceptual framework is made out of possible variables that will be analysed as factors that impact the decision making of Indian investors in relation to ESG investments.

The diagram below depicts a schematic representation of the framework based on the authors interpretation of the themes from the literature review.

The study will look at factors that influence the factors that influence to investment choices of an investor.

Research conducted by Koellner and Weber (2005), stated that there has been a lot of advancement, specialisation, and expansion with respect to how these rating agencies collect data and analyse them (Koellner, Weber, Fenchel and Scholz, 2005).

Chelawat and Trivedi's study focuses on the risk-return performance of a portfolio selected based on multidimensional characteristics in addition to traditional risk and return criteria, such as environmental, social, and governance (ESG) criteria (Chelawat and Trivedi, 2013).

While these ESG rating agencies conduct their research they must have appropriate data and resources available with them because their ratings will affect not just the company's

reputation, but also asset management firms and other major investors engaged in ethical investing.

Most research papers have two perspectives while conducting research on sustainable investment: Investor- focused studies and Corporate focused studies.

To explore for a direct link between ESG and performance, “investor-focused studies” frequently use benchmarks and a portfolio-level study of themes like materiality and governance structure.

To acquire a deeper understanding of how sustainability actions contribute to CFP, “corporate-focused research” may incorporate mediating elements like innovation, operational efficiency, or risk management. Partial correlations from regression models are meta-analytical effects.

According to the findings, the influence of ESG varies significantly depending on the size of the organization, which can be a result of risk management. They claim that while huge organizations can pay ESG charges, small businesses are harmed. As a result, small businesses who actively adopt ESG measures demonstrate their commitment to long-term value preservation, even if it means paying ESG taxes, resulting in lower returns or cheaper debt financing costs for issuers (Jang et al., 2020).

3: Research Paradigm and Overall Approach

Under this chapter, the researcher gives readers with a step-by-step guide on how the research was conducted, as well as the thought process that led to the researcher's decision to focus on the proposed thesis. Through proper methodologies and approaches to be utilized in the analysis, the author aims to resolve and point out the interstice. The author's philosophical ideas aid in the analysis of the study objectives stated and scheduled for a review of what is unknown by the writers.

3.1 Research Philosophy

Research Philosophy is referred to a system of beliefs and assumptions about the development of knowledge (Saunders, Lewis and Thornhill, 2009). A research philosophy is a set of beliefs about how data about a phenomenon should be collected, analysed, and applied to reach a conclusion.

Accordingly, there are many theories recognised, some of them are: Positivist, Post-Positivist, Interpretative, Critical, Postmodern theory (Taylor and Medina, 2011). After reviewing the numerous philosophies in the 'study onion,' the author has decided on interpretivism as the research philosophy for this thesis.

(Phothongsunan, 2010) states Interpretivist researchers as researchers who use more of open-ended questions and focuses more on qualitative data collection method. Interpretative studies, which are frequently idiographic, are usually conducted with a small sample size. This is because the goal is to discover the meaning that participants assign to the social settings under consideration, rather than to generalize. Towards the end of the data collection the researcher will interpret the data collected (Phothongsunan, 2010).

Its goal is to describe how individuals see the environment, how they interact with one another, and the contexts in which these interactions occur (Packer, 1999). In short, interpretive philosophy gives the researcher a better chance to understand the study participants' attitudes and feelings, producing true and rich data (Bell, Bryman and Harley, 2018).

Towards the end of this research, the author will conclude on the basis of what certain individuals believe and do, as well as the kind of difficulties they face and how they cope with

them. The semi- structured interviews conducted will help to come to a conclusion, discuss new factors and problem areas analysed after the interview was conducted.

Looking on the drawbacks of using Interpretative approach/ theory can be, Interpretive approach involves several assumptions, the most prominent of which concerns a definition of “reality” (Muganga, 2016). Interpretive theory assumes that reality differs for each individual, and that each individual participates in the construction of his/her own reality through his/her unique contexts (St. George, 2010).

One of the most common criticisms of interpretive inquiry is that it lacks objective reality. Such arguments, on the other hand, fail to distinguish between non-realists and anti-realists (Muganga, 2016). The main downsides of interpretivism are the subjective nature of the technique and the large amount of room for researcher bias. Because data is frequently influenced by personal viewpoints and values, primary data obtained in interpretivist studies cannot be generalized. As a result, data reliability and representativeness are jeopardized to some level.

Noting the advantages and disadvantages of this approach the researcher is fully aware about the responsibilities and that the strategy the author has adopted will have no impact on the data's consistency and veracity. Other approaches like positivism are rigid in nature, absolute and law bound.

3.2 Research Approach

The researcher finds Inductive approach to be an appropriate approach for this research. The major goal of the inductive technique is to free research findings from the constraints imposed by organized methodologies, allowing them to arise from the frequent, dominant, or noteworthy patterns inherent in raw data (D. R. Thomas, 2003).

The goals of using an inductive approach are to (1) condense a large amount of diverse raw text data into a concise, summary format; (2) establish clear links between the research objectives and the summary findings derived from the raw data; and (3) develop a model or theory about the underlying structure of experiences or processes visible in the raw data (D. Thomas, 2003). The inductive technique is frequently preferred when using interpretivist theory (Saunders et al., 2009).

3.3 Research Strategy

Qualitative analysis is the research method that best suits this report since the researcher follows an interpretive mindset. Qualitative research data can take many forms, but the most common are interviews, discussions, observational notes, and other types of written documents (Ritchie and Lewis, 2003).

The quality or nature of human experiences, as well as what these occurrences signify to individuals, are the focus of qualitative research. As a result, qualitative research frequently begins with queries such "what," "how," and "why," rather than "how much" or "how many"(Draper, 2004). The interpretative process is at the heart of qualitative data processing, and it entails attempting to comprehend study participants' behaviours and meaning from their perspective. (Ezzy, 2013)

The researchers' purpose is to measure the reactions of the participants and then analyse them to make judgments.

This selected method of data analysis will help the researcher to conclude based on the response and data drawn from the selected sources. The data collection method chosen is “semi-structured interviews” along with secondary data collection sources like Journals, research papers, publications and trusted news articles.

Semi- Structured Interviews (SSI) includes a mix of closed- and open-ended questions, frequently supported by follow-up why or how questions, and is conducted in a conversational manner with one respondent at a time (Adams, 2015).

3.4 Sampling and Sample Size

Regardless of the analysis technique used for the study, sampling and sample size are extremely important, whether qualitative or quantitative. It will help the researcher to understand the type of data required and the participant selection method for this particular research study.

The researcher has opted for non-probability sampling. The type of non- probability sampling selected is purposive sample.

Non-probability sampling entails making non-random selections based on convenience or other criteria to make data collection easier. Units with unknown probabilities are included in non-probability sampling, and some of these probabilities are known to be zero (Flick, 2017).

Purposive sampling is the most popular way of sampling. The investigator selects the sample based on his or her convenience (Acharya et al., 2013).

The benefits include being the most often used, being less expensive, and not requiring a list of all demographic characteristics. They do, however, have drawbacks, the most significant of which is that variability and bias cannot be detected or controlled. Second, the data's findings cannot be extrapolated outside the sample (Acharya et al., 2013).

By using the non-probability sampling, the researcher chose individuals who regularly deal with ethical investments and are knowledgeable in investment.

3.5 Time Horizon

This specifies the research time frame: cross-sectional or short-term studies, which involve data collecting at a given point in time; longitudinal studies, which involve data gathering over a long period of time in order to compare data (Saunders et al., 2009).

There are two possible options: Cross sectional studies and Longitudinal studies.

In a cross-sectional study, the investigator simultaneously measures the result and exposures in study participants (Setia, 2016).

Cross sectional study is the best when there is time and resource constraint. Before being evaluated and interpreted, the data is collected only once during a short period of time. As a result, cross-sectional studies provide a glimpse of a current condition.

Given the time limit, these studies can usually be completed in a shorter amount of time and for a lower cost (Setia, 2016).

The researcher noted the benefits and drawbacks of this study's time period and decided that the strategy adopted would have no impact on the quality of the data collected. The researcher is aware of the potential for bias as a result of this approach, but this disadvantage is evident in all studies that use a cross-sectional time horizon approach.

3.6 Method of Data collection - Semi-structured Interviews

Semi-structured interviews will help me narrow down my study area question and topic while also allowing participants to voice their thoughts and experiences.

Research done in Tunisia, country at the origin of the Arab Spring on to investigate mainstream investors' perceptions of environmental, social, and governance (ESG) factors in a growing financial market used focus group and semi- structured as a way to collect required data (Khemir, 2019).

A semi-structured interview is a verbal exchange in which one person, the interviewer, uses questions to try to elicit information from another person (Clifford, Cope, Gillespie and French 2016).

Semi-structured interviews, in contrast to formal interviews, which follow a tight format of predefined questions, focus on specific themes but are conducted in a conversational approach. On receiving the required number of responses, the researcher will next transcribe the spoken information into text, and the textual data will be generated from the notes collected in the study diary during the interview.

Some of the drawbacks of semi- structured interview are time-consuming, labour-intensive, and demand a high level of interviewer expertise (Adams, 2015).

