

Master Thesis (I) Business Administration

Balancing Finance and Impact: ESG implementation as a catalyst for scaling Corporate Social Innovation in the banking sector

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Date: 16-06-2025

1<sup>st</sup> / 2<sup>nd</sup>-attempt:

Word count (main text): 13.572 (including reference list)

**Radboud Universiteit**



## **Abstract**

This qualitative single-case study investigates how ABN AMRO implements Environmental, Social and Governance (ESG) principles within its investment policies to grow its Corporate Social Innovation (CSI) initiative, the Sustainable Impact Fund (SIF), towards systemic change. Through interviews and document analysis, this research explores how the bank uses its inclusive (ESG) strategy and the SIF's role in growing for more impact, encountering critical stakeholder trade-offs, managed by stakeholder theory. The findings reveal that ABN AMRO uses a structured approach to ESG implementation, enclosing proactive and bounded policies with strong governance and accountability mechanisms. The SIF is identified as a key enabler for CSI, in particular for companies requiring tailor-made equity, as they are not bankable in the conventional manner. Furthermore, the pursuit of systemic change is shaped by internal factors, such as profit and risk aversion, and external stakeholder demands like regulatory pressures and societal expectations. These lead to various trade-offs, often resulting in more incremental progress. Therefore, this research contributes to academic insights by showing how large financial institutions balance financial objectives with their ESG ambition, while managing conflicting stakeholder demands in their pursuit of impactful CSI.

## Table of Contents

1	Introduction .....	5
1.1	Practical relevance .....	5
1.2	Academic/theoretical relevance .....	6
1.3	Objective, research questions and subquestions .....	7
1.4	Contribution .....	8
1.5	Outline of the thesis .....	8
2	Literature Review and Theoretical framework.....	9
2.1	Literature review .....	9
2.1.1	ESG principles .....	9
2.1.2	ESG Implementation .....	10
2.1.3	CSI in the finance sector .....	13
2.1.4	Growing CSI to systemic change .....	13
2.2	Theoretical framework .....	16
3	Methodology .....	18
3.1	Research strategy.....	18
3.1.1	Research approach.....	18
3.1.2	Qualitative case study .....	18
3.1.3	Philosophical perspective.....	19
3.2	Data sources .....	19
3.3	Methods of data collection .....	22
3.4	Data Analysis .....	22
3.4.1	Sensitizing concepts.....	24
3.5	Ethics and transparency .....	25
	Chapter 4: Analysis and findings.....	26
4.1	SubRQ 1: ‘What specific practices does ABN AMRO use to incorporate ESG principles into its investment decisions?’ .....	26
4.2	SubRQ 2: ‘What does ABN AMRO trade off to mitigate various stakeholder’s expectations?’ .....	31
4.3	SubRQ 3: ‘What is the intended impact of this CSI initiative to grow for systemic change?’ .....	35
4.4	Other findings: restraining obstacles.....	37
	Chapter 5: Conclusion and discussion .....	38
5.1	Conclusion.....	38
5.2	Discussion and theoretical implications .....	39

5.3 Practical implications .....	41
5.4 Limitations .....	42
5.5 Recommendations for future research .....	43
Appendices .....	51
Appendix 1: Tony Chocolonely effect .....	51
Appendix 2: Institutional Inertia .....	52
Appendix 3: Full interview quotes:.....	53
Appendix 4: Interview questions.....	55

# 1 Introduction

## 1.1 Practical relevance

Corporate Social Innovation (CSI) has emerged as a vital instrument for businesses to solve societal issues and create economic value simultaneously. According to Mulgan (2019), CSI is an ongoing, iterative process, concerning multiple stakeholders. CSI passes through several stages, including problem identification, which is frequently fueled by activism and social movements (Carberry et al., 2017). As well as co-creation with Non-Governmental Organizations (NGOs) and businesses (Mirvis et al., 2016), and large-scale implementation within regulatory systems (Widyawati, 2019). However, CSI's scalability on how businesses go beyond regional efforts and accomplish systemic, long-term transformation across industries and international markets, remains a crucial problem, as short-term financial goals still hold the upper hand (Maltz & Pierson, 2021). This study uses the framework of Saka-Helmhout et al. (2024a) to understand the different steps in the scalability of CSI to grow towards systemic change. Therefore, this study focuses on ABN AMRO which has a CSI initiative called the ABN AMRO Sustainable Impact Fund (SIF), which invests into companies that have a positive impact on the environment, climate and society (ABN AMRO, N.D.).

Banks play an essential role in supporting CSI by integrating the Environment, Social and Governance principles (ESG) into their investment policies, thereby promoting innovation and societal impact (Widyawati, 2019). Through ESG investing, banks function as financial facilitators of CSI, allocating capital toward responsible projects that help drive systemic change (Weber, 2013). Many banks find it difficult to define, implement and manage ESG principles, which makes achieving sustainability objectives and ensuring regulatory compliance a significant challenge (Bruno & Lagasio, 2021). This difficulty is worsened by the lack of a uniform framework for sustainable investing, creating uncertainty in the sector. This situation is further complicated by the increasing conflicting demands from various stakeholders (Weber, 2013). Regulators impose more demanding rules, while investors call for profit, ESG reporting and transparency (ABN AMRO, 2025). Simultaneously, non-governmental organizations (NGOs) scan for potential greenwashing and customers increasingly expect more sustainable financial products (Camilleri, 2020). The bank must navigate these conflicting interests, therefore using stakeholder theory as a lens, to guide itself. This research investigates these trade-offs by examining how ABN AMRO implements new

practices that contribute to long term sustainable improvements for business and society (Mulgan, 2019; Nitescu et al., 2025).

## **1.2 Academic/theoretical relevance**

The incorporation of ESG principles into banking strategies is recognized as essential for driving CSI and contributing to sustainable finance on a large scale (Widyawati, 2019; Bruno & Lagasio, 2021). CSI has the potential to contribute to systemic change, which means the long-term transformation of market norms and practices (Mulgan, 2019; Saka-Helmhout et al., 2024a). This study uses systemic change not as a directly measurable and short term objective, but as an ambition that guides the strategic intent of CSI initiatives. Furthermore, with existing literature confirming a business case for ESG, with demonstrating a non-negative or even positive relationship with financial performance, the how-case of the implementation was left underexplored (Batae, 2021; Friede et al., 2015; Wang et al., 2015). The existing literature describes different implementation models, such as compliance-based or risk management approaches, but notes their limited scope in driving deep systemic change (Camilleri, 2020; Kotsantonis & Serafeim, 2019). This challenge was extended by conflicting stakeholder demands, with regulators demanding stricter rules, investors calling for profit and transparency, while society wants more sustainability and impact (Aulia et al., 2024; Camilleri, 2020). While the literature acknowledges these difficulties, the CSI practices banks use to manage those conflicts and drive systemic change in the real-world remains unclear (Batae 2021; Di Tommaso & Thornton, 2020; Saka-Helmhout et al., 2024b).

This study therefore addresses the resulting gap in understanding the specific practices of ESG implementation that enable financial institutions to grow CSI initiatives towards systemic change while managing conflicting stakeholder demands (Aulia et al., 2024; Bruno & Lagasio, 2021). As scholars stated that the existing focus has been on the link between ESG and financial performance rather than on the internal dynamics of how ESG is implemented to support and grow CSI (Batae, 2021). This research sees sustainability as a broad conceptualized framework in relation to the implementation of the ESG principles to manage risks and guide responsible outcomes. While CSI is seen as the innovative and more actionable outcome, offering innovative solutions to societal problems. This study therefore examines how the sustainability framework of the bank is leveraged to enable its CSI initiatives. To analyze this fast moving dynamic, this study uses stakeholder theory to analyze the proactive strategy of

the bank which often entails dealing with trade-offs required to grow an impactful CSI initiative (Freeman, 1984).

### **1.3 Objective, research questions and sub-questions**

This study addresses the previously identified gaps by applying stakeholder theory to the case of ABN AMRO. It aims to provide a deep and contextualized understanding of how a large financial institution implements the ESG principles to grow the CSI initiative the SIF, while navigating complex stakeholder trade-offs. The goal is to generate both academic knowledge on the practices that enable ESG to grow beyond compliance and practical insights for institutions, balancing between financial objectives and societal impact. To achieve this the following research question is introduced:

“How does ABN AMRO implement Environmental, Social, and Governance (ESG) principles within their investment policies to effectively grow the CSI initiative called ABN Amro Sustainable Impact Fund towards systemic change?”

To systematically answer this question, it is broken down into three sub-questions, each addressing a dimension of the main research question:

SubRQ 1: ‘What specific practices does ABN AMRO use to incorporate ESG principles into its investment decisions?’

SubRQ 2: ‘What does ABN AMRO trade-off to mitigate various stakeholder’s expectations?’

SubRQ 3: ‘What is the intended impact of this CSI initiative to grow for systemic change?’

The first sub-question deconstructs the implementation ‘practices’ of the bank. This study adopts the concept of ‘practices’ from Saka-Helmhout et al. (2024b), as in CSI context ‘practices’ entail the various activities and approaches that organizations use to accomplish their social objectives alongside economic goals. The second examines the inherent stakeholder trade-offs occurring in this process. While the last question investigates the link between CSI and growing for systemic change. Together, providing a comprehensive framework for analyzing the main research question.

## **1.4 Contribution**

This study contributes theoretically to a more integrated perspective that connects ESG implementation, stakeholder engagement and CSI within the banking sector, while these fields are often treated as separate entities. It moves beyond the focus of just financial performance by identifying several practices through which ESG principles are operationalized to enable CSI and generate societal impact. By analyzing how ABN AMRO navigates through these conflicting stakeholder demands and financial objectives, this research offers insights for embedding ESG into long-term strategies and thus refining stakeholder theory of Freeman (1984) by moving beyond the traditional idea of only balancing conflicting demands to address grand social challenges. The 'Tony Chocolonely effect' was identified as a practice for catalyzing systemic change. Practically, this research offers a replicable model for managing ESG trade-offs through its inclusive finance approach, providing a practical alternative to the excluding strategies of current frameworks, to drive long-term value for both society and the company. Furthermore, the analysis of the SIF provides a framework for using CSI initiatives as a catalyst for wider industry change. Lastly, it offers guidance on how to mitigate accusations of greenwashing and public scrutiny by adopting transparent communication that addresses both successes and missed goals to build stakeholder trust.

## **1.5 Outline of the thesis**

Firstly, after the introduction this paper starts with a literature review of the current existing research on CSI and ESG investing. Following this, the methodology section touches upon the various ways of data collection which are done and which sources are used. It also describes how this qualitative research is executed. Next, the analysis and findings are explained, with the various themes and topics that are extracted. The last chapter is about the discussion and the conclusion, answering the research question by the help of the findings of this paper and examining if there were theoretical implications. Lastly, this paper discusses some practical implications and limitations and proposes follow-ups for future research.

## 2 Literature Review and Theoretical framework

### 2.1 Literature review

The following section provides an overview of the current existing literature on ESG investing and how this is implemented. Furthermore, it also touches upon the impact on CSI and how banks establish their role in growing CSI to eventually grow to systemic change.

