FRAMING ESG

A QUALITATIVE STUDY ON ESG INTEGRATION IN INVESTMENT PRACTICE

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Framing ESG: A qualitative study on ESG integration in investment practice

Abstract:

This qualitative study explores how ESG is integrated into investment practice, focusing on how investment practitioners understand ESG by drawing upon framing theory. A single case study was performed, in which 13 investment practitioners in various roles at the case company were interviewed. The findings indicate that investment practitioners have a financial frame of investment practice central to valuation and a frame of ESG as something separate to traditional investment practices, broader and suited for more qualitative analysis that was driven by internal policies, laws and regulations and demand from clients. The co-existence of the two frames resulted in different tactics to manage the plurality of frames: frame blending, frame shifting, and frame compartmentalization, which had implications for the integration of ESG. The tactics adopted depended on to which degree the ESG frame was perceived as congruent with the financial frame, the investment practitioners' backgrounds in ESG, and to which degree ESG integration was required by policy and regulation in different roles.

Keywords:

Investment practice, ESG integration, cognitive frames, conflicting frames, frame tactics

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1. Introduction

Environmental, social, and governance (ESG) issues have not been part of traditional financial analysis (Hayat & Orsagh, 2015) or investment decision-making. ESG related issues have been treated as externalities, and consequently, ESG has not been reflected in market prices (Young, 2013). However, integrating ESG into investment practice is becoming increasingly common (Boffo & Patalano, 2020). The practice of integrating ESG has evolved from its origins in focusing on the exclusion of unsustainable or unethical investments to ESG also being considered for a more complete and informed investment analysis since ESG issues can affect risk and return of investments and hence their financial performance (Hayat & Orsagh, 2015).

As ESG is becoming more common in investment practice, national financial regulators have begun to assess and establish practices associated with sustainable finance, such as ESG taxonomies, approaches, and marketing to investors, to make ESG practices more transparent and consistent, as well as to increase the capital flows to sustainable investments. One such example is the EU sustainable finance taxonomy (Boffo & Patalano, 2020). In addition to regulatory initiatives, there are many other ESG related initiatives created to address ESG in investment practice and among corporations, for example, Carbon Disclosure Project, Sustainable Accounting Standards Board, Global Reporting Initiative (Campbell et al., 2012), UN Global Compact, UN Principles for Responsible Investment (Boffo & Patalano, 2020) and the Task Force for Climate-related Financial Disclosures (O'Dwyer & Unerman, 2020), to name a few.

Although investors, regulators, and framework developers are increasingly focusing efforts on integrating ESG into investment practice, practical implementation issues remain (Hayat & Orsagh, 2015), and efforts to integrate ESG vary across investors (Sciarelli et al., 2021). ESG can be difficult to measure monetarily (Hayat & Orsagh, 2015), which may complicate the integration of ESG into investment practice since investment managers have tendencies to overlook information that is difficult to integrate into financial numbers (Arjaliès & Bansal, 2018). Indeed, this poses a challenge to the integration of ESG, since the primary calculative devices in the financial service industry are financial numbers, and the key criteria determining their usefulness to investors is whether they can determine the market value of a firm’s assets (Arjaliès & Bansal, 2018).

Furthermore, ESG often falls outside the frame of what investors consider as relevant in investment practice. For example, Young (2013) argues that ESG is generally absent from the dominant frame of investment that is typically shaped by investment theory, concepts of risk, and return and valuation. Overall, there is a practical challenge in integrating ESG into investment practice but also a challenge in integrating ESG into the understanding of what constitutes investment practice. Therefore, it is interesting to study how ESG issues are integrated into investment practice.

The interplay between personal judgment and financial numbers is central in the financial industry, but research on this topic is limited (Arjaliès & Bansal, 2018). Since personal judgment affects investment practice, we study how individual actors involved in investment practice understand and use ESG information using framing theory. Previous studies about ESG in investment practice have overlooked the framing perspective. Instead, they have generally focused on the financialization of ESG (Arjaliès & Bansal, 2018; Crane et al., 2015; Tan, 2014; Young, 2013), organizational challenges in integrating ESG (Cederberg, 2019; Juravle & Lewis, 2009; Solomon et al., 2013; Wagemans et al., 2018; Young, 2013) or have considered individual investment practitioners' conceptions of ESG and efforts to integrate it (Du Rietz, 2014; Tan, 2014; Young, 2013), without considering the framing perspective. The possible effects of framing on investment practice have previously been demonstrated (Beunza & Garud, 2007). Still, the framing of ESG, as an increasingly considerable aspect of investment practice, has not yet been studied to our knowledge.

Against this background, the purpose of this thesis is to explore how ESG is understood and used by investment practitioners in their daily work. This is interesting because ESG has typically been absent from the field investment practitioners operate in. Hence, our research question is formulated as follows:

How do investment practitioners understand ESG, and what implications does this have for the integration of ESG in investment practice?

The results of this single case study indicate that investment practitioners have a financial frame of investment practice that is central in valuation, and a frame of ESG as something separate to traditional investment practices, broader and suited for more qualitative analysis that was driven by internal policies, laws and regulations and demand from clients. These two frames of investment practice resulted in different tactics to manage the plurality of frames: frame blending, frame shifting, and frame compartmentalization. The tactics adopted depended on to which degree the ESG frame was perceived as congruent with the financial frame, the investment practitioners' backgrounds in ESG, and to which degree ESG integration was required by policy and regulation in different roles.

The rest of this thesis is structured as follows: In section 2.1, we briefly elaborate on the concept of ESG and review previous literature on investment practice and the integration of ESG. In section 2.2, framing theory is presented, which is used to answer the research question. Following this, the methodology is explained in section 3, including our research strategy and design, data collection method, and data analysis. After this, we will present and analyze our empirical results in section 4. This will be followed by a discussion of the findings in section 5. Finally, concluding remarks, limitations, and suggestions for future research will be presented in section 6.

2. Theory

In this section, the theory is presented. In section 2.1, we briefly elaborate on the concept of ESG and present a review of previous literature on investment practice and ESG in investment practice. In section 2.2, we present the theory of framing and plurality of frames.

2.1. Previous literature

2.1.1. Background on ESG

Environmental, social, and governance (ESG) is a broad concept that can refer to issues related to, for example, climate change, carbon emissions, non-renewable resource dependency, human rights, poverty, health, diversity, bribery, and corruption (Young, 2013). Costs related to ESG issues, which can be referred to as externalities, have traditionally not been integrated into investment decision-making and therefore, they have not been reflected in market prices. Through ESG integration in the investment process, these can be adequately considered (United Nations Principles for Responsible Investment, 2011). In recent years, integration of ESG in investment practice has become increasingly common. Consideration of ESG in investing has increased due to a shift of demands in the financial market, driven by the search for long-term financial value and investments in accordance with values (Boffo & Patalano, 2020).

Integrating ESG issues into investment practice, ESG reporting has become a significant source of information. Lately, it has become practice for companies to disclose their ESG information and performance as part of their stand-alone sustainability report, annual report, or most recently integrated report. These trends in corporate reporting practices have led to a growing set of voluntary standard setters, certifiers, and assurance providers. However, the Global Reporting Initiative has become the default standard for measuring and disclosing corporate environmental and social information (Young, 2013). In 2020, among 5200 companies consisting of the 100 largest companies in 52 countries around the world, 80% used GRI for sustainability reporting (Threlfall et al., 2020).

The phenomenon of ESG has triggered academic interest in management, CSR, and business ethics literature (Cederberg, 2019). However, the ESG accounting literature has primarily focused on the preparers rather than the users of ESG information (Young, 2013), covering topics such as the difference between reported and actual corporate practice (Adams, 2004). Focusing on the users of ESG information instead, more specifically investors, typical features of investment practice will be elaborated on in the next section, followed by a review of previous studies about how investors integrate ESG.

2.1.2. Investment practice

In the stream of research on investment practice, many studies have addressed the techniques and information used in investment decision-making. Much of the research on investment decision-making focuses on fund managers since they are the primary decision-makers in the financial market with a prominent role in allocating economic resources (Barker et al., 2012). It is also common that studies focus on the work of analysts (e.g. Bouwman et al., 1987; Hägglund, 2001; Imam et al., 2008).

In investment practice, valuation is a crucial part of the work conducted. Valuation can be defined as "the estimation of an asset's value based on variables perceived to be related to future investment returns, in comparison to similar assets" (Pinto et al., 2015 p. 33). Valuation skills are essential to investors since they enable them to calculate their investments' risks and returns with confidence (Goedhart et al., 2015 p. 15). Significant theories that deal with risk and return that have shaped investment practice and, more specifically valuation include, for example, the modern portfolio theory (Markowitz, 1952), the capital asset pricing model (Lintner, 1965; Mossin, 1966; Sharpe, 1964) and the three-factor model (Fama & French, 1993).

There are many ways to value a company, such as the discounted cash flow model, discounted economic profit model, adjusted present value model, capital cash flow model, and equity cash flow model (Goedhart et al., 2015 p. 138). However, the discounted cash flow (DCF) model is commonly used by investment practitioners since it relies on cash flows rather than on accounting-based earnings (Goedhart et al., 2015 p. 137). The DCF model discounts future free cash flows available to all investors using the weighted average cost of capital to arrive at an enterprise value. Forecasting revenue growth, margin, and invested capital are crucial activities to project free cash flows (Goedhart et al., 2015 p. 145). The capital asset pricing model is relevant to investors since it can be used to calculate the required return (Pinto et al., 2015 p. 52) needed as an input for the weighted average cost of capital to discount future cash flows and determine the present value of an investment (Pinto et al., 2015 p. 247). After this, debt and other non-equity claims on cash flows can be subtracted to determine the equity value.

As a complement to the DCF valuation, the simple valuation method of multiple valuation is often used (Imam et al., 2008). Multiple valuation can be used to check the accuracy of the DCF valuation. This method can also determine if a company is expected to perform differently than comparable companies (Goedhart et al., 2015 p. 165). Using multiple valuation, the idea is that similar assets should sell for similar prices (Goedhart et al., 2015 p. 351). A popular multiple is price to earnings (Goedhart et al., 2015 p. 351) but other examples include enterprise value to EBIT, EBITDA, or EBITA (Goedhart et al., 2015 p. 358).

However, multiple studies have found that the outcomes of investment decisions generally are not solely results of calculation and valuation model outputs. Overall, previous research points to various other factors influencing investment practice.

To begin with, to conduct valuation and financial analysis, a significant part of the work of investors is to obtain valuable data. Barker et al. (2012) found that fund managers consider information from private meetings with company executives their most important source of information. Financial analysts also use private information to complement information publicly available (Wang & Mohammad, 2012). Furthermore, fund managers value private information obtained through direct contact with investee companies since it offers a competitive advantage (Barker, 1998; Drachter et al., 2007) because they lack trust in numbers in the public financial statements (Malsch & Gendron, 2009) or since it is useful to deal with uncertainty caused by limited public information (Holland, 2006).

Moreover, the fundamental opinions developed by investors through quantitative analysis might be adjusted for qualitative factors (Hellman, 2000). Investors' fundamental opinions about companies might be mediated by factors including investor context such as laws, organizational context, portfolio and perceived investment alternatives, and market premises referring to market restrictions and opportunities related to share price, trading volume, and following other investors' behavior. On a more general level, many possible social factors may affect how investment practice is conducted. Other research findings point to the influence of culture, social pressure, and emotions. Regarding the influence of culture, O'Barr and Conley (1992) found that cultural factors are at least as prominent in investment decision-making as financial analysis. For example, activities such as choosing an investment strategy, evaluating investment options, company politics, and institutional history influenced decision-making. Moreover, the influence of social pressure and expectations on fund managers may promote impression management (Coleman, 2015) or cause them to base their actions on stories that underestimate risks and overvalue opportunities (Tuckett, 2009). Lastly, emotions can affect investors' calculative work and investment practices (Lange & Scheve, 2021).