The semi-structured interview (SSI) will use a mix of closed and open-ended questions, with follow-up why and how inquiries frequently included.

3.7 Primary Data Collection method

3.7.1 Data collection Process and sources of data

This section will cover the methods and data collection process opted by the author to further continue with the research.

The participants for semi- structured interview will be regular investors who are knowledgeable in ESG and CSR activities. They will be contacted via email or LinkedIn. The participants will

be made to fill consent forms for the interview. Once these forms are received by the interviewer, will further proceed with conducting semi- structured interviews.

The interview will be conducted in verbal format. Briefing about the research was given to the participants. It is critical for establishing connection, creating an appropriate environment, and eliciting honest reflection and remarks from the interviewee.

To ensure the quality of the exploratory data acquired, the researcher was aware of what the respondents said and flexible enough to allow the talks to focus on subjects and issues that were important to them.

Before the recording was transcribed, the researcher produced a list of the observations and experiences that were of important after the interview. This is accompanied with an interview recording, which is part of the data processing process.

The researcher examined the research objective for vital data points and devised questions that were closely related to acquiring information on the identified key points. The researcher's bases for analysis will be formed by repeated and critical examination of information concerning the research concerns as well as participants' perspectives, ideas, opinions, and experiences.

Apart from primary research, the author will also opt for secondary data collection. The term "secondary data analysis" refers to the examination of data that has already been acquired by others. Secondary analysis allows researchers to study research problems with large-scale data sets that often include under-represented populations while conserving time and resources.

Secondary data used will include journals, published reports, articles and other sourced news articles. Use of secondary data will help the researcher to support its findings and will help in understanding different perspectives.

3.7.2 Access and ethical issues

To overcome ethical issues stemming from varied societal conventions, 'codes of ethics' were formed. Ethics codes are a set of concepts that define the nature of ethical research and provide a statement of ethical norms.

Appropriate preparation, demonstration of respect for interviewees, intense listening by the interviewer, development of thoughtful interview guides, interview guides that include fewer questions, formulation of short, open-ended questions, and flexibility on the part of the interviewer are all seen as 'good' interviewing practices by good researchers (Flick, 2017).

All conversations held between the interviewer and the respondent are kept private. Since the author was only interested in the participants' ideas and knowledge on the subject, the author made ensured that the material obtained was kept safe and that no personal information other than age, gender, and profession was requested during the interview.

The author ensured that the recordings and transcripts were stored safely and in accordance with ethical standards. Participants were promised of anonymity in order to encourage them to give honest replies. At all instances, the author followed the General Data Protection Regulation.

3.7.3 Approach to data analysis:

The researcher for the thesis has decided to opt for template analysis (TA) for data analysis. Template analysis is a method for analyzing data in the form of written words that may be used to any type of textual data (King and Horrocks, 2010).

Within the larger history of theme analysis, template analysis emerged as a general technique, particularly among approaches that place a greater emphasis on research in a real-world situation (King and Brooks, 2016).

It's a type of theme analysis that strikes a balance between a high level of organization in the process of analysing textual data and the ability to adapt it to the needs of a specific study (Symon and Cassell, 2012).

Field notes from participant observation, transcripts from semi-structured interviews, diaries, and stories or narratives are all examples of text data (Waring and Wainwright, 2008)

During the analysis, the researcher will have to choose information from the interviews that can be coded as of the codes. The researcher must interpret the data after completing the coding technique before commencing to write the findings.

To sum up, Template analysis entails the creation of a coding 'template' that summarizes and organizes major themes found by the researcher in a data collection in a coherent and helpful manner.

4: Case study analysis- ESG controversy – Juukan Gorge Caves

4.1 Introduction

Rio Tinto is a mining company that produces iron ore for steel, aluminium for vehicles and smart phones, copper for wind turbines, diamonds, titanium for household products, and borates for crops (Rio Tinto, n.d.). The Company is an iron ore supplier to the global seaborne iron ore trade. The Energy & Minerals segment includes mining, refining, and marketing operations for borates, iron ore concentrate and pellets, titanium dioxide, and uranium, among other commodities. The company has its major presence in 35 countries all around the world.

Rio Tinto is an industry leader in energy management and has already made significant progress in lowering its GHG emissions. By 2020, renewable energy would have supplied 75% of the electricity used in managed operations (managed operations include those that Rio Tinto directly owns and operates as opposed to joint ventures where the company may provide capital only).

Key issues with Rio Tinto:

- Failure to understand and recognise the sensitivity of Juukan Gorge project.
- Lack of corporate governance.
- Poor systematic policies and practices leading to poor relation with external communities.
- a lack of heritage management interaction with front-line operational personnel.
- Failure to work in interest of the stakeholders.
- Failure to implement on ESG factors in their business.

Outcome of Analysis of this case study:

- Analysis of this case study will point out the importance of ESG risk analysis.
- Failure to manage ESG risks may not have a direct financial impact on investors, but it does expose stakeholders to public scrutiny.
- Understanding the importance in incorporating Environmental, Social and Governance factors in business management.

4.2 Background

The mining industry has always faced an ethical and sustainability challenge; on the one hand, their products and services are critical for human development and the global economy; on the other hand, this industry has a history of high fatalities, human rights violations, miner exploitation, and other unsustainable practices (Prno and Scott Slocombe, 2012).

As mining firms' stakeholders become more aware of these issues, they are demanding that they concentrate on sustainable methods of extracting and delivering their goods. As a result, in order to secure permits and certificates to operate in the twenty-first century, mining companies have had to include sustainable practices into their main business.

Rio Tinto made some decisions that drew negative attention, casting doubt on their ethics, internal management, corporate governance, and project decisions.

In May 2020, Rio Tinto began blasting at the Juukan Gorge caverns in Western Australia's Pilbara area, destroying a 46,000-year-old Aboriginal cultural site said to contain ancient artifacts of human existence (Fernand, 2020). The activities undertaken for this project were not unlawful but were a major failure in terms of stakeholder's considerations.

According to Rio Tinto's 2020 annual report, the decision to demolish the rock shelters was made nearly eight years ago but was not implemented until 2020 because mining is such a long-cycle industry.

Despite overall good performance in their financials, the company's achievements were overshadowed and overlooked due to this incident.

4.3 Problem areas

This incident came as a shock to many Indigenous Australians and their community all over the world.

According to Morningstar, the company was given authorization to demolish the site in 2013 but refused to reconsider its decision when it became evident that it was historically significant. This showed lack of empathy and consideration towards the Puutu Kunti Kurrama and Pinikura people. This showed that the company is only driven towards profit maximisation.

The event had no substantial financial or regulatory consequences for Rio Tinto, and its stock price and corporate bond spreads remained unaffected. The scandal, on the other hand, has sparked debate about corporate ESG risks and how stakeholders might urge improved risk management.

By mutual agreement, the company's CEO, Iron Ore CEO, and Group Executive, Corporate Relations have all left the company. This led to loss of talent which the company previously had.

Analysis done by Cameron Hume, stated that Rio Tinto has the worst risk management of ESG A-rated industrials. This indicates that the company has a weak management leading to lack of transparency, weak community engagement and an unsatisfactory record of conflicts.

4.4 Proposed Solutions

The coronavirus pandemic has heightened investor awareness of ESG factors, and environmentalists and human rights advocates have warned that failing to improve human rights-related due diligence within mineral supply chains could result in increased reputational risks for global mining companies and manufacturers (Holzman, 2020).

The risk-based approach outlined in the ISO 31000 guidelines is widely accepted as best practice around the world. It describes a very simple process for risk management and treatment that, if followed, can benefit an organization's overall management profile, increase efficiency, significantly reduce risk, add value, and provide transparency where needed (ISO, n.d.).

The key is an integrated solution that includes risk management, new and resilient technology, effective procedures, real-time ground truth, and the ability to act quickly. Increased investment in the mining industry has compelled ethical investment firms to consider the risk that can no longer be ignored (Barry, 2020).

- Companies should prioritize identifying their mission and communicating it to their employees to match people with sustainability goals.
- Creating value for their stakeholders while involving their interest in the decision-making process.

- Rio Tinto is in 35 countries, which makes it important to have a strong management strategy handling ethical and sustainable issues related to the local areas.
- A review team should be set up, to review all the projects undertaken in specific to their location to check for any sensitivity issues.
- Proper and effective integration of ESG analysis could've helped the company avoid governance risk.
- With an integrated ESG strategy, investors could have spotted the company's weak governance risk management.

4.5 Conclusion

This case study focused on some harsh decision taken by the Rio Tinto company which made the top management question their sustainability practices and decision-making choices. Looking at the current sustainability choices made, Rio Tinto has been improving and focusing on its sustainable choices since a long time now. They have been focusing on complying with high safety standards.

Their sustainability footprint is spread over several geographies and activities, and they are attempting to reduce it by conducting lifecycle analyses of their facilities and improving operations. They were able to establish sustainability strategies and adapt them as new information became available by using such tools. The mining industry is highly regulated and not an easy industry to integrate environmental, social and governance factors. Rio Tinto has been contributing a lot to the society and environment by adopting sustainable working measures. Rio Tinto has also aligned their goals with United Nation's Sustainable Development Goals. The company is a member of the International Council on Mining and Metals (ICMM), and they report on their sustainability performance using GRI standards (Rio Tinto, n.d.).