#### 2.1.1 ESG principles

While ESG is a widely accepted concept, there is not a single agreed-upon definition as different financial institutions and sustainability frameworks define and measure ESG factors in various ways (Berg et al., 2022). To provide a clear overview of the existing literature on ESG, the following table outlines the different dimensions and associated factors of ESG.

The Environment (E) component focuses on the impact on the planet, including policies on climate change, resource efficiency, biodiversity and sustainable innovation (Batae, 2021; Li et al., 2021). The Social (S) component relates to its treatment of social stakeholders, covering the issues such as gender equality, fair wages, diversity and well-being (Aulia et al., 2024; Li et al, 2021) Companies incorporating high social responsibility tend to have stronger consumer trust and employee satisfaction, which can enhance the profitability and brand loyalty in the long term (Herrera, 2015). Finally, Governance (G) concerns the company's leadership and oversight, emphasizing upon accountability, ethical leadership and transparency to build confidence and ensure economic resilience (Bruno & Lagasio, 2021; Khan, 2022; Li et al, 2021).

**Figure 1***ESG components*

Dimension	Factors	Definition
Environmental (E)	<ul style="list-style-type: none"> <li>- GHG emissions</li> <li>- Energy consumption and efficiency</li> <li>- Air pollutants</li> <li>- Water usage and recycling</li> <li>- Waste production and management (waste, solid, hazardous)</li> <li>- Impact and dependence on biodiversity</li> <li>- Impact and dependence on ecosystems</li> <li>- Innovation in environmentally friendly products and services</li> </ul>	Environmental matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign, or individual. (Li et al., 2021)
Social (S)	<ul style="list-style-type: none"> <li>- Workforce freedom of association</li> <li>- Child labor</li> <li>- Forced and compulsory labor</li> <li>- Workplace health and safety</li> <li>- Customer health and safety</li> <li>- Discrimination, diversity, and equal rights</li> <li>- Poverty and community impact</li> <li>- Supply chain management</li> <li>- Consumer protection</li> <li>- Community impacts</li> </ul>	Social matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign, or individual. (Li et al., 2021)
Governance (G)	<ul style="list-style-type: none"> <li>- Codes of conduct and business principles</li> <li>- Accountability</li> <li>- Transparency and disclosure</li> <li>- Board diversity and structure</li> <li>- Bribery and corruption</li> <li>- Stakeholder engagement</li> <li>- Shareholder rights</li> </ul>	Governance matters that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign, or individual. (Li et al., 2021)

Source: Li et al., (2021).

## 2.1.2 ESG Implementation

While various institutions like the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) offer ESG integration frameworks, implementation is crucial for banks as they act as the financial enablers of CSI, influencing corporate behaviour through investment decisions (Friede et al., 2015). ESG implementation within banks can be categorized into several approaches, including compliance-based, risk management and impact driven approaches (Friede et. al., 2015; Berg et al., 2022; Kotsantonis & Serafeim, 2019). The compliance-based approach, driven by regulations (Christensen et al., 2021), results often in ESG reporting without deep integration into the core strategies (Friede et al., 2015). This compliance focus is commonly analyzed through institutional theory, which considers that organizations work and operate within one given set of norms, values and

assumptions which then account for their economic behaviour (Scott, 1987). This theory explains ESG adoption as a response to coercive and normative pressures, unlike Legitimacy Theory, which emphasizes voluntary alignment with expectations (Tamimi & Sebastianelli, 2017). However, its main focus on conformity and compliance limits the understanding for strategic ESG investing, as it assumes that organizations only respond passively to institutional pressures rather than trying to shape the sustainability agendas through innovation and stakeholder pressures (Batae, 2021)

Furthermore, risk management oriented ESG implementation focuses upon mitigating financial and reputational risks. Financial institutions are vulnerable to all sorts of risks, such as women trafficking or investing in the tobacco industry, but in particular they are very vulnerable to climate related risks such as stranded assets within fossil fuel investments (Chung et al., 2023). Banks like the Deutsche Bank have revisited their investment policies to limit their investment into coal projects, showcasing the ESG integration into risk management being applied (Deutsche Bank, n.d.). However, the effectiveness of this mitigating risk approach depends more on how thoroughly the sustainability risks are qualified and incorporated into the investment decisions (Kotsantonis & Serafeim, 2019). Strategic ESG integration is strategy in which banks implement the sustainability considerations into their core business strategies, therefore influencing their financial capital allocation and investment practices (Camilleri, 2020). While it strengthens the sustainability profile, it may also cause trade-offs, with for example restricting industries from financial capital who undergo a slower transformation into greener operations (Widyawati, 2019). Impact driven ESG implementation seeks to generate positive social and environmental outcomes, while simultaneously creating financial returns (Wang et al., 2015). Exemplified by the case of Triodos bank, which solely finances projects with clear sustainability impacts and objectives (Triodos Bank, n.d.). Unlike the other implementation strategies that seek to find a balance between profitability and impact, impact-driven strategies prioritize sustainable impact over short term financial gain. Therefore, the challenge persists in scaling this model while maintaining financial resilience, in which stakeholder theory posits an important role in balancing this trade-off (Wang et al., 2015). Additionally, in the context of CSI, impact driven ESG implementation may therefore be not suitable for banks as a method because the business value may be harmed, which is not in line with the spirit of CSI (Herrera, 2015). These actions are sometimes explained by legitimacy theory, which suggests that companies undertake socially responsible actions, to align with societal norms and values, thereby gaining approval and mitigating risks (Odriozola &

Baraibar-Diez, 2017; Ng & Rezaee, 2015). However, this theory has limitations for analyzing ESG strategy as critics argue that this pursuit of social acceptance can lead to greenwashing and the theory provides little insights on resolving ESG trade-offs with short-term costs and long-term benefits (Li et al., 2021).

The effectiveness of ESG implementation is shaped by various factors, with the most important one being the regulatory environment. With policies, such as the Sustainable Finance Disclosure Regulation (SFDR), banks are pushed to enhance transparency and accountability in their ESG practices (Bruno & Lagasio, 2021). This process can be overseen by Chief Sustainability Officers (CSO) or designated ESG committees who are responsible for the implementation, management and reporting of the ESG principles (Castro & Gradillas, 2022). Failing to align the corporate strategy with the ESG principles could possibly result in regulatory penalties, reputational damage and limited access to capital (Batae, 2021). Hence, the regulatory environment plays a vital role in the transition to more sustainable business models and is therefore seen as one of the main stakeholders in this field (Batae, 2021). Furthermore, compliance with rules and regulations with sustainable directives like the SFDR strengthens the investors trust and corporate resilience (Bruno & Lagasio, 2021). However, this is often quite challenging due to the different methods in disclosure and a lack of a standardized framework (Cao et al., 2024; Friede et al., 2015). Moreover, the potential risk for greenwashing remains a concern without proper alignment and meaningful action (Widyawati, 2019)

In comparing the different implementation models, each reveals certain limitations. The compliance-based approach ensures regulatory compliance however it does not drive substantial change (Kotsantonis & Serafeim, 2019). Risk management focuses on mitigating financial exposure, but it lacks a sustainable proactive approach (Camilleri, 2020). Impact driven implementation offers the strongest commitment to sustainability, but it faces challenges in scalability and financial existence (Wang et al., 2015). Strategic integration embeds ESG within their core business operation fostering long term impact, it may also cause trade-offs, with for example restricting slow moving industries from financial capital. These models often fall short because they prioritize only one stakeholder group, at the expenses of the others. This navigation of conflicting demands is a recurring challenge in ESG implementation. Therefore, this study uses stakeholder theory as an analytical lens to manage these conflicting demands of the stakeholders, making it very well suited to investigate the trade-offs occurring in this research, as further explained in 2.2.

### **2.1.3 CSI in the finance sector**

The integration of the ESG principles into investing strategies have been studied thoroughly and have emerged as a very important driver and financial enabler of CSI (Weber, 2013). CSI is about the development of innovative solutions to address the current pressing societal needs (Herrera, 2015). Financial institutions play a vital role in providing other companies with financial capital that are actively engaged in driving social innovations, therefore strengthening their position to address pressing social matters and environmental challenges (Weber, 2013). The current existing literature states that there is a positive relation between CSI effort and ESG investing which enables firms to scale their CSI efforts (Herrera 2015; Mulgan 2019). Therefore, it shows how ESG investing serves as a key driver of CSI by providing the necessary financial capital, the strategic direction and the transparency for CSI practices (Mulgan, 2019).

Current existing literature focused mainly on the relationship between ESG implementation and financial performance (Batae, 2021; Friede, 2015; Khan, 2022; Widyawati, 2019) While some scholars find conflicting results and question the financial benefits (Batae, 2021), the evidence from a large meta-analyses from Friede (2015) suggests otherwise, with stating the business case for ESG is well-founded. These reviews indicate that 62,6% have positive effects, while 90% of the studies found at least no negative relations (Friede, 2015; Wang et al., 2015). This focus in academics on financial returns can be explained by the market pressures and the short-term paradigm that often outweigh the long-term, non - financial impacts of ESG investing (Widyawati, 2019). Concluding this debate, it can be stated that ESG investing benefits CSI efforts, as they are able to address challenging societal needs, while simultaneously increasing business value (Herrera, 2015).

### **2.1.4 Growing CSI to systemic change**

As seen above, CSI has emerged and evolved into a strategic response by multinationals to address grand societal challenges while simultaneously gaining a competitive advantage (Herrera, 2015). The potential of CSI to contribute to systemic change lies not just only in the deployment of philanthropic initiatives but primarily in the transformation of the innovation systems, completely restructuring the institutional logics and the creation of cross sectoral partnerships to build long term (social) value (Saka-Helmhout et al., 2024a). Furthermore, in the CSI context 'practices' entail the various activities and approaches that organizations use

to accomplish their social objectives alongside economic goals. Practices are complex entities consisting of multiple interconnected activities, by multiple stakeholders, showing the importance of human interactions (Saka-Helmhout et al., 2024b). These practices are important, because they show how companies implement CSI initiatives, while addressing social challenges and pursuing transformative change (Saka-Helmhout et al., 2024b).

Furthermore, Saka-Helmhout et al. (2024a) proposes a six stage process through which CSI can be grown and potentially lead to systemic change. The process begins with defining social challenges by identifying a pressing societal issue. Secondly, an idea generation phase leverages both the internal capabilities and external partners to come up with solutions. Thirdly, Piloting and Multistakeholder engagement tests the feasibility and the impacts of these new concepts in practice through pilots and feedback loops. The partnering between business and society is a proactive orientation and is critical in shared value creation (Saka-Helmhout et al., 2024a) and aligns with Mulgan's (2019) adaptive experimentation and iterative refinements. Fourthly, framing and showcasing for legitimacy is introduced, embedding the CSI initiatives within broader corporate strategies to gain legitimacy both with internal and external stakeholders. This step is similar to Herrera (2015), focusing on aligning the initiative with corporate values and institutional rules. The next step is creating shared value, in which the CSI initiative achieves demonstrable business and social outcomes, shifting it to a more scalable project that provides value to both the firm and society, drawing from concepts of Porter & Kramer (2011) and Herrera's (2015) strategic alignment and co-creation. Lastly, this process focuses upon systems change, involving the creation and diffusion of new norms, practices, and changing industry standards (Mulgan, 2019). However, this path from CSI to systems change is not linear or universally successful, it is dependent upon various internal and external dynamics, stakeholder engagements, resource availability, institutional complexity and culture (Mulgan, 2019; Herrera, 2015).

