

Pragmatism vs Purpose: Identifying the Feasibility Barriers to Green Finance Integration

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Abstract

The ascendancy of Environmental, Social and Governance (ESG) as a cornerstone of boardroom strategy reflects a tectonic shift from the shareholder capitalism of yesteryear to today's more inclusive concept of stakeholder capitalism. Yet the epicentre of gridlock between Purpose and Profitability in today's organisations lies with the middle manager. Whilst the C-suite engages in paeans to the long game, the frontlines wrestle with short-term investor expectations, misaligned incentives and a lack of technological enablement. For finance professionals in the Middle Office, the theoretically worthy (but pragmatically impossible) propositions related to ESG align to form a "Possibility Gap", a subcategory of the wider Attitude-Behaviour Gap that captures how attitudes towards a particular subject do not translate into real-world behaviours. The Possibility Gap is an opportunity for de novo research, as its constituent elements can be broken down into hypothetical payoffs to both purpose and profit, along with their respective likelihoods. Drawing on the Expectancy-Value model of attitude formation, this paper dissects 32 individual ESG components into their core sub-components, developing a new framework of 6 classes of pragmatic barriers to mainstreaming green finance: Access to capital and financial performance, Risk & Resilience, Operating expenses and cost savings, Brand value & customer retention, Employee well-being, skills and productivity and New revenue & competitive advantage. The result is a fundamental diagnosis of the problem of "greenwashing" (claiming rather than creating value for ESG) as operational, not philosophical. The Possibility Gap is the clash between organisational mission (captured by big-picture ESG ideals at the strategic level) and its real-world manifestations. When Middle Office professionals (nominally charged with operationalising the former) find themselves unable to demonstrate progress towards (highly valued, but pragmatically impossible) metrics, they experience cognitive dissonance. As a coping mechanism, they engage in impression management, which creates the appearance (not reality) of greenwashing. The key to moving from an ideal of ESG to its reality is to stop treating it as a binary in/out and to identify the micro-level conflict points with the real-world priorities that, in the aggregate, sabotage corporate sustainability ambitions. Only by doing that will organisations stop greenwashing, start with green integration, and stop preaching to the middle office from on high and invest in pragmatic enablers (automated data capture, realigned short-term incentives and other forms of technological enablement) that actually make it possible for financial professionals to do right by Purpose and Profitability alike.

Keywords: Green Finance, ESG Integration, Possibility Gap, Middle Management, Greenwashing, Expectancy-Value Theory

1. Introduction: The Tension Between Purpose & Pragmatism

The current zeitgeist in global finance is a shift away from the “shareholder value” maximisation approach since the post-war era (Friedman, 1970) toward the broader, more inclusive concept of “stakeholder capitalism” (Schwab & Vanham, 2021). Climate and societal pressures have elevated Environmental, Social, and Governance (ESG) from a philanthropic add-on to one of the “holy grails” of business transformation in the boardrooms today, in the way that it redefines the approach boards take to managing risk, capital allocation, and sustainable value creation (Eccles et al., 2014). Macro-level factors have also converged to form a key “mega-trend”: the unification of global disclosure standards to drive the sustainability agenda with the same level of “hard metrics” accountability as in financial statements (IFRS Foundation, 2024).

However, what is missing in the transition from macro-level “Purpose” (boards signing pledges) to micro-level “Pragmatism” (functionality at the transaction level) is a Green Finance implementation bottleneck at the middle management layer – the level of organisational hierarchy between senior leadership with the strategic agenda and frontline teams with the operational fire-fights. As we observe the same commitment to global “Purpose” across most organisations today, we are in the midst of an active debate at the micro-level about how to practice “Pragmatism” in the real world of green finance (BlackRock, 2024). At the middle management level, there is a core problem of defining ESG implementation “best practice” given that it is embedded in how well managers lead the teams (or not) to deliver a clear business case; as such, it acts as the “clay layer” (Osterman, 2008; Rouleau, 2005) where well-meaning top-down initiatives get trapped between urgent short-term pressures for results and stretch long-term ESG objectives (Harding et al., 2023).