Other studies have emphasized the limitations of quantitative evaluation methods in investment decision-making, especially considering the uncertainty that investors deal with, and highlighted the importance of judgment and biases. Overall, cognitive biases and heuristics, as elaborated on in the pioneering work by Tversky and Kahneman (1974), are central concepts in behavioral finance (Hellman, 2000). For example, Coleman (2015) found that the use of heuristics among institutional investors is significant and that qualitative data and analyses were preferred over quantitative. In addition, finance theory can have limited practical relevance to fund managers since the quantitative approach to finance theory requires data about the future that is not available, and it ignores qualitative information and skills and objectives of fund managers. Imam et al. (2008) found that investment analysts perceived the discounted cash flow model to be important but limited with regards to technical applicability. Consequently, analysts also relied on multiples and their judgments of whether the market price feels right or not.

Overall, the studies mentioned indicate that investment practice is more complex than mechanical use of valuation models, as for example, collection of valuable data is an integral part of the work, different types of organizational and social factors may influence the valuation, and finally, judgment is used to guide investors in their analytical work. Further, considering individual investment practitioners' work, multiple studies focus on their understandings and interpretations, using concepts such as sensemaking, financial templates, and calculative frames.

Hägglund (2001) and Eshraghi and Taffler (2015) have studied the sensemaking of investors. To begin with, Hägglund (2001) found that the joint work between investors and analysts to conceptualize investment objects was crucial to make sense of the companies they deal with. From a sensemaking perspective, the investment object is its relations and a result of a process of analysis driven by ambiguity stemming from the need to understand the object. Additionally, Eshraghi and Taffler (2015) showed that sensemaking was central in the work of investors. More specifically, investors told stories and constructed narratives to make sense of their work, to construct their identities, justify their added value, and explain their performance respective underperformance at work.

Bouwman et al. (1987) found that financial analysts used financial templates when evaluating companies. Financial templates can be explained as memory structures shaped by the analyst's experience, used to "set the stage" of the analysis. The financial templates can shape the analysis depending on the information they contain, for example, ideas of typical company behavior, industry-specific standards, common problems for a particular company and industry, and lastly, ready-made evaluations of whether the investment is attractive.

Finally, Beunza and Garud (2007) studied the interpretation of information through calculative frames. They found that under uncertainty, financial analysts created and used calculative frames, i.e., interpretative devices used to give meaning to, categorize, and develop quantitative value estimates. Moreover, they found that investors used different calculative frames, and due to these controversies, investors used various analogies, key metrics, and categorizations leading to different recommendations about the same object.

To summarize, valuation is an integral part of investment practice. However, the collection of useful information, organizational and social factors, judgment and biases of investment practitioners, and individual understandings may impact investment analysis and decision-making. Such factors might have implications for the role of ESG as it is integrated into investment practice.

2.1.3. ESG in investment practice

Qualitative research of ESG in investment practice is limited. Previous literature on ESG integration in investor organizations has focused both on individual decision-making situations and the broader ESG practices in organizations and methods and mechanisms to integrate ESG used by investors ranging from quantification to marketing.

Some studies suggest that investors desire to quantify ESG information to integrate it into the financial analysis. For example, Crane et al. (2015) showed that stakeholder claims are financialized through accounting. In addition, Young (2013) found that ESG issues are difficult to reduce to quantitative measures that fit into valuation models and that financial materiality determines which ESG issues are given attention by institutional investors. Moreover, Eccles et al. (2012) found that risks to investors' portfolios about ESG issues were not sufficiently disclosed due to the lack of comparable quantitative metrics reported by companies. In addition, Zaccone and Pedrini (2020) found that difficulty in finding information and lack of comprehensive ways to measure ESG complicate the integration of ESG factors for investors. To complement the insufficiencies in the publicly disclosed ESG reporting, ESG information obtained through private relationships has been found to be important. Solomon and Solomon (2006) studied the integration of ESG disclosure into institutional investments and found that ESG disclosure was deemed decision-useful, but publicly disclosed ESG information was not deemed adequate for investment decision-making. Rather, investors obtained disclosure on ESG through private relationships with investee companies.

On the contrary, Arjaliès and Bansal (2018) found that ESG information is sometimes not quantified and integrated this way into the financial analysis, instead used as a side-criterion. The authors concluded that fixed-income and equity investment managers consider ESG information differently. While fixed-income investment managers tried to financialize data to integrate ESG criteria into their financial models, equity investment managers used visuals in the form of emojis to consider ESG criteria. The latter approach facilitated analysis of ESG information that could not be financialized.

The practical issues of integrating ESG in investor organizations are not limited to finding useful data and managing to use it as input in analyses. For example, Juravle and Lewis (2009) argue that differences in organizational culture and external factors such as short-termism, aversion to ESG in the market, and market decline can affect the views of integrating ESG in organizations. In addition, Wagemans et al. (2018) found that engagement in sustainable investments was effective when improved ESG performance was combined with financial materiality, but nonetheless, financial and ESG themes were not always combined in practice. For example, separate teams focused on ESG themes and financial themes, respectively. An explanation for this separation was that ESG had initially been a foundation for excluding investments without focusing on financial materiality. Consequently, the integration of ESG did not make sense.

Yamahaki (2019) further elaborated on the practical issue of integrating ESG in investment organizations by emphasizing the active work required, as the integration did not occur effortlessly. In this study, investment associations collaborated with investors to integrate ESG. The findings indicate that responsible investments were promoted through different types of institutional work, including educating by improving awareness among investors of the topic, disconnecting sanctions from rules by clarifying laws on investors' joint actions, and lastly embedding norms in daily practices by offering tools for ESG integration and providing a forum for investors to engage in companies they invest in.

Overall, the integration of ESG is something that investors actively have to deal with. Tan (2014) studied financial analysts' corporate governance integration into investment analyses, focusing on the corporate governance part of ESG, and found that calculative ideas and calculative devices were used for integration. Firstly, calculative ideas about the idea of incorporation of governance into the investment process and ideals about the linkage between financial performance and corporate governance shaped the discourse among analysts, which shaped how they established expertise in the new corporate governance domain. Secondly, calculative devices, i.e., certain tools and mechanisms such as graphs or regression analysis, were used to make corporate governance integration operational. Through these processes, they sought alignment between corporate governance and the broader investment thesis, although sometimes inconsistencies appeared. Overall, the integration of corporate governance was conducted to make it responsive to the claims of analysts' expertise.

Since the integration of ESG is a considerably new part of investment practice, investors' methods to identify information and gain knowledge about ESG may have implications for the integration of ESG. Du Rietz (2014) studied how ESG information was identified as part of the analysis practice of institutional investors and found that investors defined an epistemic object, i.e., what they wanted to gain knowledge about, to separate information from irrelevant accounts. To identify information, analysts spent plenty of time categorizing information and irrelevant accounts and looking for accounts that were absent. Therefore, the perceptions of what information is relevant to the analysis, such as whether they search for ESG information in the first place, have implications for which information is found and used.

Cederberg (2019) elaborated on the practical issues of establishing sustainable investment practices, however, using actor-network theory. In this study, ESG integration referred to the inclusion of ESG data in valuation models and organizational integration practices concerning the materialization of ESG in practice and inscriptions. Cederberg found that the integration of ESG into investment practices rather reproduced the dichotomy between ESG and finance that it aimed to overcome, which meant that integration caused obduracy. Moreover, ESG was integrated "in-between", meaning that ESG was present in various settings in the sense that ESG was “there”, but it still did not make a difference to the decisions made.

Similar to Cederberg (2019), Young (2013) studied the integration of ESG into institutional investment processes using actor-network theory. The study contributes with four forms of ESG integration that changed investment processes: marketing, tangential, embedded, and normative. One way of integrating ESG identified by Young was tangential, meaning that the company tried to integrate ESG issues into the actual investment process, but that due to difficulties with data, the actual integration was marginal. Due to poor ESG data, it could not be quantified in a meaningful way, and only quantitative data could be integrated into the mainly quantitative way of investment decision-making.

Another way of ESG-integration was through two types of embeddedness (Young, 2013). First, ESG was embedded in the numerical analysis where ESG issues were converted into financially material risk factors. Secondly, ESG was embedded in individuals’ cognition as intellectual capital, values, beliefs, and team philosophy. Accordingly, ESG issues were not necessarily integrated in a numerical way. The third form of ESG integration was normative, which meant that the economic rationale that ESG integration was built upon was challenged. First, normative integration appeared in how fund managers framed their consideration of ESG as the cause to better long-term investment decisions. Secondly, normative integration appeared in how investors identified as moral stakeholders responsible for both effective allocations of capital and future benefits of stakeholders.

A final form of ESG-integration that Young (2013) identified was through marketing. Although ESG was not translated into the actual investment decision-making this way, ESG principles were transformed into a marketing device that spread ESG into new settings. This way, marketing convinced asset owners and other fund managers of the proposition of ESG integration, although ESG was not necessarily integrated into investment decisions. Sciarelli et al. (2021) similarly observed that asset management companies integrated ESG criteria into their financial communication to attract investors. They found that most asset management companies in their study were far from fully integrating ESG criteria and that they tended to focus their disclosure and communication efforts on the positive efforts they had achieved. In addition, Hamilton and Eriksson (2011) found that Swedish pension funds mainly integrated ESG for the sake of their reputation through the means of engagement or exclusion from their portfolios.

Lastly, Solomon et al. (2013) studied institutional investors that used ESG reporting in their work and concluded that ESG reporting was used frontstage ritualistically for impression management. Most of the time, the investors shared a frame that they did not accept fabrication, and rather believed that investee companies did not intend to deceive them. This frame was rarely broken and exchanged for genuine accountability and demand for transparency. Essentially, ESG integration was an empty exercise due to the perception that ESG considerations were subordinated to financial ones. Consequently, financial reporting was prioritized backstage, where investment decision-making took place. This way, investor organizations engaged in and spent resources on social and environmental reporting, but meanwhile, they were aware that the work put into social and environmental reporting would be subordinated to financial reporting.

Many of the studies on ESG integration focus on investors' attempt to financialize ESG and the practical ways in which investment organizations integrate ESG, and the challenges they face in this process. Less common is a focus on how individual investors themselves understand and consider ESG in their daily work and how this may have implications for how ESG is integrated into investment practice. Although some studies imply that conceptions and ideas of ESG affect its integration or emphasize the role of cognition in ESG integration, none of these have focused on understandings of ESG using framing theory.

2.2. Conceptual framework

2.2.1. Framing theory

To explore how actors involved in the investment practice at an institutional investor understand ESG, we draw upon framing theory. Frames are sometimes also referred to as schemas (DiMaggio, 1997; Harris, 1994) or cognitive scripts (Gioia & Poole, 1984). Frames refer to social structures which guide individuals' interpretations of the past, the present, and the future (Harris, 1994). Framing theory has been used to conceptualize individual sensemaking (Weick, 1995). This implies that framing theory can be relevant for our study since we are interested in how individual understandings of ESG can shape ESG integration. Furthermore, the theory is useful to understand individual differences between practitioners in this regard.

