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CSR in investor relations: Socially responsible investors and shareholder engagement

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Abstract

OBJECTIVES

Shareholders and investors have generally been considered to be stakeholders with limited interest in corporate social responsibility. This trend is changing, as today many investors perceive CSR as a factor that has implications on the bottom line. The main purpose of this study was to examine how CSR is present in investor relations (IR). The focus was on the interaction between socially responsible investors (SRIs) and IR as well as on shareholder engagement. In the present study, shareholder engagement refers to dialogues between investors and companies, with which investors aim to influence companies' CSR. Additionally, the study attempted to explore what challenges can be related to CSR in investor relations and to shareholder engagement, and how these phenomena are developing in the future.

METHODOLOGY

The present thesis adopted a qualitative research design and the method of data collection was semi-structured interviews. In total nine individual interviews were conducted, four of which were with investor relations officers of Finnish public limited companies and five with Finnish institutional investors, who can be characterized as socially responsible investors.

FINDINGS

The findings of the study showed that CSR is present in investor relations, since it is a relevant part of companies' strategies today. However, the findings suggested that mainstream investors are not very interested in CSR yet, and socially responsible investors thus stand out from the crowd. Socially responsible investors were considered to be quite focused on CSR as well as very thorough in their processes of evaluating the responsibility of their investments. Shareholder engagement was discovered to be an investor strategy for influencing corporate responsibility, which can be done in many different ways and compositions. Common denominators of engagement processes seemed to be their resource-binding nature, and the importance of personal relationships and trust. The findings suggested that CSR in investor relations can be challenging, since CSR messages directed to investors have to differ from messages to other stakeholders. Regarding shareholder engagement, the biggest challenge seemed to be related to resources. As for the future development of CSR in IR and shareholder engagement, the findings suggested that they are both increasing.

Keywords CSR, investor relations, socially responsible investors, stakeholders, shareholder engagement, International Business Communication

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TAVOITTEET

Osakkeenomistajia ja sijoittajia on tavallisesti pidetty sidosryhminä, jotka eivät ole kiinnostuneita yritysten vastuullisuudesta. Tilanne on muuttumassa, sillä tänä päivänä useat sijoittajat kokevat yritysvastuun vaikuttavan yrityksen tulokseen. Tämän tutkielman päätavoite oli tutkia yritysvastuuta sijoittajasuhteissa. Tutkielma keskittyi erityisesti vastuullisten sijoittajien ja yrityksen sijoittajasuhteista vastaavien henkilöiden väliseen vuorovaikutukseen sekä vaikuttamisprosesseihin. Vaikuttamisprosesseilla tarkoitetaan tässä tutkielmassa sijoittajien ja yritysten välisiä dialogeja, joiden avulla sijoittajat pyrkivät vaikuttamaan yritysten vastuullisuuteen. Lisäksi, tämä tutkielma pyrki selvittämään millaisia haasteita voi liittyä yritysvastuuviestintään sijoittajasuhteissa ja vaikuttamisprosesseihin, ja miltä näiden ilmiöiden tulevaisuus näyttää.

MENETELMÄT

Tämä tutkielma oli tutkimusotteeltaan laadullinen ja aineisto kerättiin teemahaastatteluilla. Haastatteluja oli yhteensä yhdeksän. Neljä haastattelua tehtiin suomalaisten pörssiyhtiöiden sijoittajasuhdejohtajien kanssa ja viisi haastattelua tehtiin suomalaisten institutionaalisten sijoittajien kanssa. Haastatellut sijoittajat voidaan luokitella vastuullisiksi sijoittajiksi.

TULOKSET

Tutkielman tulokset osoittivat, että yritysvastuu on osa sijoittajasuhteita, sillä yritysvastuu on tänä päivänä merkittävä osa yritysten strategiaa. Tuloksista kävi kuitenki ilmi, että ns.“mainstream”-sijoittajat eivät ole vielä kovin kiinnostuneita vastuullisuudesta, minkä vuoksi vastuulliset sijoittajat erottuvat joukosta. Vastuullisia sijoittajia pidetään melko keskittyneinä vastuullisuusaiheisiin, ja heidän koetaan olevan huolellisia kun he arvioivat sijoitustensa vastuullisuutta. Vaikuttamisprosessit osoittautuivat sijoittajastrategioiksi, joilla pyritään vaikuttamaan yritysten vastuullisuuteen, ja jotka voidaan toteuttaa usealla eri tavalla ja eri kokoonpainoissa. Vaikuttamisprosessien yhteisiä tekijöitä ovat niiden vaatimat resurssit sekä henkilösuhteiden ja luottamuksen merkitys. Vastuullisuuskeskustelut sijoittajasuhteissa ovat usein haastavia, sillä sijoittajille suunnattujen vastuuviestien täytyy erota muille sidosryhmille suunnatuista vastuuviesteistä. Vaikuttamisprosessien haasteet liittyvät tulosten mukaan erityisesti resursseihin. Sekä yritysvastuun sijoittajaviestinnässä että yksittäisten vaikuttamisprosessien koettiin kasvavan tulevaisuudessa.