Compared to Herrera (2015) who emphasizes more upon institutionalization and internal coherence in driving sustainable innovations, Saka-Helmhout et al. (2024a) emphasizes more upon multilevel and dynamic aspects of stakeholders. Additionally, the first five stages of Herrera (2015) align with the model of Saka-Helmhout et al.'s model but lack the attention to systemic change as a goal. In contrast, Mulgan (2019) highlights that scaling and systemic change require more international design features such as distributed leadership and

adaptive learning, while Saka-Helmhout et al.'s model touches more upon multi-stakeholder engagement and co-creation.

Institutional theory is effective at explaining the existence of ESG tensions, showing it as a clash between the logics of sustainability and finance (Scott, 1987). However, its passive approach to conform with external pressures limits its ability to explain the proactive and innovative actions the bank takes in this research (Batae, 2021). Similarly, legitimacy theory explains the ESG activities of the bank as an act to gain societal approval and manage reputational risks (Odrizola & Baraibar-Diez, 2017). This theory analyzes the communicative aspects within ESG, but it struggles to explain the strategic decisions, which are complex and carry reputational risks, such as, in this case, with the inclusive engagement strategy with polluting industries. This theory with its pursuit of social acceptance might even lead to greenwashing with favoring simpler actions over (in the long term) more impactful but controversial ones (Li et al., 2021). In contrast, stakeholder theory provides a more robust framework for understanding these fast-moving dynamics. It moves beyond the passive approach of institutional theory and the perception approval of legitimacy theory and focuses more on the proactive and strategic management of conflicting interests (Freeman, 1984). As argued by Donaldson & Preston (1995) that long-term viability depends upon creating value for all stakeholders, therefore providing reasoning of why the bank would engage in complex initiatives like the SIF or engage in inclusive financing. These proactive actions are not a response to institutional pressure or efforts for legitimacy, but it is more striving for co-creation of value and ensuring sustainability for society. Therefore, because it considers strategic action and simultaneously strives for financial and social goals, stakeholder theory is selected as the best suitable analytical lens for this research

## 2.2 Theoretical framework

This paper uses stakeholder theory as a theoretical lens for the implementation of the ESG framework into the investing strategies of banks. Stakeholder theory, developed by Freeman (1984), theorizes that firms must consider the different interests and demands of all stakeholders, instead of only prioritizing the demands of its shareholders. This theory is at odds with the traditional shareholder approach, which only focuses on economic gain and argues that in order to secure long term sustainability and legitimacy it must balance all stakeholders' expectations (Freeman, 1984). Various stakeholders include investors, customers, NGOs, regulators, employees and the whole broader society. Note that they are not limited to only those stakeholders (Donaldson & Preston, 1995). In the banking sector, this theory balances the different demands and expectations of its stakeholders by providing a framework on how the ESG principles influence the decision making (Batae, 2021).

Furthermore, stakeholder theory provides a robust and interactive perspective for understanding ESG integration. Unlike institutional theory which emphasizes ESG implementation more as a consequence of external pressures, stakeholder theory suggests that organizations must act more as strategic agents to proactively engage with expectations of various stakeholders and thus creating legitimacy. Moreover, while institutional theory focuses more on conformity and compliance, Stakeholder Theory focuses more on the continuous evolving demands from all stakeholders (Donaldson & Preston, 1995). Similarly, legitimacy theory sees ESG practices primarily as a tool to gain societies approval, stakeholder theory sees it as a tool for managing the conflicting interest and generating mutual value through that engagement. In the real world, this theoretical lens can help with understanding ESG in the banking sector, as banks operate as the financial intermediaries with great influence over corporate behaviour through capital allocation. Therefore, they are not only engaged with various stakeholder pressures, but also are in a vital position to shape ESG agendas by sourcing finance towards more sustainable projects and outcomes. Stakeholder theory therefore accounts for transparency, responsiveness and value co-creation. However, due to its broad scope it also presents us with some limitations. Critics argue that this theory can be vague in which stakeholder should be prioritized, especially in conflicting situations and it lacks predictive power in explaining an organization's behaviour in constraining situations such as short-term, long-term trade-offs. Despite these critiques, stakeholder theory still offers a valuable lens for analyzing ESG strategy and management as it drives firms to adopt a long term orientation and constructively engage with a wide set of stakeholders rather than treating ESG as a compliance

or reputational management (Aulia et al., 2024; Weber, 2013; Widyawati, 2019). This aligns well with the ABN AMRO Sustainability Impact fund and provides the right lens to answer the research question of this paper.

## **3 Methodology**

### **3.1 Research strategy**

#### **3.1.1 Research approach**

This study used an inductive research approach, meaning that theoretical insights were developed from the bottom up, therefore emerging out of the analysis of the collected data, rather than being tested against predefined hypotheses (Hayes, 2007; Myers, 2013). This approach is suitable for exploring complex and fast evolving concepts like ESG investing, as it allows for the identification of emergent patterns without being constrained by prior theoretical assumptions. (Pope & Mays, 1995).

#### **3.1.2 Qualitative case study**

This research used an exploratory, qualitative single-case study design, which is perfect for examining underexplored areas, where existing theories may not fully capture the complexities of real-world practices (Bleijenbergh et al., 2023; Brown, 2006; Myers, 2013). A single-case study allows for a deep and contextualized analysis suited for high quality theory creation, as an in-depth study can provide a strong foundation for analytical generalization (Yin, 2013; Gustafsson, 2017). ABN AMRO was selected due to its strong commitments to CSI, ESG and sustainability, offering a distinctive perspective on how a large financial institution organizes its resources to drive for social innovations (ABN AMRO, N.D.; Myers, 2020). With 19,234 full-time employees (FTE) the workforce was large and consisted of different business units from operations to tactical and strategic decision making. Therefore, this research could be conducted at various levels within the organization and thus deliver covering information.

To analyze the data this study adopted a systematic inductive approach, guided by the principles of Gioia et al. (2012) methodology, following a similar process to the open and axial coding used in grounded theory and allowed for a systematic and iterative interpretation of the data, eventually leading to insights into the internal practices (Strauss & Corbin, 1990; Myers, 2020). The validity and reliability of this research were strengthened through triangulation, which involved comparing the data from the interviews with organizational documents (Myers, 2020). In line with the interpretivist perspective, the focus now was more on verifiability

through transparent data collection and analysis instead of on replicability (Farquhar et al., 2020; Bleijenbergh et al., 2023). This combined approach strengthened the empirical, but also the theoretical contributions of this study.

### **3.1.3 Philosophical perspective**

This study adopted the interpretivist philosophical perspective, because it aligned with the qualitative case study methodology very well. This approach assumes that reality is socially constructed and that understanding of the strategies used requires the exploring of interpretations (Myers, 2020). Contrary to the positivist approach which is for objective truths, the interpretivist approach focuses on how individuals and organizations construct meaning (Walsham, 1995). This perspective is suitable for this research as it acknowledged that ESG implementation is shaped by complex social interactions. Therefore, this study aimed to capture and interpret stakeholder demands, focusing more on verifiability through transparent data collection and analysis rather than on replicability (Farquhar et al., 2020; Bleijenbergh et al., 2023).

## **3.2 Data sources**

This study, as previously mentioned, relied on the primary types of data sources which are people questioned in semi-structured interviews, who were carefully selected based on their involvement in ESG investing and CSI activities, and secondary empirical data in the form of document analysis. The document analysis included practical documents like annual reports, sustainability disclosures and policy statements to further understand the banks' formal strategies and commitments, which were used to compare and validate the subjective interpretations shared by the employees in the interviews. In Table 2 and 3 the different data sources are listed and explained by the selection criteria. These combined sources were selected to provide the comprehensive and triangulated understanding to address the main research question.

**Table 2***Data sources*

<b>Data Sources</b>	<b>Selection criteria</b>	<b>Number</b>
Documents	Reports on ESG investing, annual reports, ABN AMRO or other financial institutions, last 5 years	11
Website of the ABN AMRO Sustainable Impact Fund	Content: gives information about initiative Cohesion: Insights into the initiative Period: 2025	1
ABN AMRO Annual Report	Annual reports ABN AMRO Content: For insights into financial strategy and operations Cohesion: Refers to ESG and sustainability goals period: 2024	2
ABN AMRO Sustainable Impact Fund Report	Content: Strategic and reporting Insights into CSI initiative Cohesion: Refers to CSI initiative period: 2022-2024	3 & 4
ABN AMRO Stakeholder Dialogue	Content: Stakeholder dialogue Cohesion: Refers to stakeholder engagement period: 2020	5
ABN AMRO Stakeholder Management	Content: Insights in stakeholder management Cohesion: Refers to stakeholder management period: 2017	6
ABN AMRO statement Financial Inclusion	Content: Insights in financial inclusion Cohesion: Inclusion vs exclusion period: 2025	7
ABN AMRO statement on Fossil Fuel criteria for investment products	Content: Insights in financial exclusion Cohesion: Inclusion vs exclusion period: 2024	8
ABN AMRO MeesPierson Uw beleggersprofiel onder	Content: Types of ESG investment Cohesion: ESG investing options period: 2025	9
Engagement bij ABN AMRO MeesPierson	Content: Engagement strategies Cohesion: Stakeholder engagement period: 1-1-2022 tot 31-12-2022	10
ABN AMRO Duurzaam Bankieren Newsletter	Content: Implementation strategies Cohesion: CASY 3.0 period: 2019	11

Source: own elaboration

**Table 3**  
*Data sources*

Data Sources	Selection criteria	Number
People	Content: Employees at ABN AMRO, who are engaged in ESG(investing) or CSI in any way Strategic: access to ESG/CSI insights → also use of snowballing with referrals from other respondents	7
Person A, Financing specialist	Content: Involved in ESG compliance Strategic: Can give access to information Period: Present in period of this research (2025) Relevant Actor: Represents department regarding ESG implementation	Participant 1
Person B, Corporate banker	Content: Involved in ESG investing Strategic: Can give access to information Period: Present in period of this research (2025) Relevant Actor: Represents department regarding ESG investing Snowballing: referred to by other respondents	Participant 2
Person C, Sustainability Consultancy Leader	Content: Involved in sustainability consultancy Strategic: Can give access to information Period: Present in period of this research (2025) Relevant Actor: Represents department regarding sustainable consultancy Snowballing: referred to by other respondents	Participant 3
Person D, Commercial Banker Sustainable Energy & Recycling	Employee involved in CSI regarding (ESG) investing and sustainable energy Period: Present in period of this research (2025) Relevant Actor: Represents department regarding ESG investing Snowballing: referred to by other respondents	Participant 4
Person E, Venture Lead sustainability	Employee involved in CSI regarding (ESG) investing and sustainability Period: Present in period of this research (2025) Relevant Actor: Represents department regarding ESG implementation and sustainability Snowballing: referred to by other respondents	Participant 5
Person F, Lead Circulair Economy	Employee involved in CSI regarding circularity Period: Present in period of this research (2025) Relevant Actor: Represents department regarding sustainability Snowballing: referred to by other respondents	Participant 6
Person G, Legal Counsel Sustainability	Employee involved ESG investing and regulatory compliance Period: Present in period of this research (2025) Relevant Actor: Represents department regarding ESG compliance Snowballing: referred to by other respondents	Participant 7