The theory of frames was first formulated by Burke (1937) and Bateson (1972). Framing then gained popularity through the work by Goffman (1974). In the research field on frames, there are plenty of studies taking a myriad of different directions. For example, framing theory has been applied in a variety of fields within social sciences ranging from cognitive psychology and behavioral economics (Kahneman & Tversky, 1979), discourse and linguistics (Tannen, 1993) to sociology and social movements (Snow et al., 1986). Overall, there is arguably ambiguity in the field (Englund et al., 2013). The research on frames has conceptual differences and differences in their approaches with regards to methodology and ontology (Dewulf et al., 2009). To sort out some of the confusions within the field, Dewulf et al. (2009) distinguish between two main traditions within research on frames: interactional constructions and cognitive representations.

First, considering the two main traditions within the field, frames as interactional constructions can be explained as alignments negotiated in the interaction between individuals, focusing on the role of communication (Tannen & Wallat, 1987). This tradition has early roots in the work by Bateson (1954), where frames are used to understand how indirect messages exchanged between participants in interaction indicate how the situation should be interpreted. In this interactional view, frames are constructed successively (Gonos, 1977) and the framing of a situation may shift rapidly as meaning is jointly constructed (Stokes & Hewitt, 1976).

In the second main tradition within the field, which we will draw upon, frames are understood as cognitive representations. The research on cognitive frames has its background in the schema theory of memory by Bartlett (1932). Cognitive frames can be understood as cognitive knowledge structures that help people interpret and organize information by fitting it into previously learned schemas about reality. Frames are applied to new situations that people face, but not all details of a frame may necessarily be applicable in all situations (Minsky, 1975). Frames are relatively stable, but they can change as new situations are framed by being matched towards already available frames (Dewulf et al., 2009). More specifically, cognitive frames consist of structures of expectation about objects, people, events, and settings (Dewulf et al., 2009). In practice, cognitive frames can be used to understand how people experience, process, interpret or represent issues in conflict settings. Since frames are used to interpret new situations based on previous experiences, frames cause biases and shape information processing (Dewulf et al., 2009). Overall, we are interested in a micro-level cognitive frame which can be defined as a "knowledge structure that directs and guides information processes" (Cornelissen & Werner, 2014 p. 184). In this perspective, an individual's framing is described as one cognitive structure that might change and adjust to new situations being framed (Dewulf et al., 2009).

Drawing upon the previous research on frames, we argue that cognitive frames are an insightful theoretical approach with regards to our research interest. Since we focus on individuals' understanding of a phenomenon, ESG, and how it affects their behavior in integrating ESG, the cognitive frames-perspective is suitable because, in this research stream, the meaning depends on individual understanding. In this perspective, frames are biased images of the world among individuals (Dewulf et al., 2009). Therefore, this theoretical direction is useful to study individual information processing and representations to compare differences between individuals. In addition, our data collection method, interviews, is suitable for an analysis using this theory because it allows for insights into how individuals understand and use ESG in their work based on their experiences (Dewulf et al., 2009). Finally, defining our focus on what is getting framed, framing of issues, in our case ESG issues, is our primary interest. Issue frames refer to meanings attached to problems, events, or agenda items (Dewulf et al., 2009).

Since the literature on investment practice shows that heuristics and judgment (Coleman, 2015; Imam et al., 2008), sensemaking (Eshraghi & Taffler, 2015; Hägglund, 2001), financial templates (Bouwman et al., 1987) and calculative frames (Beunza & Garud, 2007) can influence investment practice, theory of cognitive framing is relevant to understand how individual knowledge structures of investment practice may influence how ESG is integrated. This is especially interesting since studies on ESG integration in investment practice have pointed to the relevance of conceptions and cognitions of individuals in this process (Du Rietz, 2014; Tan, 2014; Young, 2013).

2.2.2. Plurality of frames

We find it relevant to study ESG integration in an investment context from the perspective of more than one frame. A "financial frame" and an "ESG frame" will be presented in section 4.2. The empirically constructed financial frame is focused on valuation, risk and return, and quantitative inputs. On the contrary, the empirically constructed ESG frame presents ESG as a more general, qualitative, and separate analysis often not connected to valuation driven by legal and internal policy and demand. Since ESG is typically absent from the dominant frame of investment practice (Young, 2013), but at the same time ESG is becoming more common in investment practice (Boffo & Patalano, 2020), it is reasonable that ESG in investment practice might be viewed from another frame than the more financially centered frame of conventional investment practice shaped by classic investment theory of risk and return and valuation (Young, 2013). Such co-existence of frames is not surprising since a plurality of competing frames can exist and result in complex situations in organizational life (Lorino et al., 2017). Overall, there may be complex interplays between extant and emerging frames within organizations (Kaplan, 2008).

Considering research on struggles and settlements of contrasting cognitive frames among different movements or actors within institutional fields, studies have typically focused on negotiations and settlements of field-level frames rather than on individual processes (Cornelissen & Werner, 2014). However, we deem that contrasting cognitive frames can be interesting to study with a focus on individual struggles. This is reasonable since there is a connection between the cognitive framing of individuals and macro-level frames or logics. For example, frames have been seen as functions of sensemaking and tools to translate logics at societal levels (Thornton et al., 2012 p. 2). Based on this reasoning, theory developed from the stream of research on strategic processes and tactics to deal with plurality of frames that focuses on field-level frames, will be used from an individual framing perspective to understand responses to ESG integration in investment practice.

One study of strategic processes and tactics to deal with plurality frames was conducted by Snow et al. (1986) and focused on social movements. Snow et al. discussed the concept of frame alignment, which refers to the degree, e.g., values, beliefs, and goals of individuals and social movement organizations are congruent and complementary. In this study, Snow et al. identified four processes for frame-alignment processes: frame bridging, frame amplification, frame extension, and frame transformation. However, the typology by Snow et al. has received critique for being abstract (Ansari et al., 2013). Furthermore, Cornelissen and Werner (2014) argue that the alignment processes identified by Snow et al. are only loosely connected to the sensemaking of individuals involved and that the typology exaggerates the strategic nature of frames. As a response, Werner and Cornelissen have developed an alternative typology dealing with frame alignment, specifically focusing on two tactics that they argue are more detailed than the frame-alignment processes presented by Snow et al. (1986). Furthermore, these tactics present micro-level tactics that individuals draw upon to reframe circumstances and challenge status quo while embedded in their institutional context. Consequently, it is suitable for us to draw upon the tactics presented by Werner and Cornelissen since we are interested in the understandings of individuals and focus on cognitive framing in a context with plurality of competing frames. The two framing tactics, namely frame shifting and frame blending, focus on discourse in institutional change (Werner & Cornelissen, 2014). However, we apply the tactics without explicitly focusing on discourses since specifically focusing on discourses is rather interesting when studying interactional issue framing (Dewulf & Bouwen, 2012) that cognitive issue framing that we are interested in.

Frame blending means that individuals "iterate between or integrate cognitive schemas in a field, including bridging between past schemas as part of a proposed novel schematization" (Werner & Cornelissen, 2014 p. 1450). Frame blending results in "hybrid frames" with elements from more than one frame (Cornelissen, 2005). However, although the frames are merged into hybrids, it does not necessarily mean that they have equal "weights", rather one frame often modifies the other (Werner & Cornelissen, 2014).

Frame shifting refers to the shift to a new frame by "mobilizing an alternative frame that restructures expectations and experiences and suggests different inferences" (Werner & Cornelissen, 2014 p. 1456). In this shift, individuals question existing institutionalized schemas. In shifting frames, individuals act in contrast to a prior institutionalized schema and deploy alternative values, perspectives, and discourses. The shifting of frames suggests that information can be interpreted differently. When shifting frames, individuals "query the institutionalized cognitive schema in a field and articulate and promote an alternative frame that marks the contrast with the prior cognitive understanding" (Werner & Cornelissen, 2014 p. 1450).

The main difference between frame shifting and frame blending is that when frame blending occurs, this generally occurs when there is a similarity of the alternative frame and the previous default frame, and when frame shifting occurs, this typically happens when the alternative frame is contrasting the previous default frame (Werner & Cornelissen, 2014). Furthermore, Werner and Cornelissen (2014) distinguish between moderate and radical versions of frame blending and frame shifting. When frame blending or frame shifting is moderate, it means that the change is minor compared to the previous default frame, in the sense that a part of the prior default frame is adjusted or updated, i.e., a part of the frame is involved in the blend or shift. In the case of radical frame blending or frame shifting, this corresponding change is major rather than minor, resulting in the full integration of frames.

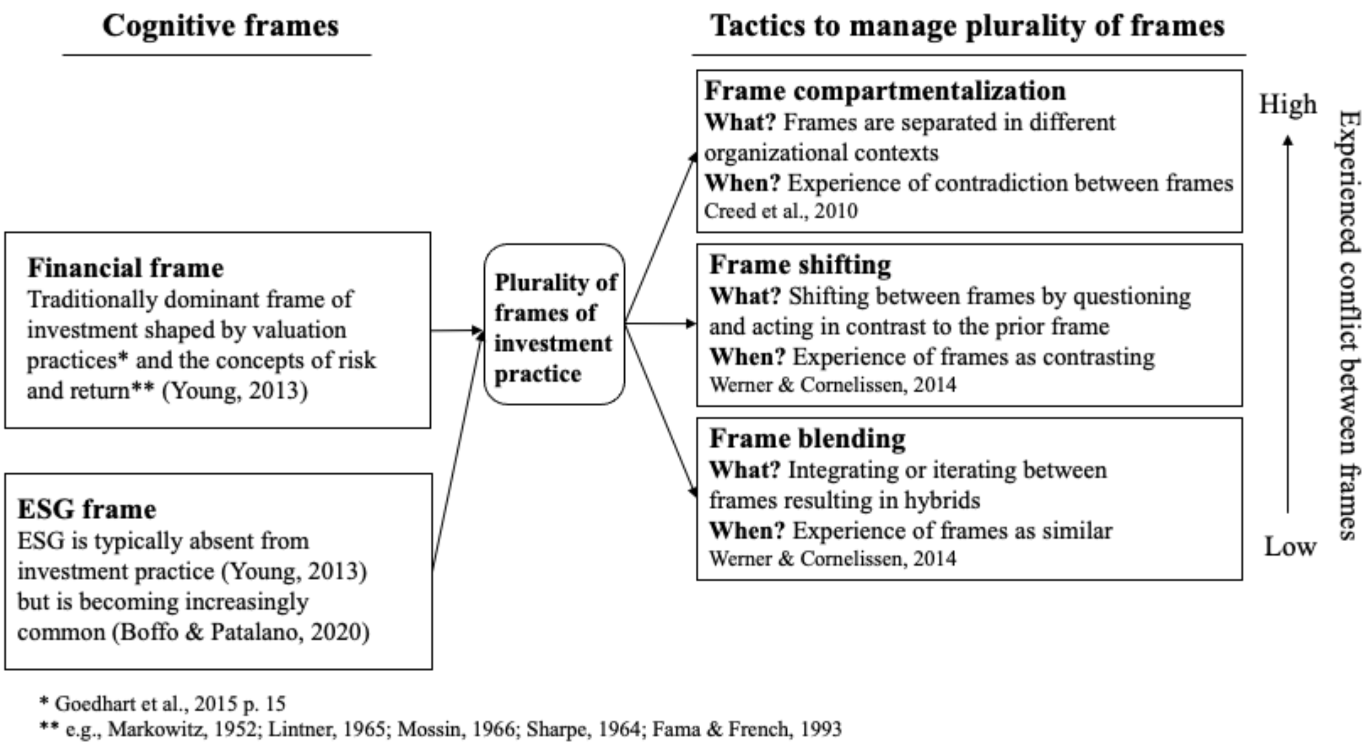
However, we complement the frame tactics presented by Werner and Cornelissen (2014) with tactics to manage a plurality of competing frames identified in research focusing on institutional logics by Creed et al. (2010) Lok (2010), and Jones et al. (2011). We deem that it is possible to draw upon theory focusing on institutional logics since this concept is closely related to the concept of frames. For example, Lounsbury et al. (2003) elaborate upon the difference by mainly emphasizing how frames are "sticky" like institutional logics, but in contrast, relate to active struggles and strategic framing. Next, we will elaborate on different types of compartmentalization as responses to the plurality of competing frames and how identity relates to whether individuals respond to the plurality of frames by compartmentalizing or blending them.

