A SUSTAINABILITY CHARADE: GREEN CAPITALISM

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Prepared for the Western Political Science Association Annual Meeting 2013

ABSTRACT

This article makes a contribution by presenting a framework for the identification and analysis of major shareholders' perspectives on environmental regulation. An illustrative case is provided using data obtained from a series of interviews with selected senior-level executives of financial institutions holding diverse kinds of investment portfolios. The study is conducted in Europe, North America, Japan and Australia. All interviewees claimed to read and use environmental regulations and narratives issued by firms relating to their environmental management initiatives. These readers can be categorized as primary definers, in the sense that their opinions of these types of texts are likely to influence regulated companies and regulators.

Key words: primary definer, reception theory, environmental regulation, shareholder.

INTRODUCTION

The purpose of this article is to present a framework for the identification and analysis of shareholders' perspectives on environmental regulation. An illustrative case is provided using data obtained from interviews with senior-level executives in financial institutions and information providers to those institutions. Interviewees are located in the U.S., Europe, Japan and Australia.

Three lacunae motivate this study. Audience reception research on public regulation – for example, on gender relations, public health and the environment – has been conducted on the lay population (e.g. Hart and Nisbet 2012). Influential readers of environmental regulation such as the major shareholders of companies are under-researched. Two, a complex investigation into the communicative situation of environmental regulation should aim to capture the strategies of negotiation between regulators, regulated companies and their majority owners: financial institutions such as pension funds, insurance companies and mutual funds. Despite widely held presumptions that these organizations will be interested in environmental regulation, research has not been forthcoming. Other motivation is provided by a lacuna on transnational research on shareholders' use of firm-supplied narratives on environmental management programmes and the like. Most assessments have been directed to specific countries and regional areas (Richardson 2003, Clark and Hebb 2005, Haigh and Guthrie 2010, De Villiers and Van Staden 2010).

The article is structured as follows. The next section describes a framework for analysis of readers of environmental regulation. A following section describes the themes of environmental regulation and the sample of interviewees, and presents the case. A conclusion summarises.

A FRAMEWORK FOR ANALYSING THE RECEPTION OF REGULATION

Readers can be critics, commentators and narrators of text who provide their opinions to other groups of readers. An example of this type of reader might be an arts and culture programme broadcasting on television. Another example is analyst firms that provide economic assessments of companies to share-owning financial institutions. Reception studies recognises the role of this and other types of readers in the communicative situation.

Hans Robert Jauss (1982, 15), an early contributor to reception theory, argued that the meaning of literature is created as it is read. The researcher's attention is more properly directed towards the reader of a text, towards appreciating what the text may mean to a reader. The meaning of a text may depend on identification of the reader's response, for "*a readerless text has no meaning at all*" (Wren-Lewis 1983, 184) and "*a text's unity lies not in its origin but in its destination*" (Barthes 1977, 148).

Reading positions are textual strategies which construct (absent) subject positions in relation to a 'preferred' reading (Wren-Lewis 1983, 184). Preferred readings refer to the position or point of view from which the reader observes and comments upon the world. The British cultural theorist Stuart Hall (1980) theorised a spectrum of possible reading positions marked by the degree to which readers confirm the dominant code of the text – referring to the meaning intended by the author (Wren-Lewis 1983, 185). Hall's premise is this: in a particular set of circumstances, a reader initially understands a given text by recognising its dominant code and responds by occupying a position which at one extreme would accept the code, and at the other end would reject it.

Hall's three reading positions are described below.

A confirmatory reading of a given text is akin to a shared understanding of that text. The reader decodes the message of the text according to the codes legitimated by the author. A confirmatory position can be identified by noting where a reader's statements in relation to a given text indicate unconditional approval of that text.

A negotiable or negotiated reading is a contradictory position of the reader in relation to the dominant codes of a given text. A negotiated position can be identified by noting by noting where a reader's statements on a given text call for modifications.

An oppositional reading implies that the reader's meaning systems are in conflict with a given text's dominant code. An oppositional position can be identified by noting when a reader's statements on a given text dismiss it outright or dismiss its dominant code. An oppositional reading would also be suggested if a reader suggested an alternate frame of meaning that would displace a given text's dominant code (Hall 1980, 137-138).

Hall et al. (1978) defined primary definers as groups in society that have the power to set the agendas and define the terms of discourses. The relationship that primary definers have with producers and other readers of texts enables them to influence the meaning of texts and, ultimately, of discourse.

Primary definers, it is claimed in this article, are represented by information providers, pension funds, insurance companies and other financial institutions and related companies that have issued statements on environmental regulation. Evidence exists that non-financial companies accord elevated levels of importance to the types of information on which their major shareholders and debtholders explicitly place value (Roberts et al. 2006). Executives in financial institutions can be treated as narrators and critics because the bulk of environmental regulation is directed not to financial institutions but to the types of companies in which financial institutions invest. Financial institutions can also be treated as primary definers, as they comprise an interested and powerful reading group by virtue of their stockholdings and debtholdings (Peters 2011). If financial institutions accord importance to extant and expected environmental regulations, it can be expected that companies will follow suit.