Avainsanat yritysvastuu, sijoittajasuhteet, vastuulliset sijoittajat, sidosryhmät, vaikuttamisprosessit, kansainvälinen yritysviestintä

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1 INTRODUCTION

No man is an island.
(John Donne, 1624)

Even though Donne, a poet in the 17th century was referring to individuals, he might as well have been talking about any social entities. There is a growing understanding that companies are not islands either, but instead, business and society are interwoven. The way business is understood has changed due to megatrends such as globalization, the rise of information technology and liberalization of states, and challenges regarding climate change, sustainable production practices, and corporate accountability (Freeman et al., 2010, p.3; Burchell, 2008, p.1). Since the emergence of corporate social responsibility (CSR) in the 1960s (e.g. Carroll & Shabana, 2010) and the stakeholder theory in the 1980s (e.g. Freeman et al., 2010), it has become widely accepted that companies are a part of society, and as such, have responsibilities to its different members who have a "stake" in it. Svendsen (1998, p. 4) suggests that by balancing the needs of all key stakeholders through creating positive long-term relationships, companies can identify "win-win-win" opportunities, which ultimately serve all three: the company, the stakeholders and the society.

In contrast to CSR and stakeholder approach to business, the neoclassical economic theory viewed the firm, according to Andriof et al. (2002, p. 11), as a "closed system, with its only concern to satisfy its stockholders". In fact, shareholders have always been a self-evident stakeholder group to companies. Milton Friedman, the Nobel prize-winning economist, famously argued that "the social responsibility of business is to increase its profits" (Friedman, 2008, p. 84). According to Friedman (2008, p. 84), corporate executives are employees of the owners, that is, shareholders, and have direct responsibility to conduct business in accordance with their needs. Furthermore, Friedman claimed that what shareholders generally need, is for the company to make as much money as possible while conforming to the basic rules of the society at the same time. Indeed, the needs and wants of shareholders seem to have a large influence on companies' actions, since Sullivan & Mackenzie (2006, p. 13) argue that one of the reasons for the unethical behaviour of companies is the pressure from investors to put short-term profits ahead of corporate responsibility. Furthermore, Domini (2001, p. 5) claims that as long as shareholders put profit maximisation ahead of all other considerations, so will corporations. In other words, according to Sullivan and Mackenzie (2006) and Domini (2001), if companies change, it is likely to happen on shareholders' terms.

Fortunately, modern investors are not short-sighted, as Hoffman & Fieseler (2012, p. 150) suggest that they are "strongly interested in a company's overall reputation and public perception, as well as its relationships with specific stakeholders such as customers, employees and public authorities". Moreover, as investors are supporting responsible corporate behaviour, they do not need to compromise the profitability of their investments. On the contrary, many authors (e.g. Heal, 2008; Kurucz et al., 2008; Carroll & Shabana, 2010) argue that good stakeholder relationships can in fact have a positive effect on the bottom line by reducing risks, increasing reputation, legitimacy and competitive advantage, and by aligning the interests of companies, environment and society for mutual value creation. Moreover, Svendsen (1998, p.17) points out that though companies may not always be rewarded for social responsibility, irresponsibility is not without price.

Socially responsible investors (SRIs), a group that is constantly growing in number, are especially supportive of responsible corporate behaviour. SRIs can be defined as investors, who take environmental, social and corporate governance (ESG) issues into account in their investment decisions in addition to financial considerations (Eurosif, 2010). In the earliest form of socially responsible investment (SRI), the most utilised strategy was the avoidance of companies who did not live up to the investor's standards (e.g. Bengtsson, 2008). However, by applying this strategy, socially responsible investors did not do the society a favour, since the companies acting irresponsibly could continue to do so (Kurtz, 2008, p. 258).

Nowadays, socially responsible investors have more developed strategies, such as shareholder activism/engagement, which refers to activities in which investors, through dialogue, try to make the company change its behaviour on social, environmental and corporate governance issues (Domini, 2001; Kurtz, 2008; Heal, 2008). Previously, the term shareholder activism was used more than the term shareholder engagement, and the activities of investors were perhaps less subtle, since the main ways to influence were shareholder resolutions[1], proxy voting[2] or even divestment[3]. Shareholder engagement, on the other hand, refers to a softer, more interactive dialogue between the company and its investors, a strategy often used by European investors (Vandekerckhove et al., 2007, p. 404)

Especially institutional investors seem to realise that since avoiding certain industries or companies is not feasible and in accordance with their fiduciary duty, it is better to try and influence them (Kurtz, 2008; Cox & Wicks, 2011). Some institutional investors, like religious groups, engage with companies based on their values (see e.g. Van Buren III, 2007), while others may see engagement as risk management (Macleod, 2009). There is also growing understanding that due to their power in the world's capital market, institutional investors have a responsibility to challenge the management of global companies (Sullivan & Mackenzie, 2006, p. 151). However, the "new wave" of socially responsible investors has been accused of downplaying ethics (Viviers et al., 2008; Richardson, 2009; Eccles, 2010) and acting only in their own interest. The question is: Do their motivations for socially responsible investment and engagement with companies really matter? After all, they act as "watchdogs" for other stakeholders as they impact the way companies face up to their responsibilities as societal members. In the end, according to Logsdon and Van Buren III (2009, p. 360), corporate critics,

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[1] The Limited Liability Companies Act of Finland states the following on shareholder resolutions: "A shareholder shall have the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be

[2] Proxy voting refers to the right of each shareholder to vote on important issues in the annual general meeting. It is called proxy voting, since investors generally vote electronically or with paper ballots (Budde 2008, p. 81).