According to Creed et al. (2010) the experience of institutional contradiction, i.e., contradicting logics or frames as we will denote them as from here on, may result in individuals challenging institutional prescriptions through identity work. Individuals can engage in identity work by using cultural meanings that represent institutionally prescribed ways to act and think, through which change may or may not be achieved. Identity work can either "perpetuate or resolve the experience of institutional contradictions by drawing on institutionally endorsed cultural resources" (Creed et al., 2010 p. 1357). Identity work that perpetuates the experience of institutional contradictions occurs when individuals struggle to comply with institutionalized scripts and can be manifested through different types of compartmentalization. Compartmentalization means that frames are separated in different organizational contexts (Creed et al., 2010) or even physically shielded from each other (Lok, 2010). Decoupling is a particular type of compartmentalization, which means that a frame is symbolically advocated but not implemented and used in practice (Lok, 2010). Another tactic to manage the contradiction that separates the frames is denial, which means that the frame is suppressed and not used to guide thought or behavior in a certain process or context (Creed et al., 2010). A final tactic to separate the frames is through ignorance which means that individuals do not respond to the frame because they are not aware of it (Jones et al., 2012).

If contrary to the tactics that perpetuate contraction mentioned above, the experienced contradiction of frames is rather resolved than perpetuated, identity can be reconciled and integrated, and incompatibility can be rejected (Creed et al., 2010). This can be viewed as a form of frame blending focused explicitly on identity and role use since it integrates and combines two frames (Werner & Cornelissen, 2014). If the contradiction is resolved, role claiming and embodied role use, for example as teachers or experts, can be used to challenge institutional prescriptions and change an organization from within (Creed et al., 2010).

In situations with a plurality of frames, responses to manage them can be seemingly paradoxical since the tactics can accommodate and resist a frame in different situations. In this sense, the tactics can be dual and contradictory (Lok, 2010).

To summarize, we will analyze our empirics by focusing on the cognitive frames of individual investment practitioners and begin with presenting an "ESG frame" and a "financial frame" of investment practice, both identified in our empirics. Secondly, we will analyze tactics and responses to these two frames using theory of frame blending and frame shifting that can either be moderate or radical (Werner & Cornelissen, 2014) and different versions of frame compartmentalization, including the specific versions of frame decoupling (Lok, 2010), frame denial (Creed et al., 2010) and frame ignorance (Jones et al., 2012). Importantly, identity work can play a role in either perpetuating the experienced contradiction between the frames, or in rejecting compatibility and instead integrate the two frames. An overview of the theoretical framework is presented below.



3. Methodology

In this section, the research methodology will be explained. First, the choices of research strategy and research design are elaborated upon in section 3.1. Then the data collection is described in section 3.2, followed by a description of the data analysis in section 3.3, and finally a discussion of validity in section 3.4.

3.1. Research Approach

3.1.1. Research Strategy

This study has been conducted within the interpretive paradigm of social science. Our aim has been to obtain an understanding of the social worlds of investment practitioners, more specifically, how they understand ESG in their work. We have arrived at this understanding by analyzing socially meaningful action observed during interviews with participants in the case company. This methodology is in line with the description of the interpretive social science paradigm by Neuman (2000 p. 71). The interpretative research paradigm emphasizes the role of interpretation, understanding, and language in social science (Chua, 1986), and social reality is assumed to be “emergent, subjectively created and objectified through human interaction” (Chua, 1986 p. 615). Following the interpretative perspective of social science, we have aimed to gain knowledge about human intention by subjectively interpreting empirical observations, i.e., considering the meanings of actions to individuals, assuming that there is no objective reality instead of reality is agreed upon by individuals through common interpretations. Furthermore, we believe that the meanings and intentions of actions are grounded in social and historical practices and retrospectively endowed (Chua, 1986). In accordance with this interpretive perspective and our aim to understand how investment practitioners understand ESG in their work, we found it suitable to conduct a qualitative study (Ahrens & Chapman, 2006).

3.1.2. Research Design

This study was designed as a single case study. The case company was selected based on our interest in ESG integration in investment practice. Consequently, the case company chosen was a bank engaging in ESG. The choice of company was facilitated by personal access to such an organization. Our case study can be considered as instrumental (Stake, 1995) in the sense that we use the case to understand the broader issue of how investment practitioners understand ESG and how it affects ESG integration. We chose the case company as it was deemed representative of the broader phenomenon of ESG being integrated into investments (Yin, 2003). Focusing on a single case in-depth, the interaction between understandings of ESG integration and the context can be best understood (Dubois & Gadde, 2002) since single case studies enable the story of the phenomena in the context to be described richly (Dyer & Wilkins, 1991). Another important consideration in the design of our study is the level of analysis focusing on individuals (Bell et al., 2019 p. 71). We collected data on the individual level and chose to conduct the analysis focusing on individuals as well, since we are interested in individual understandings and how these can affect ESG integration in line with the research question and the means to answer it using framing theory. This analysis level was also deemed suitable since we were interested in understanding potentially different understandings between individuals in our sample.

The starting point to the sampling within the case company was purposive in the sense that respondents were selected based on the a priori criterion that all respondents in some way or another needed to be involved in investment practice to give valuable insights on how ESG is understood in investment practice (Bell et al., 2019 p. 394). However, we used a combination of convenience sampling (Bell et al., 2019 p. 197) since we interviewed people in the roles we managed to access, and snowball sampling since the first selected respondents directed us to additional interviewees (Bell et al., 2019 p. 395). Accordingly, four fund managers, two equity research analysts, two credit research analysts, two ESG analysts, one equity sales manager, one credit sales manager, and the head of sustainability were interviewed. A list of interviews can be found in appendix 1.

3.2. Data Collection

This study's empirical observations consist primarily of interviews with investment practitioners at a Nordic bank. We interviewed 13 people of various roles in the case company in October and November 2021. Although efforts to interview as many investment professionals as possible in the case company, the sample size is limited. A potential explaining factor is that we interviewed an elite group that was difficult to get access to (Roberts, 2006). For example, several interviews were postponed as the interviewees were busy, and others declined due to time constraints. Furthermore, there was a tendency among especially equity research analysts that were contacted to decline to participate, pointing us to the ESG analysts to discuss ESG related matters. However, the interviews were complemented with observations of company documents, including reports on ESG guiding principles and reports published by analysts, which were useful to complement our knowledge of the principles and reports mentioned during the interviews.

Interviews were held in a semi-structured format since this can provide richer and more complete insight into analysts' and fund managers' views than more structured formats (Holland, 1998). By leaving room for flexibility in the interviews, it enabled us to understand the perspectives of the interviewees (Bell et al., 2019 p. 436). The average interview length was 42 minutes, and all except one interview, that was conducted at the office of the case company, were video interviews due to the inconvenience of interviewees working at restricted office areas and from home. An interview guide available in appendix 2 was used to outline the interviews. The interviews started with explanations of the aim of the study, ensuring anonymity, and asking for consent with regards to recording and data storage (GDPR) that all interviewees accepted. Follow-up questions were added as needed, and the interview guide was adjusted depending on which role was interviewed, e.g., fund managers were asked about investment decisions while analysts were asked about recommendations. Using this data collection method, we aimed to gain insights into the thoughts, beliefs, and overall everyday work of the participants as well as possible with our access to interviews, which is in line with our interpretative perspective (Chua, 1986).

3.3. Data Analysis

Conducting this study, we followed an abductive approach in line with the description by Dubois and Gadde (2002). Overall, the research process was non-linear, and during the process, we combined and iterated between theory and empirical material, which can be referred to as systematic combining (Dubois & Gadde, 2002). This can for example be demonstrated by how the theoretical framework consisting of frame shifting and frame blending (Werner & Cornelissen, 2014) was complemented with theory of tactics that perpetuate or reconcile experienced contradiction by Creed et al. (2010), since empirical themes relating to how different roles used different frame tactics could not be analyzed in an insightful way within the scope of the current theoretical framework at that point of the analysis. This way, empirical observations directed the development of the theoretical framework of the study. In addition, as the theoretical framework was developed, not only was the data analysis developed as new theoretical themes were introduced to analyze empirical findings, but also the research question that initially was broadly stated as "how is ESG integrated in investment practice" was adjusted to focus explicitly on the role of individual understandings in ESG integration. We arrived at the closer focus on individual understandings when we decided to conduct the study through the theoretical lens of cognitive framing and with the tactics to manage a plurality of frames as factors influencing ESG integration. Overall, this demonstrates how we went back and forth between theory and empirical observations and how this could benefit our study by expanding our understandings of both (Dubois & Gadde, 2002).

To describe the data analysis process, all interviews were transcribed and coded individually by both of us to get an overview of recurring themes in parallel with more interviews being conducted. Next, we thematically analyzed the data as codes and citations were grouped into themes, where we looked for similarities, differences, and repetitions of the data considering how the interviewees understood and handled ESG as part of their work (Bell et al., 2019 p. 519). The empirical themes were matched against theoretical concepts, and as new insights were gained from the empirics, new theoretical concepts were introduced. This is in line with our abductive approach. Examples of the coding as part of the data analysis process can be found in appendix 3.

3.4. Validity

To ensure validity of the study, the aspects of authenticity and plausibility have been considered, as suggested by Lukka and Modell (2010). Authenticity can be achieved by providing rich descriptions, and plausibility refers to the credibility of the results and explanations. To present authentic empirics, we have aimed to preserve the emic qualities of the empirics by presenting quotations to show the different perspectives of the interviewees. To ensure that the research findings are plausible, as part of our abductive reasoning, different theories were applied to the empirics to find insightful explanations to the findings, rather than simply sticking to a predefined process. Further considering plausibility, the concepts contrast class and counterfactual conditions can be considered (Lukka & Modell, 2010). In terms of contrast classes, we aimed to make our explanations clearer by narrowing down the original research focus of how ESG is integrated, by specifying a clearer focus of what we wanted to explain, i.e., how the understandings of investment practitioners shaped ESG integration. Concerning counterfactual conditions, we aimed to separate the relevant explanatory factors from irrelevant ones by, for example, asking ourselves the question of whether the tactics would have been the same if the dynamics between the two frames would have been different.

4. Empirical analysis

In this section, the empirical analysis will be presented, starting with a background of the case company and a description of the investment practice in the case company. This is followed by a presentation of the two frames identified in the case company, a financial frame and an ESG frame. Finally, different tactics to manage these two frames are presented.

4.1. The case company

The case study was conducted at a large Nordic bank with more than 10,000 employees. The bank has an explicit focus on sustainability, with ESG as an integral part of the business strategy. Employees working throughout the equity research, credit research, equity and fixed income sales, and fund departments were interviewed to get a broad perspective of ESG in various investment practices. Since we are interested in how ESG is understood and used in different roles, both employees directly and indirectly involved with ESG in their daily work were interviewed.