It is reasonable to assume that high-level executives working in investment portfolio-holding financial institutions and corporate information providers have formed views on environmental regulation and related firm-issued narratives. In the present study, selected high-level executives working in financial institutions (the sample is described in the next section) were asked to respond to a series of open-ended questions supplied in advance of personal interviews. Interviewees were asked for their opinions on environmental regulation and for descriptions of their related lobbying activities. A probe question was asked on interviewees' opinions of environmental narratives issued by firms they had invested in or were interested in.

Using transcripts of the verbal data obtained, speakers' positions are first analysed. Second, contextual aspects of the communicative situation are analysed. The following describes a group of tools used to achieve this. Analysis starts with identifying the meaning of interviewees' utterances. I begin by searching the data several times for themes, central concepts within themes, variations in descriptions of central concepts, and other concepts and attributes that support the central concept (Bogren 2010). Following, I identify interviewees' reading positions, with reference to Hall's positioning scheme outlined above. Four techniques are used for this purpose.

Technique 1 is identification of interviewees' approval of texts by means of identifying positive and negative evaluations and connotations (positive/negative words and concepts) in the verbal data obtained. Following, the data are separated into two groups. Themes in each group are identified. This technique allows identification of specific values of interviewees in respect of environmental regulation.

Technique 2 is identification of interviewees' positive self-definitions by means of identifying where interviewees attempted to persuade others to take up a specific position in relation to the subject matter.

Technique 3 is identification of shifts in voices by means of identifying mixed voices, facts sections, and shifters. Mixed voices and shifters may indicate free indirect speech, which often is used to report the speech (text) of others. Free indirect speech is indirect speech but omitting the reporting clause while retaining aspects of direct-speech structure (Quirk et al. 2008, 1032). Shifters – referring to actorial, spatial or temporal changes in voice and tone of verbal data – can function differently in a given communicative situation but have one aspect in common: they work to change the meaning of text.

Actorial shifters accompanied by an interviewee's explicit evaluation may indicate that the interviewee is interpreting the subject matter to suit his/her own worldview (Bogren 2010). This would suggest a negotiated reading position.

The use of shifters where an interviewee did not make an explicit evaluation in relation to a specific subject matter, and which was more often left to stand for itself, may indicate that the interviewee has accepted the code of the subject matter. This would suggest a confirmatory reading position.

Finally, and to redress possibility that close readings of data make their meaning appear (to the analyst) as unquestionable and self-evident, I employ distancing techniques. Distancing allows the analyst to ask whether there are competing discourses in text to those of the central character. My chosen technique is to identify the central character in the data, substitute other characters, and then identify the changes of meaning in the data.

Authenticating the mapping of a certain reading position to a particular individual depends upon the presence of certain contextual factors. 'Extraverbal factors' are identified by noting the dominant discourses in interviewees' environments, the resources available to interviewees in their worklife situations and relevant 'extracurricular' activities, and aspects of the research setting. The next section presents the case.

FINANCIAL INSTITUTIONS' INTERPRETATIONS OF ENVIRONMENTAL REGULATION

The themes of textual material on which the subjects are asked to comment are presented first. Following, the design of the case is described, and the empirical findings are presented.

Environmental regulation can be explained along four principal themes: financialisation, ecological modernisation, sustainable development and risk management (Kysar 2010). Describing these themes is important, as they are treated as the dominant codes of the texts examined in the case.

1. Financialisation arose in the 1980s in the U.S. as a finance-led growth regime that could accompany the deregulation of international trade. The macro-foundations of financialisation (Watson 2009) mean generally how financing activity gets into our lives. An example is construction of elaborate financial architecture as the preferred response to environmental management. The entry of financial institutions into international lending, money, and equity markets has put additional pressures on firms to increase their fixed returns to bondholders and increase their levels of dividend distributions to

stockholders (Peters 2011), in turn putting pressure on firms to reduce their expenditure levels on pollution reduction programmes. In context, evidence exists that investors are not averse to attributing value to firms' environmental management programmes (Bowman 2010, Clark and Hebb 2005).

2. Ecological modernisation employs a rationalist calculus centred on three ideas: that industrial activity has systematically harmful effects on native ecological subsystems; that modifying industrial activity can arrest those harmful effects; and that all natural ecosystems have the potential to be given an economic value (Everett and Neu 2000). Ecological/industrial tradeoffs that might involve stemming production rates and abandoning profitable industries are avoided. It is reasonable to expect that investors searching for hidden economic value in firms and projects would embrace ecological modernisation.

3. Consonant with the efficiency and managerial ideas of ecological modernisation and financialisation is the idea of sustainable development. The material techniques of sustainable development are an increasingly efficient use of factor inputs in globalised product and financial markets, and greater available amounts of financial capital achieved through the investment function.

4. The fourth theme of environmental regulation is risk management. Risk society theory, which sees highly industrialised societies as generating increasingly levels of environmental risks (Beck 1992), is ubiquitous in environmental regulation. A risk-based 'precautionary principle', appearing for example in the environmental protection article of the European Union (Art. 191, Commission of the European Communities 2010a) calls for an evaluation of costs and benefits. In both the EU and North America, the most oft-quoted strategy to represent risk is a comparison of expected short-run economic costs with short-run economic benefits (European Environment Agency 2013, Kysar 2010, 9). The approach would seem a comfortable discourse in investment management.