5: Presentation and discussion of findings:

Under this chapter, the researcher will analyse the primary data gathered from conducting semi structured interview. This analysis will be done according to the study methodology proposed in the previous chapter. Here the author highlights two major topics that emerged from the interview: the psychographic factors and the extrinsic factors.

There was a total of 6 interviews conducted with investors who actively invested in stock market, mutual funds, bonds, and other sources of income. The people interviewed are from India and are currently working professionals and are also active in investments. The semi structured interview was conducted with the help of structured questionnaire prepared. This interview helped participants to give their inputs because of open ended questions.

The researcher conducted Semi- structured interview; the participants were asked 15 open ended questions. The researcher started the interview by asking the participants the number of years they have been investing further the researcher asked them if they are aware about the term ESG and their understanding with regards to ESG. All respondents are finance graduates and are actively investing in stock market.

Table 1: Overview of the respondent's:

Respondent	Occupation	Age	Gender
1	Manager	35 years	Male
2	Investor	24 years	Female
3	Accounting associate & Investor	23 years	Male
4	Trainee Accountant & Investor	24 years	Female
5	Trainee Accountant & Investor	25 years	Male
6	Sales	27 years	Male

Respondent 1: Respondent 1 is a working professional. He is currently working in Mumbai. He has been investing in the market for 8 years now. He uses his financial knowledge and top-

down approach to make investment decisions. He chooses his investments based on the demand and supply and looking at profitability ratios.

Respondent 2: Respondent 2 started her investment journey 2 years back when she started with her MBA program. Currently she is looking for a job and is an active investor. As she is still new to investments, she doesn't follow market trends easily but looks at risk factors.

Respondent 3: Respondent 3 started investment 4 years back. He is currently working as an accounting associate. Before making any decisions, he will always analyse the market situation and then proceed to make investment choices.

Respondent 4: Respondent 4 has been investing since 3 and half years and working as trainee accountant for 6months. She has opted for ESG funds but didn't see much greater returns. She stated that ESG funds do need improvement and push forward in the Indian context.

Respondent 5: Respondent 5 has been investing for 4 years now. He is currently working as a trainee accountant. He stated that India market is moving towards sustainable choices, but it will take sometimes to have policies and standards that match international standards.

Respondent 6: Respondent 6 interned for an ESG company in India. He has been investing in stock market for 1.5 years now.

5.1 Findings from data collected:

The aim of the 1st two questions was to know and understand if the respondents are aware about the term ESG. The first two questions asked were to know the participants and their understanding towards ESG.

The participants were asked about the number of years they've been investing and what they understood by the term ESG. Below are the responses received:

The first respondent is working as a manager at an Agro based firm and has been actively monitoring and investing in Indian stock market for 8 years now. *"It has been 8 years since I have started investing"*.

Yes, I am aware of this term. ESG deals with sustainable and ethical factors. It is a non-financial factor. ESG investments are also termed as green investments. It motivates investors to invests in an environmentally friendly project. Its shows how well a company utilises its

resources without creating any wastage and damage to the environment or society. (Respondent 1, manager).

The second respondent has completed master's in accounting and has been an active investor in the market for 2 years now. *"I started investing around the beginning of my MBA programme so it should be roughly around 2 years.*

I am aware of this ESG term but I don't have sufficient knowledge related to it but it relates to making sustainable investment choices and largely focus on doing something good that is beneficial to the society. ESG investment also has a factor of ethical investment to it. It shows how well a company operates and the contribution it made to the society, towards its management, good governance, and society. Every company may have its own way to define ESG because every company is different in its working." (Respondent 2, investor).

Respondent 3 focusses more on the technical analysis of the market and is always looking out for patterns and trends.

"It has been around 4 years.

Yes, it's about companies who are more focused on renewable energies which is more good for the environment. ESG comes under the umbrella of Socially Responsible Investments also known as SRI. According to me, ESG or even SRI both are very interesting topics to look at from a investors point of view as they are quite new in the Indian market." (Respondent 3, accounting associate & investor).

Respondent 5 has expressed his view and understanding towards ESG investment.

"I have been investing from 4 years.

Yes, I understand ESG is about sustainable development and it's about the company governance, how the company is managing and who are the company's promoter, and it is like looking into the future" (Respondent 5, account trainee and investor).

After receiving responses for 1st two questions, it can be stated that all participants have been actively investing in Indian market for more than a year and are aware about the term ESG investments. Further, questions were asked about if they have opted for ESG funds or not. The questions were more directed towards getting answers to the research questions framed. After the interviews were completed, the interview and material were analysed for codes and themes.

Table 2: coding system and themes for data analysis

Theme	Codes	Extract
I) Extrinsic Factors	<ul style="list-style-type: none"> • Uncertainty • Demand and supply • Governing Policies • Market confusion 	<ul style="list-style-type: none"> • Lack of standardisation. • Benefit of higher long-term outcome. • Availability of more funds under ESG.
II) Psychographic factors	<ul style="list-style-type: none"> • Willingness to invest • Knowledge and awareness 	<ul style="list-style-type: none"> • Consumer’s willingness to invest in the product.

These two themes broadly emerged after the interviews were conducted. Each theme carries different code that were found while conducting analysis.

I) Extrinsic Factors:

Investment options:

To start accessing the topic, the researcher wanted to know if the participants invested in ESG funds.

Most of the participants did not opt for ESG funds, when it came to investment. Only one participant invested in ESG funds. They invested in traditional stocks over ESG funds. ESG funds do not seem to be of a key interest for many small-time investors even though there has been a growing demand for ESG investments.

Respondent 1 who is working as a manager, has been investing in stocks for 8 years now. When ask if he has ever opted for ESG funds gave his answer and explanation as following, *“No, I have never opted for ESG funds yet. Maybe in near future I will. When I do my maths the cost and profit ratio doesn’t interest me much. My decisions will depend on the demand and supply*

for a stock at that period. So, if the demand for ESG increases then I will surely opt for the funds” (Respondent 1, Manager and Investor)

Respondent 2, She is an active investor in the market. When asked if she opted for ESG she shared her answer and also gave us an insight for the same. *“No, I haven’t opted for ESG funds. I am a new investor and I prefer receiving fixed return. This is still a niche market and still developing for example you know Aditya Birla and ICICI Prudent came up with some ESG funds. Even though they are reliable companies, I will let time decide their success”* (Respondent 2, Investor)

Respondent 3, he is working at an accountancy firm and has been investing in stocks for 4 years now. He shared his answer and gave us an insight for the same. *“No, not particularly. I haven’t looked at ESG funds even though they have a strong hold in the International market, their performance hasn’t been that impressive in my opinion in Indian market”* (Respondent 3, Accounting associate & Investor).

Many investors were not so certain as to why they didn’t want to opt for ESG. As noted, some stated about the demand and supply factor, some didn’t find the performance of ESG funds impressive and profitable for a short-term investor.

Demand and Supply:

One of the recurring factors to show up in the interview is the demand and supply factor for any investor.

As seen above not many of the respondent opted for did not opt for ESG funds, further it is very important to analyse the factors due to which such a decision was taken.

When asked about the key elements they take into consideration while making investment decisions, the following were the responses:

Respondent 1 had strong views on demand and supply and profitability factor.

“I consider what type of industry the company is in. if the company’s financials and market conditions are favourable then I prefer to opt for those funds. To analyse my funds, I use the top to down approach. As I mentioned earlier, demand and supply play an important role while selecting investments. If there is demand, I would invest.

Profitability is another factor I consider plays a huge role while deciding long term investment. To calculate profitability, I use profitability ratio.

In relation to ESG, I don't feel confident yet to invest. Though I have seen considerable growth in ESG, I personally feel they don't have a strong hold in the Indian market yet. These ESG are of more importance and understandable for a big-time investor because I feel they are more knowledgeable and have resource or technology to predict the future outcome. I will invest in ESG only if I am able to buy and sell them for a good price. Profitability and market demand and supply play an important to me as I said before” (Respondent 1, Manager and Investor).

Respondent 5 said “I consider the management of the company, the industry in which the company operates and also know about the sector performance. I also check the fundamentals of the company and the promoters involved. If the promoter of the company is well renowned there are high chances of the stock prices increasing. There are some funny situations where a company's stock does perform well for now but can be a multiplayer in the future. I prefer following the market trend while investing because more investment will increase the demand for the stock and investors can get the benefits of higher returns” (Respondent 5, Trainee Accountant & Investor).

Respondent 4 has invested in Nifty 100 ESG stocks and invests in traditional stocks as well. Respondent 4 was asked what factors she considered while making sustainable development choices she responded by saying:

“I had never before invested in ESG funds, and this was the first time I went for it. So, I was very sceptical about my decision at the start. Before investing I did the market research so in 2020, when the market out for traditional stocks wasn't favourable, ESG funds were doing fine I realised. Then I looked at the regulations and regulatory body the companies follow because any change in policies can impact the price of the shares rapidly. ESG funds that I selected were on the expensive side compared to ordinary investment options, but I suppose many ESG funds are expensive because of its nature. The funds that I have invested are just for short term purpose because I wanted to get some insight on them” (Respondent 4, Trainee Accountant & Investor).