The various roles took part of the investment practice in different ways. For analysts, the process generally included collecting information, analyzing the information, and communicating the results of the analysis. The equity sales and fixed income sales managers used the recommendations generated by equity research and credit research analysts in contact with investors. For fund managers, the process of deciding whether to invest in the company or not started with a screening process of which companies to consider, collecting information about the investment objects, analyzing the information, and lastly, making an investment decision.

4.2. Frames of investment practice

Two cognitive frames that influenced how investment practitioners understood investment practice and ESG as a part of it, were identified among the participants in the study. First, a financial frame of investment practice was identified.

4.2.1. Financial frame of investment practice

The financial frame was closely connected to the work with valuation. Generally, the financial return was a recurring concept. To begin with, the potential financial return was a determining factor of whether to cover a company, from the perspective of an equity research analyst (#3): *My decision to cover a firm in comparison to another depends much on potential returns and buzz.* Evaluation of potential financial returns, focusing on excess returns, was deemed central in the work conducted by fund managers.

When I talk about change I mean growth higher than underlying market growth and it should also be higher than the risk-free rate plus the risk premium, and there it differs quite a lot, in my markets the risk premium and risk-free rate can be quite high, so we adjust for that in our required return. – A fund manager (#5)

Quantitative company valuation methods, mainly the discounted cash flow (DCF) valuation model, were prominent in determining the recommendations and investment decisions. An equity research analyst (#4) explained how DCF valuations were used. The valuation process started with collecting historical financial numbers: *I have a report coming in tomorrow and then I will work all day in my Excel models and type in the financial costs, the new loan to value and what the organic growth rate has been.* Next, the historical financial numbers were used in forecasting: *Then you make estimates and then you focus on revenues above all and what the capital structure will be like in the company, what the dividend will be and what growth rate we deem as likely.*

In turn, these estimations affected the expected future cash flows. This was explained by the equity research analyst (#4) in a case when expected lower demand affect the discounted value: *Then I would estimate sales much lower and get that the cash flow would be lower which would mean a much lower value today.* A fund manager (#5) similarly looked at historical and future estimates of revenues and profits in the work with valuation:

We don't only look at historical profits and sales but also on future ones, so if you can find and make forecasts where you can see that we expect higher revenue growth and profit growth than the consensus estimates, then you can probably get higher valuations.

There was a direct link between the result of the DCF-valuations and the recommendations the analysts arrived at. As the equity research analyst (#4) further explained, the DCF valuation was first sanity checked against peers, and then a comparison was made against the current market price to set a recommendation:

I look at the price of the share today, and then we have set up different cut-offs, so if the upside is above X% then you give a buy recommendation, and if the upside is between 0 and X% then you give a recommendation to hold, and if the target price turns out to be below the price of the share today you give a sell recommendation.

Benchmarking the valuation to market price was another comparison to check the results of the DCF valuation and arrive at the final recommendation, as explained by an ESG analyst (#1): *Then we make a judgment of how big effects we think it can have on cash flows and business because in the end we look at the price of the share and whether it is reasonable or not.* This emphasized that cash flows and price are central in what ultimately matters. The same ESG analyst explained how future cash flows were at the core of what was deemed as "their perspective", as indicated by ESG analyst (#1): *What we often look at from our perspective, what often reoccurs is what affects future cash* *flows and what we see might affect the business the most.* This demonstrates the centrality of the financial frame, even among ESG specialists. An equity research analyst (#4) further emphasized the importance of financial factors, in a case when considering ESG efforts of a company:

We have to make sure to look at what is relevant from our perspective and not just give a thumbs up to a nice company but to rather check what the financial risks are and then we look at everything from assets to revenue that might be at risk if for example demand or policy changes.

To summarize, the financial frame is central in the interviewees' perceptions of investment practice. Clearly, the financial frame sets the stage for which information is considered in the valuation, and in turn the valuation is central to the recommendations given and the investment decisions taken by the investment practitioners. The financial frame was central in deciding on recommendations and whether to invest in companies. Overall, the financial frame shaped how financial performance was perceived as ultimately important. However, since ESG was considered in various ways in the bank's investment practice too, there was a frame of ESG in investment practice among the participants.

4.2.2. ESG frame of investment practice

The purpose of the bank's work with sustainability was to create value for customers, society, and future generations. Generally, the UN Sustainable Development Goals (SDG:s) shaped what was deemed as important with regards to ESG and how targets were set with regards to their ESG efforts. In the bank's company reports, they state that consideration of ESG makes sense from a financial perspective and argue that ESG performance improves financial results and decreases risk. When ESG is considered in investment practice, they exclude companies, which is a common first step to deal with ESG in the financial industry. However, they also include investments in companies contributing positively to sustainability and engage in companies in transitions towards becoming more sustainable.

Generally, ESG was framed as something that could be part of the investment practice but did not have an evident place in it, in the sense that its influence on recommendations and investment decisions was secondary. The ESG analysis was seen as of another nature in that it was used separately and on a broader level, more qualitative, deemed as suitable for relative valuation, and used for exclusion. Furthermore, sometimes ESG was perceived as valuable for marketing purposes. ESG was often understood as something they engaged in due to laws and regulations, internal policy, or demand from clients.

To begin with, internal policies influenced the ESG frame of investment practice. In the work of an equity research analyst (#3), ESG was considered due to internal policies, but not deemed as relevant: *Yes exactly, it is definitely there [in the reports] but as I mentioned previously, it's because it is a requirement from our employer.* Furthermore, internal policies regarding exclusion criteria based on ESG factors were considered at the fund company when deciding whether to invest in new companies, as mentioned by a fund manager (#8):

We have clear exclusion criteria […] we need to check that they don't have operations within for example weapons, pornography, fossil fuels such as coal, oil or gas, alcohol, tobacco etc. Then we are not allowed to invest in the company.

In addition, laws and regulations shaped the ESG frame of investment practice. For example, environmental issues received most of the attention directed at ESG due to developments of regulations in that area, as explained by an ESG analyst (#2):

I definitely think that the most important reason to why the interest has become so significant now, is due to the introduction of statutory requirements. For example, in the Taxonomy, for now only the environmental parts are discussed, while a proposal for a social or governance taxonomy is on its way.

Furthermore, due to regulations concerning governance, issues in this area were perceived as evident to consider even among the interviewee (#3) that assigned little to no importance to ESG issues: *That's the difference, because it is not illegal to emit carbon dioxide, but insider trading is illegal.*

Demand from clients was a final force shaping the ESG frame of investment practice and the integration of ESG. For example, the fixed income sales manager (#11) argued that ESG could help improve sales: *At first, some people viewed it as a necessary evil, but then they realized that it is demanded and that it improves sales.* Overall, the amount of work related to ESG gradually increased due to market trends, according to the head of sustainability (#9): *Only during the three years that I have been working here, a lot has happened regarding these issues [ESG] and if you look back ten years in time there has been an enormous rise in the development in the market.*

Considering how ESG was integrated, it was sometimes a separate practice. Consequently, ESG was framed as something separate. For example, specific reports focusing on ESG were published. The reports typically contained one page with descriptions about ESG issues relevant for the specific company, and one with selected ESG key ratios. These reports were separated from the financial reports providing recommendations as explained by an equity research analyst (#3): *We have specific reports focusing on ESG where we write specifically about ESG related issues, but it's not a document with tables regarding how it can affect revenue growth and margins etc, it's more like a disclaimer.*

The separate ESG practice was also explained by a credit research analyst (#12): *We typically have a chapter in our sector analysis with an ESG theme.* ESG was also framed as something overarching, as in how a fund manager (#6) elaborated on the ESG analysis: *Then we are generally doing an ESG analysis for all our holdings where we look at the company and look at the E, S, and G, but more on a general level.* Indeed, ESG was sometimes incorporated on a broader level, not necessarily impacting every investment to the same degree. For example, ESG factors were integrated by analysts to varying degrees, as explained by ESG analyst (#1)*: For some companies it weighs a lot and for others almost nothing [...] we are working a lot with that the analysts should focus on this and integrate it, and there we have come further with some companies than others.*

Overall, in the ESG frame of investment practice, ESG was often considered as more of a more qualitative nature. For example, ESG analyst (#1) explained that the ESG team frequently analyzed more qualitative factors: *it is more qualitative information that isn't always seen in numbers.* In addition, the credit analysts resorted to qualitative ESG analysis focused on relative evaluations of ESG between companies, less focused on numbers since they did not yet have a quantitative method to integrate ESG, according to a credit research analyst (#13):

We don't have a formula for it yet […] if we look at companies with comparable key ratios, where one company has come further with this [ESG] than the other, then it [the analysis] will instead be more subjective and not so quantitative.

In some cases, ESG integration was framed as a way to manage the bank's reputation and to market its products. In these cases, ESG practices were not related to the valuation of companies. For example, an equity research analyst (#3) understood the tables to disclose sustainability performance in reports as marketing and did not use them as a source of information influencing the outcome of the recommendation. *You do it [create the tables] because you have to do it because it's supposed to look nice. It's rather a marketing purpose than a monetary purpose.* Also, there was a perceived value on its own in showing that ESG was integrated and following regulations to show and state and that you work with sustainability (#2):

Generally, for investors today it is important to be able to show that you're sustainable, that you have a sustainable portfolio or fund […] And it revolves a lot around these discussions now, what must be considered and looked at to be able to say that you're sustainable.

Although ESG was often framed as a separate practice, it was sometimes framed as part of, and integrated, in valuation. In these circumstances, there was a link between ESG and financial factors, as explained by a fund manager (#5): *A company that previously had bad key ratios regarding sustainability and improved also receives a higher valuation.* In addition, an equity research analyst (#4) explained how companies that had not transformed their business in a more sustainable direction yet, would be valued lower: *They will need to make investments, so then I would maybe put the operational margin a bit lower and then the cash flow will be lower, and the valuation will be lower as well.*

In summary, in the ESG frame of investment practice, ESG is understood as something broader, more qualitative, and often separated from valuation practices in which the financial frame is central. There was a perceived need to consider ESG due to internal policy, laws and regulations, and demand from customers. Such factors sometimes resulted in the view that ESG was valuable from a marketing perspective. However, at times ESG was deemed as relevant for the valuations and thus integrated into these practices. The situations when the ESG frame was compatible with the financial frame will be elaborated upon in the next section.

4.3. Tactics to manage a plurality of frames

The ESG frame and the financial frame of investment practice existed as two competing frames in the case company (Lorino et al., 2017) since they provided different cognitive scripts for how ESG and financial factors respectively ought to be handled in investment practice (Gioia & Poole, 1984). This resulted in different tactics among the investment practitioners to deal with both frames in their work. The tactics varied from various ways of blending the frames, shifting between the frames to different ways to compartmentalize the frames, depending on the experienced degree of conflict between the frames. When the first tactic, frame blending, is resorted to, the experienced conflict between the frames is low (Werner & Cornelissen, 2014).

4.3.1. Frame blending

Radical frame blending

The first observed tactic to manage a plurality of frames was through radical frame blending. This tactic was observed in valuation situations where the financial and ESG frames were perceived as similar and congruent and consequently blended. In these situations, this resulted in full integration of frames, which Werner and Cornelissen (2014) refer to as radical frame blending. In these valuation situations, ESG factors were deemed financially material and naturally relevant to valuation as they influenced growth or cost estimates. For example, an equity research analyst (#4) explained how ESG policies in Europe were driving the demand for a company's products:

Two years from now we will see an increased demand for this type of solutions, then I put it in my top-line estimates and say that I think that sales will increase because of this so then I include it in the model.