Source: own elaboration

### **3.3 Methods of data collection**

The data collection methods that were used for this research are interviews and documents analysis, which is in line with triangulation as previously mentioned (Myers, 2013). Interviews were chosen as a method to provide rich and in-depth data regarding the various perspectives, interpretations and experiences of the involved employees. This research conducted seven semi-structured interviews with key stakeholders at ABN AMRO via Microsoft Teams and in person. The questions were guided by the sensitizing concepts and the different dimensions present in the main research question to ensure all the relevant topics were covered. The semi-structured and therefore open nature of the interviews allowed for a flexible yet systemic approach, providing both depth and rich data (Myers, 2013). The interviews were conducted with a duration of around an hour. In addition to the interviews, this research applied an extensive document analysis with ten documents as a qualitative method to strengthen the validity and richness of the findings. This method involves the systematic review and interpretation of organizational text to understand how meaning is constructed (Justesen & Mik-Meyer, 2012). This research analyzed internal and publicly available documents from ABN AMRO such as annual reports, sustainability disclosures and documents related to the SIF. These documents provided valuable data to triangulate with the interview findings offering insights into how the bank communicates its ESG strategy and balances stakeholder expectations

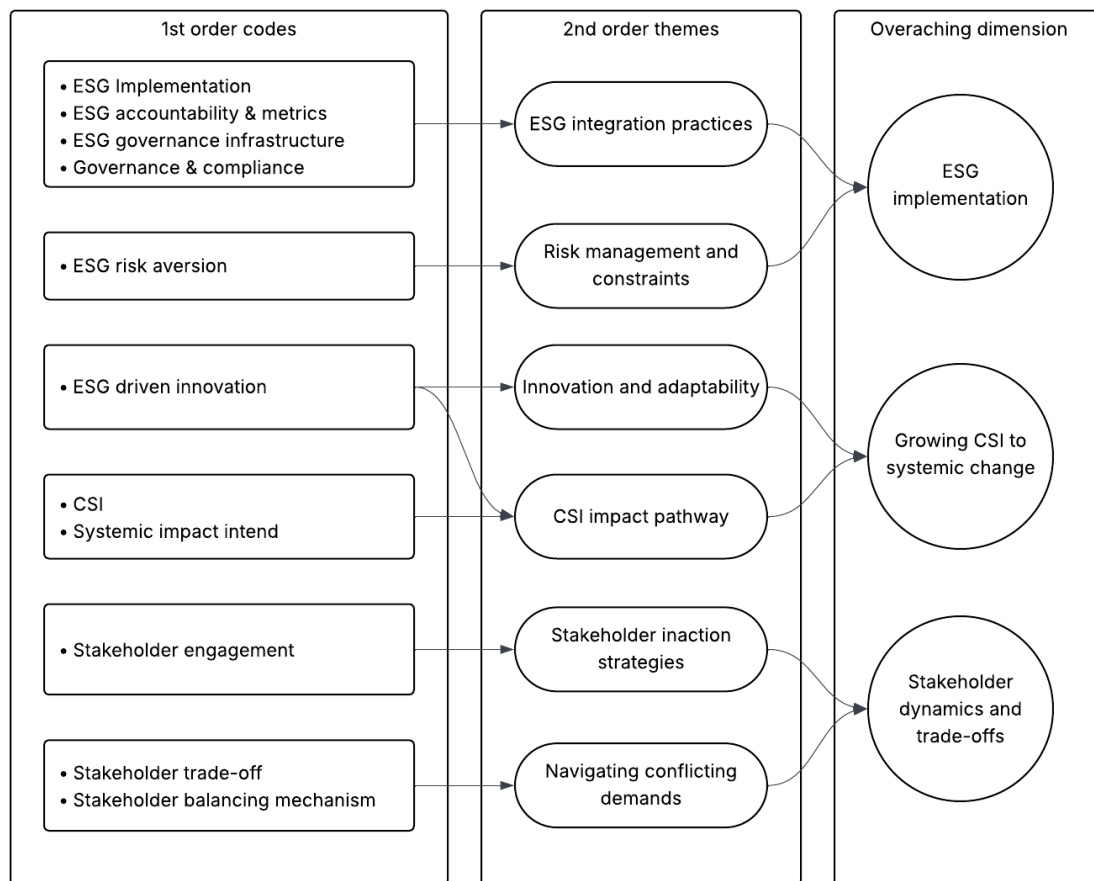
### **3.4. Data Analysis**

This study utilized an inductive thematic analysis, using techniques from grounded theory only as a way of coding the collected data (Myers, 2020; Bleijenbergh et al., 2023). This bottom-up method, consistent with the inductive approach from Gioia et al. (2023), allowed themes to emerge directly from the data rather than being guided by pre-existing theories, which suits this exploratory study perfectly. Furthermore, this ensured that the interpretations were closely aligned to the participants' experiences and provided analytical flexibility and a detailed understanding of complex phenomena (Fereday & Muir-Cochrane, 2006). The interviews, originally conducted and transcribed, via Microsoft Teams in Dutch. This was done in the native language of the participants, to ensure richness and validity as the use of cultural specific terms are often lost in translation, where then translated to English for consistent

analysis (Van Nes et al., 2010). The analysis of both the document analysis as the interviewee's followed a structured coding process, starting with open coding to label initial concepts. Continuing with axial coding in the form of categories. Lastly, with selective coding to integrate these categories into overarching theoretical themes (Bleijenbergh, 2023; Myers, 2020; Strauss & Corbin, 1990). This data structure is further elaborated in figure 2. Throughout both processes a constant comparison method was used to continually refine the analysis, ensuring the final interpretations were robustly grounded in the empirical data. Because of the inductive nature, this research found an emergent theme which was not predetermined by the sensitizing concepts. This institutional inertia was revealed during the open coding that several respondents had difficulties with slow procedures and risk models, which were further labeled in the axial coding. Even though it is not in the scope of this research, it is mentioned because of the regular occurrence. More about this can be read in chapter 4.4.

**Figure 2**

*Data structure*



Source: Own elaboration

### 3.4.1 Sensitizing concepts

This study established some sensitizing concepts to guide this research for the analysis process and identification of important concepts (Bowen, 2006). The following sensitizing concepts in Table 4 were established with the goal of presenting clear and well organized findings supported by interview quotes, reports and literature.

**Table 4**  
*Sensitizing Concepts*

Sensitizing Concept	Definition	(Theoretical) dimensions	For Research Question
ESG Implementation mechanisms	practices through which ESG principles are embedded (Saka Helmhout et al., 2024A) and Tradeoff between short term financial profits and long term sustainability goals (Di Tommaso & Thornton, 2020)	strategic alignment, policy frameworks, governance structures Temporal dimensions: long term vs. short term Financial vs. environmental returns	1 & 2
ESG innovation	Implementing the different ESG principles, which lead to different types of innovations (Aulia et al., 2024)	Product and process innovation. Market adaptation: adjusting to regulatory and societal expectations	3
Transparency and accountability	Examines how bank communicate their ESG performance and therefore mitigate the greenwashing concerns (Busch et al., 2015)	Disclosure standards Regulatory compliance, Building trust through accountability	1
Institutional pressures	Analyses the competitive and normative pressures banks experience with ESG implementation (Caplan et al., 2013)	Regulatory, coercive and mimetic pressures	2
CSI Scaling factors	Elements that enable growth of CSI initiatives towards systemic change (Saka-Helmhout et al., 2024A)	Innovation characteristics, organizational capacity, impact measurement and long-term vision	3
Stakeholder value	Principle that emphasises the importance of creating value not only for shareholders, but for stakeholders (Khan, 2022)	Multi-stakeholder approach: balancing different interest Value co-creation: benefits for firms and society	1
Stakeholder salience & Engagement	The degree to which different stakeholder groups are perceived as important and the strategies used to interact with them (Saka-Helmhout et al., 2024)	Stakeholder prioritization and engagement strategies (dialogue)	2

Source: Own elaboration

### **3.5 Ethics and transparency**

To ensure ethical integrity and therefore maintain credibility and reliability, this research respected and followed the ethical guidelines that protects participants and is transparent about its methodology. Furthermore, it is also in line with the data protection regulations of the General Data Protection Regulation (GDPR). The participants were informed of the methodology and research objective before providing consent. Moreover, the participation was fully voluntary and they could opt out at any given time. The participants have been asked permission for recording the interview and using the data they provided. All personal data was fully anonymized and in the transcripts their names were removed and securely stored, to protect confidentiality. Extra transparency and accountability were upheld by ensuring that all participants would receive the data and findings after the completion. Furthermore, they were given an extra opportunity to review and revalidate their input with sending the transcript after the interview. Therefore all the principles of the Dutch code of Conduct for Research Integrity (2018), which are honesty, scrupulousness, transparency, independence and responsibility, were respected.

## Chapter 4: Analysis and findings

This chapter presents a detailed analysis and findings derived from the collected data. It is structured to address the core examinations of this study. This chapter is structured by sequentially exploring the findings to each of the three sub-research questions, offering an in depth examination of the ESG strategies, stakeholder and factors influencing the decision-making and the impact of its CSI initiative. At last, another finding is shortly discussed, providing a nuanced insight into further challenges encountered. Longer quotes of more than 40 words are placed in the appendix and referenced accordingly.

### 4.1 SubRQ 1: ‘What specific practices does ABN AMRO use to incorporate ESG principles into its investment decisions?’

The analysis of the data provided us with several key practices through which ABN AMRO operationalizes the ESG principles. Namely the strategic integration of ESG alongside their policy frameworks, ESG governance infrastructure and accountability mechanisms.