As mentioned in the above literature review, even though there has been an increase in ESG funding in the last few years, this increase is more feasible for a fund/ asset manager who handle diversified portfolios. Not many of small-time investors prefer opting for ESG fundings.

Kaustubh Belapurkar, Director and Manager (Research) at Morningstar India, stated, *"While ESG funds are still in their infancy in India, their introduction has greatly increased investor awareness. Many domestic asset managers are already incorporating environmental, social, and governance (ESG) elements into their overall investment strategy"* (The Economic Times, 2021).

To summarise this part, whether the respondents answer about traditional or ESG investment choices one of the factors that mattered the most is the demand for ESG funds.

Governing Policies and lack of standardisation

When the participants were asked what they think is the biggest limitation/ drawback while relying on these ESG scores/ ratings, many of them stated that lack of standardisation and different methodologies used by rating and lack of reliability or transparency are some of the important drawbacks.

All participants are aware about the three big full-service agencies; Moody's, Fitch and MSCI ESG rating. But they lack knowledge in terms of how these policies and agency can help investor.

The participants were asked if they checked any of these three companies' websites for ESG scores or rating. Majority of the answers were negative.

"No, I haven't. Even though all these companies are top performing companies providing financial as well as non-financial services, I wouldn't rely on these rating or score for now. I can give countless reasons why I don't find them reliable, firstly each agency has its own methodology to measure each factor and compile it all together to give results. In India, the policies aren't strong enough to protect the interest of ESG funds. Regulations are still developing. I prefer to analyse funds on my own using Top to bottom approach than depending on a third parties reports" (Respondent 1, Manager and Investor).

"No. I think these scores and ratings matter more to big investors and assets managers. These are the top management people who require this type of deep analysed data in order to make decision choices. For my investment decision these scores do not really make a difference" (Respondent 3, Accounting associate & Investor).

Respondent 4 who has invested in ESG funds spoke about her experience while doing her research while looking for ESG funds and if she referred to rating and scores by ESG agencies.

Yes, but only sometimes. As I mentioned earlier, I invested in ESG funds for the very 1st time so, during that period I did refer to MSCI ESG ratings to understand my investment options better. Their ESG ratings range from AAA to CCC. AAA score being the best and CCC being the worst. I mostly look out for A or B as I feel rating can affect the prices of the funds. It can be time consuming especially if one has no knowledge about them. I faced the same issue, but I went through the past reports and rating methods. I did this only to diversify my portfolio and not put all my investment in the same industry or funds. I also asked my friends who is more knowledgeable in investing before selecting ESG funds” (Respondent 4, Trainee Accountant & Investor).

The next question asked was based on the biggest drawback/ limitation while relying on these ESG scores/ratings

Respondent one listed out few drawbacks/ limitations while relying on ESG scores/ratings.

Respondent 1 commented *“I suppose ESG companies can be bias towards bigger companies giving them better scores or rating compared to other smaller companies. Another thing to note is that, most of these agencies tend to have their own marking system which can differ from other.*

Most of these rating agencies use a third-party data which can lead to doubts on the reliability of the reports published. One of the drawback I feel that hinders the growth of ESG funds is that it is difficult to measure environment, social and governance all these three factors are outcome based, it is difficult to measure them” (Respondent1, Manager and Investor).

Respondent 5 stated the following *“These scores and rating have their own risk if not understood well, it can make investors take wrong decisions. Also I feel not many people are aware about these agencies and their working. So these are few areas I could point out on which need improvement as well. We can also note that there aren’t any strong policies in the ESG sector that can encourage more investors other than investors wanting to invest to promote sustainability” (Respondent 5, Trainee Accountant & Investor)*

Respondent 2 said *“I understand that, ESG rating or scores do not define an industry or a company. While conducting their research there is a high possibility that some data maybe not gathered or analysed properly as required. There might be few dimensions that could’ve been*

completely ignored. It is also important to understand the management and ethical consideration of such rating agencies. We don't know how true a company is towards its CSR activities, it can just carry out activities to get more investment and increase profitability of the company” (Respondent 2, Investor).

As mentioned in the literature review, we can see some of those points mentioned in the above responses by the participants.

Market Confusion

Many researchers have stated that relying on more rating agencies scores can lead to market confusion. Some investment managers do not rely on this data alone but use factor factors to determine their working.

The respondents were asked about their opinion on such market confusion and following was the response:

Respondent 3 said “I feel it's pretty straightforward, if investor is relying on multiple source, it is highly possible that this will create market confusion. But these agencies and their scoring system is still new in India context so not many small-time investors keen on using scores as their factor. If any big investor is going to invest, it is important to know what come he/she is looking forward to from this investment” (Respondent 3, Accounting associate & Investor)

Respondent 6 stated the following “Yes, it will create confusion. This is a growing challenge for investor because every agency has its own expertise. The correlation between these agencies scores are very less. This can be challenging while comparing and analysing data”

Respondent one is the only person who doesn't have a similar opinion as other participants. “No. I don't feel like these can lead to any market confusion especially for smaller investor. For asset managers, who manage huge portfolios they have their own ways and means to analyse these scores. According to my knowledge, my friends who are into investing, even they do not read or consider these scores or ratings” (Respondent 1, Manager and Investor).

To summarise, Different methodologies and different agencies will give different results and each agency follows their own framework for conducting this research. Conflicting results can lead to market confusion.

II) Psychographic factors

Viability for small investors

ESG investments are on a rise lately especially after COVID- 19, it is important to know if such a trend is feasible for small investors or not.

Respondent 6 commented *“Yes, it is a good trend to follow. ESG has a long way to go in India and it will be better if small investors also participate and help ESG and sustainability grow. I am a small investor and soon I am planning on investing in ESG funds but just waiting for the right market condition. With COVID- 19 outbreak, companies are willing to contribute to sustainability, but it will take some time for this trend be fully be accepted in Indian market and come up with more products”* (Respondent 6, Sales)

Respondent 2 said *“No, it is very important to have a good market knowledge while investing in these investments. A small investor will look for non-riskier investment faster and bigger returns or at least a decent return and sustainable investments can give bigger returns but needs long term commitment. Sustainable investment is increasing more between asset owners. I would not recommend sustainable funds for anyone who is starting with investment. More improvement and development require from the policy makers in respect of such investment. Maybe in future these trends will be a better option for a beginner”* (Respondent 2, Investor).

Respondent 3 shares his point of view by giving an example of Nifty 50 and performance comparison. *“No, as I mentioned earlier Nifty ESG 100 performed worse than the Nifty 50, which is not good for any investor. ESG funds will definitely improve later but as of now I recommend sticking to traditional funds, bonds and means of fixed income. The market is very uncertain now and incorporating sustainable choices and profitability requires experience and knowledge”*.

Respondent 4 commented the following regarding the same.

“No, sustainable investments can get expensive for a small investor. I consider myself as a small investor and I wouldn't invest in them now because of their nature. Trends can change anytime and somethings its difficult to keep a tap on these trends. There are many committees internationally and framework in relation to ESG and sustainable funds but in India I am not

aware of any such thing apart from the reporting compulsions made by the policy makers” (Respondent 4, Trainee Accountant and Investor).

Many of the participants responded by saying No to the to this question. We can conclude by saying maybe now is not the right time for a small investor to move ahead with sustainable choices.

Knowledge and awareness

One of the recurring themes that continuously came up during interview was knowledge and awareness related to ESG, its framework, policy makers and guidelines. While asking investors questions on the international frameworks and policies in India, not all investors were aware about it. Some stated that international policies do not impact smaller investors while some said that these framework and international policies work better for developed countries. When asked if the United Nations’ Sustainable Development Goals feasible and of tangible effect for an investor, the following were the responses:

Respondent 1 said *“I am not much concerned about these committees. These committees operate on a global level and have responsibilities accordingly. Whenever they come up with a new policy or a new framework, they look at the global market, what the global market demands for? Mostly global markets are influenced by developed countries like USA, UK and EU, Singapore. India market and India companies may not be completely ready to adapt such huge policies and framework as of now. And overall, it is difficult to comment on any of these goals as it doesn’t impact many small-time investors”* (Respondent 1, Manager and Investor).

Respondent 6 comment *“I don’t have much idea about it. As an Indian investor, I would be more concerned about the ESG regulators in India than the global regulators. Like, there have been occasions where businesses have been shut down for failing to follow the rules. These rules impact a business or maybe a particular industry or companies and even a country as a whole, but I don’t think it will impact an investor. They might just have indirect consequence which may or may not matter to the investor. For example, in India companies must have a separate sustainability report which may be useful to the investor. I can also give another example of coal/ mining industry or even construction agency, these industries are heavily regulator because of its nature of misusing their resources and power”* (Respondent 6, Sales and Investor)

The next question asked was if Indian policies are sufficient enough to meet SDGs, SASB standards and framework. Some respondent believed they are sufficient enough while some believed that they aren't.