Here, we encounter an important Attitude-Behaviour Gap: individuals have good intentions to be positive about a construct yet do not act on those intentions (Ajzen, 1991; Festinger, 1957). In green finance, this gap lies in middle management teams that may perceive the value of ESG through normative or theoretical arguments but are unwilling to operationalise it due to a lack of field-tested clarity on the financial materiality of ESG factors at the execution level (Amel-Zadeh & Serafeim, 2018). If, at a manager’s own “coalface” in a hyper-competitive, commoditised business-as-usual world, there is no clear and discernible connection that ESG will make a positive difference to their immediate bottom line and risk profile, a rationalist view would suggest that non-action may well be the “reasonable” default (Cheung et al., 2011).

The current research seeks to dissect the Attitude-Behaviour Gap methodologically. In quantifying the trade-off between theoretical Contribution and practical Likelihood, this paper reduces 32 dimensions of the ESG construct (16 positive contributions to theory; 16 practical low-likelihood counterpoints) to 6 higher-order categories of feasibility impediments. This taxonomy of barriers aims to define better the pragmatic roadblocks that continue to impede the practical reality of green finance.

2. Theoretical Framework: Deconstructing the “Possibility Gap”

To facilitate a more holistic diagnosis of why green finance mandates routinely falter at the level of middle management, this section will structure the discussion around the Expectancy-Value theory of attitude formation. Namely, a bank professional’s commitment to proactively embedding ESG into the fabric of daily operations (Ajzen, 1991). This instrumentality component of the Theory of Planned Behaviour stipulates that the necessary and sufficient conditions of such an intention are two distinct cognitive appraisals. These are the Contribution (The Purpose) and the Possibility (The Pragmatism). Contribution or outcome evaluation or subjective value may be phrased as follows: The worth or stakeholder significance of the given ESG benefit. Does this sustainability outcome create a large enough and a material enough value for the company? On the other hand, the Possibility or belief strength, also known as instrumentality, is essentially the answer to the question: Irrespective of how large the value of this outcome may be in the abstract, is it realistically within the power of this firm to make it happen? What is the likelihood of success, given the current market, resources and the operational maturity (Paul et al., 2016)?

Crucially, it is the intersection of these two mental evaluations that creates the green finance proverbial bottleneck. This author argues that the fundamental, yet elusive, impediment to ESG at the level of daily operations is not a lack of normative and strategic alignment nor a lack of awareness of global trends. Instead, it is rooted in the simultaneous presence of a “Possibility Gap”. A scenario where an ESG action is assessed to have a large enough theoretical Contribution (high Purpose) but also (and more importantly) a catastrophically low Possibility (low Pragmatism) in practice. A situation in which middle management feels tasked with delivering sustainability at a highly stated but hardly seen feasible level is inherently conflictual, for it entails a direct presence of cognitive dissonance (Festinger, 1957). To resolve this psychological stress and professional expectations, the bulk of middle management gravitates towards stasis or impression management, a dynamic that translates at the firm level (Boiral et al., 2019). Thus, a Possibility Gap is the foundational feasibility bottleneck to ESG at the level of daily operations.

To more systematically lay bare these feasibility bottlenecks, this chapter offers a novel taxonomy. The ensuing sections aggregate and distil a list of 32 distinct evaluative dimensions or constructs, comprising 16 individual items measuring theoretical Contribution and 16 paired items measuring operational Possibility, grouped into six larger buckets of organisational value creation. The six heads under which the taxonomy unifies more discrete concerns are: (1) Financial Performance and Access to Capital, (2) Risk Management and Resilience, (3) Operational Efficiency and Cost Savings, (4) Brand and Reputation, (5) People and Talent and (6) Innovation and Growth. As such, the Expectancy-Value prism will be applied to each of these six domains. In doing so, the following pages will identify where and why a Possibility Gap is most central to derailing the execution of green finance for the modern bank.

3. Consolidating the Feasibility Barriers

To systematically map the friction points hindering green finance implementation, this section consolidates the 16 overarching ESG benefit areas—and their 32 dual dimensions of theoretical Contribution versus operational Possibility—into six distinct organisational value categories. By applying the Expectancy-Value lens to each category, we can isolate the specific “Possibility Gap” that transforms a theoretical sustainability goal into a pragmatic feasibility barrier.