#### ESG Integration

The integration of ESG principles is analyzed to be a growing priority for ABN AMRO moving the integration to a more central role in its investment operations and stakeholder interactions. In the interviews, this is reflected in the broader effort to embed ESG into the bank’s core activities. For instance, in the interviews, interviewee 4 highlighted that the bank has a proactive stance in developing its own ESG guidelines:

*“We also make our own policies, for example, on data centres, what should they comply with from an ESG perspective? You look at energy consumption, water consumption, but also social aspects, like equal pay” (interviewee 4).*

This policy development indicates the intent to apply and define the ESG principles. This commitment is also institutionalized in their policy statements, such as environmentally harming investments in the fossil fuels industry. In the documents, the ABN AMRO Investments Views (2023) clearly showed that with the following statement: *“ABN AMRO has decided to no longer offer investment products that are heavily exposed to coal exploration, mining and/or coal fired power generation” (ABN AMRO statement of fossil fuel criteria).*

However, the bank also acknowledges that they are an inclusive bank and that they “*believe that contributing to financial inclusion, and equality is good for society at large as it leads to improved health and well-being, economic growth, innovation, more jobs, equality, and freedom of choice*” (ABN AMRO Statement on financial inclusion). Furthermore, this was complemented by a statement of interviewee 6, that the bank also wants to help implement the ESG principles on polluting companies to help society: “*Tata Steel, for... analysis extra anyway*” (interviewee 6; Appendix 3A). This was also complemented by interviewee 4: “*If they abide ... predetermined time frame*” (interviewee 4; Appendix 3B). Thus, we see that the bank does not run away from its responsibilities and even tries to improve polluting business, however, there is a certain boundary that it does not cross. This pragmatic engagement shows the potentially more impactful long term strategy. This tension necessitates a careful navigation of stakeholder demands and transparency, especially with the boundary likely referring to legal compliance and a willingness of the client to engage in sustainable practices, showing the threshold for the bank’s inclusivity statement.

ABN AMRO has further implemented the ESG principles into client assessment frameworks, especially for larger clients, as shown in the interviews by interviewee 2: “*for the slightly ... of the company*” (interviewee 2; Appendix 3C). Additionally, this was further explained by interviewee 4 and 6 who described the mandatory assessment tool: “*And Casy 3.0 that's where the ESG principles generic principles are included. that goes over all over ESG, so over all components, it all comes from doing it there and they get a certain score from that*” (interviewee 4 & 6). Complementary, this assessment tool was introduced in ABN AMRO *duurzaam beleggen* newsletter (2019) in which they confirmed the statements from the interviewees. Furthermore, when companies do not comply or do not want to comply with the Casy or ESG scorecard tools, the bank will stop their funding, as illustrated by interviewee 4: “*there are those who do not want to participate in such a sustainability assessment, our new terms and conditions, I believe that that will prevent them from accessing funding*” (interviewee 4). Therefore, we see that ABN AMRO innovates new frameworks when they feel the need is there and together with the client they can go into action and make an impact. This shows their responsiveness, knowledge and learning approach to ESG implementation.

### ESG Governance and accountability

A strong and robust governance framework is crucial for an effective implementation of the ESG principles and this appears to be the case at ABN AMRO with high level oversight and clearly defined ESG responsibilities. In the documents, this can be seen in their Human Rights Statement (2020) in which they stated:

*“The Executive Board has the ultimate financial responsibility for ABN AMRO’s ESG approach. The Chief Sustainability Officer oversees ABN AMRO’s financial inclusion efforts and reports to the CEO” (ABN AMRO Statement Financial Inclusion).*

This top-tier accountability shows the strategic importance ABN AMRO has assigned to ESG performance. Placing the ESG responsibility with the board shows strong commitment and therefore potentially giving ESG initiatives more importance and resources. In the interviews, this was further emphasized by interviewee 7: *“As long as you start from the top, it will automatically go down as well, top-down method, you can connect with the philosophy and therefore it can circulate more easily through the whole company” (interviewee 7).*

This top down approach underscores the importance of rolling out the ESG philosophy to the entire organization. While a top-down approach can ensure consistency, it might face challenges with innovation and feedback mechanisms. This can be seen in the interviews, with a strong top-down governance framework often proposing challenges with regard to implementing new or external ESG certificates, as interviewee 2 states:

*“Even if we seek affiliation with a certain certificate, it has to go through 80 different layers for approval and so on, and we can’t do that for all kinds of different certificates, so that makes it difficult” (interviewee 2).* This multi-layered examination, although it is very thorough, can present difficulties in this fast moving regulatory landscape. Additionally, ABN AMRO stated in their Annual Report (2023) that to accomplish good quality governance, the stakeholder dialogue is crucial: *“Good corporate governance ... society at large” (Annual Report, 2023; Appendix 3D).* This explicit mention of stakeholder dialogue as a vital role, aligns with stakeholder theory, suggesting that the bank recognizes the importance of engaging and considering the interests of different stakeholder groups. Moreover, specific sustainability committees play a significant role in the ESG governance and oversight, with their decision making and control on new ESG frameworks. In the interviews the demanding nature of engaging with such committees, such as the Group Sustainability Committee (GSC) was seen, this was further highlighted by interviewee 3 : *“It is always exciting to have to go to the GSC. Certainly yes, but then you need to prepare pieces. That takes a lot of time, I can say yes... these are often presentations you have to give with quite a lot of preparation and preliminary*

*consultation*". The demanding nature of internal committees regarding sustainability show the seriousness of the ESG decisions and the considerable internal resources moved to advance ESG initiatives. Moreover, to check if the bank is actively pursuing their ESG statements they often get visits from the European Banking Authority or the ECB to verify if the compliance and accountability is fully integrated, which was carefully explained in the interviews by interviewee 3: *"Sometimes we get ... in high fines"* (interviewee 3; Appendix 3E). Hence, we can conclude that companies want and need to comply with the rules, otherwise fines will take them out of business. This highlights the powerful and coercive influence of regulatory stakeholders.

Overall, ABN AMRO's governance has high-level oversight, regulatory influence with mandatory compliance and complex internal approval systems which ensure the implementation of the ESG principles in a robust way.

#### ESG Accountability:

The use of clearly defined metrics and frameworks are essential for tracking, measuring and reporting of ESG performance. This applies to internal operations as well as its assessments to clients. In the documents, for example, The Sustainable Impact Fund of ABN AMRO, a new approach to accountability was shown through impact valuation: *"By monetising these impacts, we make them comparable and manageable... Negative impacts can be interpreted as societal costs, whereas positive impacts can be interpreted as societal benefits"* (Sustainable Impact Fund, 2023). Furthermore, this report showed the impact of the fund: *"For every euro invested by the Sustainable Impact Fund in 2023, our portfolio companies helped to realize €2.86 in positive marginal impact"* (Sustainable Impact Fund, 2023). Out of these statements, we can derive that impact can be monetized and therefore companies can be held accountable and growth of impacts can be seen. In the interviews, interviewee 7 touched upon the broader regulatory drivers for ESG implementations with European requirements such as the SFDR: *"If you look ... within the bank"* (interviewee 7; Appendix 3F) This shows the accountability for banks to track and disclose their impact. This drives the development and monitoring systems and shapes the importance of ESG performance for accountability purposes and ESG dimensions. However, interviewee 6 called upon the risks of committing to multiple principles at the same time, as you are going to be held responsible, which can slow down the commitment levels of companies: *"We are already ... that also backfires"* (interviewee 6; Appendix 3G). This shows the challenge is public accountability, with the fear of reputational damage and

accusations of greenwashing. It highlights a tension between stakeholder demands for transparency and idealistic targets, and reputational risks.

However, interviewee 6 also mentioned that it is important to enter stakeholder dialogue to explain why you are not accomplishing your goals to minimize negative effects: *“As long as ... show that transparency”* (interviewee 6; Appendix 3H). This suggests that proactive and transparent communication with stakeholders is viewed as a key strategy for mitigating the risks associated with public commitments. Furthermore, to ensure the highest credibility and avoid being accused of greenwashing the bank uses external validation and broadly recognized certifications. This is explained by the Annual report (2023), but also by interviewee 2 his approach to clients: *“To avoid greenwashing and still keep it tangible I try to connect as much as possible with existing certificates In the market... I actually try to use the framework of B-Corp.”* This was further emphasized by interviewee 4 which stated the use of multiple recognized certifications: *“Yes, yes It's very simple, we use it then CO2 performance ladder, Or like the ISO 3000 standard. I'm going to get it, here I have it, there is the proof, discount, ready.”* As mentioned by interviewee 6 and the Annual report the bank external certification serves multiple purposes with providing credibility, mitigating greenwashing, offering standardized frameworks which can simplify the sustainability assessments. In addition, we analyze that ABN AMRO has operationalized ESG principles through client assessment frameworks like CASY 3.0. However, this is more than a simple assessment, it's more of a strategic practice for ESG implementation. It transforms ESG from a voluntary to a mandatory condition for the financing process, as not complying can result in a withdrawal of funding. It has a crucial function in managing stakeholder expectations with a standardized procedure and it can simultaneously demonstrate risk management to its shareholders and regulators. In this way, this tool can be seen as an institutional power, using its financial power to drive change. However, the commitments to certain validation methods can be seen as restraining, with having a “check the box” compliance instead of deeper and innovative forms of sustainability which may not be captured by certifications, therefore creating a tradeoff between comparable accountability and potentially more impact but less validated.

Overall, the bank adopts a multi-layered strategy that aims to implement the ESG considerations across all operations, balancing their ambition, with the practicalities of governance, the demands of accountability and the complexity of client engagement is a sustainability context.

## 4.2 SubRQ 2: ‘What does ABN AMRO trade off to mitigate various stakeholder’s expectations?’

The implementation of ESG principles into their investment strategies is a dynamic process, which is shaped by a complex interplay of various factors and stakeholders. Therefore, there exists a constant process of navigating trade-offs and managing the conflicting demands of various stakeholders. By applying stakeholder theory as a lens, the considerations of all groups are analyzed.

### Internal factors:

A primary internal factor was analyzed that ABN AMRO is a commercial, publicly listed financial institution with **shareholders**, whose main expectation is profitability and risk aversion. **Shareholders** are seen as a primary stakeholder and this creates tensions with the ambitious ESG goals of the company, with initiatives with longer term goals, less financial returns or investments with a different risk profile. This is described by interviewee 2: *“Our interest and ... bit more creative”* (interviewee 2; Appendix 3I)

This emphasizes that ESG considerations operate “in the margins of traditional risk assessment”, which is supported by interviewee 4. Furthermore, interviewee 4 confirmed that the bank is “not a loss financier”, which further highlights the dominance of the **shareholders** as the main stakeholder, expecting financial return on investment. The bank's “moderate risk profile” as described by interviewee 1. This traditional banking with the moderate risk profile creates a constant trade-off between moderation and the desire to be more innovative and, potentially riskier, ESG investment like societal impact stakeholder groups might want. This is further illustrated by interviewee 7: *“If we as ... investment there is”* (interviewee 7, Appendix 3J). This clearly illustrated the systemic financial constraints with its main focus on financial stability, which is the main concern for shareholders and regulators, with less room for ESG decision making. However, the bank is not completely risk averse when it comes to sustainability. The bank has several mechanisms to accommodate ESG opportunities, as Interviewee 5 mentioned the existence of special funds to take more risks for sustainable outcomes, which are funded by the banks “own money”. As already stated above. The existence of these funds can be seen as an attempt by the bank to engage with other stakeholders, wanting more ESG performance, while still protecting their core business with risk-aversion. Furthermore, the implementation of ESG principles across the entire organization involves the management of internal stakeholders like **employees**. As interviewee 3 mentioned: *“There is*

also ... well, a challenge” (interviewee 3; Appendix 3K). This highlights the importance of internal training and communication to align the employee’s capabilities and mindset with the bank’s strategic ESG direction.