Respondent 2 said the following, *“No, I don't think these frameworks meet global standards yet. India is just getting started with ESG investment options. The policies are more or better understood by the companies or portfolio manager than a commoner. I suppose relying on past data to know the patterns of the market or stock analysis. Also, I think instead of adopting the international framework as a whole, the regulators can modify these framework according to the Indian market”* (Respondent 2, Investor)

Respondent 6 said the following, *“I think, the policies and steps taken are sufficient enough as per Indian standards but can't say much about it on an international level. I read a report where they stated that more than 70 to 80% investors are more attracted towards ESG. HSBC, which is a global financial service provider committed more than \$100 million towards ESG companies. I also think that any policy or framework need like constant improvement and constant analysis to see how companies and market reacts to those policies. At one point, India will improve and come up with much better regulations to push forward and educate investors in India. When it comes to factors, I feel if more investors move towards ESG or green investment, the regulators will be forced to have a much closer look at their system”* (Respondent 6, Sales and Investor).

The outcome of the two questions highlighted the lack of awareness and knowledge among investors in relation to international policy makers. They also stated that with time India policies will require changes and updates. India can slowly adapt to international policies.

Conclusion

This chapter presents and discusses the conclusions of the primary data acquired through semi-structured interviews. The goal of the interview was to understand more about the factors impacting investors' investment decisions in India, as well as the role of ESG ratings for Indian investors.

The information gathered was analysed in light of the research objectives, and observations were made based on it. Although several additional factors emerged that were not previously identified, the some of the results corroborated the literature published in this study.

Under this research it can be highlighted that demand and supply is one of the major factors determining the growth and progress of ESG investments for any investor. This factor was not earlier mentioned in the literature review. Looking at other factors, the findings also reaffirm that lack of standardisation and lack of quality control are some of the drawbacks while depending on any ESG agencies for reliable data despite their growing popularity in the worldwide. (Windolph, 2011).

Factors such as knowledge and awareness about ESG agencies and standards was not initially explored in the literature review. The findings state that many small investors in India lack the knowledge and awareness about the ESG policies and framework. Another finding that can be noted is that many investors are price conscious about their investment decisions. Such investors determine their investment options based on the price and the risk each invest has.

To summarise, some of the evidence presented here backed with what had previously been published in the literature.

6. Concluding thoughts on factors that influence the decisions of an investor in India:

6.1 Summary of findings

The objective of this research was to examine if there is a direct correlation between investors and ESG rating companies and if these ratings have any impact of portfolio diversification. It can be concluded from the research study that there is no strong relation between investors and ESG rating/ scores. These scores and rating can be useful for asset managers, portfolio managers and for the company's goodwill but they do not have significant impact on a small investor.

In this research paper, the researcher couldn't answer the sub- objectives framed. This is due to time constraint.

The finding from the primary research has shown us that demand and supply, government policies, lack of standardisation, awareness and knowledge are some of the factors that determine if a small investor should opt for ESG investments or no.

All the investors were aware of the terms ESG to a certain level yet out of the 6 participants only 1 participant had opted for ESG funds. Respondent 4 stated that she focuses on portfolio diversification and that's one of the reasons she opted for ESG funds.

The process of investing in ESG funds can be very time consuming as mentioned by respondent 4, she had to do a lot of research while opting for ESG funds.

Dependency on technical aspect for making investments is one aspect which needs to be understood. Even though many investors haven't yet opted for ESG funds, when asked about the factors they consider when opting for funds, one of the respondent answered the following, *"I consider looking at the company's ratios like price to earnings ratio and comparing it to the industry's ratios, debt to equity ratio to see the debt of the company, to know the management of the company and how it is performing in the overall industry and what is the market situation, also comparing it to other companies, if the company is undervalued or overvalued, if it's a good opportunity or no"* (Respondent 5, Trainee Accountant & Investor). This showcases that many each investor has its own way of gaining information about any investment of their interest.

With respect to FDI, even though India doesn't have many ESG products to offer, increase in FDI can help promote sustainable investments in India.

“Yes, even India doesn't have many products to offer in terms of ESG. When Indian Investors will see international investors investing in Indian ESG/ sustainability projects, this will encourage Indian investors to do so. This can be done by offering good investment options to our international investors” (Respondent one, Manager and Investor).

One of the respondents also stated how rating agencies can be biased towards big companies and give them a better or improved score compared to a small company. This was not covered under literature review.

So, there are various factors that play an important role for the whole of ESG investment industry.

6.2 Implications of the findings

The findings derived from the primary data revealed some of noteworthy factors that had not before been investigated in the literature.

Demand and supply factors for ESG while making investment option in India were not explored and how less of investment options are available in terms of ESG.

The literature didn't consider how lack of knowledge and awareness among the investors in India could possibly restrict investors to invest in sustainable funds. Many investors didn't have possibly much knowledge in terms of the governing policies and international standards.

Many participants believed that these global committees only impact developed countries and big financial companies.

“The United Nations' Sustainable Development Goals set can be aggressive in nature especially for a developing nation whereas a developed country might find it much easier to implement such policies. It might take time for companies to become more ESG friendly” (Respondent 3, Accounting associate & Investor).

The finding also states that all the respondents were aware about the three rating agencies MSCI ESG rating, Moody's and Fitch but not all necessarily depend on their scores and ratings.

From the findings, it is possible to conclude that both extrinsic and psychographic factors contribute towards the investors decision making, less importance given to ESG rating agencies and their ratings or scores.

6.3 Contributions and Limitations of the Research

The sample size for this research study was limited and small. The author completely understands that a bigger sample size would've benefitted this research study resulting in more robust and informative finding.

Nonetheless, the author believes that this study can help small investors to understand the complexities and investment decisions with respect to ESG funds.

The participants are traditional investors with sufficient knowledge and understanding about ESG investment expect for one participant.

Furthermore, the author only had a limited amount of time to collect data. Despite the study's limitations, the findings suggest that the findings provide a solid foundation for future research.

6.4 Recommendations for Future Research

Future studies would benefit from using a mixed research strategy and merging qualitative and quantitative data. The qualitative method would place a greater emphasis on the perspectives of the participants, but the quantitative method would allow the conclusions to be extended.

As this research study's sub- objectives haven't been met but it can be recommended for future research where the researcher's team can evaluate opportunities for Indian companies in the Asian market and simultaneously analysing the international regulatory system

Further research can possibly look at the impact and growth of AI technology in ESG investments. Other variables such as investors diverse portfolio and education can be used in researching about investment decisions.

The future studies can also focus on Sustainable accounting, this term and accounting method has been around for some time now. Not many companies account for cost related to sustainability. It would be interesting to see comparison between how different companies account for cost related to sustainability.

The future studies can also focus on looking at the impact companies has made on the environment, on society and their governance policy rather than just looking at their initiatives taken. This will give readers a better picture on how impactful and useful ESG is to the company and society.

The correlation between Cost and cost of issuing ESG funds by the company can be calculated and analysed with reference to Indian market.

6.5 Final conclusion and reflection

Environmental, Social and Governance investments have a lot of potential of growth and improvement in them. In India, there is lack of awareness and initiatives taken due to which the funds are then utilised by assets managers and portfolio managers.

This study is useful to academics and practitioners both. Many people are still sceptic about ESG investments but hopefully this study sheds some light on this area of concern.

The author expects this study to be useful for any investor and any ESG company as this funding is now growing in Indian market. Even though there are more than few products available, investors either are finding them not that attractive or the profit margin is not worth long-term investment.

The author hopes that with the help of the case study and semi structured interview investors get a better understanding about ESG investments.

In conclusion, this study lays the way for future researchers and recommends for additional related research in this area, as well as a more in-depth examination of both the investor and company perspectives.

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Appendix 1: Transcripts of the interview

Interview 1

Interviewer: How many years has it been since you started investing?

Respondent: *“It has been 8 years since I have started investing”*

Interviewer: Are you aware of the term ESG (Environmental, Social and Governance) investment and what do you understand by this term?

Respondent: *“Yes, I am aware of this term. ESG deals with sustainable and ethical factors. It is a non-financial factor. ESG investments are also termed as green investments. It motivates investors to invest in environmentally friendly projects. It shows how well a company utilises its resources without creating any wastage and damage to the environment or society”.*

Interviewer: Have you ever opted for ESG funds?

Respondent: *“No, I have never opted for ESG funds yet. Maybe in near future I will. When I do my maths the cost and profit ratio doesn't interest me much. My decisions will depend on the demand and supply for a stock at that period. So, if the demand for ESG increases then I will surely opt for the funds. When I do my maths the cost and profit ratio doesn't interest me much”*

Interviewer: What key elements do you take into consideration before investing?

Respondent: *“I consider what type of industry the company is in. If the company's financials and market conditions are favourable then I prefer to opt for those funds. To analyse my funds, I use the top to down approach. As I mentioned earlier, demand and supply play an important role while selecting investments. If there is demand, I would invest.*

Profitability is another factor I consider plays a huge role while deciding long term investment. To calculate profitability, I use profitability ratio.

In relation to ESG, I don't feel confident yet to invest. Though I have seen considerable growth in ESG, I personally feel they don't have a strong hold in the Indian market yet. These ESG are of more importance and understandable for a big time investor because I feel they are more knowledgeable and have resource or technology to predict the future outcome. I will invest in ESG only if I am able to buy and sell them for a good price. Profitability and market demand and supply play an important to me as I said before.”