3.1. Cost of Capital & Investor Attraction Barriers

Items Collapsed: Lower Cost of Capital, Attracting Investors, Improved Stock Performance.

The Value (Contribution): At the apex of strategic management hierarchies, ESG integration has been successfully framed as an economic growth imperative. The vision is that by leading the way in sustainability, one’s organisation can unlock “ESG Alpha,” the holy grail of equity outperformance. The argument is that strong, measurable sustainability performance directly maps to both better return on equity (ROE) and downside protection, with one’s firm’s stock performance a direct function of its material sustainability ratings and disclosure score (Clark et al., 2015). In addition to theoretically providing “downside protection” for existing equity capital, high ESG scores have the promised corollary of unlocking a vast flood of new institutional “green money.” By advertising superior sustainability performance, firms should theoretically be able to offer lower interest rates on their debt, making ESG a leading cause of capital efficiency (El Ghoul et al., 2011).

The Barrier (Possibility): On the ground, the Possibility Gap for this category stems from the near-EQ Neutrality in many local or highly commoditised financial market sub-segments. The near Neutrality in marginal outperformance locally has created a unique set of friction points (Auer & Schuhmacher, 2016). From the lens of financial middle management, bonuses, KPIs, incentives, and job security are practically all tied to their annual ROE performance, and they work for firms where their respective CEOs are chiefly incentivised by the same. The Possibility Gap for lower-level managers and junior executives is that ESG Alpha is too long-term, and the empirical evidence from their immediate industry/local market is too weak to give them any pragmatic confidence that their firm will earn extra profits from having a sustainability report. In other words, the professional market is not rewarding firms that perform better financially this year than last, merely because they have a decent ESG rating (Halbritter & Dorfleitner, 2015). The reason why ESG is not a feasible goal from their perspective is that it currently carries little to no calculable upside or downside risk at the company and operational unit levels. When directly asked, most financial professionals do not discount the value of attracting green investors. What they are extremely sceptical about is whether the specific, near-term ESG actions they

are being asked to take will, on average, reliably “move the needle” on their quarterly financial metrics.

3.2. Risk Mitigation & Resilience Barriers

Items Collapsed: Regulatory Compliance, Supply Chain Resilience, Climate Adaptation.

The Value (Contribution): In a world of accelerating environmental uncertainty and tightening legal frameworks, ESG, in theory, is the corporate panacea. As existential crises go, very few have the same visible universality. As such, the general contribution of green integration along these lines is the firm’s protected status against the physical risks of climate change, sudden catastrophic third-party supplier failures, and surprise regulatory fines (Task Force on Climate-related Financial Disclosures, 2017). A smooth, ESG-compliant supplier network is a near-universal, high-value contribution to consensus-building in any context where the middle managers involved will remain at the company long enough to receive credit.

The Barrier (Possibility): The Possibility Gap and barrier to ESG on the risk side of things is the obvious, existential enormity of the task. For all that supply chain resilience is regarded as a universally accepted, high-contribution outcome, it is also widely seen as a hugely unfeasible goal. The global financial services industry and corporate clients are highly opaque and inordinately globalised, which poses significant challenges for operational units seeking to build genuinely sustainable and resilient business networks (Hofmann et al., 2014). ESG-minded middle managers will often be told, “You need to assess whether all of our multi-tier international suppliers are free from third-party slave labour,” for example. Still, no amount of middling COO risk-officing clout can give you the country-by-country jurisdictional legal authority to audit every potential supplier at every level in your network, many of whom you are completely unable to see due to contractual NDAs or lack of local relationships. For bottom- and middle-tier teams trying to operationalise green finance, the overall barrier on this side is not due to a total lack of risk-mitigation value or desirability, but rather to the basic operational fact that large swaths of the key ESG risk-reduction agenda are on the books but inoperable. For risk professionals, the Possibility Gap lies in the materiality of certain risks, such as climate change and general logistics. It’s the only time in the universe when executives of firms will ask themselves and their subordinates, “Do we know if our product or supply chain involves child labour? Because maybe we should figure out!” The reality is that, with all due respect to the materiality of climate adaptation and other such factors, the complete lack of logical and legal control over a highly globalised network of risk is a logistical black hole. It’s here where “risk management” begins to shade into a de facto impossible “public relations and optics” headache.