[3] i.e selling the ownership.

such as socially responsible investors, represent the views of other stakeholders as well, and provide companies with signals of what issues are most salient in their environments.

For companies, active investors with social, environmental and corporate governance issues in mind can thus represent a learning opportunity, and investors are to some extent doing the company a favour as, according to Domini (2001, p.7), companies are made aware of potential liabilities before they grow larger. Investor relations (IR), a function, which usually coordinates relationships between companies and investors is likely facing new challenges, as investors start looking for information beyond the numbers (Hockerts & Moir, 2004; Argenti, 2007; Hoffman & Fieseler, 2012) and are interested in engaging in more two-way communication with companies (Domini, 2001; Logsdon & Van Buren III, 2009). In order to fulfil their needs, IR departments are likely to resort to the help of other departments of the company, such as public relations or human resources, as their own expertise does not cover all investors' information desires (Hockerts & Moir, 2004, p. 92-93).

In spite of the growing interest in shareholders as company watchdogs, there are hardly any studies on how companies and their IR departments interact with shareholders, who are interested in more than numbers and influence the way companies act as a part of the society. However, fields that closely touch the socially responsible investor – company interaction and engagement on CSR issues have been studied to some extent: for example, CSR (e.g. Carroll, 1979; Swanson, 1995; MacWilliams & Siegel, 2000; Cowe & Hopkins, 2003), SRI (e.g. Sparkes & Cowton, 2004; Sullivan & Mackenzie, 2006; Bengtsson, 2008), stakeholders (e.g. Freeman, 1984; Donaldson & Preston, 1995; Mitchell et al., 1997; Podnar & Jancic, 2006) and stakeholder engagement (e.g. Svendsen, 1998; Andriof et al., 2002; Lawrence, 2002; Greenwood, 2007). When narrowing the focus down to investor relations combined with CSR and shareholder engagement, the scarcity of research is clear.

First, investor relations is one of the least studied areas in corporate communication. Apart from the research of Dolphin (2003), Hockerts & Moir (2004) Petersen et al.

(1996), Laskin (2006, 2009), Kelly et al. (2010) and Hoffman & Fieseler (2012), there are fairly few attempts to examine IR. Kelly et al. (2010) claim that there has been a dispute over whether IR is a financial function or a public relations function, and to the author of this thesis it seems plausible that the confusion is likely to be one reason for the scant academic interest. As National Investor Relations Institute NIRI defines IR as "—strategic management responsibility, that integrates finance, communication, marketing and securities law compliance" (NIRI, 2012), it seems important that investor relations is studied from *all* those perspectives, communication included.

Second, if IR has received scant amount of interest, IR related to non-financial matters, such as CSR, is even less approached by academics. Even in the rare exceptions of research examining investor communication about CSR issues, it has either been studied from the capital market participants' point of view (Fieseler et al., 2008; Hoffman & Fieseler, 2012; Rytkönen, 2012) or investor relations officers' (IROs) point of view (Hockerts & Moir, 2004). As has been noted by many, non-financial factors influence a company's market performance (e.g. Hoffman & Fieseler, 2012) and capital market participants consider them when making decisions (Gabbioneta et al., 2007; Argenti, 2007). Thus, there is motivation to study how and to which extent these factors are present in the IR – investor interaction.

Third, although the power of investors, especially institutional investors, in the global capital market has been recognised (e.g. Macleod, 2009), investor activities aiming at changing company behaviour have mostly been studied from a narrow perspective. Most of the previous research is focused on shareholder resolutions and proxy voting, and the issues investors raise concern mostly corporate governance matters (Sullivan & Mackenzie, 2006; Heal, 2008). Research on shareholder engagement as a dialogue, which includes both the E (environmental) and the S (social) in addition to the traditional G (Governance) has only been studied by a few researchers (e.g. Logsdon & Van Buren III, 2009; Vanderkerckhove et al., 2007). As shareholder engagement processes combine investors' power to their interest in ensuring a responsible corporate behaviour, it is possible that the effects of such processes can have a broader impact on the society and therefore are an interesting topic to explore.

By exploring the abovementioned gaps in research, this thesis contributes to the field of international business communication as it focuses on academically neglected phenomena, which encompass elements of both internationality and business communication. The internationality factor is self-evident: both companies and investors operate globally these days. Consequently, investors invest in foreign companies and companies have foreign investors. Furthermore, shareholder engagement is a dialogue process, which is often international, since investors aiming at bringing about a change in company behaviour tend to collaborate and do so beyond national boundaries (see e.g. Macleod 2009). The business communication aspect is derived from the fact that this thesis addresses relationships and communication between companies and investors. The main focus on the company side is on the investor relations function, which according to Argenti (2007) is one the sub disciplines of corporate communication. Although investor relations is sometimes considered even as a financial function, this thesis examines IR through the lens of communication, due to which this study positions well within the scope of international business communication.