#### External factors:

The external environment exerts multiple influences and demands on ABN AMRO’s ESG strategy. Primarily, they are influenced by non-negotiable demands from **regulatory bodies** like the government, but also by contradicting expectations of external stakeholders like **clients, NGO’s** and **society**. In the documents, for example, the Annual Report (2023) acknowledges the regulatory pressures: *“Financial sector regulation (including SFDR, CSRD, EU Taxonomy) is holding us more accountable for our actions through increasingly specific ESG criteria.”* Which is also further strengthened by the SIF report (2023): *“Governments and regulators have also strengthened their resolve to help facilitate the transition. ESG criteria, SFDR, and CSRD are examples of how regulators aim to increase accountability by obliging companies and investors to comply.”* Moreover, in the interviews, interviewee 3 detailed what happens if you are held accountable for not complying with the rules: *“if we do not comply sufficiently... We are simply given a very strict deadline. And then, well, if you do not comply with that, then that results in high fines.”* Therefore, we see that regulatory frameworks are a key driver of ESG integration, as companies otherwise will be punished by fines, ensuring accountability. However, the dynamic and complex nature of these regulations can often create friction and uncertainty for itself, forcing trade-offs between proactive ESG implementation and cautious compliance. As interviewee 7 pointed out that there are difficulties with quickly changing policies regarding sustainability reporting with the new *“omnibus simplification package”* which creates problems in the implementation of ESG: *“That shifting policy. That is killing for businesses attempting to adapt and plan effectively.”* The interviewee also pleads for more legislation and clarity, because *“then we know where we stand”*. However, interviewee 3 and 4 state that, definitely for smaller companies, *“all these rules put companies into trouble”* and *“so they don't have such a Sustainability manager so that it is seen as greenwashing.”* This underscores the tension in stakeholder demand for regulatory certainty, but also enables breathing room for companies. The struggle with shifting policies can hamper long-term integration and may lead to just short-term compliance, which concerns small companies' capacity to cope with complex regulatory frameworks.

Beyond regulations, ABN AMRO must also navigate the different expectations of external **clients**, as confirmed in the Annual Report of 2023: *“We engage with clients, employees, investors, society (NGOs, government, media) and suppliers. In this dialogue we take their interests, dilemmas and views into account as we determine our strategy and policy.”* Managing these divergent stakeholder claims is a great challenge as various **societal** stakeholders expect that *“Banks can and should take more responsibility in helping social entrepreneurs grow”* as mentioned in the Stakeholder Dialogue of 2020 and should avoid looking solely at traditional risk profiles. However, this document itself also notes the tension that arises between the wanted social impact from stakeholders: *“But it is difficult for banks to provide this because of their risk profile and legal obligations”* (Stakeholder Dialogue, 2020). This documented tension between stakeholders demanding social impact and the bank's constraints to regulatory stakeholders is a textbook example of a trade-off, thereby needing to manage expectations.

Moreover, the stance of the bank on financing controversial sectors like fossil fuels, provides a clear illustration of these stakeholder trade-offs in action. The bank's policy is to engage and facilitate the transition, rather than exclusion. Multiple interviewees mention this approach, which is explained by interviewee 3: *“We still finance that because we believe that it's better to start a conversation and get the customer to move than if we say we're all getting out.”* This was further formalized in policy documents like the ABN AMRO Statement of fossil fuels (2022) in which this document attempts to balance the urgent demands of environmental groups, which are seen as a key societal stakeholder, and the ongoing needs of clients in this sector who need to navigate the complex transition of the energy sector. Therefore, showing the push of internal structures to support the transition to a more environmentally friendly world. This represents a trade-off between a fast and disruptive environmental stance, and the more gradual, engagement focused approach that considers economic, social and client stakeholder impacts, the more inclusive in which the bank believes.

The constant navigation of different stakeholder expectations often reveals a hierarchy in how these demands are prioritized. This hierarchy is largely shaped by the fact that the bank is a conventional and publicly listed commercial bank. Therefore, the findings suggest that the shareholders, inherently focusing on profitability and risk aversion with financial stability are the most important stakeholders, as highlighted in the interviews with interviewee 2 above, calling for profitability. Moreover, out of the findings this analysis also suggests the importance

of regulatory bodies as the most or second-most important stakeholder, demanding cash reserves on investments, as needed by a conventional bank as seen in a statement of interviewee 7 above on holding reserves. But also demanding compliance with ESG regulations with the mandating power from the EBA, otherwise significant fines are imposed, as seen by interviewee 3 above, which ensures that their demands are treated with priority. Therefore, being even more important than shareholders sometimes, because shareholders do not want fines and harmful headlines, as that hurts the shares they own. While other groups like NGOs, broader society and clients are seen as vital stakeholders and exert considerable influence and are actively engaged with, according to the annual report as seen above. The analysis finds that most of the time their claims are assessed and balanced against the more fundamental financial and regulatory imperatives, which inevitably shapes the hierarchy with the trade-offs made in the ESG journey of ABN AMRO.

In navigating the contradicting demands of stakeholders, ABN AMRO is constantly making decisions that involve prioritizing or balancing claims of different stakeholder groups. Thus, its ESG strategy is not a static policy, but it is a more progressing response to these dynamic pressures, considering the ongoing task of integrating sustainability into their business model, while simultaneously managing the trade-offs in a commercially viable way. This dynamic approach of balancing stakeholder interest, with shareholders expecting financial returns, regulators demanding compliance, society and NGOs demanding positive impact and ethical approach, clients wanting viable financial solutions and employees wanting support and direction, characterizes the approach to ESG implementation. This process is one continuous dialogue and adaptation, in which the bank needs to find a path that satisfies the claims of its most important stakeholder as much as possible. However, we do see a hierarchy with financial and regulatory stakeholders being slightly more important, while this does not mean that the other stakeholders are neglected. Synthesizing these findings, the analysis reveals that ABN AMRO's approach in navigating these trade-offs is not about finding the middle ground. A non-negotiable core is built around the demands of the most important stakeholders, with shareholders demanding profitability and regulators demanding financial stability and compliance. These create some form of constraints that guide the bank in its primary operations. To manage the conflicting demands of other stakeholders, like the call for disinvestment for pollution operations, the bank has established a strategy for inclusive engagement. This allows the bank to pursue long-term sustainability without compromising its core commercial and risk management principles. It reveals the pragmatic and structured

approach in which the bank satisfies the main stakeholders while also addressing the broader social and environmental goals.

### 4.3 SubRQ 3: ‘What is the intended impact of this CSI initiative to grow for systemic change?’

The thorough implementation of the ESG principles shape the capacity to scale their CSI initiatives and amplify their societal impact. This is mainly approached by fostering systemic change through purpose-driven investments in pioneering enterprises with the help of specialized financials funds like the SIF, which offers various forms of capital and tailor made risk assessments.

#### Driving systemic change through ESG implementation:

The main goal of the CSI efforts is the ambition to contribute to systemic change. In the documents, the SIF report (2023), it is shown that: *“we believe impact investing is about realizing lasting positive change, not just about the next market opportunity.”* (SIF, 2023). This long term perspective is crucial for addressing complex social and environmental needs and underscores the importance of long term gain over short term financial gain. Such a long-term view is needed for addressing deeply rooted societal issues and it implies the readiness to consider different return horizons, a noticeable shift from conventional banking.

In the interviews, interviewee 4 discussed the SIF, promoting its role in the shifting investment culture from short-term to long-term: *“It's really being ... to meet, yes”* (interviewee 4; Appendix 3L). The emphasis on scalability and impact reinforces the SIF’s long term vision and indicates a plan to achieve this impact, with an ambition to influence the existing investment culture, thereby positioning the bank CSI initiative as a catalytic role for wider change.

A new phenomenon was found for achieving systemic change with supporting pioneering companies whose success can kick off industry change. A phenomenon described as the “challenger effect” or the “Tony Chocolonely effect”: *“Tony has set a new standard for chocolate for cocoa... Those have gained market share so fast that competition thought., yes, we do now have to go sustainable because the gap is getting big... they do that by taking the competition in that segment to a new level”* (interviewee 2). This perspective illustrates how a targeted investment for an innovative and sustainable company can push competitors to adapt, thereby scaling systemic impact beyond the entities of the company. ABN AMRO’s ESG

implementations aim to achieve personal support to bring systemic positive change. More about this “Tony Chocolonely effect” can be found in appendix 1.

This can be implemented through personalized special financing models, as Interviewee 2 mentioned: *“offering them a 'heavier operating model, a more customized operating model, at a somewhat earlier stage' to catalyze their growth and impact.”* Additionally, Interviewee 4 mentioned the financial toolkit, which indicated the innovativeness and personalization of the investments: *“We have hybrid Debt, We have subordinated loans, We have equity provided venture Capital”*. This underscores the ability for tailored financing to finance more impact-focused enterprises

Moreover, the ability of the SIF to provide equity at an early stage with higher risk profiles in comparison with standard banking with more conservative risk highlighted consistently by various interviewees. *“We do debt ... just bank financing” (interviewee 6; Appendix 3M)*. This point is backed up by interviewee 5 who identified the SIF companies as not yet “bankable” with normal loans: *“For companies that are not yet financeable as a bank. For that we actually have the Sustainability impact, Sustainable impact fund, because then you can finance equity and that's under different standards than how you can finance as a banker.”* The fundamental difference in risk approach is the main contrast between traditional banking based on historical data and financial performance. Financing new sustainable and innovative business models requires also new innovative models such as the SIF, which can be a problem, according to interviewee 6: *“The biggest bottleneck is with the bank's risk policy and That is a risk policy as they call it. To change that and also change your risk model and risk model... Tweaking that adjustment of such a model takes 5 to 8 years.”* This statement underscores why the SIF offers an innovative alternative route to support promising CSI initiatives by moving away from the more traditional risk averse banking. While the SIF is making substantial social impact, interviewee 7 mentioned the larger backdrop of funding needed for worldwide sustainability transitions: *“If you look ... money more cleanly” (interviewee 7; Appendix 3N)*. The Sustainable Impact Fund represents an innovative CSI initiative through which ABN AMRO can implement and amplify the ESG principles beyond standard financing and accomplish the scaling of CSI initiatives that would have otherwise lacked the availability of capital. Furthermore, this allows the bank to engage with sustainable companies “at an earlier” stage with companies that “are not yet bankable” for traditional banking standards. This is crucial, as it was noted by the interviewees that a so-called “bottleneck” existed and it would take ‘5 to 8 years to adjust’. Therefore, the SIF does not just offer capital, but offers a

personalized financial toolkit to make the most impact. However, interviewee 7 rightfully highlighted the small financial scale of the SIF against the global need for transition funding, its intended impact grows beyond the financial leverage of the fund. By stimulating the so-called “Tony Chocolonely effect” and focusing on scalable solutions, the SIF aims to catalyze broader market change and influence the investment culture towards a more long-term and positive impact. Therefore complementing the bank’s broader statements and efforts to successfully finance sustainability, acting as a direct investor in impactful CSI initiatives, while also being a platform for innovative approaches that could contribute to the banks transition finance strategies. Combining this effect with the inclusivity of the bank, a so-called ‘transitional stakeholder engagement’ emerged, in which the bank actively tries to transition a company and sequentially the entire industry.