Interviewer: Do you think ESG initiatives can lead to long term benefits for a company as well as for an investor?

Respondent: *“Yes, it can, but for a company it can be difficult as a company looks for profitability. If any ESG initiatives reduce the cost for the company, then it is beneficial for the company as well. But again, it is difficult to continue in the long term. ES funds can take time to give higher returns as well as the ESG market is quite not developed in India”.*

Interviewer: If yes, what factors do you consider while making sustainable investment choices? If not, which type of funds are preferred for portfolio diversification?

Respondent: *“I don’t have any particular types of funds that I opt for, but it depends on the valuation, market performance and the return that a fund is giving”.*

Interviewer: Are you aware about ESG rating agencies and their impact on a company’s goodwill?

Respondent: *“Yes, I am quite aware about ESG rating agencies, but I personally do not feel these rating play a major part in the company goodwill because before investing in any company any investor will look for financial indicators and the future prospect of the company”.*

Interviewer: MSCI ESG rating, Moody’s and Fitch are some of the top leading ESG service providers, did you every check their site for ESG scores/rating before making an investment decision?

Respondent: *“No, I haven’t. Even though all these companies are top performing companies providing financial as well as non-financial services, I wouldn’t rely on these rating or score for now. I can give countless reasons why I don’t find them reliable, firstly each agency has its own methodology to measure each factor and compile it all together to give results. In India, the policies aren’t strong enough to protect the interest of ESG funds. Regulations are still developing. I prefer to analyse funds on my own using Top to bottom approach than depending on a third parties reports”.*

Interviewer: In what ways can a company make more efforts to integrate ESG?

Respondent: *“ESG is not a big thing in India yet. Many companies will find it difficult even if they want to or plan on integrating ESG. Integration of ESG can lead a company to incur higher cost. For e.g., use of solar panel can be one way in which a company can integrate ESG values”.*

Interviewer: What, according to you, is the biggest drawback/ limitation while relying on these ESG scores/ratings?

Respondent: *“I suppose ESG companies can be bias towards bigger companies giving them better scores or rating compared to other smaller companies. Another thing to note is that, most of these agencies tend to have their own marking system which can differ from other.*

Most of these rating agencies use a third-party data which can lead to doubts on the reliability of the reports published. One of the drawback I feel that hinders the growth of ESG funds is that it is difficult to measure environment, social and governance all these three factors are outcome based, it is difficult to measure them”.

Interviewer: Different agencies can give out different scores and rating, will this lead to a bigger market confusion?

Respondent: *“No. I don’t feel like these can lead to any market confusion especially for smaller investor. For asset managers, who manage huge portfolios they have their own ways and means to analyse these scores. According to my knowledge, my friends who are into investing, even they do not read or consider these scores or ratings”.*

Interviewer: Are the United Nations’ Sustainable Development Goals feasible and of tangible effect for an investor? If yes, how do they add value to any investor? What should be changed about UNSDG?

Respondent: *“I am not much concerned about these committees. These committees operate on a global level and have responsibilities accordingly. Whenever they come up with a new policy or a new framework, they look at the global market, what the global market demands for? Mostly global markets are influenced by developed countries like USA, UK and EU, Singapore. India market and India companies may not be completely ready to adapt such huge policies and framework as of now. And overall, it is difficult to comment on any of these goals as it doesn’t impact many small time investors”.*

Interviewer: Due to COVID-19, sustainable investment trend is on the rise, is it viable for a small investor to follow such a trend?

Respondent: *“Yes, it depends on the investors and his means of investment”.*

Interviewer: Are current Indian investment policies sufficient enough to meet the standards of SDGs, SASB and other major framework? If no, what factors should Indian policy makers consider?

Respondent: *“I am personally no one to question their policies. The policy makers set policies looking at the economic factors and focus on a much larger and long-term goals”.*

Interviewer: Do you think India needs more FDI in ESG related offering to promote sustainability in India?

Respondent: *“Yes, even India doesn’t have many products to offer in terms of ESG. When Indian Investors will see international investors investing in Indian ESG/ sustainability projects, this will encourage Indian investors to do so. This can be done by offering good investment options to our international investors”.*

Appendix 2: Transcript of the interview

Interview 2

Interviewer: How many years has it been since you started investing?

Respondent: *“It has been around 2yrs”.*

Interviewer: Are you aware of the term ESG (Environmental, Social and Governance) investment and what do you understand by this term?

Respondent: *“Yes, this term is related to making sustainable investment choices and largely focusing on doing something good and beneficial for the society. ESG investment also has a factor of ethical investment to it. It shows how well a company operates and the contribution it made to the society, towards its management, good governance and society. Every company may have its own way to define ESG because every company is different in its working”.*

Interviewer: Have you ever opted for ESG funds?

Respondent: *“No, I haven’t opted for ESG funds. I am a new investor and I prefer receiving fixed return. This is still a niche market and still developing for example you know Aditya Birla and ICICI Prudent came up with some ESG funds. Even though they are reliable companies, I will let time decide their success”*

Interviewer: What key elements do you take into consideration before investing?

Respondent: *“As a new investor I avoid Risk involved; I personally do not prefer making risky investment decisions. It hasn’t been long that I started looking at investments, so I do want to take risks. Market uncertainty, the market is still recovering from the effects of covid”.*

Interviewer: Do you think ESG investment can lead to long term benefits for a company as well as for an investor?

Respondent: *“No, I don’t think so, as not many people opt for ESG funds”.*

Interviewer: If yes, what factors do you consider while making sustainable investment choices? If not, which type of funds are preferred for portfolio diversification?

Respondent: *“I have been interested in bonds and mutual funds as I know you will get a fixed interest irrespective of the market investment decisions”.*

Interviewer: Are you aware about ESG rating agencies and their impact on a company's goodwill?

Respondent: *"Yes, I am somewhat about aware these agencies. So, a good score or rank can possibility help the company attract more investors and vice versa"*.

Interviewer: MSCI ESG rating, Moody's and Fitch are some of the top leading ESG service providers, did you every check their site or ESG scores/rating before making an investment decision?

Respondent: *"No, I do not do that very often"*.

Interviewer: In what ways can a company make more efforts to integrate ESG?

Respondent: *"By improving their processes and supply chain, internal changes. By changing their policies related to environmental issues and be aware about it. And constant improvement"*.

Interviewer: What, according to you, is the biggest drawback/ limitation while relying on these ESG scores/ratings?

Respondent: *"I understand that, ESG rating or scores do not define an industry or a company. While conducting their research there is a high possibility that some data maybe not gathered or analysed properly as required. There might be few dimensions that could've been completely ignored. It is also important to understand the management and ethical consideration of such rating agencies. We don't know how true a company is towards its CSR activities, it can just carry out activities to get more investment and increase profitability of the company"*.

Interviewer: Different agencies can give out different scores and rating, will this lead to a bigger market confusion?

Respondent: *"I am not sure but yes, if there is an investor which is relying on 2 or more agencies and every agency has its own working and rating system due to lack of standardisation. This will lead to different results and might confuse investors as to which is a much reliable option, especially if the investor is new to the market"*.

Interviewer: Are the United Nations' Sustainable Development Goals feasible and of tangible effect for an investor? If yes, how do they add value to any investor? What should be changed about UNSDG?

Respondent: *“These standards give companies a clear pattern/ structure on how to proceed with sustainable investment. They are in place to get standardisation. So indirectly or directly these guidelines help investors decide investors make an accurate choice”.*

Interviewer: Due to COVID-19, sustainable investment trend is on the rise, is it viable for a small investor to follow such a trend?

Respondent: *“No, it is very important to have a good market knowledge while investing in these investments. A small investor will look for non-riskier investment faster and bigger returns or at least a decent return and sustainable investments can give bigger returns but needs long term commitment. Sustainable investment is increasing more between asset owners. I would not recommend sustainable funds for anyone who is starting with investment”.*

Interviewer: Are current Indian investment policies sufficient enough to meet the standards of SDGs, SASB and other major framework? If no, what factors should Indian policy makers should consider?

Respondent: *“No, I don’t think these framework meet global standards yet. India is just getting started with ESG investment options. The policies are more or better understood by the companies or portfolio manager than a commoner. I suppose relying on past data to know the patterns of the market or stock analysis. Also, I think instead of adapting the international framework as a whole, the regulators can modify these framework according to the Indian market”.*

Interviewer: Do you think India needs more FDI in ESG related offering to promote sustainability in India?

Respondent: *“Yes, Indian investors do give importance to FDI so rise in FDI will motivate Indian investors to do the same leading to increase in sustainable options. This will motivate the provider to push forward the sustainable options”.*

Appendix 3: Transcript of the interview

Interview 3

Interviewer: How many years has it been since you started investing?

Respondent: *“It has been around 4 years”.*

Interviewer: Are you aware of the term ESG (Environmental, Social and Governance) investment and what do you understand by this term?

Respondent: *“Yes, it’s about companies who are more focused on renewable energies. Which is more good for the environment. ESG comes under the umbrella of Socially Responsible Investments also known as SRI. According to me, ESG or even SRI both are very interesting topics to look at from an investors point of view as they are quite new in the Indian market”.*

Interviewer: Have you ever opted for ESG funds?