The traditional strategies employed in environmental regulation are technology-based, feasibility-based, standard-based, and administrative-based such as fines, prohibitions, information disclosure, and private law liability. Flexible market-based measures designed on the complete participation of industrial sectors have looked to markets as finding the right design and level of pollution control techniques (Kysar 2010, 5). Market-based measures include investment grants, taxation on pollutants, tradable polluting permits and quota systems, taxation concessions for research and development expenditure, certificates attaching to real property, and consumption incentives such as feed-in tariffs (Lund 2007).

Pertaining to financial institutions only, regulations issued in Europe and Asia (e.g., Japan, the U.K., Australia, France and Denmark) have required, in the interests of consumer protection, that financial institutions disclose how they take account of environmental considerations in the portfolio construction process (Haigh and Guthrie 2010). It is reasonable to expect that senior executives in financial institutions that claim to have regard to environmental considerations will be familiar with the pronouncements and regulations mentioned above.

Before presenting the findings, it remains to describe the design of the case.

The sample is selective in order to gain insights into the types of environmental regulation endorsed by environmentally motivated financial institutions in the U.S., Western Europe, Japan and Australia. The sample encompasses the principal claimants of environmental responsiveness in these regions. Some interviewees are referred by the investor environmental lobby groups CERES, Carbon Disclosure Project, and the Climate Disclosure Standards Board. Remaining interviewees are selected on basis of their mention in material issued by other special-interest investor-constituted organizations, viz., the Network for Sustainable Financial Markets, the United Nations Principles for Responsible Investment, the Investor Group on Climate Change (Australia), the Institutional Investors Group on Climate Change (Europe), and the Investor Network on Climate Risk (North America). Members of these special-interest organizations can be treated as primary definers according to the definition provided above.

The subjects are located in Europe (16), U.S. (12), Australia (3) and Japan (1). Interviews were conducted in May through August of 2010. Arrangements were made for sixteen face-to-face interviews; remaining interviews were made by telephone. Following a data-filtering process, forty-two interview extracts are selected as a representative database.

The sample of interviewees (anonymised in accordance with the requests of interviewees) is given below as Figure 1. Figure 2 below categorises the interview extracts by organizational function.

[insert point for Figure 1]

[insert point for Figure 2]

In the interview extracts presented below, interviewees' professional functions are indicated using the following scheme: fm=fund manager; fi=fiduciary trustee/board director; rp=researcher/information provider/media commentator; po=policy adviser; pe=private equity investor.

The case is presented according to the three types of text of interest: investor disclosure regulation, corporate narratives, and environmental regulation.

1. INVESTOR DISCLOSURE REGULATION

The following sources contain requirements brought on financial institutions in North America, Europe and Australia to disclose their recognition of environmental considerations in the portfolio construction process: Alexander et al. 2007, Australian Securities & Investments Commission 2011, Commission of the European Communities 2010b, DG Environment 2009, Dutch Corporate Governance Code Monitoring Committee 2008, ERISA 1974, Financial Reporting Council 2010, French Ministry of Ecology, Sustainable Development, Transport and Housing 2010, Myners 2001, 2004, Statutory Instrument 1999, Statutory Instrument 2001, U.S. Securities and Exchange Commission 2010, 2011.

Apriori expectation is that financial institutions have not noticed these requirements (Thompson and Cowton 1994, Guthrie and Abeysekera 2006, Haigh and Guthrie 2010). As expected, interviewees' reading positions with respect to this disclosure regulation are oppositional. The following explains the characterisation.

Two broad discourses are identified in the interview extracts. For some interviewees, a risk-benefit perspective frames possibility of having regard to environmental considerations. Most interviewees are unaware that the regulation has been brought, and those who are aware of the regulation consider it unimportant. A manager of an equities research division of a Norwegian asset management firm questioned its relevance.

> [Extract 1] *We have very strict regulations in terms of risk. This* [regulation*] does not sound like something we can use.* (H-fi)

The interviewee was not familiar with the regulation although at the time of interview it had been in place in her region for some years. The third-person pronoun in Extract 1 indicates that the interviewee is speaking for the entire organization. Immediately previous to Extract 1, the interviewee had been speaking in the first person; she resumed in the first-person voice soon afterwards. The shift indicates the interviewee's dismissal of the text under consideration, and constitutes an oppositional reading position.

Other interviewees filtered the regulation through an opportunist frame of reference.

A senior manager in an insurance company dismissed the regulation as a "*mere*" compliance task. The interviewee related that the regulation was "*handled*" by the public relations division of the organization – not by investment teams. The focus of his investment team, it was related, was seeking "*profitable opportunities in a responsible way*" [Extract 2]. A pronoun shift indicates resistance to the text's code. The interviewee uses the second-person voice throughout the interview; however, when providing an opinion on this regulation, the interviewee shifts to the third person, resuming in the second person soon afterwards. The shift is constitutive of an oppositional reading position.