1.1 Research objective and questions

This thesis explores CSR discussions in investor relations with a focus on the interaction between socially responsible investors and IR and shareholder engagement as a tool for influencing corporate behaviour. The topic is explored with four research questions, which are presented and further explained below.

RQ 1: How is CSR present in IR?

By answering the first research question, this study aims to find out to what extent CSR issues in general are discussed in IR. The answer to this research question is sought from both the investor point of view and IR point of view. The first research question can be seen as an umbrella theme for the whole research and it is thus necessary to answer this question before exploring more specific interaction on CSR between investors and IR.

RQ 2: How do socially responsible investors and IR interact with each other?

The second research question takes a more specific approach and looks at the interaction between socially responsible investors and IR. This research question aims to explore what kind of dialogue companies and their investor relations departments have with investors who are especially interested in corporate social responsibility. The answers are sought from both investor and the IR viewpoint.

RQ 3: What is shareholder engagement[4] (as perceived by the interviewed investors) and how does it work in practice?

The third research question looks into the communication on CSR issues on a deeper level by focusing on shareholder engagement, which is a tool for investors to raise their concerns and bring about a change in the company behaviour. The objective of this research question is to determine what exactly is shareholder engagement and how do shareholder engagement processes take place in practice.

In this research question, the answers are sought only from investors. The reason for not covering company/IR perspective is the fact that engagement processes are very confidential. For this reason, it is difficult, if not even possible to know which companies have been "targets" of engagement. However, in the data collection process the author of the thesis attempts to get some sort of company perspective to engagement. This is done by exploring whether the companies chosen as sources of data have had a longer dialogue with an investor, who is aiming at improving the company's CSR.

RQ 4: What challenges are there in bringing CSR to IR and in shareholder engagement? How does their future development look like?

The fourth research question aims to find out what kind of challenges there are in a) implementing CSR in IR and b) engagement processes. This research question also attempts to find out how their future development looks like. As both CSR topics in IR

[4] Even though there is some literature on shareholder engagement as a dialogue, it has seemingly not been discussed in the context of Finnish capital market. Therefore, it is important to first examine what in fact is shareholder engagement according to the Finnish interviewees.

and engagement processes are quite new phenomena, it can be assumed there are some challenges and room for development. In this research question, the CSR discussion in IR is looked at from both perspectives - the investors' and the IR. Engagement processes, however, are only examined from one viewpoint, the investors'. This is due to the earlier mentioned challenges in identifying companies, which would have experienced an engagement process.

1.2 Key concepts and abbreviations

This section briefly introduces the key concepts and abbreviations of the present study, which are CSR, IR, SRI and shareholder engagement.

CSR

CSR is an abbreviation for corporate social responsibility. There is a large variety of explanations on what CSR is, but the present study adopts a stakeholder perspective to it. Applying the stakeholder perspective, Hopkins (2003, p. 10) describes corporate social responsibility as "treating stakeholders of the firm ethically or in a responsible manner". Similarly, Vos (2003, p. 142) defines CSR as "the obligations or duties of an organisation to a specific system of stakeholders". According to research (Hopkins, 2003; Podnar & Jancic, 2006) the stakeholders companies need to address can be either inside or outside the company, and in addition to the most typical stakeholder groups such as employees and investors, they can also be non-societal such as the environment, the future generations or non-human species.

Investors – especially socially responsible investors - often tend to see CSR from the perspective of environmental, social and corporate governance issues, also known as ESG factors. In the present research project, ESG is seen as a hyponym of CSR. Therefore, in this study, the term CSR is an umbrella term that covers also ESG factors. The reason for choosing the term CSR instead of ESG is the fact that companies and their IROs do not seem to use the concept of ESG, whereas CSR can be argued to be a widely recognized and accepted concept.

IR and IRO

IR is an abbreviation for Investor relations, which, according to Investor relations society (2012), is “the communication of information and insight between the company and the investment community”. IRO is an abbreviation for Investor relations officer, who is the person usually in charge of investor relations together with the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) (London Stock Exchange 2010, p. 4). In this study, both the abbreviations and the long versions of these two words are used interchangeably.

SRI

SRI can be an abbreviation for both socially responsible investment and investor. In short, socially responsible investment can be defined as investing in a manner that combines financial objectives with ESG - environmental, social and governance considerations - (Eurosif, 2010). Consequently, socially responsible investor is an investor applying this kind of investment strategy. In this study, both the abbreviation and the long version of the word are used as synonyms. It is worth noting that in this study socially responsible investors are rarely referred to in singular, which means that if the term SRI is used, it stands for socially responsible *investment.* As the investors are often referred to in plural, the term SRIs is used to describe them.

Shareholder engagement

Shareholder engagement can be defined as a variety of activities, in which shareholders use their power to facilitate change in a company (e.g. Sullivan & Mackenzie, 2006, Vanderkerckhove et al., 2007, Logsdon & Van Buren III, 2009). According to previous research, shareholder engagement, which has often been called also shareholder activism, has recently been moving from shareholder resolutions, proxy voting and divestment towards influencing companies via dialogue. This thesis adopts the dialogue perspective on shareholder engagement.