Respondent: *“No, not particularly. I haven’t looked at ESG funds even though they have a strong hold in the International market their performance hasn’t been that impressive in my opinion in Indian market.”*

Interviewer: What key elements do you take into consideration before investing?

Respondent: *“I do look at the fundamental and technical aspect and I study the stock before investing. I also look at the risk return and diversification. As an investor, there are different approaches which can be taken into consideration”.*

Interviewer: Do you think ESG initiatives can lead to long term benefits for a company as well as for an investor?

Respondent: *“For a company, ESG is a good move towards renewable and is better of the climate as such, but I don’t think it is great for the company. they should move towards the ESG but it won’t particularly help company in the long run. For the investor, Nifty ESG 100 performed worst than the Nifty 50, which is not good for the investor”.*

Interviewer: If yes, what factors do you consider while making sustainable investment choices? If not, which type of funds are preferred for portfolio diversification?

Respondent: *“I look for fundamentally strong companies which have future potential. I do my own research like I mentioned earlier, performance of the company and the investment choices made by the company”.*

Interviewer: Are you aware about ESG rating agencies and their impact on a company's goodwill?

Respondent: *"Not particularly but I am quite aware that to certain extent these rating agencies can impact the profitability of the company and also the goodwill"*

Interviewer: MSCI ESG rating, Moody's and Fitch are some of the top leading ESG service providers, did you every check their site or ESG scores/rating before making an investment decision?

Respondent: *"No. I think these scores and ratings matter more to big investors and assets managers. These are the top management people who require this type of deep analysed data in order to make decision choices. For my investment decision these scores do not really make a difference".*

Interviewer: In what ways can a company make more efforts to integrate ESG?

Respondent: *"They should look at a plan towards building ESG, they can start with the management of the company and set out proper governance rules. They can bring out changes in their production system and how they utilise resources".*

Interviewer: What, according to you, is the biggest drawback/ limitation while relying on these ESG scores/ratings?

Respondent: *"Agencies have to put in extra and more efforts to make it more reliable. The company also has to put more investment towards which makes the company less profitable in the future. These scores do not consider other cost incurred while making sustainable changes, this can be one of the drawbacks. It also matters to which standards these agencies give more to".*

Interviewer: Different agencies can give out different scores and rating, will this lead to a bigger market confusion?

Respondent: *"I feel it's pretty straightforward, if investor is relying on multiple sources, it is highly possible that this will create market confusion. But these agencies and their scoring system is still new in India context so not many small-time investors keen on using scores as their factor. If any big investor is going to invest, it is important to know what come he/she is looking forward to from this investment".*

Interviewer: Are the United Nations' Sustainable Development Goals feasible and of tangible effect for an investor? If yes, how do they add value to any investor? What should be changed about UNSDG?

Respondent: *“The United Nations' Sustainable Development Goals set can be aggressive in nature especially for a developing nation whereas a developed country might find it much easier to implement such policies. It might take time for companies to become more ESG friendly”.*

Interviewer: Due to COVID-19, sustainable investment trend is on the rise, is it viable for a small investor to follow such a trend?

Respondent: *“No, as I mentioned earlier Nifty ESG 100 performed worse than the Nifty 50, which is not good for any investor. ESG funds will definitely improve later but as of now I recommend sticking to traditional funds, bonds and means of fixed income. The market is very uncertain now and incorporating sustainable choices and profitability requires experience and knowledge”.*

Interviewer: Are current Indian investment policies sufficient enough to meet the standards of SDGs, SASB and other major framework? If no, what factors should Indian policy makers consider?

Respondent: *“I don't think so, most of these big framework and policies are more applicable to big companies like TATA in India. ESG is a term for foreign market and not the Indian market as of now”.*

Interviewer: Do you think India needs more FDI in ESG related offering to promote sustainability in India?

Respondent: *“Yes, FDI can develop policies to promote sustainability in India. FDI in India has been increasing in terms of infrastructure and IT development, with careful planning and proper allocation of FDI funds sustainable choices in investments can be improved”.*

Appendix 4: Transcript of the interview

Interview 4

Interviewer: How many years has it been since you started investing?

Respondent: *“It has been around 3 and half years”.*

Interviewer: Are you aware of the term ESG (Environmental, Social and Governance) investment and what do you understand by this term?

Respondent: *“Yes, it can be described as sustainable, responsible or ethical investment options. This is a catch-all word for investments that seek positive profits while also having a long-term influence on society, the environment, and corporate success. A successful integration of all the factors in a company will give the company many benefits in the future.”.*

Interviewer: Have you ever opted for ESG funds?

Respondent: *“Yes, for Nifty 100 ESG stocks”.*

Interviewer: What key elements do you take into consideration before investing?

Respondent: *“I consider Returns Risk involved, focusing on portfolio diversification I look for funds or investment options on long term and short-term basis, company and industry performance, stocks trading at good value. See, the market is very unpredictable, so it is important to follow the new and the company you are interested in”.*

Interviewer: Do you think ESG initiatives can lead to long term benefits for a company as well as for an investor?

Respondent: *“Yes, it will give the company a competitive advantage, help them diversify their offerings, and improve the goodwill and reputation of the company. Also, companies with strong ESG values tend to attract good talent for their company. For investors, it will help them diversify their portfolios, give them higher returns, less risky”.*

Interviewer: If yes, what factors do you consider while making sustainable investment choices? If not, which type of funds are preferred for portfolio diversification?

Respondent: *“I had never before invested in ESG funds, and this was the first time I went for it. So, I was very sceptical about my decision at the start. Before investing I did the market research so in 2020, when the market out for traditional stocks wasn't favourable, ESG funds were doing fine I realised. Then I looked at the regulations and regulatory body the companies follow because any change in policies can impact the price of the shares rapidly. ESG funds*

that I selected were on the expensive side compared to ordinary investment options, but I suppose many ESG funds are expensive because of its nature. The funds that I have invested are just for short term purpose because I wanted to get some insight on them”.

Interviewer: Are you aware about ESG rating agencies and their impact on a company’s goodwill?

Respondent: *“Yes, some people can opt to invest in a company based on their ESG and credit ratings. Credit rating is showing how much the company is in debt. A company’s goodwill will increase if they have been following sustainable and ethical practices. This is very important if the investor is focused on maximising their social impact”.*

Interviewer: MSCI ESG rating, Moody’s and Fitch are some of the top leading ESG service providers, did you every check their site or ESG scores/rating before making an investment decision?

Respondent: *“Yes, but only sometimes. As I mentioned earlier, I invested in ESG funds for the very 1st time so, during that period I did refer to MSCI ESG ratings to understand my investment options better. Their ESG ratings range from AAA to CCC. AAA score being the best and CCC being the worst. I mostly look out for A or B as I feel rating can affect the prices of the funds. It can be time consuming especially if one has no knowledge about them. I faced the same issue, but I went through the past reports and rating methods. I did this only to diversify my portfolio and not put all my investment in the same industry or funds. I also asked my friends who is more knowledgeable in investing before selecting ESG funds”.*

Interviewer: In what ways can a company make more efforts to integrate ESG?

Respondent: *“Increase investment in climate focused assets, reduce the risk involved if the company is in high risk/ legal technicalities and focusing on non- financial factors”.*

Interviewer: What, according to you, is the biggest drawback/ limitation while relying on these ESG scores/ratings?

Respondent: *“There is no standardisation on ESG rating framework, many companies using old data and lack of transparency when it comes to data collection methods. These companies are third party companies so it’s difficult to depend on a third parties report which isn’t coming from the management”.*

Interviewer: Different agencies can give out different scores and rating, will this lead to a bigger market confusion?

Respondent: *“Yes, it can create market confusion. Looking at the number of ESG rating companies, they are in thousands. Which mean most of them have their own basis of calculating ESG ratings. An investor can also question the reliability of the reports published”.*

Interviewer: Are the United Nations’ Sustainable Development Goals feasible and of tangible effect for an investor? If yes, how do they add value to any investor? What should be changed about UNSDG?

Respondent: *“Yes, they do, they create a safety net for the investors to invest in. UNSDG can focus more on weaker economies and also the implementation process of these standards. Many countries are facing problems to meet their goals because of COVID. These UNSD Goals can open new opportunities for investors”.*

Interviewer: Due to COVID-19, sustainable investment trend is on the rise, is it viable for a small investor to follow such a trend?

Respondent: *“No, sustainable investments can get expensive for a small investor. I consider myself as a small investor and I wouldn’t invest in them now because of their nature. Trends can change anytime and somethings it’s difficult to keep a tap on these trends. There are many committees internationally and framework in relation to ESG and sustainable funds but in India I am not aware of any such thing apart from the reporting compulsions made by the policy makers”.*

Interviewer: Are current Indian investment policies sufficient enough to meet the standards of SDGs, SASB and other major framework? If no, what factors should Indian policy makers consider?

Respondent: *“No, they aren’t enough. India’s policy makers should adopt more framework for companies to follow. For a small company, it will be difficult to measure and consider these policies with them”.*

Interviewer: Do you think India needs more FDI in ESG related offering to promote sustainability in India?

Respondent: *“Yes, getting FDI in sustainable development will expand the offerings of the Indian market. Investment will increase”.*

Appendix 5: Transcript of the interview

Interview 5

Interviewer: How many years has it been since you started investing?