The research officer of an investor group focusing on U.S. corporate governance issues explained that a policy note issued by the U.S. regulator (U.S. Securities and Exchange Commission 2010), concerning financial institutions' disclosure of climate-change considerations, had been discounted by members as peripheral. When relating this information, the interviewee shifts to the third person, resuming in the second person immediately afterwards [Extract 3]. As above, the shift can be considered constitutive of an oppositional reading position.

Extracts 1, 2 and 3 above provide all the data pertaining to this regulation. Other interviewees shrugged off the question. The next section analyses the ways interviewees have read and understood firm-supplied narratives on environmental matters.

2. FIRMS' NARRATIVES ON ENVIRONMENTAL MANAGEMENT PROGRAMMES

A probe question sought interviewees' opinions on regulated and unregulated firm-issued narratives on environmental matters such as pollution control programmes. These narratives, typically issued in the public domain, have been directed to regulators, shareholders and pressure groups. Analysis starts by identifying what these texts mean to interviewees. A review of the accountancy and management strategy literatures suggests that financial institutions have made limited use of this type of information. Causal relationships between its demand and supply are not strong (Thompson and Cowton 1994, Blacconiere and Northcut 1997, Hirshleifer and Hong Teoh 2003). More often, firm-issued environmental narratives have been relegated behind traditional financial information such as profits, net assets, and cash flows (Neu et al. 1998, Guthrie and Abeysekera 2006).

In this light, the study's finding is unexpected. Interviewees occupy a range of reading positions – oppositional, negotiable, and confirmatory – in respect of this type of text. The following explains.

All interviewees attach negative connotations to firms' environmental narratives. Of itself, this finding would suggest oppositional reading positions. The following extract from a European equity analyst is typical.

> [Extract 4] *CDP* [the Carbon Disclosure Project, a non-profit investor-focused organization which, since 2002, has issued assessments of companies' environmental performance levels] *is more advanced* [than firm-issued narratives] *but is not usable. The data normalisation process is problematic. Then there are barriers in the consolidation reporting approach which come from problems in how to treat supply chains.* (J-pb)

"*More advanced*", "*problematic*" and "*barriers*" suggest that the interviewee in Extract 4 desires to use these narratives in the investing process. The first sentence of Extract 4 conveys a negative connotation. The second sentence is more hopeful, in a sense that an intended state of affairs might be possible. The movement from negative to positive connotation sets up a positive/negative dichotomy between investor and firm. The antagonistic terms "*barriers…problematic…problems*" suggest a condition, namely, that these narratives should follow the well-established rules of corporate financial reporting.

Further analytical steps relate to identification of interviewees' attempts to persuade others of the logic of their arguments, and identification of values and presumptions left unquestioned. The following extract is from a corporate governance analyst located in the eastern seaboard of the U.S.

> [Extract 5] *If a company provides a carbon intensity figure we would have to reverse-engineer it into the financial statements. It would help if there were a standard financial measure used so we could compare a company to its peers.* (F-pb)

Plainly, the interviewee is interpreting the text to suit his worldview. Extract 5 begins with a negative connotation concerning an implicit question on the adjudged present state of affairs. This is answered rhetorically by a positive connotation concerning the potential usefulness of corporate environmental narratives. The use of the plural pronoun shifts the actor from interviewee to the investment team. The conditional statements, an equivalent shift from present to future tense, and a shift in time reference from the present to the future, all indicate free indirect speech. The interviewee has assumed the voice of his organization's chief investment officer, replete with the functional jargon of that office ("*we would have to reverse-engineer*"). The free indirect speech and the evaluative statement justify characterisation of a negotiated reading position. Extract 5 moves from rejection to conditional acceptance of this type of text.

Interviewees distinguished their meaning systems from those of regulators. Of itself, this supports characterisation of a negotiable reading position. The following extract from a trustee and chief executive officer of an Australian public-sector pension fund is indicative.

> [Extract 6] *Reporting does not influence investment decisions in and of itself. Companies are generally careful to ensure that material price implications that may be reflected in their disclosures are addressed before they are disclosed. This will change only once there is a price on carbon and current disclosures attract a financial liability in future.* (X-fi)

Extract 6 indicates a wish for corporate reporting requirements that would "*price*" firms' carbon emissions levels. At the time of writing, accounting standards permitted companies to ignore the cost of generated and purchased industrial pollutants. The speaker's desire for something that to date has not been brought on companies characterises the extract as a negotiated reading. A condition of acceptance is found in the following: "*only once there is a price on carbon and current disclosures attract a financial liability in future*". This condition supports characterisation of a negotiated reading position.

Further support is that the interviewee related he had lobbied governmental agencies and ministers of parliament on "*that single issue*" (costing of industrial carbon emissions), opining, "*the most critical policy in Australia is a price on carbon emissions*" [Extract 7]. The speaker's express desire for fungibility (standard pricing in sufficient volumes) and negative assessment of companies' environmental narratives suggest a negotiated reading position. Pricing and fungibility are central concepts in investors' frames of reference (Haigh 2011).