#### **4.4 Other findings: restraining obstacles**

As by previously mentioned statements the interviews analyzed an emergent theme, which is that the respondents feel restrained by certain obstacles. Traditional risk models, shareholders wanting profit, complex internal procedures, fear of public scrutiny, regulatory demands and capital requirements emerge as restraining themes. Although ABN AMRO has a strategy in enhancing its ESG performance, its movement is constantly restrained by a series of internal and external checks and balances that require a lot of resources and careful navigation, which often leads to slow and incremental progress rather than radical changes. Therefore, this research suggests that theoretical models must increasingly account for institutional and stakeholder-driven limitations, as even large committed organizations face restraining obstacles in translation ESG ambitions and CSI potential into widespread systemic change. This is implemented as it emerged during the inductive analysis. More about this ‘institutional inertia’ can be found in Appendix 2.

## Chapter 5: Conclusion and discussion

### 5.1 Conclusion

This research was conducted to understand how ABN AMRO implements Environmental, Social, and Governance (ESG) principles within its investment policies to effectively grow its Corporate Social Innovation (CSI) initiative, the ABN AMRO Sustainable Impact Fund (SIF), towards achieving systemic change.

ABN AMRO operationalizes the ESG principles through strategic integration into its core activities, supported by their strong governance structures and accountability mechanisms. The bank positions its ESG approach not solely as a tool for risk mitigation or regulatory compliance, but also as a driver for societal betterment, hence the SIF initiative. This involves developing tailor-made ESG policies for specific sectors. This also means institutionalizing excluding criteria for harmful industries like tobacco industries. However, the bank wants to remain an inclusive bank, helping polluting companies through their sustainability transition, because the bank believes they make a broader impact that way. Client assessment tools like the sustainability scorecards and the CASY 3.0 tool are used for this transition. Furthermore, their governance structure is characterized by high-level executive board responsibility and having several sustainability officers. Moreover, there is significant regulatory influence from governing bodies like the ECB and those mandatory internal accounting processes, while thorough, can present challenges to agility and resources. Accountability relies upon external certifications to ensure credibility, comparability and to avoid greenwashing, while the SIF wants to monetize this impact and be comparable through impact valuation.

The bank's ESG implementation shapes the capacity to grow its CSI initiatives, like the SIF, towards systemic impact. Their ambition is creating lasting positive change that can create systemic shifts. This is pursued by supporting pioneering companies that are capable of creating the so-called "Tony Chocolonely" or "challenger" effect. The SIF, focusing more on equity and therefore having a different risk aversions than traditional banking, is crucial for financing companies that are "not yet bankable" through normal, conventional loans. The SIF offers tailor-made financial solutions, such as hybrid debt, bypassing the constraints of the traditional risk models. While the SIF financial contribution is still relatively small towards

global transition needs, its role in demonstrating viability and pursuing change is significant for growing CSI.

Furthermore, ABN AMRO's navigation of ESG implementation is characterized by a constant balancing of internal factors and stakeholder demands. Internally, the trade-off lies between shareholder expectations for profitability, risk aversion and accomplishing their ESG goals. The internal organizational culture is challenged by bringing all employees on the same line within the sustainability transition. Externally, the strict and evolving regulatory frameworks act as key drivers of ESG implementation, however, the evolving frameworks cause uncertainty. Moreover, the bank must also manage the conflicting demands of external stakeholders, like clients, NGOs and society, for example, with their engagement strategy with pollution companies in the fossil fuels industry. This involves a trade-off between a rapid environmental standpoint, and a more inclusive approach that considers broader and long term economic and social impacts.

In short, ABN AMRO implements ESG principles through strategic integration, governance and accountability. Furthermore, it supports the SIF by enabling it to operate with certain risk profiles and provide equity to innovative and impact-focused companies. This allows them to contribute more to growing CSI and strive for systemic change. However, the bank is also continuously navigating trade-offs, balancing financial expectations of shareholders and their risk aversion against regulatory demands and expectations of external stakeholders. Therefore, the implementation of ESG, while advancing, is an often incremental and balancing process between competing stakeholder demands, making it a complex and ongoing undertaking.

## **5.2 Discussion and theoretical implications**

This study contributes to existing knowledge on how large financial institutions, like ABN AMRO, implement ESG principles, navigate stakeholder trade-offs, and attempt to grow CSI initiatives to systemic change. Rather than only verifying existing frameworks, this study aims to explore what these themes contribute and refine the current existing literature of ESG, CSI and stakeholder theory. The findings reveal several refined practices and tensions that

extend current theory on stakeholder tradeoffs, navigating institutional constraints to innovation and practices for catalyzing systemic change.

One of the central findings is the bank's strategy of being inclusive and actively engaging with polluting companies to support their sustainability transition, rather than handling the strategy of exclusion. This allows us to refine stakeholder theory by conceptualizing a practice in which we see a more active transitional stakeholder engagement. The current existing literature frames it more as a trade-off (Freeman, 1984), while in this case ABN AMRO reveals a more proactive role with internalizing the conflict between environmental and financial stakeholders to actively engage in this transition. Moreover, it further resonates with the research on navigating tensions between commercial goals and creating societal value of Saka-Helmhout et al. (2024a), but extends it by highlighting the proactive long-term orientation. This more transitional stakeholder engagement therefore acts as a partner in transformation to more impact and accepts the short-term reputational risks it may face, challenging current models that assume stakeholder managements as merely a tool for risk mitigation or legitimacy gain, while it may also be a value-driven strategy for promoting systemic change.

This study reveals the paradox of ESG governance within large financial institutions with the constant tension between centralized control and oversight and decentralized agility. On one hand, the bank implements top down governance through standardized accountability tools like CASY 3.0 to ensure compliance and show commitment to various stakeholders. Aligning itself with the established theories showing the need for transparent control structures (Widyawati, 2019). On the other hand, these structures create bureaucracy shifting from fast moving and agile framework needed in this ESG field to a lengthy approval process for ESG certificates, promoting more institutional inertia (Hannan & Freeman, 1989). Therefore, this theoretical contribution is to conceptualize this paradox, challenging the simplistic view that more accountable control guarantees better ESG. This paper argues that ESG governance plays a double sided role, enabling accountability whilst containing agility needed for practical change. This refines the existing literature on corporate governance with Widyawati (2019) highlighting that companies must manage this internal tension otherwise they risk the creation of a compliance framework that fails to strive for innovation required for systemic impact.

The results identify a paradox of accountability in ESG implementation. The existing literature on ESG disclosure often states a positive relationship between transparency and sustainability (Widyawati, 2019). However, this study challenges that assumption as the

findings show fear of public scrutiny enabled by transparency. The literature suggests that it is designed to drive progress but now we see it can also trigger conservative goal setting. This highlights the double role of transparency, with on the one hand an enabler of accountability and on the other hand a potential constraint on ambitious goal setting. This explains why companies may opt for less commitments and more conservative goal setting with safer, less room for scrutinizing paths, also showing the complex relationship between disclosure and impact. Therefore, enhancing the debate on the complexities of impact measurement of Weber (2013), demonstrating how the bank can prove its impact with new measurement techniques to navigate these pressures of public scrutiny.

This research extends the theories on growing CSI by identifying and conceptualizing a specific financing strategy for companies that are potentially able to transform markets; the so-called Tony Choclonely effect. While scholars like Mulgan (2019) and Saka-Helmhout et al. (2024a) discuss pathways in scaling CSI, this research offers a framework to which a financial institution can finance social impact practices and catalyze upon the positive effects. By funding such disruptive and sustainable pioneers one can create pressures on competitors to change entire industries. This moves the theoretical focus from one single company to reshaping entire industries. A next step in growing CSI to achieving systemic change.

In summary, this research contributes to the literature by providing an empirically grounded perspective on how financial institutions operationalize their sustainability ambitions. It refines stakeholder theory with their inclusive and more transitional stakeholder engagement for more long-term impact. It provides a counter narrative to transparency and commitments, demonstrating the fear of public scrutiny can temper ambition. Lastly, it extends theories on growing CSI by identifying the ‘Tony Choclonely effect’ as a catalyst for systemic change. Collectively, providing more insight on how large financial institutions navigate the complex journey of integrating finance with societal impact.

### **5.3 Practical implications**

For management at ABN AMRO, the findings point to creating actions to enhance ESG effectiveness. The bank should implement a fast-track approval system for ESG certifications to improve agility. Furthermore, they should formalize their inclusive financing with a more transitional stakeholder engagement framework to increase transparency when working with

controversial pollution industries. This framework should define criteria for engagement with clear Key Performance Indexes (KPIs) with mandatory reporting, showing a transparent and generalizable strategy. Moreover, to leverage the innovative role of the SIF, formal knowledge-transfer channels must be set up, so that the core business model can also address the risk aversion and implement more ESG into its core strategy.

The lessons from this study are transferable to other large publicly-listed financial institutions in complex regulatory environments. These firms should also adopt a CSI initiative like the SIF to create specialized funds to promote innovation in ESG investing by bypassing the slow and risk averse models banks have, therefore generating more societal impact. Furthermore, the inclusive financing approach offers a replicable model for managing complex stakeholder and ESG trade-offs, while creating most value in the long-term for the company, as well as for society. Reporting on this matter with specific KPIs to show the transition of polluting companies provides credibility to the public. Moreover, to mitigate accusations of greenwashing or public scrutiny, managers should adopt proactive disclosure strategies with transparent communication with not only mentioning the successes but also the reasons for missed targets and implementing feedback loops to discuss the lessons learned, to build stakeholder trust.

## 5.4 Limitations

This study uses a qualitative single-case study design, while it enables deep analysis, it has methodological limitations. The practices identified, such as the transitional stakeholder engagement, are embedded in the specific context of the large Dutch bank, therefore limiting the transferability to other financial institutions. However, this study adopts the interpretivist lens, which changes the goal from statistical to analytical generalization, allowing for rich theoretical insights. While the specific practices may not be universally applicable, the emergent theories can be used by other researchers as a framework for examining similar phenomena. Furthermore, the interpretivist approach acknowledged that the researcher is the primary analytical instrument, providing a risk of bias. This was mitigated not only by triangulation, but also by the structured coding process of Gioia et al. (2012). Additionally, interview data was sourced exclusively from internal ABN AMRO employees, meaning that the external stakeholder perspectives were captured indirectly, which could imply incomplete information. This presentation limitation, which was mitigated by triangulation with extensive

document analysis, ensured that the interpretations were grounded in formal disclosures as well. Moreover, this study is also bounded by its theoretical frameworks, with stakeholder theory often being critiqued for its ambiguity in how to prioritize conflicting stakeholder demands. This study shows the practical approach, but does not resolve the underlying theoretical debate. Lastly, a procedural limitation existed with translating the interviews from Dutch to English, while necessary, there is a possibility that nuances or cultural specifics in language were lost in translation. This study offers an understanding of an organization's journey, providing valuable concepts for true research, rather than one single action blueprint.