Respondent: *“I have been investing from 4 years”.*

Interviewer: Are you aware of the term ESG (Environmental, Social and Governance) investment and what do you understand by this term?

Respondent: *“Yes, I understand ESG is about sustainable development and it’s about the company governance policies, the company ethics, values, how the company is managing its customers, employees and who are the company’s promoter, and it also shows us how well a company utilises its resources”.*

Interviewer: Have you ever opted for ESG funds?

Respondent: *“No, I Haven’t opted for ESG or sustainable funds”.*

Interviewer: What key elements do you take into consideration before investing?

Respondent: *“I look at the management of the company, the industry, the sector performance, the company’s working policies, I check for the fundamentals of the company. Also, technical analysis helps to predict the future outcome of the performance based of the past data”.*

Interviewer: Do you think ESG initiatives can lead to long term benefits for a company as well as for an investor?

Respondent: *“Yes, a good ESG initiatives can get a company good and supportive investor, who are ready to wait for a longer term to get their returns. When the company gets associated with good promoters who support ESG I think it will help the company to build up their brand value.*

For an investor, I think ESG initiatives gives investors an option to stay true to their ethics and understanding without any compromise. Also, long term investment can give higher return”.

Interviewer: If yes, what factors do you consider while making sustainable investment choices? If not, which type of funds are preferred for portfolio diversification?

Respondent: *“I do not have any specific preference. It mostly depends on the research and analysis I do before making any investment choices”.*

Interviewer: Are you aware about ESG rating agencies and their impact on a company's goodwill?

Respondent: *"Yes, a good ESG rating given by the agencies can impact the goodwill of the company. It can help the company get investors, help them raise investments for their projects and can also help them retain employees because of their good image".*

Interviewer: MSCI ESG rating, Moody's and Fitch are some of the top leading ESG service providers, did you every check their site or ESG scores/rating before making an investment decision?

Respondent: *"No, I haven't ever checked their scores and as I mentioned earlier, I mostly depend on technical analysis on making investment decisions".*

Interviewer: In what ways can a company make more efforts to integrate ESG?

Respondent: *"The company can start making small efforts to integrate ESG, like in terms of environmental factor, HDFC bank has stopped giving out deposit receipt and they are also more emphasising on internet banking now. To maintain Governance or corporate governance, the companies need to act in a much lawful manner by following all the rules and regulations set out by the regulators".*

Interviewer: What, according to you, is the biggest drawback/ limitation while relying on these ESG scores/ratings?

Respondent: *"These scores and rating have their own risk if not understood well, it can make investors take wrong decisions. Also, I feel not many people are aware about these agencies and their working. So, these are few areas I could point out on which need improvement as well. We can also note that there aren't any strong policies in the ESG sector that can encourage more investors other than investors wanting to invest to promote sustainability".*

Interviewer: Different agencies can give out different scores and rating, will this lead to a bigger market confusion?

Respondent: *"Yes, different agencies and different scores can lead to market confusion. The investors will find it confusing as to which data set to rely on. This can be more confusing for a small investor. This data set can also lead to different opinions and views about a company".*

Interviewer: Are the United Nations' Sustainable Development Goals feasible and of tangible effect for an investor? If yes, how do they add value to any investor? What should be changed about UNSDG?

Respondent: *"No, I don't think these Goals are related to the investors more, they are more company and country oriented".*

Interviewer: Due to COVID-19, sustainable investment trend is on the rise, is it viable for a small investor to follow such a trend?

Respondent: *"If the small investors have done enough research and has good market knowledge then its fine to follow such a trend. Following a trend can lead to increase in price of funds".*

Interviewer: Are current Indian investment policies sufficient enough to meet the standards of SDGs, SASB and other major framework? If no, what factors should Indian policy makers consider?

Respondent: *"I don't think we have sufficient ESG policies or proper guidance to it because ESG is still a new concept to investors so it will take time for regulators to come up with policies and guidance".*

Interviewer: Do you think India needs more FDI in ESG related offering to promote sustainability in India?

Respondent: *"Getting more FDI is always a good option. Getting FDI can not only grow a country but also create employment options. FDI in ESG will promote it to the Indian investors creating demand for these sustainable and ethical investments".*

Appendix 6: Transcript of the interview

Interview 6

Interviewer: How many years has it been since you started investing?

Respondent: *“Around 1 to 1.5 years”.*

Interviewer: Are you aware of the term ESG (Environmental, Social and Governance) investment and what do you understand by this term?

Respondent: *“Yes, I’ve heard about it, environment is doing business without harming the environment and nature and Social is keeping good relationship with the society and management. Government means following the Government rules and work ethically”.*

Interviewer: Have you ever opted for ESG funds?

Respondent: *“No, I haven’t opted to ESG funds yet”.*

Interviewer: What key elements do you take into consideration before investing?

Respondent: *“I consider looking at the company’s ratios like price to earnings ratio and comparing it to the industry’s ratios, debt to equity ratio to see the debt of the company, to know the management of the company and how it is performing in the overall industry and what is the market situation, also comparing it to other companies, if the company is undervalued or overvalued, if it’s a good opportunity or no”.*

Interviewer: Do you think ESG initiatives can lead to long term benefits for a company as well as for an investor?

Respondent: *“Yes, ESG initiatives can lead to long term benefits as it is the latest trend in the market. I feel there is more opportunity focus/ importance on ‘E’ i.e., environment. In the current situation also, Government is taking initiatives to control and protect our environmental”.*

Interviewer: If yes, what factors do you consider while making sustainable investment choices? If not, which type of funds are preferred for portfolio diversification?

Respondent: *“Factors like the past data. It is important to analyse the past data and see if the company has reduced any of their negative impact on the environment. Following Government rules and ethical practices”.*

Interviewer: Are you aware about ESG rating agencies and their impact on a company's goodwill?

Respondent: "No".

Interviewer: MSCI ESG rating, Moody's and Fitch are some of the top leading ESG service providers, did you every check their site or ESG scores/rating before making an investment decision?

Respondent: "No, I haven't". *I do not depend on any such rating or score. For me, I analyse the market trend, the stock performance and company's performance to make my investment decision".*

Interviewer: In what ways can a company make more efforts to integrate ESG?

Respondent: "They can improve on the product, follow the rules, take advantage of Government subsidy. The company can consult NGO's on how they integrate ESG systems. By setting up committees to look after the company's governance system. These are few ways that I could think about".

Interviewer: What, according to you, is the biggest drawback/ limitation while relying on these ESG scores/ratings?

Respondent: "Every agency has its own way on calculating these scores or rating. So, we don't know which methods gives more accurate or better results. This is due to lack of standardisation. Also sometimes, companies can use old data to score a company. Using old data is highly unreliable and can give inaccurate results".

Interviewer: Different agencies can give out different scores and rating, will this lead to a bigger market confusion?

Respondent: "Yes, it will create market confusion. This is a growing challenge for investor because every agency has its own expertise. The correlation between these agencies scores are very less. This can be challenging while comparing and analysing data".

Interviewer: Are the United Nations' Sustainable Development Goals feasible and of tangible effect for an investor? If yes, how do they add value to any investor? What should be changed about UNSDG?

Respondent: *“I don’t have much idea about it. As an Indian investor, I would be more concerned about the ESG regulators in India than the global regulators. Like, there have been occasions where businesses have been shut down for failing to follow the rules. These rules impact a business or maybe a particular industry or companies and even a country as a whole, but I don’t think it will impact an investor. They might just have indirect consequence which may or may not matter to the investor. For example, in India companies must have a separate sustainability report which may be useful to the investor. I can also give another example of coal/ mining industry or even construction agency, these industries are heavily regulator because of its nature of misusing their resources and power”.*

Interviewer: Due to COVID-19, sustainable investment trend is on the rise, is it viable for a small investor to follow such a trend?

Respondent: *“Yes, it is a good trend to follow. ESG has a long way to go in India and it will be better if small investors also participate and help ESG and sustainability grow. I am a small investor and soon I am planning on investing in ESG funds but just waiting for the right market condition. With COVID- 19 outbreak, companies are willing to contribute to sustainability, but it will take some time for this trend be fully be accepted in Indian market and come up with more products”.*

Interviewer: Are current Indian investment policies sufficient enough to meet the standards of SDGs, SASB and other major framework? If no, what factors should Indian policy makers consider?

Respondent: *“I think, the policies and steps taken are sufficient enough as per Indian standards but can’t say much about it on an international level. I read a report where they stated that more than 70 to 80% investors are more attracted towards ESG. HSBC, which is a global financial service provider committed more than \$100 million towards ESG companies. I also think that any policy or framework need like constant improvement and constant analysis to see how companies and market reacts to those policies. At one point, India will improve and come up with much better regulations to push forward and educate investors in India. When it comes to factors, I feel if more investors move towards ESG or green investment, the regulators will be forced to have a much closer look at their system”.*

Interviewer: Do you think India needs more FDI in ESG related offering to promote sustainability in India?

Respondent: *“Yes, it does. If FDI investment increases, it will help other investors to do the same leading to increase in demand and supply for ESG funds. When there is foreign money flowing in, international investors will all get attracted in investing in India”.*