In this case, it was also explained how this shift in demand could affect forecasting of margins in the DCF, as high-tech and energy-efficient products had higher margins. *In my model, I can estimate that I think this product transition will result in a different product mix, and then I also believe that the margins will increase.*

The frames were also blended when analysts considered the risk and costs of a company. For example, insufficient ESG performance affected the pricing of bonds according to a credit research manager (#12): *Sometimes we conclude that a company's work with these issues is not that great, they will simply receive a higher credit spread, they will get punished in the market because they are seen as worse than peers.* Hence, considerations of such ESG-factors that impact analysts' valuations were easily combined with financial factors. In another situation, the ESG and financial frames were blended in a situation where a fund manager (#6) collected ESG and financial information about a company and perceived them as congruent: *They often go hand in hand, a well-maintained company [financially] often has good work regarding ESG.* In these situations, the respective ESG and financial frames of investment practice are congruent.

Furthermore, it was demonstrated how both ESG and financial criteria were considered simultaneously when evaluating the outlooks of investments (interviewee #5). *We are looking for long-term themes that both meet the requirements of high growth over time, at least during a three-year period, and fulfill our ESG criteria.* Further, another fund manager (#7) perceived long term economic growth as coinciding with sustainable development:

We haven't created these themes based on the SDG:s, almost all of them existed in some way before we started to think like that and before project 2030 existed because we have noticed that where we can identify long term growth areas, it is often pretty naturally linked to sustainable development.

To summarize, in these instances related to valuation, the ESG frame and the financial frame were understood as fully congruent, and hence they were blended accordingly. Importantly, the frames were blended since the ESG frame were compatible with the financial frame that is central in how they understand valuation, and not the other way around. In other situations, both the ESG and financial frames were blended in the same investment process, without being fully congruent and hence not fully combined, referred to as moderate frame blending.

Moderate frame blending

In some situations, the investment practitioners blended the ESG and financial frames, but they were still not understood as fully congruent and were not fully blended. When frames are blended, but only partly, this is referred to as moderate frame blending (Werner & Cornelissen, 2014). In these cases, in contrast to when the frames were radically blended, the frames were not fully understood as congruent and integrated although they were both considered part of the same processes.

One obstacle to fully integrating the ESG and financial frames for analysts in the valuation process was that ESG often had a longer time horizon than financial factors. However, since the ESG frame and the financial frame overall were seen as congruent, they could be moderately blended. For example, an ESG analyst (#1) explained how the ESG aspect had a longer time horizon than the period they were looking at when giving recommendations: *We give recommendations on a twelve-month basis and there we face a challenge since the ESG perspective is sometimes much longer, it has effects further away than these twelve months, so then we should try to combine these.* Additionally, a credit research analyst (#13) acknowledged the connection between ESG and financial results and considered it in his work, but explained that in the short term there was no direct link between creditworthiness and how sustainable a company was:

It can be a very brown company, and it can be very strong financially […] it doesn't matter if they are brown then, they will stand up in fem years or ten as well, but where to draw the line, maybe not in 20 years.

Another instance of moderate frame blending, when both frames guided the investment processes, was when the ESG frame was mainly used in the beginning of investment processes in excluding companies, and the financial frame was predominant in valuation and making the final decision. As a first step of the investment process, companies were excluded based on ESG criteria used to screen companies, as indicated by a fund manager of a fixed income fund (#6): *We have exclusion criteria that the company should fit in first, it can't be involved in fossil, it can't be child labor, it can't be weapon and tobacco etc.* As a second step, companies were selected based on financial performance in line with the financial frame, as indicated by fund manager (#5): *We have an approach regarding ESG that we exclude some segments, and then we include the segments where we can see that it's possible to get excess returns.* This indicates that ESG factors have implications for the investment decisions, but financial performance is the final determining factor.

A final instance of moderate frame blending was when companies that would have been excluded based on ESG criteria were rather engaged in to improve ESG aspects of a company. Engaging in companies to improve their ESG performance was congruent with the ESG frame. However, this practice at the same time conflicted with the ESG frame, as the ESG exclusion criteria were not adhered to. Accordingly, these investments that were in line with the financial frame but only partly with the ESG frame, were conducted. This was apparent from the interviews and supported by published information sheets about the funds: *The possibility to invest in transition companies means that otherwise applied exclusion criteria can be disregarded during a transition period.* Furthermore, transitioning companies were defined as in the process to: *Change their operations in a way that is expected to contribute, rather than counteract, to fulfill one or some of the SDG:s.* In essence, these companies were not considered sustainable to date, and they needed to invest in becoming more sustainable. In the cases when the investors chose to engage in companies rather than to exclude them, there was a perception that this would yield positive long-term effects both with regards to ESG and financial performance (#5), but these investments occurred at the expense of current ESG performance:

I try to have a mixture of companies, the best companies that are delivering today and are growing and doing it in the right way, also companies that are in transition, […] there you can actually find some real grains of gold and actually get more out of it from an ESG perspective and also for the investment with the return.

Furthermore, these companies were followed up not only on a financial basis, but also with regards to ESG performance. For example, a fund manager (#5) explained how companies not investing as promised in ESG were followed up on and that insufficient ESG performance could affect investment decisions:

We have tried to put pressure together with other investors that they need to do something about this and then they promise to invest but they don't. Then it ends up with us having to sell our holdings, because it is not possible to have a company that is in the right theme, but they are not operating sustainably.

This indicates that the engagement in companies was an integrated part of the investment practice where the financial and ESG frames were adopted simultaneously in company evaluations, although the investments did not entirely make sense from an ESG perspective in the first place and hence the ESG frame was not fully adhered to.

To summarize, when the frames were not fully perceived as compatible, this resulted in moderate frame blending. This occurred for analysts when the longer time horizon of ESG was not perceived as compatible with the shorter time perspective typical for the financial frame, but the frames were still compatible as they tried to combine ESG and financial factors. It occurred for fund managers when they either excluded companies or engaged in them, since the ESG and financial frames were combined in the same investment processes, although not fully integrated and compatible. When excluding companies, the ESG frame was mainly considered to start with, and then the financial frame took over. Although engaging in companies to improve ESG performance was in accordance with the ESG frame and financial frame long term, this practice was partly in contrast to the ESG frame as the company was currently not sustainable. The prominence of the financial frame in comparison to the ESG frame, in how the ESG frame was partly incorporated into the rather stable financial frame, resulted in frame blending in line with how Werner and Cornelissen (2014) argue that the frames being blended do not necessarily have equal weights.

Frame blending inwardly, then outwardly

In a final form of frame blending, the relevance of integration of identity relating to the two frames and rejection of incompatibility between them in achieving the blend was demonstrated (Creed et al., 2010). This was demonstrated among the ESG analysts and an equity research analyst with a background in ESG. In this tactic to blend the frames, integration of their identities relating to finance and ESG was important, but also role use aiming to integrate ESG and financial factors in the organization (Creed et al., 2010). This was apparent from how the ESG frame and the financial frame were both integrated into their personal tasks, but also from how they worked to establish integration of ESG and financial factors in the bank. Here, the ESG frame and the financial frame were blended, as they were both compatible with their identities as specialists in ESG working at a bank. Accordingly, they identified themselves as experts and teachers of the combination of ESG and financial factors and took these roles to establish a change in the organization (Creed et al., 2010)

The blending of the ESG frame and the financial frame was demonstrated in how the equity research analyst (#4) with a background in ESG, deemed ESG issues as crucial in financial evaluations:

To not look at these parts [ESG] is to ignore a large part of what will set the stage of the stock market, so for me it feels like an evident part to keep track of, because otherwise I will miss a big part of the explanation to why stocks and companies perform as they do.

The blending of the frames did not only appear from how the frames were experienced as compatible, but also in how the analyst took the role as a teacher to influence the integration of ESG and financial factors, as the analyst worked to convince investors with negative attitudes towards the importance of ESG by emphasizing how financial risks and ESG risks were related:

Always in the moment when you disprove someone, it often takes some time before this person accepts it and begins to think in these terms, but I have never received any counter arguments when I have talked about that ESG risks are connected to financial risks […] then it's suddenly relevant to look at the ESG aspects.

The equity research analyst did not only educate investors, but also colleagues:

I would definitely say that when I talk to my colleagues, like when we are doing group projects [regarding certain companies], then I will put on my ESG hat and say "No, but these parts are important, you have to look at it, you need to know these things".

Although not being part of the teams specializing in ESG, this equity research analyst with a background in ESG identified with both the financial and the ESG frame and took the role as a teacher to influence the integration of ESG among her colleagues who did not attribute the same importance to ESG, and this way blended the frames.

Multiple respondents ascribed one of the ESG analysts as *the busiest person across the entire bank.* They mentioned how this analyst helped them in their work, indicating the active work of this analyst in supporting various people across departments in their integration of ESG. That same ESG analyst (#1) developed on how she could help colleagues not specialized in ESG:

If something extraordinary has happened, maybe that the company has made an acquisition where some part of it isn't totally clear from an ESG perspective, then it can be things like that you are asking about [...] if something came up in the meeting then they want to discuss it with me as a sounding board.

Another ESG analyst (#2) emphasized the value of the support provided to the other analysts: *I can see how important [ESG analyst #1] is for many of the analysts as a support to understand what is going on right now.* However, the ESG analyst did not satisfy with supporting the analysts with ESG issues, rather they wanted to integrate ESG with the financial parts of investment practice more. As ESG analyst (#2) explained: *We are working a lot with that ESG should be integrated all the time, me and [ESG analyst #1] are not supposed to write ESG reports about all companies we cover, some work the analysts must do themselves.* This way, the ESG analysts claimed the roles as experts in combining ESG and finance and consequently, they tried to increase the degree of ESG integration in the organization.

To summarize, this type of frame blending involving identity work, emphasizes the effects of integration of identity relating to finance and ESG in order to blend the frames.

4.3.2. Frame shifting

Another tactic to manage the plurality of frames was frame shifting. In these instances, the investment practitioners shifted to and from the ESG frame depending on whether it was perceived as contrasting with the financial frame. This can be considered a moderate version of frame shifting, since they did not completely shift between frames, rather the financial frame was always adopted while the ESG frame was shifted to and from depending on the situation (Werner & Cornelissen, 2014). Overall, the consideration of ESG varied between individual investments. For example, a fund manager (#7) indicated that ESG was used as a criterion for the portfolio, rather than for each individual investment since some investments were not mapped against sustainability targets at all, while others were fully:

We have a goal for the funds overall to increase our investments in operations that can be mapped against the SDG:s over time, and that we should increase that share, but it doesn't mean that all funds need to have the exact same share and it doesn't mean that all holdings need to have a minimum level in the regular funds, you can have companies that have zero and you can have companies that have 100, and everything in between.

A specific example of when frame shifting occurred was when financially important investment objects or sectors was out of the line of the general investment policy regarding exclusion. In some investment processes, it was demonstrated that the ESG frame advocating the exclusion of the company had been shifted from. As the head of sustainability (#9) explained:

We have an exclusion framework as a basis for all fund management and then there are the Norwegian funds where we have had a problem with that they don't want to exclude, or it's another context there regarding fossil fuels of course, it is much more complex and it needed to take its time, but now we have also applied exclusion of fossil on the Norwegian funds.

In addition, sometimes they did not act fully in accordance with the ESG frame for practical reasons. For example, complexity of supply chains determined what could be demanded of the company regarding sustainability efforts, according to equity research analyst (#4):

If it's a company in a segment where everyone has long, complicated supply chains, then you can't have the same demands as on a company with local production, that would be insane, then everyone will just stop listening at you, what you say wouldn't be relevant.

Another example was that the demands on companies' sustainability reporting depended on size (#9):

We have small companies as well, and of course the largest companies on the stock exchange have very solid sustainability reports and we don't see that in small cap [...] what we can demand from companies depends on their maturity.