It seems that the term shareholder engagement has developed at a time when the activities related to it – resolutions, voting and divestment – were only possibly to investors who already owned a share in a company (i.e shareholders). As it appears that nowadays investors can have an effect on a company via dialogue without yet owning a share in it, in the present thesis the term shareholder engagement cover activities by both shareholders and other investors (potential shareholders).

Abbreviations

ESG= Environmental, social and corporate governance

CSR= Corporate social responsibility

IR = Investor relations

IRO = Investor relations officer

SRI = Socially responsible investment

SRIs = Socially responsible investors

1.3 Structure of the thesis

This study consists of six chapters. The first chapter has presented the background and the gap for the research, the research objective and the research questions. In addition, the key concepts and abbreviations of the study have been briefly introduced.

Chapter 2 reviews the relevant previous research related to investor relations, socially responsible investors and stakeholders as corporate legitimizers, and presents the theoretical framework based on the literature. Chapter 3 addresses the methodology and presents the method chosen, describes the data collection and analysis, as well as discusses the trustworthiness and quality of the study. Chapter 4 introduces the findings in the order of the four research questions. Chapter 5 discusses the findings in relation to previous research. Chapter 6 concludes the research process and the main findings. In addition, Chapter 6 displays practical implications and recommendations for both companies and investors, discusses the limitations of the study and gives suggestions for further research.

2 LITERATURE REVIEW

The literature review discusses relevant previous research for this study and is divided into three themes. These themes are investor relations, socially responsible investors and stakeholders. It is worth noting that CSR is not addressed in its own section in the literature review, as it is a relevant part of all the other sections. Also, since the thesis adopts a stakeholder view to CSR, section three is largely about CSR.

The first section discusses investor relations as a corporate function. It is indispensable to examine the concept of investor relations in order to understand the relationship between companies and investors. In addition, the first section concentrates on some of the new trends in investor relations: IR as a dialogue and its role in communicating CSR issues.

The second section of the literature review addresses socially responsible investors as a separate investor group, as they are one of the main actors in this thesis and are considered to have a different approach to investing in comparison to so called mainstream investors. In this part, some strategies and motives of socially responsible investors are presented. Moreover, the implications these investors have to investor relations' activities are briefly discussed.

The third section of the literature review focuses on stakeholders as legitimisers of corporate existence. Studying stakeholders is important, since this study examines how one stakeholder group, investors, can influence companies' behaviour regarding its relations to other stakeholder groups. First, traditional stakeholder theory is briefly revisited, after which a more modern approach to stakeholder management, *stakeholder engagement,* is looked into. Stakeholder engagement literature sets the stage for investors' engagement practices, known as "shareholder engagement", which finishes the third section.

The fourth section presents the theoretical framework, which is based on the reviewed literature.

2.1 Investor relations

In the last few decades, investor relations has emerged as of the fastest growing area in corporate communication (Dolphin, 2003). The growing importance of IR is partly due to the fact that in the global economy, competition for capital is fierce. As a result, companies need to differentiate themselves from other companies and communicate their strategy and prospects in an interesting way to attract investors (Virtanen, 2010, p. 29-30). According to Virtanen (2010, p.30), if two companies look like similar investments, the efforts of investor relations make the difference between them. In other words, it pays to keep investors satisfied.

There is an increasing understanding among academics that to have satisfied investors who stay with the company, investor relations needs to establish and maintain mutually beneficial relationships with them. In order to do that, investor relations officers need to understand that rather than controlling the investors, they need to listen to them. As a group, investors are not homogenous and they have different kinds of needs for information. According to McMullen (as cited in Dolphin, 2003, p. 31), variety of investor audiences need to be understood and appropriate messages need to be communicated to right audiences. One of the emerging themes in investor relations is communication about non-financials, such as CSR, which is not necessarily in the scope of typical investor communication.

The following subsections examine the investor relations function (2.1.1), investor relations as two-way communication (2.1.2) and the expanding role of IR to non-financials (2.1.3). It is important to note that the legislative requirements for IR are discussed from the perspective of the Finnish legislation, since all the companies involved in this study are Finnish (though operate globally) and obey the Finnish law.

2.1.1 Investor relations as a corporate function

Investor relations has only been studied by a few researchers (e.g. Tuominen, 1995, 1997; Laskin, 2006, 2009; Kelly et al., 2010) from the perspective of public relations or corporate communication. Scarcity of research may be caused by the fact that although public relations professionals define IR as a public relations function, in practice, investor relations has still been more of a financial function (Laskin, 2009, p. 209). Though IR studies are rare in public relations/corporate communication research, there is literature regarding investor relations from a more financial point of view (e.g. Savage, 1970; Brennan & Tamarowski, 2000; Botosan & Plumlee, 2002). From a financial perspective – investor relations' task is to establish and maintain a fair value on companies' securities (Savage, 1970; p. 123) by disclosing appropriate amount of information on the company (Botosan & Plumlee, 2002; p. 39).

Recently, there has been a call for convergence of public relations and investor relations, since it is crucial that companies, with whomever they communicate, are consistent in the messages they send (Silver, 2005; Laskin, 2009; Kelly et al., 2010). For example, Laskin (2009, p. 214) argues that a company cannot isolate the communication stream intended for investors from other communication streams of the company. Kelly et al. (2010) also deem it important that a common ground between the two fields is found. Silver (2005) goes even further by stating that if the two functions do not move closer to each other, it can have negative effects on the share price. Furthermore, Morrill (1995) argues that public relations professionals do not have the ability to grasp financial content and the finance people lack communication tactics. As a result, Morrill (1995) suggests both skills are needed for investor relations to succeed.