3.3. Operational Efficiency & Waste Reduction Barriers

Items Collapsed: Resource Efficiency, Waste Reduction.

The Value (Contribution): The whole environmental aspect of the ESG “triple bottom line” arguably contains the strongest theoretical value in the space. The improvement is especially evident in more direct bottom-line gains. Firms that can claim to be operating in a “circular economy” sense—reducing energy use, optimising water consumption, reducing material inputs, minimising by-product waste—can, in theory, claim to have lower marginal production costs than their competitors (Geissdoerfer et al., 2017; Porter & van der Linde, 1995).

The Barrier (Possibility): The biggest barrier to this part of the ESG agenda is currently infrastructure. It is one thing to tell an organisation to “reduce waste and save energy” as a general efficiency guideline. Still, the ground-level logic is that this means nothing without the data infrastructure to make it quantifiably operational. The reality is that to measure, validate, track, and ultimately claim financial materiality for your firm’s micro-efficiency actions and circularity investments requires automation and data systems of a fairly high order. IoT-connected building management software, “smart” metering hardware, edge computing, and certain decentralised data verification and tracking technologies, such as the blockchain, are key to automating these types of savings (UN Global Compact, 2014). Middle managers with only traditional organisational setups are unable to track the precise efficiency gains from physical changes, for example, “LED light bulb changes.” They are forced to revert to rough guesswork in many areas of resource cost-cutting. The immediate barrier here is data verification friction; the instruction to “use less paper” is not felt on the ground as a realistic, feasible target until the requisite data management systems to quantifiably track those savings are built into the enterprise. It is notable that while COOs in new-economy and tech firms likely see their in-house IoT-enabled smart buildings and decentralised resource tracking as a differentiator, their counterparts in incumbent non-tech finance are far more often struggling with the knowledge that their firms’ lack of such infrastructure is likely holding them back.

3.4. Brand Reputation & Consumer Loyalty Barriers

Items Collapsed: Consumer Preference, Premium Pricing, Trust Building.

The Value (Contribution): Brand reputation is another area with, in theory, a very high potential value. The reputation stems from the modern customer, especially the rapidly expanding base of millennial and Gen Z consumers, who, in theory, reward firms with good sustainability records with their wallets and loyalty (Nielsen, 2015). As the rapid rise in cosmetic ESG scores has demonstrated, consumers can differentiate firms in the space and, in some cases, self-select in their personal purchasing to find firms or products that match their values (Alonso & Munoz, 2020). The brand value of a “good ESG score,” then, is in the trust that stakeholders have in your firm’s products being sourced responsibly and in the directly related ability to charge a premium, a “greenium,” for having the same (Pivato et al., 2008).

The Barrier (Possibility): The Possibility Gap and the pragmatic fear of greenwashing are “aggregate confusion” and are likely the two largest de facto roadblocks subverting this part of the agenda. To date, the ESG data space, whether public or private, has been highly fragmented, and the same organisation is often given wildly varying scores by different agencies using different methodologies (Berg et al., 2022). The confusion naturally makes professional market actors highly sceptical of their ability to leverage their ESG credentials for “premium pricing safely” or to outcompete competitors. There is also, and quite naturally, the realistic public relations-related fear that if a firm heavily advertises a product as “sustainable” or “green,” one may then become the target of intense public scrutiny from the new economic “activist” ecosystem which will not let the company forget or forgive it for a millisecond if it makes even one single factual error on its ESG report, or is in any way found to have “greenwashed” (Boiral et al., 2019). The Possibility Gap, then, where we have consumer trust as the end goal, is that the general professional, pragmatic fear of greenwashing, “aggregate confusion,” and reputational backlash from a single misstep is proving more powerful than the theoretical upside of premium pricing.