To conclude, the financial frame of investment practice was deeply embedded among the investment practitioners, and when the ESG frame contrasted the financial frame, it was shifted away from it. Hence, in exceptional cases when the frames were competing, financial factors seemed to be valued higher, hence the financial frame was resorted to. The observation of the ESG frame being shifted away from when it competed with the financial frame, is in line with the reasoning by Werner and Cornelissen (2014), that the introduction of another frame is more likely to be persuasive and resonate with the previous default frame if it connects with it, as the ESG frame did not do in this case.

4.3.3. Frame compartmentalization tactics

However, in some instances, the ESG frame and the financial frame were not integrated at all. These tactics to deal with the ESG frame and the financial frame neither involved frame blending or frame shifting, rather the frames were separated in different organizational contexts due to the experienced contradiction, referred to as frame compartmentalization (Creed et al., 2010). Several versions of frame compartmentalization were observed among the investment practitioners since they separated the financial frame and the ESG frame in different ways. These tactics include compartmentalization where the ESG frame and the financial frames were physically shielded (Lok, 2010), frame denial (Creed et al., 2010) frame decoupling (Lok, 2010), and frame ignorance (Jones et al., 2012).

Frame compartmentalization

One version of frame compartmentalization observed was through physical shielding of ESG and financial aspects (Lok, 2010). Although ESG sometimes had implications for the valuations, it was used as a side-criterion in these cases. For example, one equity research analyst (#3) viewed ESG information published in separate reports as disclaimers without impacting the recommendations. Similarly, the credit research department presented ESG in separate reports, according to credit research analyst (#12): *We have made several separate sector comments with an ESG focus and it might have been [about] the Taxonomy, that word I can't pronounce […] it is still under development how we merge them in individual company reports.*

The separation of reports on ESG and financial reports can be understood as identity work that perpetuates the experienced institutional contradiction (Creed et al., 2010). Here, the participants experience a struggle to comply with the two frames of how investment practice ought to be conducted, and the result is compartmentalization of the ESG frame and the financial frame of investment practice, where the reports on ESG are physically separated from the financial reports. This way, the preexisting financial frame among the investment professionals was protected.

Frame denial

Some respondents were aware that ESG affected valuations, while at the same time they denied the ESG frame of investment practice in their work. The frame denial tactic to manage the plurality of frames means that a frame is suppressed and not used to guide thought or behavior in a certain process or context (Creed et al., 2010). This was demonstrated by how some of the analysts had limited interest in ESG and limited interest in focusing efforts on ESG. The lack of engagement in ESG was shown by an equity research analyst (#3) too: *I must admit that I don't know these areas very well, if you take the EU Taxonomy and such things, I don't know, I opened that document and was like holy shit it is so much.* When issues related to ESG could have an impact on valuations and when clients showed interest in ESG, the ESG analysts instead ESG aided.

The ESG frame could be suppressed and not used in investment practice since the ESG analysts helped on the ESG related issues. An ESG analyst (#2) explained how she supported the other analysts with the ESG related inputs, since they lacked knowledge of ESG issues: *It's often those aspects I can contribute with, that the company analysts know least about.* An equity research analyst (#3) explained how he received help from the ESG analysts: *I don't really understand this whole Taxonomy, instead I get help from*

[ESG analyst #1] to understand the implications for my companies. The fund manager (#6) also turned to the ESG analysts regarding ESG: *I talk with her [the ESG analyst] a lot. It's great to get some information regarding if something happens in the company or if there for example is coming a new update of the Taxonomy.*

The denial of ESG, although it was deemed relevant for the analysis, perpetuated the contradiction of the frames. Through denial, investment practitioners in the study avoided involvement of the ESG frame in their work by handing over tasks involving ESG issues to ESG analysts. This can be understood as identity work to protect their identities as investment practitioners by denying the ESG frame (Creed et al., 2010). This denial of the ESG frame was possible due to the support from the ESG analysts that, to the contrary, blended the ESG and financial frame and engaged in identity work in which they took roles as experts and teachers in the combination of finance and ESG. The extensive support in ESG related matters, rather enabled ongoing denial of the ESG frame among their colleagues.

For one equity research analyst, the frame compartmentalization was more extensive than the frame compartmentalization tactics through physical shielding and denial observed among the other respondents that separated the ESG frame and financial frame. Here, the frames were compartmentalized through decoupling and ignorance.

Frame decoupling

Frame compartmentalization through decoupling was observed when ESG was understood as valuable solely for marketing purposes, without impacting the valuation. This can be understood as a type of decoupling (Lok, 2010) since the use of ESG metrics in these reports was rather symbolic than with actual implementation in the analysis work with implications for the valuation. This response was demonstrated by an equity research analyst (#3): *ESG has a marketing purpose, and [the bank] knows it too, that's why we have this [ESG] in our tables.*

Frame ignorance

Frame compartmentalization in the form of ignorance of the ESG frame, was identified in the work of an equity research analyst to develop a recommendation. Ignorance means that an individual does not respond to a frame since they are unaware of it (Jones et al., 2012). Here, ESG criteria were clearly considered in the estimates, but the analyst said that ESG did not influence the recommendation. Seemingly, if ESG was of a financial nature, as when the EU initiatives were driving sales estimates, this was not considered as ESG influencing the analysis, in contrast to what other analysts thought of the influence of ESG (#3): *Then it is positive from an ESG perspective and from a financial perspective […] but the companies do it because otherwise they would have had low margins and low sales*. It appeared that although ESG affected estimates of future cash flows, ESG was not considered as relevant: *it's like not there at all [ESG in the DCF]*. Overall, ESG was conceptualized as something contrasting to financial performance and implications:

They also know that their stock is not driven by ESG issues, it is driven by financial performance. In this case, when ESG criteria were considered but not viewed as ESG anymore when it had financial implications, the ESG frame was ignored since there was a lack of awareness of the influence of ESG (Jones et al., 2012). Part of this ignorance of ESG in the investment analysis context, is that ESG was considered as something important but not in investment practice: *ESG today is much more of an academic matter and maybe a political matter than it is a work-related matter.* This way, the equity research analyst (#3) managed to keep the ESG frame separate from the financial frame and the investment process.

4.3.4. A plurality of responses

The ESG frame and the financial frame of investment practice were different and resulted in conflicts between the frames that the investment practitioners managed through various tactics. The individuals' tactics to respond to the two frames varied in different situations and hence the tactics may seem contradictory. For example, analysts sometimes blended the ESG frame and the financial frame in their work with valuations, but simultaneously compartmentalized the frames by denying the ESG frame and protecting their identities as financial analysts. In addition, fund managers sometimes blended the frames, but other times when there were experienced conflicts between the ESG frame and the financial frame, they shifted away from the ESG frame. These findings of tactics may seem paradoxical. However, they are in line with how Lok (2010) argues that tactics to manage a plurality of frames may be dual and contradictory.

5. Discussion

In this section, the empirical findings are discussed and related to previous research. First, we conclude that the framing perspective adds insights to the research of ESG integration. After that, we discuss how the financial frame is primary among the investment practitioners and how the ESG frame ends up as secondary, with implications for the frame tactics and in turn ESG integration.

5.1. The perspective of cognitive frames in ESG integration

A multitude of studies has focused on ESG integration in investment practice. However, these have not studied how cognitive frames influence ESG integration. Rather, several previous studies deal with how investors financialize and quantify ESG to integrate it (Arjaliès & Bansal, 2018; Crane et al., 2015; Tan, 2014; Young, 2013) and the problems they face in integrating ESG with regards to data quality and availability (Eccles et al., 2012; Solomon & Solomon, 2006; Zaccone & Pedrini, 2020). Other studies have focused on the role of different organizational factors affecting the integration of ESG. Studies have found that cultural and external factors affect the integration of ESG (Juravle & Lewis, 2009), that ESG is not integrated organizationally and instead separated in different teams, even when it is financially material (Wagemans et al., 2018), and that investment organizations integrate ESG for marketing purposes without actual integration in investment decisions (Solomon et al., 2013; Young, 2013), and that investors integrate ESG without fully integrating it, leaving ESG "in-between" without making a difference to decision-making, reproducing the dichotomy between ESG and financial factors it aimed to overcome (Cederberg, 2019).

Although some studies have more closely studied how individual investment practitioners' ideas and conceptions of ESG influence the integration into investment practice, these studies have not focused on the influence of individuals' understandings from the perspective of cognitive frames. For example, Tan (2014) found that calculative ideas of investors and their ideals of the link between ESG and financial performance influenced the ESG integration and Du Rietz (2014) found that investors' ideas of what information is deemed relevant shape what information they find and use. Finally, Young (2013) found that the role of individuals' cognitions in embedding ESG in investment practice and individuals' normative efforts to justify ESG integration in relation to financial factors influenced ESG integration. We contribute to this field of research with another perspective focusing on individuals' understandings of ESG. More specifically, we contribute with findings of how cognitive frames and individuals' framing tactics to manage an "ESG frame" and a "financial frame" can influence the process of integrating ESG.

Since our findings indicate that investment practitioners have not only a financial frame of investment practice, but also an ESG frame, this results in tactics among investment professionals to manage them both. This implies that as ESG is becoming increasingly common in investment practice (Boffo & Patalano, 2020), investment practitioners will have to deal with the co-existence of the two frames, in one way or another. This is especially the case since laws, regulations and demand on a societal level, and internal policy on an organizational level, shaped the ESG frame and had implications for the framing tactics that investment practitioners in different roles resorted to. Often, fund managers had more internal policies regarding ESG to follow in their investment decisions, and often blended the frames, while analysts had considerably less internal policies to consider in making recommendations and compartmentalized the frames more often. Indeed, when frames were blended among analysts, it was rather due to laws and regulations that made ESG factors financial material. Although investment practitioners in various roles managed the financial and ESG frames differently, and ESG affected their works in different ways, the findings that all respondents had tactics to manage the plurality of frames indicate that these cognitive efforts to understand ESG is another factor complicating the process of understanding investment practice. This indicates that the already complex work to understand investment practice that has been studied from the perspectives of sense-making (Eshraghi & Taffler, 2015; Hägglund, 2001), use of financial templates (Bouwman et al., 1987) and calculative frames (Beunza & Garud, 2007), might be even more complex adding the frame tactics to manage ESG as another frame alongside the financial frame of investment practice.

5.2. The financial frame is primary in investment practice

Although the ESG frame co-existed with the financial frame of investment practice, it was clear that the financial frame was the primary frame. In the tactics to manage the two frames, the financial frame was always present, while the ESG frame was adopted depending on the situation. This imbalance between the frames influenced the nature of how the tactics were exercised. First, when considering frame blending, the frames were only fully blended, i.e., radical frame blending, when the ESG frame was perceived as congruent with the financial frame. In the moderate instances of frame blending, the financial frame was used primarily to guide actions, which resulted in the ESG frame only partly being blended in. When the frame shifting tactic was used, the ESG frame was shifted to and from, but the financial frame was always more or less maintained.

Our finding implying that the financial frame is primary among the investment practitioners, is in line with how the ESG frame has typically been absent from the dominant frame of investment (Young, 2013), and not surprising considering the importance of valuation with inputs of financial nature in investment practice (Goedhart et al., 2015 p. 15), and the influence of classic finance theory focusing on risk and return on the field (e.g. Fama & French, 1993; Lintner, 1965; Markowitz, 1952; Mossin, 1966;

Sharpe, 1964). However, the perspective of the financial frame as primary to the ESG frame among the investment practitioners add a framing perspective to further explain previous findings observing how ESG is often financialized to be integrated into investment practice (Crane et al., 2015; Tan, 2014; Young, 2013), or how Young (2013) found that ESG integration only got accepted if it was reframed with the economic rationale of financial materiality. These efforts to financialize ESG or to reframe ESG as financially material, can be understood as a symptom of the primary role of the financial frame in investment practice.