The investor relations discipline has, according to Mars et al. (2000, p. 13), developed gradually together with the capital markets. The ground for IR started to emerge in the USA after the "Great Crash", when the first Securities Act of the United States was established in 1933, and the Securities and Exchange Commission (SEC) was founded in 1934 (Mars, 2000, p. 14). The Securities Act required public limited companies to file periodic disclosures. However, at that time corporate secrecy was seen crucial, and companies were only interested in mandatory disclosure (Argenti, 2007, p. 144-145). Investor relations started to resemble the discipline it is today only in the 1950s (Argenti, 2007, p. 145) when the first IR department was established by an American corporation, GE (Mars 2000, p.13). Even greater leaps in the development of IR were taken in 1969, when the National Investor Relations Institute was established (NIRI 2012) and the IR function was officially recognized.

In Finland, the first Securities Act regulating the marketing of securities and disclosure of issuers was not established until the 1989, though the shares of public limited companies had been under public trading since 1912. Before the establishment of the Act in 1989, the capital market had been only under self-regulation and the rules of the Helsinki Stock Exchange (Virtanen, 2010, p. 31-32). According to Mars (2000, p. 19-21), the IR discipline in Finland started to develop largely due to the increase of foreign investors and their information demands. When the Securities Act was finally founded, it was fairly strict compared to legislation in other European countries. However, the late establishment of the Act has had its benefits, as Virtanen (2010, p.33) points out that there has been little need to refine it afterwards, and its content in principle is quite the same over two decades after its establishment in 1989.

According to Mars (2000, p.29), by applying the set of norms public limited companies in Finland are regulated by, the basis for well-run investor relations is established. Indeed, the current disclosure requirements are quite comprehensive, as there are regulations by the Securities Act and EU directives, as well as enactments of the Ministry of Finance, standards by the Financial Supervisory Authority and the rules of the Stock Exchange (Virtanen, 2010, p.31). Mars notes (2000, p. 56) that the goal of all these requirements is to ensure that all capital market participants have sufficient and correct information about the issuer of a security so that the value of securities can be rightly determined. Thus, according to the regulation, a public limited company has to report all important decisions and factors that might, and are likely, to have an affect on the value of the stock (Virtanen, 2010, p. 34). The disclosure requirements of public limited companies in Finland can be divided into two categories:

1) Periodic information: companies are required to publish three interim reports, a financial statement release, financial statements and a management report.

2) On-going information: companies are continuously required to report all material information that contributes to the valuation of the company.

Information must be available for all participants in the financial market at the same time. In addition, the information published must be comprehensive, understandable, reliable and comparable (Virtanen, 2010, p. 34).

Considering the historically large emphasis on IR's financial side and its role as a reporting function, it is perhaps somewhat surprising that investor relations was originally handled by the firms' public relations officers or even by external communications consultants (Brennan & Tamarowski, 2000, p. 28; Mars, 2000, pp. 15,19). Brennan and Tamarowski (2000, p. 28) argue that a self-standing investor relations function started proliferating due to the rise of a new profession, investment analysts, who demanded detailed financial information about the company and did not see the public relations firms or public relations departments as trustworthy sources. Slowly but surely, IR has developed into an independent and appreciated part of corporate communication. Laskin (2006) found that in 2005 65% of Fortune 500 companies had an independent investor relations department, and according to a study by Bank of New York Mellon (2011, p. 38), the global average of employees working in the IR department is 3.5. Virtanen (2010, p. 20) points out that in Finland, the IR function is typically a part of the communications function or a small, independent department, which reports to the Chief Financial Officer (CFO).

The importance of IR does not seem to be diminishing as Laskin (2009, p. 209) argues that globally known accounting scandals of Tyco, Crossings, Williams, and above all Enron have led to tighter scrutiny of disclosure standards and IR in general. Furthermore, according to Kelly et al. (2010), the market failures and the recession that began in 2008 have heightened the attention on investor relations. Allen (2002) claims that in the post-Enron era, investor relations has climbed to the top of corporate agenda, as companies need to regain the lost trust of investors. This new objective of investor relations broadens the traditional view of investor relations as a reporting-function since Laskin (2009, p. 209) proposes that the only way to build trust is to establish reliable and open communication between companies and investors and to build a mutually beneficial relationship.

In sum, this subsection introduced the function of investor relations, which is relevant for the present thesis focusing on interaction between investors and companies. The origins of investor relations are in finance, and its activities have traditionally been largely based on legislation and requirements. Scandals and turbulence in the financial market have increased the interest in IR and stressed the importance of building relationships with investors.