Other but not all interviewees occupy negotiated reading positions in relation to this type of text. Negotiation takes the form of negative connotations regarding firms' extant environmental narratives, followed by positive connotations attaching to desired formats and content of those narratives. The following extract is indicative.

> [Extract 8] *There are many more forms of risk* [for companies] *associated with the environment than litigation risk. It's nice if a company has something contextual to say about its operations, physical and brand-name risks associated with climate change.* (D-rp)

Extract 8 above comes from a director of a research department in a U.S. asset management company. An explicit evaluation is not made, indicating that the interviewee's position is open. On probing, "*nice*" translates to the department's limited use of this type of text.

A final analytical step is distancing techniques.

I have identified two broad character types in the interviewees, labelling them as the 'Opportunist' and the 'Prudent Investor'. Several interviewees are categorised as belonging to both types. The point of the categorisation is to distinguish the tenor of the interview extracts.

Twenty-four of the forty-two interview extracts (just over half) are characterised within the Prudent Investor category.

The Prudent Investor would legitimise corporate narratives of this type if finding them useful in management of investment risk. The Prudent Investor makes minimal use of these narratives. Typical usage is indicated in the following extract. The speaker is a corporate governance adviser employed by a large, education-sector pension scheme located in the western U.S.

> [Extract 9] *Carbon reporting is used only for the corporate governance angle. It's useful for proxy voting.* (C-fi)

Although written questions were sent in advance to interviewees, interviews were lightly structured and the conduct of interviews was kept intentionally relaxed. Rather than being occupied in dialogue, interviews with Prudent Investors were largely spent listening to monologues. Interviewees' responses to questions seemed prepared, and opinions and views expressed are dogmatic in style and lexical content. The Prudent Investor has little truck with free indirect discourse, preferring to talk directly and in emphatic statements.

Contrastively, the language used by 'Opportunists' is rapid and free-flowing. Opportunists make liberal use of free indirect discourse, often speak for others, and typically use the language and stylistic features of their addressees. Opportunists are eager to discuss how they have embraced ecological modernisation. The Opportunist is motivated to read firms' environmental narratives if expecting to use them in ways that will generate significant incremental cash flows accruing to the portfolio.

The following extract, from a principal of a thematic mutual fund in the New York area, is typical.

> [Extract 10] *We're taking an opportunistic perspective on this. It's not about risk. We look at single bottom-line opportunities so we're interested in environmental revenues of individual companies. Carbon footprinting is not so needed in the sectors we're interested in. They're all low-carbon-intensive.* (G-fm)

The use of the plural pronoun in Extract 10 shifts the voice of the speaker to that of the entire organization. The shift lends authority to the interviewee's voice by presenting a consensus view of the potential economic opportunities represented by firms' environmental management initiatives. This use of free indirect speech suggests a confirmatory reading position.

'Opportunists' are not restricted to small, boutique operators servicing individual clients. The following extract comes from an environmental, energy and governance adviser attached to a large U.K. insurer.

> [Extract 11] *What you want is themes that will move stocks. Carbon is one theme that can be considered for individual companies. If we think a company is interesting on those grounds we will consult our fund managers and analysts. If everyone agrees then the company is placed on a watch list. Whatever the decision taken* [with respect to a specific stock] *the task is to integrate the theme into valuation. This is about driving alpha. Engagement too, but primarily alpha.* (Y-fm)[1]

In Extract 11 above, the use of the second-person pronoun is replaced (in sentence three) by the plural pronoun, a classic rhetorical device that serves to connect the listener with the subject of the utterance. The actorial shifter is associated with the interviewee's explicit evaluation. The interviewee is evidently attempting to persuade the interviewer of

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[1] 'Alpha' refers to a component of the capital asset pricing model used by financial institutions to predict the economic return on a portfolio.

the validity of his view of the world: "*This is about driving alpha. Engagement too, but primarily alpha*". This speech behaviour suggests a negotiable reading position.

The next extract is provided as evidence that, for the Opportunist, corporate environmental narratives are considered attractive in terms of the ecological modernisation concept. The extract comes from a managing director of a U.S. private equity company.

> [Extract 12] *We believe we can manage money in a way in which ESG* [environmental, social and governance] *issues are a very large component -- not a screen or an overlay but core to our strategy.* (K-pe)

This interviewee's position in relation to corporate environmental narratives ("*ESG issues*") is a confirmatory one, but for a different reason to those mentioned immediately above. His private equity company, in the ordinary course of its business, acquires controlling interests in firms and replaces their management teams. Environmental narratives issued by controlled companies are not issued for legitimising reasons (see, Gray et al. 1995) as the controlling stockholder is closely involved with corporate management.

A distancing technique involved reading the extracts in each of the Opportunist and Prudent Investor categories from the dominant viewpoint of the other category. The pole between risk management and profit-making is marked in investment management; reversing the two roles was expected to identify the sorts of values each type of investor excludes from consideration.