5.3. The ESG frame is secondary in investment practice

Our findings of the financial frame as primary in investment practice leaves the ESG frame as secondary. Besides how the ESG frame was blended with and shifted to and from depending on the congruence with the financial frame, the compartmentalization of frames demonstrated how ESG was not only secondary when it was adapted in valuation and investment decision-making, but also had tendencies to end up as a separate practice disconnected from central parts of investment practice such as making a recommendation.

More specifically, the frame compartmentalization observed in our study provides a perspective of how understandings of investment practitioners and their tactics to manage the ESG and financial frames can influence ESG integration. For example, the frame decoupling tactic, where ESG was understood as only useful for marketing and not valuation adds a framing perspective to why previous research has found that ESG has been used as a marketing device without practical influence on investment decision-making (Young, 2013). Furthermore, the ways in which previous studies have shown that investment practitioners actively work with and struggle to integrate ESG can also be understood from how the ESG frame was secondary and often resulted in tactics that compartmentalized ESG. This finding provides another perspective, focusing on individuals' understandings and cognitive frames, to why ESG in investment practice might end up "in-between" without practically influencing decisions made (Cederberg, 2019) or to why ESG might be subordinated to the financial, making ESG integration an "empty exercise" used for impression management (Solomon et al., 2013).

In addition, our findings emphasize the role of identity work that either perpetuate the contradiction between the ESG and financial frames, or rather integrate them, in shaping the tactics to manage the frames. The role of identity work appeared from how ESG analysts and the analyst with a background in ESG generally blended the frames and had the ESG and financial perspectives integrated in their identities as experts or teachers of the combination ESG and finance. Meanwhile, the other analysts more often compartmentalized the frames, and this way internalized the contradiction by separating ESG from the identity as investment professionals and sticking to the financial frame. The finding adds a framing perspective with emphasis on identity, to further explain why ESG might be integrated as a separate practice, as how Wagemans et al. (2018) found that different teams focused in financial and ESG issues respectively. Interestingly, although the ESG analysts and the equity research analyst with a background in ESG blended the frames and identified as experts and teachers in combining ESG and finance in the organization, similarly to the investor associations efforts to integrate ESG among investors in the study by Yamahaki (2019), these efforts to integrate ESG rather enabled compartmentalization of the ESG frame from the financial frame among investment practitioners not engaged in ESG. From a framing perspective, this provides insights into how individual understandings, or more specifically cognitive frames, can play a role in reproducing the dichotomy between ESG and financial when ESG is integrated, as noted by Cederberg (2019).

To conclude, the study adds a perspective of how understandings of investment practitioners', and more specifically cognitive frames and tactics to manage a plurality of frames, can influence ESG integration, which has been missing from previous literature. Overall, the financial frame as primary, leaving the ESG frame as secondary shaped the tactics to manage the frames among the investment practitioners and influenced how ESG was integrated.

6. Conclusion

The purpose of this thesis has been to explore how ESG is understood and used by investment practitioners in their daily work. Using theory of cognitive frames and tactics to manage a plurality of frames, we have aimed to answer the following research question:

How do investment practitioners understand ESG, and what implications does this have for the integration of ESG in investment practice?

Overall, we contribute to the previous literature about ESG integration with another perspective than previous research, focusing on individuals' understandings of ESG. More specifically, we contribute with findings of how cognitive frames and individuals' framing tactics can influence the process of integrating ESG. Findings indicate that investment practitioners have a financial frame of investment practice that is central in valuation and a frame of ESG as something separate from traditional investment practices, broader and suited for more qualitative analysis that was driven by internal policies, laws, and regulations, and demand.

The two frames resulted in different tactics to manage the plurality of frames: frame blending where the ESG frame was either moderately or fully blended with the financial frame and sometimes blended through identity work, frame shifting between either adopting the ESG frame in combination with the financial frame or leaving it out and lastly frame compartmentalization through physically shielding the frames, denying or ignoring the ESG frame or decoupling the frames.

The presence of an ESG frame among the investment practitioners, and the tactics to manage it in combination with the financial frame, indicate that ESG is something that investment practitioners will have to deal with in some way or another, complicating the understandings of investment practice. Factors such as laws and regulations, internal policy, and demand from customers that shaped the ESG frame, affected the tactics to manage the frames among the different roles, which had implications for the integration of ESG. Furthermore, we conclude that the financial frame is primary, and the ESG frame is secondary among investment practitioners in the case company. This affected the tactics to manage the frames as the ESG frame was blended in when congruent with the financial frame, or shifted from when not, affecting the ESG integration. Finally, the imbalance between the frames resulted in ESG being integrated separately. This was apparent from the tactics of frame compartmentalization to separate the ESG from the financial frame in different ways. Whether the conflict between the frames was perpetuated this way, or rather resolved, was connected to the degree of identification of ESG and finance in combination.

In addition to the theoretical contributions, this study also has practical implications. These indicate the influence of individual investment practitioners' understandings of ESG in the process of integrating ESG in investment practice. The investment practitioners' understandings of ESG affect their actions which in turn affect how, and to which degree ESG is integrated. More specifically, the study points to the challenge of integrating ESG, given the deeply embedded financial frame among investment practitioners, leaving ESG as a secondary concern or separate practice.

The findings of this study are subject to limitations. One possible limitation is a possibly biased sample, since we noticed that it was generally easier to arrange interviews with employees in ESG roles or with a background in such roles. Consequently, the respondents were generally interested in ESG, while those that appeared to be less involved in ESG declined to participate. This could also mean that the respondents we talked to had more similar financial and ESG frames than if we could have interviewed more people without an ESG background or role.

Another possible limitation of this study follows from the interpretative perspective and the research design that followed. It did not only allow for observations of the respondents' subjectively constructed meanings and social realities, but it also means that the subjective meanings of us as researchers might have impacted the findings. More specifically, by studying ESG as a separate phenomenon that could be integrated into investment practice, reading literature on this topic, and informing the interviewees that the aim of the study was to explore ESG integration, this may have shaped the responses as the interviewees were prepared to discuss ESG, the data analysis, and finally the results.

For future research, one possibility would be to investigate the role of context by studying another bank that does not have as explicit ESG strategy to explore the potential ESG frame in such bank, and the tactics following. This would yield insights of the influence of the context the investment practitioners operate in, in shaping their frames and frame tactics. Another possibility would be to study the final investor since our sample was always depended on the final investor, and how they consider ESG in relation to financial performance. The equity and credit research analysts depend on the fund managers, and the fund managers rely on the individual investors buying the funds. Finally, a third future research suggestion is to study how investment practitioners' frames are affected by changes in the world around us. We received indications during our study that the ESG frame has changed and will change over time since the frame was affected by laws and regulations, internal policy, and demand that are subject to rapid change. However, this was outside the scope of our study, and it would rather be suitable for a longitudinal study.

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8. Appendix

8.1. List of interviews

Interviewee	Role	Length	Date
1	ESG Analyst	37 minutes	5/10-2021
2	ESG Analyst	48 minutes	21/10-2021
3	Equity Research Analyst	51 minutes	14/10-2021
4	Equity Research Analyst	50 minutes	20/10-2021
5	Fund Manager	51 minutes	29/10-2021
6	Fund Manager	29 minutes	4/11-2021
7	Fund Manager	36 minutes	9/11-2021
8	Fund Manager	32 minutes	10/11-2021
9	Head of Sustainability	56 minutes	11/10-2021
10	Equity Sales Manager	55 minutes	25/10-2021
11	Fixed Income Sales Manager	21 minutes	22/11-2021
12	Credit Research Analyst	41 minutes	4/11-2021
13	Credit Research Analyst	41 minutes	4/11-2021

8.2. Interview guide

Formalities

- Recording of the interview
- GDPR form
- Anonymity

Example of questions

- What is your job title? Could you tell us a bit about your daily tasks?
- How is your team organized and what is your role in the team? What is the role of your team in the organization overall?
- Could you explain the process when you are analyzing/investing in a company, step by step? Is there any difference when you start to cover a new company compared to an existing coverage?
- Which type of data is important in your analysis? For example, key ratios you find important?
- Is ESG considered in your analysis? How do you analyze ESG information? What is the purpose of analyzing ESG?
- If ESG factors are analyzed, what role does the ESG analysis have, relative to the financial analysis?
- When looking at a company's sustainability report, what standards or similar are you interested in? Do you look at any external ESG sources? Do you get any internal support regarding ESG?
- To analysts: When you present your analysis to investors, which information are they interested in? Any interest in ESG?
- To sales: How do you use the recommendations produced by credit/equity research in your work? Are ESG analyses used, any impact of them?
- To ESG analysts: Do you help your colleagues with analyses? If so, how?
- To fund managers: How do you make investment decisions? Other roles: How does your work contribute to the investment decision-making? E.g. recommendations if analyst, mediating role if sales manager.
- To fund managers: Are there any guidelines you need to follow regarding investment decisions? Any internal guidelines regarding ESG? Is there any laws or regulations you need to follow? Are you affected by any laws or regulations in your work?
- Are there any challenging parts of your work? In general and considering ESG.

8.3. Coding table

Examples			
Code	**Empirical theme**	**Theoretical theme**	**Citation**
Financial modelling	Valuation	Financial frame	*I have a report coming in tomorrow and then I will work all day in my Excel models and type in the financial costs, the new loan to value and what the organic growth rate has been.*
Interest due to requirements	Laws and regulations determine importance of ESG	ESG frame	*I absolutely think that the most important reason why it has become such a large interest now is due to introduction of statutory requirements. But for example also in the Taxonomy, now only the environmental parts are discussed, while a proposal for a social or governance taxonomy is on its way.*
Financial materiality of ESG factors	ESG in valuation	Radical frame blending	*Sometimes we come to the conclusion that a company's work with these issues is not that great, they will simply receive a higher credit spread, they will get punished on the market because they are seen as worse than peers.*
Exclude, then include Transitioning companies	Exclusion Engagement	Moderate frame blending	*We have an approach regarding ESG that we exclude some segments, and then we include the segments where we can see that it's possible to get excess returns* *I try to have a mixture of companies, the best companies that are delivering today and are growing and doing it in the right way, also companies that are in transition, but those companies are more challenging […] there you can actually find some real grains of gold and actually get more*

			out of it from an ESG perspective and also for the investment with the return.
ESG on the side, not that engaged in ESG	ESG is separate	Frame compartment-alization	*We have made a number of separate sector comments with an ESG focus and it might have been [about] the Taxonomy, that word I can pronounce, so that's what we have done, and then it is still under development how we merge them in individual company reports.*
ESG demands depend on context and adjusted to get listened to	Exceptions	Frame shifting	*If it's a company in a segment where everyone has long, complicated supply chains, then you can't make the same demands as on a company with local production, that would be insane, then everyone will just stop listening at you, what you say wouldn't be relevant.*
ESG is important but not here	Relevance of ESG	Frame ignorance	*ESG today is much more of an academic matter and maybe a political matter than it is a work-related matter.*
Integrating ESG Help from ESG analyst	ESG analysts as experts	Frame blending outwardly Frame denial	*I can see how important [ESG analyst #1] is for many of the analysts as a support to understand what is going on right now.* *I don't really understand this whole Taxonomy, instead I get help from [an ESG analyst] to do it and to understand the implications for my companies.*