2.1.2 IR as a dialogue

In the last decades, investor relations has developed further from its origins as a function focusing solely on disclosure and reporting to a more relationship-driven practice (e.g. Tuominen, 1997; Allen, 2002; Laskin, 2009; Kelly et al., 2010). Nowadays, the largest professional investor relations association NIRI defines investor relations as follows:

"Investor relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective ***two-way communication between a company, the financial community, and other constituencies,*** *which ultimately contributes to a company's securities achieving fair valuation."*

Furthermore, Laskin (2009, p. 215) describes modern investor relations as follows:

"Investor relations is not about numbers any more; today's investor relations is about building and maintaining relationships."

Laskin (2009, p. 209) also states that "the communication and relationship-building components of investor relations are important as ever before". Cited in Kelly et al. (2010, p. 189) an Ernst & Young executive proposed a new view of investor relations: investor relationship management. According to the executive cited, this view would better acknowledge that the job of IR departments is "not only to provide data but facilitate dialogue and manage relationships with the investor community". As such, Tuominen (1997) seemed to be ahead of his time using the term “investor relationships” and “investor relationships marketing” as parallel to the concept “investor relations”.

Hoffman et al. (2011, p. 312) argue that a loose relationship with shareholders is not without costs since mistrustful and dissatisfied shareholders make company performance vulnerable to investors’ temper. Furthermore, Kelly et al. (2010, p. 204) suggest that investors, which have a relationship with the company, will more likely become long-term investors, which in turn helps companies to avoid short-term stock price fluctuations. As such, creating and maintaining long-term investor relationships contributes to one critical investor relations objective – reducing stock price volatility (Argenti, 2007, p. 161).

Whereas the traditional view of investor relations looked at the function from a financial perspective, the emerging view of investor relations as relationship-management has inspired more public relations research and marketing research (e.g. Tuominen, 1997; Hoffman & Fieseler, 2012). For instance, Tuominen (1997, p. 47) approaches investor relations from a marketing point of view and defines investor relations marketing as “continuous, planned, purposeful and sustained management activity, which identifies, establishes, maintains and enhances mutually beneficial long-term relationships between the companies and their current and potential investors and the investment experts serving them”. Both Tuominen (1997) and Girard and Sobzcak (2012) have studied investor commitment to a company. Tuominen (1997, p. 51) presents a framework for investor relations based on interaction processes. This framework can be seen in figure 1.

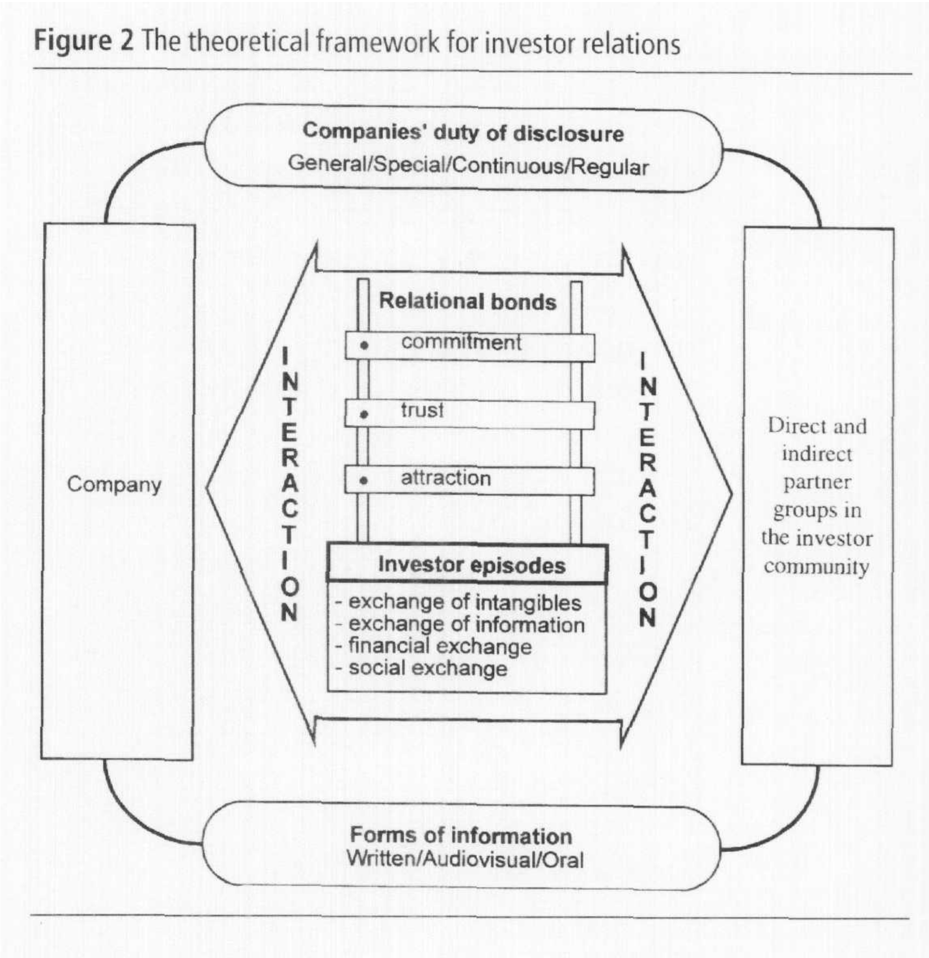

Figure 1. A theoretical framework for investor relations. (Tuominen, 1997, p. 51)

The framework suggests that the main objective of IR is creating long-term interaction between companies and their indirect partner groups in the investor company. For this interaction to develop, different investor episodes and bonds are vital. The episodes contain intangibles and information exchange (between the company and the investor) as well as financial and social exchange. According to the framework, the most important bonds are attraction, trust and commitment – in order of deepness. Furthermore, information provided for investors is a key factor and it is thus regulated by duty of disclosure.