3.5. Talent Attraction & Retention Barriers

Items Collapsed: Talent Attraction, Employee Retention, Productivity.

The Value (Contribution): This goes without saying, but by all relevant metrics, human capital is the most important economic input in the world’s leading financial centres. As such, the whole “Social” and, to a certain extent, “Governance” side of ESG is, in theory, designed to be the winner of the global war for talent. By offering professional market talent a sense of greater purpose, more rigorous diversity, equity, and inclusion (DEI) programming, better work-life balance, and more ethical and fair employment practices, firms should, in theory, be able to unlock higher intrinsic motivation, higher productivity, and lower staff churn from their workforce (Edmans, 2012; Turban & Greening, 1997).

The Barrier (Possibility): The Possibility Gap here is that middle management and HR professionals are not stupid; they know when it is and is not feasible to draw top talent from “purpose-driven leadership” alone. No matter how good the HR team is, and no matter how tempting the HR team can make the new employment offer, the professional market understands that one cannot just will away systemic problems by tacking a sustainability pledge onto a recruitment brochure or the new NFT company HQ office. A senior manager in the financial services industry might be desperate for more talent to join them, given how tight the market is. Still, they know that hiring a CIO on a “cut your commuting carbon in half” basis will not, by itself, solve underlying problems like the uncompetitively low pay for junior tech, the burnout epidemic, or the industry-wide collapse of work-life balance (Osterman, 2008). The professional barrier here is also that no amount of “purpose-driven management” can solve a fund management partner’s imminent retirement; “cut your commuting carbon in half” by itself will not make you competitive with FAANG pay rates for your next

software engineer hire. All of the middle manager's female subordinates who have left finance to work at a consultancy or become product designers are extremely unlikely to return based on your firm's greenwashing of an "employer empowerment plan" in its ESG report. The Possibility Gap for retaining top talent is not that executives don't want it, but that the pragmatic fear of greenwashing, "aggregate confusion," and reputational backlash from a single misstep is proving more powerful than the theoretical upside of premium pricing.

3.6. Innovation & Growth Barriers

Items Collapsed: New Market Opportunities, Long-term Strategic Vision.

The Value (Contribution): Last but by no means least, we have the long-term, forward-looking future-proofing contribution of ESG integration. On its face, the theoretical contribution of sustainability to organisational value is that ESG is meant to be a catalyst for organisational evolution. By necessity, integrating ESG into one's business model and corporate culture is meant to force a reckoning with outdated pre-COVID-19 growth models, "brown finance" assumptions and bias, and push the company to engage with transition finance (Eccles et al., 2014; Nidumolu et al., 2009). The resultant organisational-level positive impacts from an integrated ESG with positive materiality are many: the unearthing of new market opportunities, the development of genuinely innovative green financial products and services, and a new, longer-term strategic vision for the firm that is truly future-proof.

The Barrier (Possibility): The final practical Possibility Gap preventing firms from taking the green transition in a new-market-opportunity-creation sense more seriously is simply that it is extremely hard to do. On an inescapable fundamental level, there is a deep-seated structural mismatch between the time horizon required for true innovation and the shorter-term behaviour of modern financial markets. At the heart of the matter, green finance product and service innovation is not easy, especially in "brown-to-green" transition finance. It requires significant research and development, long-term capital lock-up, and patience with return horizons and thus liquidity stress, which is often in direct conflict with the short-termism currently incentivising middle management (Ameli et al., 2021). Middle management may know from high-level company strategy briefings that their firm "must move towards net zero by 2030," but it is an entirely different matter to actually find a way to do it, let alone profitably. On the ground, it is often felt that local markets in many of these sub-segments are saturated with shallow green products, making true innovation all but impossible to monetise. The Possibility Gap, where we have "new market opportunities" as the end goal, is that the pragmatic fear of greenwashing, "aggregate confusion," and reputational backlash from a single misstep is proving more powerful than the theoretical upside of premium pricing.

To sum up, the identified 16 barriers are visualised in the following figure (Figure 3.1).