The results of the exercise suggest that the Opportunist is fundamentally a trader. The Opportunist views corporate environmental narratives as useful insofar as far as economic value can be realised. A preferred strategy is exploitation of arbitrage opportunities that may arise between the emergence of new markets in energy generation and the collapse of existing markets that use older technologies. The Opportunist would readily validate the discourses of ecological modernisation, financialisation and sustainable development, as each serves to boost financial trading.

All but three of the interviewees had at the time of interview collected firm-supplied environmental narratives for some years. A popular use of these texts is to initiate dialogue with companies. The following extract is indicative. The extract comes from a chief information officer of a western U.S. public-sector pension scheme that, historically, has held more than fifty percent of the value of its investments in equities.

> [Extract 13] *'Climate' to us means asking companies in the oil and gas sector what they are doing, how they are managing their reputation risk, etcetera.* (AB-fi)

Another interviewee, the head of social responsibility research at an asset management company based in the City of London, related that she was not in the practice of reading companies' environmental narratives, as information contained therein was "*soft*" and, in the final analysis, trivial.

> [Extract 14] *For our climate change thematic overlay* [a particular investment approach of the firm] *we rely on our* [investment] *broker because they have a strong*

relationship with the company, we haven't got time and brokers are paid for it. Plus brokers focus on opportunities rather than the soft stuff. (L-fm)

Other interviewees believed at the time of interview (interviews were conducted in 2010) that is was too early to form an opinion on the availability, content and usage of firm-supplied environmental narratives. Mention of a future timeframe and its connotations of progress toward a goal suggest a negotiable position leaning towards a confirmatory reading position.

Another group of interviewees legitimised information on firms' environmental programmes according to a sustainable development agenda. The following extract is indicative. The extract comes from a chief investment officer of a U.S. public-sector pension scheme. The majority of the investment portfolios of this institution were not, at the time of interview, constructed with reference to environmental considerations.

> [Extract 15] *It's important not to go too fast on this issue but to take each step persistently. We've just announced our decision to integrate ESG* [environmental, social and governance considerations] *into everything* [we do]. (AD-fi)

Reading positions are not gauged for this group of interviewees. Interviewees in this group mentioned "fiduciary obligations" as a strong contextual influence on behaviour and, as such, are categorised in the Prudent Investor category. Caution and prudence are the rubrics that guided this group's readings of firm-supplied environmental narratives.

Interesting findings are that while the Opportunist cites fiduciary obligation as validating firm-supplied environmental narratives, the Prudent Investor cites fiduciary obligation as invalidating firm' environmental narratives. For interviewees occupying both categories, the contradiction is not a point of tension.

The Opportunist|Prudent Investor categorisation becomes relevant in the next and final section, which examines interviewees' understandings and application of environmental regulation.

3. ENVIRONMENTAL REGULATION

Interviewees were asked their opinions on environmental regulation and if they had consulted regulators and other financial institutions on carbon emissions permits trading markets, carbon emissions taxes and energy-usage subsidies.

The analysis starts by setting out the expected reactions of investors to pronouncements from regulators, including acts of parliament and existing regulatory measures. The literature suggests that lightly regulated financial institutions, free to assign their capital as they see best, can stand ready to participate in regulation pinned to market behaviour (Grabosky 1994, Richardson 2003, Özler and Obach 2009, Bowman 2010).

Contrary to expectation, the investors examined in the current study are frustrated with extant and expected regulatory measures. The interview data suggest oppositional and negotiated perspectives. No confirmatory positions are identified. The following explains.

A typical negative connotation is that governments have "got it wrong". The following extract is indicative. At the time of interview, one of the interviewee's several unpaid roles was membership of the Aldersgate Group, an environmental lobby group of financiers, industrial firms, and parliamentarians based in the City of London, Britain's principal financial centre. The Aldersgate Group has set out to interpret the passage of environmental regulation for actors in the City – brokerage firms, asset managers, sell-side corporate analysts, and the like. The references to 'we' in the extract below are references to the activity of the Aldersgate Group.

> [Extract 16] *The fact that it* [uncosted pollutants] *is a market failure, and that government haven't corrected it themselves through primary legislation, is a profoundly sad indictment of the policy environment. We have set out what the markets need in detail; we have sent in what is wrong with the carbon markets; policy-wise, we have set out the things we would like to see changed and then, from a global perspective, we have stated the kind of deal that we need. In short, it needs to be global; there needs to be a carbon market; it needs to be fungible; and the* U.N. *must realise that it is not communicating to the financial markets.* (Z-fm)

The interviewee's conditional acceptance of the market-based rubric of environmental regulation is evident ("*we have sent in what is wrong with the carbon markets*"). Negative connotations are also evident ("*profoundly sad indictment*") and are emphasised by anaphora ("*We have set out…we have sent in…we have set out …we have stated*", and "*it needs to be…there needs to be…it needs to be*"). The anaphora before the final statement ("*and the U.N. must realise that it is not communicating to the financial markets*") is a classical rhetorical ploy found in the speech of public orators and politicians.

The interviewee's insistence on the logic and legitimacy of his argument accompanies his tacit endorsement of market-based regulatory instruments and the sustainable development premise that global economic growth should accompany global reductions in environmental pollution levels.