## **5.5 Recommendations for future research**

A comparative case study between the inclusive engagement model of ABN AMRO contrasting with an excluding strategy, like Triodos Bank, (Triodos Bank, N.D.), should be conducted to determine which approach yields greater long-term impact. Furthermore, the Tony Chocolonely effect conceptualized in this paper requires empirical validation. A mixed-methods study of ten SIF-funded companies could test against their competitors with clear KPIs to see if it genuinely catalyzes industry-wide change. Further research could also explore the internal accountability dilemma with policy implications. research could explore how new reporting frameworks might encourage ambitions and refine the design of current regulation like the SFDR and CSRD that push for greater transparency and accountability. To gain deeper insights, future research should also employ different methodologies, e.g. an ethnographic study, looking at key decision-making committees, which could reveal how negotiations work behind ESG trade-offs. To understand the long-term effects, a longitudinal study is recommended. This involves monitoring the SIF's portfolio for five to ten years, gathering qualitative as quantitative data. Such an approach builds robust evidence on the actual long-term contribution of these CSI initiatives to industry transformations.

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## Appendices

### Appendix 1: Tony Choclonely effect

As discussed in the findings the “Tony Choclonely effect” or the so called “challenger effect” is a coined term used by interviewee 2 describing how a pioneering company, by implementing strong ESG principles, can turn into a successful business that can catalyze broader industry change and transform its entirety to a more sustainable practise. Here, Tony serves as an example of having set a mission for 100% slavery free chocolate by reinventing its entire supply chain, calling for a “resonating supply chain” in which profits and socials goals are intertwined (Pannekoek, Breugem & Van Wassenhove, 2023). They have achieved this by actively turning its counterparties into partners through shared information and collaborative planning and committing to their “five sourcing principles” that actively address poverty and child labour (Tony Choclonely, N.D.). This approach has showed that they could significantly lower child labour and that they could double the income for the farmers (Pannekoek, Breugem & Van Wassenhove, 2023). This demonstrates that this use of ethical business can be both impactful as profitably and thereby also challenging existing industry norms. Moreover, this effect is directly linked to systemic change, as the success of it created competitive pressures, with larger industry players to change their own practices to adapt to this change. Furthermore, the ‘open chain’ initiative, with inviting other companies to copy and adopt their principle, is a strategy to scale this systemic impact. This aligns with theoretical frameworks on CSI, which can lead to significant change by addressing institutional contradictions as discussed in Saka-Helmhout et al. (2024b). Additionally, the success of such market challengers, largely depend upon effective stakeholder engagements, building trust and legitimacy and collaborating with NGOs and even competitors as discussed by Saka-Helmhout et al. (2024a). Therefore, this case represents and illustrates how one can act as a powerful catalyst for driving systemic change by focusing on a CSI initiative built on strong ESG implementation and stakeholder engagement.

## Appendix 2: Institutional Inertia

Institutional inertia often originates from fundamental structural factors, but also alongside significant external (stakeholder) pressures. Hannan and Freeman (1989) argue that large and successful companies are often limited in their adaptive capabilities, making them more resistant to change. This phenomenon is reinforced by bureaucratic structures and internal procedures that, while they are designed for efficiency and control, can restrain transformation (Struckell et al., 2022). As also seen in chapter 4.1 with interviewee 2 stating: *“Even if we seek affiliation with a certain certificate, it has to go through 80 different layers for approval and so on, and we can’t do that for all kinds of different certificates, so that makes it difficult.”*

The consequence of such inertia often means slower and incremental change, even when strategic ambition for transformation among employees, for example enhancing ESG performance, exists. As seen in the analysis, large organizations face multiple checks, such as demands of shareholders for short-term profit, regulatory requirements, fear of public scrutiny, which can all act as restraining obstacles. According to Struckell et al. (2022) organizations attempt to avoid uncertainty and therefore have the tendency to wait and see how conditions evolve. Consequently, navigating these complex demands of internal and external stakeholders require a lot of resources and careful trade-offs which leads to a more cautious approach instead of bold transformative changes necessary for widespread systemic change.

### Appendix 3: Full interview quotes:

Note that only quotes longer than 40 words were put in the appendix.

3A: *“Tata Steel, for example, yes, We have that polluting factory here, But we just for humanity’s sake if we move that factory from here to India. There they have no rules, so the emissions are higher. There the damage is much bigger anyway, so then you have more of that double matter materiality analysis extra anyway” (interviewee 6).*

3B: *“If they abide by the law, anyone can come to us, including non-sustainable companies. Basically what we will only do is try to help those companies to become more sustainable and then preferably within a certain predetermined time frame” (interviewee 4).*

3C: *“for the slightly larger companies, we have a standard sustainability report... It is a kind of scorecard to see where they stand, but also for ourselves to determine what are the biggest risks and what are the things we should pay attention to in our assessment of the company” (interviewee 2)*

3D: *“Good corporate governance is key to successfully delivering on our purpose and strategy. Our culture, based on our core values, is a crucial enabler for our strategy and guides the decisions we make every day, as well as the interactions we have with internal and external stakeholders, including clients, suppliers, shareholders and society at large.”(Annual Report, 2023)*

3E: *“Sometimes we get some... site Inspection findings, which means that the ECB sometimes checks whether the focus has actually been on... well all those sustainable financial regulations or in the area of credits? They had to be implemented... if we do not comply sufficiently... We are simply given a very strict deadline. And then, well, if you do not comply with that, then that results in high fines”*

3F: *“If you look at the law, it is now clear. But what is understood by sustainability in normal language use is totally different, of course... With the Sustainable Finance Disclosure Regulation (SFDR), you have to report on this. So we monitor by definition how large our green interest is within the bank or how large the share of green products is within the bank” (interviewee 7).*

3G: *“We are already with a lot of those kinds of statements and commitments which is tricky. If you issue a commitment and yes, and you don’t make it. you are terribly criticised. So that means banks and other companies are no longer eager to make commitments. The moment you make a commitment, you are under a magnifying glass. If you don’t achieve that commitment, you are immediately reckoned with and then your shares collapse and you are immediately greenwashed. You know, so that also backfires” (interviewee 6).*

3H: *“As long as you state it clearly in reports and As long as you show what you are trying to do about it, then it is not so bad in itself, because then of course you enter into that stakeholder dialogue and show that transparency” (interviewee 6).*

3I: *“Our interest and repayment must become repayable from profits. There is no sale yet, so there is no profit either... If it’s a nice sustainable business. Are we then willing to take much higher risk? No... We are willing to push the boundaries a little bit more, to be a little bit more creative” (interviewee 2)*

3J: *“If we as a bank... make less profit because we are making certain choices... we have to make up for that on our reserves. And if our reserves are too low, we have to hold more from the European Bank... And the more I have to hold in reserve, the less I can lend, the less goes to green loans, the less green investment there is” (interviewee 7).*

3K: *“There is also a real difficulty in getting people on board, right? So how many of our people have customer contact? They have only had it for years... people who have been used to only talking about financial matters... And they now also have to have a strategic conversation about sustainability. That is also quite a, well, a challenge” (interviewee 3).*

3L: *“It’s really being looked at. The scalability. What is the impact on that? It really has to contribute to some key themes, built environment, energy transition and the Digital Transformation. It really needs to be on those 3 paths it needs to meet, yes” (interviewee 4).*

3M: *“We do debt capital... the SIF the sustainable impact fund which does equity so they actually have risk capital. So they get to take more risks... They help companies at a slightly earlier stage than we can with just bank financing” (interviewee 6).*

3N: *“If you look at what is needed for the transition, what was it now, 137 billion per year to achieve a transition, then 550 million in an impact fund is unfortunately not enough, I think. So for that Ripple effect to occur, we need to look at the cash flows. And how can we ensure that consumers and large companies invest their money more cleanly” (interviewee 7).*

## Appendix 4: Interview questions

1. To start; can you tell me something about yourself?
  - a. What did you study?
  - b. Can you tell me about your career?
2. How Long do you work at ABN AMRO?
3. How long do you work in this position and at which positions did you work before that?

### Section 1: Introduction / Warm-Up

What does ESG mean to you personally or professionally?

How would you define Social Innovation in the context of finance?

How does ABN AMRO work to minimize its environmental impact?

How is inclusivity promoted in the bank's workplace and culture?

What is ABN AMRO's approach to transparent governance?

### Section 2: ESG Integration in Investment Strategy

Focus: Strategic ESG Integration, Impact-Oriented Logic, ESG Governance Infrastructure

How does ABN AMRO integrate ESG principles into its overall and investment strategies?

What specific ESG goals are prioritized and why?

What steps are taken to align investments with ESG objectives?

How do ESG factors shape your initial investment screening?

In what ways is ESG embedded beyond compliance — into the strategic core of the organization?

What ESG metrics are most useful in making investment decisions?

If possible: Can you walk me through an actual ESG investment process from start to finish?

How does the bank avoid symbolic ESG or greenwashing — how do you know you're making real impact?

### Section 3: Stakeholder Engagement & Trade-Offs

Focus: Stakeholder Balancing Mechanisms, ESG Trade-Off Navigation, Transparency & Accountability

How does ABN AMRO engage stakeholders (clients, NGOs, employees) in ESG/CSI efforts?

Can you give an example of an ESG initiative that had a meaningful social impact?

How do you manage competing expectations from different stakeholders?

What are the main sources of tension between impact goals and financial returns?

How are these trade-offs resolved internally?

Are there stakeholder voices that hold more weight than others in ESG-related decisions?

Are there tensions between internal stakeholders (e.g., risk teams vs. impact teams) when making ESG decisions? And how do you notice this?

How are NGO critiques or public pressure (e.g. on greenwashing) handled within the bank?

Has the bank changed or adapted its ESG/CSI approach based on failed initiatives or stakeholder feedback?

#### **Section 4: ESG Management & Oversight**

Focus: ESG Governance Infrastructure, ESG Accountability & Metrics

What governance structures (e.g., committees, CSOs) support ESG oversight?

How is ESG performance monitored and evaluated?

How does your team respond to new regulatory or reputational pressures?

Are you involved in or aware of internal ESG audits or third-party reviews?

What role does transparency play in ABN AMRO's ESG credibility?

#### **Section 5: CSI and Systemic Change**

Focus: Systemic Impact Intent, ESG-Driven Innovation, Scaling Mechanisms

What differentiates a CSI initiative from a regular ESG project?

How do you ensure that successful pilots or small-scale initiatives grow into system-level change?

What internal or external factors help or hinder the scaling of CSI?

What feedback loops or learning systems are used to refine impact strategies?

Can you share examples of innovation that emerged from ESG-driven investments?

How is the Sustainable Impact Fund positioned internally — as a strategic initiative, a pilot, a CSR effort, or something else?

To what extent does ABN AMRO see itself as contributing to systemic change in the financial sector?

## **Section 6: Reflection & Wrap-Up**

What is the biggest challenge you've faced in aligning ESG with investment decisions?

What changes (internal or external) would make it easier to manage ESG and drive CSI?

Anything else you'd like to share that could help us understand ESG integration or CSI scaling?