Category	Benefit Area
Financial Performance & Access to Capital	Lower Cost of Capital
	Attracting Investors
	Improved Stock Performance
Risk Management & Resilience	Regulatory Compliance
	Supply Chain Resilience
	Climate Adaptation
Operational Efficiency & Cost Reduction	Resource Efficiency
	Waste Reduction
Brand Reputation & Customer Loyalty	Consumer Preference
	Premium Pricing
	Trust Building
Human Capital & Talent Management	Talent Attraction
	Employee Retention
	Productivity
Innovation & Strategic Growth	New Market Opportunities
	Long-term Strategic Vision

Figure 3.1: Visualisation of the Identified Barriers for the Implementation of the ESG Practice

4. Discussion: The Structure of the “Possibility Gap”

Aggregating the 32 dimensions of ESG across the six categories yields one overwhelmingly evident and remarkably uniform takeaway: sustainable finance is not held back by an Attitude-Behaviour Gap, but rather by a Possibility Gap. Throughout the taxonomy, on the one hand, finance professionals have a very positive attitude towards the Purpose of ESG: they will always agree that, in principle, ESG is the right thing to do for managing systemic risk, earning trust, and safeguarding long-term value creation. On the other hand, they remain very firm in their scepticism on the ground. This divergence between theory and practice is not a failure of Pragmatism so much as a failure of Purpose. Far from being persuaded of the necessity or value of sustainability, middle managers have, through their fieldwork and experience, been shown that their executives actually mean what they say when they ask them to make it happen. In practice, this is still not possible without the necessary tools: real-time green data, machine learning, and performance incentives are not just productivity enablers but, in fact, the very legitimacy enablers for ESG efforts (Amel-Zadeh & Serafeim, 2018).

The resulting Possibility Gap, left unbridged, constitutes one of the most material system-level threats to company sustainability initiatives. If left unresolved, it will generate an even deeper level of organisational cynicism than that of the Attitude-Behaviour Gap. The cognitive dissonance that arises when the boardroom and stakeholders instruct professionals to do something of high value that they do not feel is possible is very unpleasant. At this point, to manage the contradiction of being told to build a better planet in their day jobs, which are quantitatively unmovable in the short term, many in the middle office start to engage in “impression management” (Boiral et al., 2019), the rationalisation and half-hearted, in other words, response to a

challenge that professionals and firms cannot genuinely deliver on is not deep green finance integration, but patchy “greenwashing”. If companies have told employees they have to deliver on the Purpose of ESG but have not made it possible for them to do so, then employees are rationally going to meet the organisational legitimacy and reporting expectations with as much green smoke and mirrors as is socially acceptable.

In short, the bottom line of the taxonomy is that purpose without pragmatism is the best way to lose corporate capital. Until the particular, physical, and institutional feasibility barriers to finance professionals’ support of ESG are recognised and addressed (through the right KPIs, green finance data tools, and redefined short-term goals, for instance), ESG will continue to be a “mission statement rather than a business practice” (Bansal & Roth, 2000; Slawinski & Bansal, 2015). To begin to close the Possibility Gap and earn the trust of employees, corporate executives must start doing less talking about the “why” of stakeholder capitalism and far more walking about the “how” of day-to-day feasibility.

5. Conclusion & Strategic Implications

Treating Environmental, Social, and Governance (ESG) criteria as a monolithic concept obscures the granular, operational barriers that hinder its true adoption. As demonstrated by the proposed six-category taxonomy, deconstructing ESG into specific dimensions provides a precise diagnostic map of these friction points. To successfully bridge the Attitude-Behaviour gap, financial institutions must pivot their change management strategies. Corporate leadership must stop merely preaching the overarching “Purpose” of stakeholder capitalism and instead focus on dismantling the “Pragmatic” barriers that paralyse middle management. This transition requires concrete actions: investing heavily in automated data infrastructure, realigning short-term performance KPIs with long-term sustainability metrics, and equipping professionals with the technological enablers necessary to make green finance operationally feasible (Baumgartner & Ebner, 2010). Only by actively resolving the Possibility Gap can organisations empower their workforce to transform ESG from a theoretical compliance burden into a genuine driver of resilient value creation.

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