In the course of interview, the interviewee referred to rationality as providing legitimacy to environmental regulation. The interviewee argued that there was only one way of proceeding with environmental regulation that could be considered rational, and that would be to twin sustainable development with financial markets [Extract 17].

The interviewee's conception of rationality is associated with his positive self-definition. His tacit acceptance of material issued by the Intergovernmental Panel on Climate Change accompanies his express desire that regulation be tailored to, quote, "*the interests of the capital markets*". Regulation that would pose a threat to capital accumulation would represent, for this interviewee, poor design. This opinion is strongly held and appears in extracts from other interviews. Whenever interviewees' customary frames of reference are challenged, their responses are derisory and bombastic in tone.

The next extract is characterised in part as an oppositional reading position, and in other part as a negotiated position. The extract is supplied by an executive of a Scandinavian public-sector insurance company. The interviewee is discussing potential modifications to the European Union's Emissions Trading System[2].

> [Extract 18] *Will America make the same mistakes as have been made in Europe with cap-and-trade markets? Cap-and-trade to my mind has been an abject failure so far - the carbon price is too low. Whether it's actually achieved any carbon reduction is very debatable.* (N-fi)

Extract 18 suggests tacit approval of financialisation, ecological modernisation and sustainable development ("*the carbon price is too low*" and "*Whether it's actually achieved any carbon reduction*"). Other interviewees expressed similar approval of these doctrines and made similar suggestions concerning how they might be promoted. The following extract from a fund manager based in Britain is typical.

> [Extract 19] *Just from an investment perspective, all we need is certainty. That's all legislators need to do … provide us with certainty of legislation. But for as long as you don't know what the price of carbon is, for as long as you don't know what the legislation will be, for as long as you don't know what disclosure is going to be, absolutely nothing's going to happen. Policy makers have done nothing that we can use. We should be buying and selling the companies that stand to win and lose from policy measures. We cannot, because we don't who will win or lose. If we don't know what the cost of carbon is, then we don't know which companies are active in environmental management, because they don't tell us.* (I-fm)

Extract 19 uses the pronoun shifter "*we*" to represent the collective interests of the funds management sector. Then the interviewee shifts again and introduces the second person pronoun "*you*" to persuade his audience of the logic of his argument. The anaphoric emphasis ("*for as long as you don't know what*" repeated three times before the adverbial qualifier "*absolutely*") lends support to characterisation of Extract 19 as a negotiated position. Anaphoric emphasis is made again ("*we don't know what…we don't know which*") in relation to discussion of the exclusion of financiers from policy design.

On these bases, a reading position in Extract 19 is characterised in part negotiated and in other part oppositional. The investment approach legitimised here is twofold: one, divesting from companies expected to be penalised, and investing in companies expected to benefit economically from environmental regulation. These actions are typical of the Opportunist (characterised above).

Opportunists' principal strategy is to design the portfolio in a way that benefits from environmental regulation. The next extract provides a typical example.

> [Extract 20] *Governments* [should] *provide the right kind of subsidies so that investors – meaning long-term investors – will bring their acts and their money to the table.* (N-fi)

The periphrastic adjective "*right kind*" connotes that investors would endorse environmental regulation that is revenue-creating ("*subsidies*") and would not support regulation that is cost-creating (e.g., taxes on environmental pollutants). The double

[2] http://ec.europa.eu/clima/policies/ets/index_en.htm, accessed 14 September 2012.

metaphor makes a reference to the bargaining table of environmental regulation and, perhaps, to the similarity of investing with card games. The metaphoric language creates a theatre set that introduces investors as actors in environmental regulation.

On a re-reading of the extracts allocated to the Prudent Investor category, it is noted that fiduciary responsibility is commonly conceptualised as seeking, first and foremost, incremental cash flows accruing to the portfolio. This strategy is in line with fiduciary obligation to meet the payment obligations of investment vehicles. Interviewees' preferred way to achieve this objective is to engage in arbitrage opportunities; in other words, to behave as an Opportunist.

Here the Prudent Investor/Opportunist dichotomy begins to dissolve. Prudence, in a sense of having regard to environmental regulation, is commonly conceived as attempt to beat the market.

The interview data suggest that the Opportunist is not interested in addressing environmental problems by targeting individual firms – although the claim has appeared in material issued by some financial institutions (Haigh and Hazelton 2004). The Opportunist is primarily interested in securing economic wealth, and one of the ways s/he might do this is by noticing how environmental problems affect the portfolio.

A significant minority of interviewees had read neither firm-issued environmental narratives nor environmental regulations but had read relevant articles in the financial media and attended conferences on the topic. These interviewees are unsure as to their responses to environmental regulation. The following two extracts are typical.

Extract 21 comes from a staffer in a research company based in continental Europe. Extract 22 comes from an environmental policy advisor working at a British financial services conglomerate.

> [Extract 21] *Most people aren't really interested in stressing their portfolios in a very organized way to try and get companies to move in directions that will be in their interests and in the interests of the planet as well. There's a feeling that we're not all acting as if there's an urgent problem and time is, well, ticking away.* (S-rp)

> [Extract 22] *Carbon trading is just a thing that's out there, which we'll have a look at when we have to. When discussing companies' exposures to carbon trading in open discussion this morning with our wider investment group, we told them we're having a look at it. The instant response was 'That's five years'. Now in any normal client mandate, a comment 'That's five years' means 'That doesn't exist, it doesn't matter, that's five years'.* (AA-po)

'Five years', it was explained by the interviewee giving Extract 22 above, refers to a typical investment-planning period in the capital markets. Events expected outwith a five-year horizon would be discarded from consideration. Evidently, investors' responses to the environmental agenda are tied to industrial growth, economic competition, and financial arbitrage. This observation leads to a summary of the verbal data pertaining to environmental regulation.

The extracts pertain to environmental regulation fall into two groups. In one group, interviewees struggle to recognise a reality that cannot be dealt with easily using concepts tied to markets. Extracts do not contain positive/negative connotations regarding the subject matter, and the language used is neither rhetorical nor polemical.

Eight interviewees mentioned contextual limitations to investing along environmental themes[3]. The next extract is indicative. The extract is supplied by an information research director of an American funds management company.

> [Extract 23] *Climate investing is more likely to be about single companies rather than across sectors. The sector view is shaped by reading the tea leaves on the macro view of the economy. After forming a sector view we decide whether we are underweight or overweight.* (D-rp)

"*Underweight/overweight*" refers to the extent to which the composition of a portfolio differs to that of a benchmark portfolio ('tracking error', see, Blitz and Hottinga 2001). It can be noted that the benchmark portfolio is constructed without reference to matters such as environmental regulation. In the words of another interviewee, "*It's difficult to break the investment bank mould"* (Y-rp) [Extract 24].

This group of interviewees discounts extant environmental regulations; paraphrasing Extract 22 above, environmental regulation per se is treated as if it "*doesn't exist, it doesn't matter, that's 'five years'*". Interviewees in this group are prepared to endorse environmental regulation insofar as it does not disturb institutional conventions.

The other group seeks to modify environmental regulation to match institutional conventions. Extracts in this second group exhibit positive self-definitions in respect of environmental regulation and are dismissive of other arguments. A financial journalist covering the European financial markets supplies the final interview extract. The extract is typical of the tone and direction of argument in this group.

> [Extract 25] *Governments don't have any money at the moment. So if they're going to be serious about reducing carbon emissions, they're going to need some large* [amounts of] *private capital to do that.* (AC-rp)

In contrast to those in the former group, these interviewees typically lobby regulators. The extracts suggest negotiated positions, but the nature of negotiation is different to that entertained by the former group.

CONCLUDING REMARKS

This article has developed and applied a suite of techniques to identify readers' perspectives on environmental regulation. Attention directed to the research setting, to readers' 'extra-curricular' activities, and to the connotations of readers' statements has provided insights into the ideological dimensions of the communicative situation. These aspects mitigate the risk that the analyst has pre-empted the identified reading positions.

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[3] Located in the U.S., Europe and Australia, comprising one media commentator, a representative of an investor association, two information providers, and four portfolio managers.

The case provides insights into an important reader group of environmental regulation, namely, financial institutions that hold significant proportions of the equity and debt securities of polluting companies. The findings contribute to the literature on the design and efficacy of environmental regulation (Beck 1992, Enzensberger et al. 2002, Helm 2003, Lund 2007) and its fit within existing market structures (Alexander et al. 2010, Alexander 2011). The finding that financial institutions validate environmental regulation if expecting it to lead to short-term economic benefits, and discount it otherwise, bears on the dominant regulatory approach that calls for the wholesale participation of markets. While it cannot be denied that primary definers contribute to the meaning of the examined texts, the meanings of environmental regulation do not rest with financial institutions. Identification of the significance of environmental regulation for non-financial companies belongs to a future project.

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Figure 1

Organization	Region
Industry Funds Management	Australia
Investor Group on Climate Change	Australia
Local Government Super	Australia
Non-Government Schools Superannuation Fund	Australia
ATP Fund	Denmark
DVFA Society of Investment Professionals in Germany	Germany
Banca d'Italia	Italy
Bloomberg LP	Japan
KLP Asset Managers	Norway
Norfund	Norway
Aviva Investors	UK
EIRIS (information provider)	UK
F&C Asset Management	UK
Henderson Global Investors	UK
Responsible Investor journal	UK
Standard Life Investments	UK
ADA Investment Management	USA
Author and commentator on environmental regulation	USA
Blue Wolf Investments	USA
CalPERS Fund	USA
CalSTRS Fund	USA
CERES	USA
Council of Institutional Investors	USA
Essex Investment Management	USA
Pax World Management Corp.	USA
Teachers Insurance and Annuity Association of America and College Retirement Equities Fund	USA

Figure 2

Organizational Function	No. Interviewees	%	No. Interview Extracts	%
Fiduciary (trustee)	7	22%	15	36%
Research provider	11	34%	11	26%
Portfolio manager	9	28%	9	21%
Professional body / media	2	6%	4	1%
Professional society	2	6%	2	.5%
Private equity investor	1	3%	1	.3%
Total	32		42	