Girard's and Sobczak's (2012) ideas relating to investor commitment are originally discussed by Meyer and Allen (1991) who present three forms of commitment to the company, mainly related to employee commitment. These forms are affective, normative and calculated commitment, and Girard and Sobczak (2012, p. 218) argue that the same concept can be applied to shareholders as well. Normative commitment may occur when the company faces financial difficulty, and the shareholder supports the company and maintains the ownership due to a feeling of obligation. Affective commitment means that the investor identifies with the company and is strongly involved with it through committee memberships, seminars and visits. Lastly, calculated commitment refers to the financial side, and the fact that the investor expects the company to maintain acceptable financial results.

For the commitment to develop, companies' IR departments need to enhance it by interacting with investors on a regular basis. Therefore, the importance of meetings cannot be neglected in investor relations. Mars (2000, p. 156) argues that every public limited company's IR program should contain meetings with the largest investors and analyst groups. Companies should not just wait investors to come to them, but they should actively go where the investors are, and engage in detailed meetings. Typical investor meetings are Road Shows, Capital Markets Days as well as one-on-one meetings, for example, in the company headquarters (Mars, 2000; Kariola et al., 2004; Virtanen, 2010). It seems that the IR functions of companies are relatively comfortable in interacting with investors these days, since Vandekerckhove et al. (2007, p. 404) companies are willing to engage in a private discussions with their investors on financial issues, and these dialogues may even lead to an internal learning process.

To sum up, this subsection discussed IR from a more relationship-inspired perspective. It is relevant for the present study, since the relationship perspective and two-way communication between investors and companies is the approach the present thesis applies to IR. This section established that good relationships with investors are important, as they reduce costs and increase investor commitment. Furthermore, committed investors are less likely to abandon the company in case challenges arise.

This is especially relevant for this study examining also shareholder engagement, which can be seen as a counter-option for selling company securities in case of dissatisfaction.

2.1.3 IR's role is expanding to CSR

According to Argenti (2007, p. 158), investors want both explanation of financial performance *and* nonfinancial information about the company. Argenti names non-financials such as credibility of management, the company's ability to attract top talent, and the quality and execution of corporate strategy. Hoffman and Fieseler (2012, p. 149-150) argue that among the most important non-financials are the quality of IR department, company's corporate governance and relations with other stakeholders. Virtanen (2010, p. 26) continues by stating that corporate governance, responsibility and risk reporting are areas, in which investors will in the future pay more attention in addition to financials and performance.

Hockerts and Moir (2004, p. 85) claim that among the increasing interest in intangible factors, corporate social responsibility has received a fair amount of attention. Furthermore, they point out an intriguing fact about investor interest in CSR: as investors show interest in CSR, they are judging the company partly in terms of its response to multiple stakeholder groups. This conflicts with the traditional view of investors and shareholders as a stakeholder group looking only after short-term profits and their own financial interest. It is likely that investors' interest in the responsibility of a company is not only about them acting as caretakers as they do tend to have a financial interest as well. Investors may be seeking for better returns by looking at companies' CSR. In fact, Lev (2004, p.109) argues that it is the intangible assets that actually give companies their competitive edge and generate most of corporate growth and shareholder value.

As a result of growing investor interest in CSR, investor relations professionals are beginning to understand the importance of communicating about the social responsibility of the company to the financial market (Fieseler et al., 2008, p. 1). Fieseler et al. point out that companies may struggle with finding an adequate balance in the presentation of their CSR activities since financial market participants' views on

CSR are likely to differ from those of other stakeholders. This means that there might be different requirements for the CSR communication for investors. In addition, IR departments may face some challenges that arise from investors' different interest levels in the so-called "soft" factors. Regarding interest in CSR, investors can be divided into two groups: mainstream and SRIs (Hockerts & Moir, 2004, p. 86). Hockerts and Moir point out that the majority of "mainstream investors" are interested in social responsibility only if it has an effect on the firm's cost of capital or its stated results. Moreover, the authors argue that socially responsible investors (SRIs), on the other hand, are more directly interested in the company's interactions with the surrounding society and various stakeholders. Therefore, IR's communication efforts about CSR may also have to differ to some extent depending on which one of these investor categories is in question.

Despite the growing number of SRIs, this specific investor group alone is not a sufficient motivator for investor relations to change their communication tactics. Consequently, Fieseler et al. (2008, p. 4) claim that in order for CSR issues to become significant topics in IR, the information about them needs to be directed towards the interests and demand of *mainstream* financial market participants. The authors argue that for mainstream equity analysts communication about past sustainability efforts is not enough and global reporting standard such as Global Compact and GRI are sufficient only to some extent. Fieseler et al. (2008, p. 16) present the following requirements for successful CSR communication to financial market participants:

1. CSR needs to be framed as something else than merely a cost, a constraint, or a charitable deed.
2. ESG issues need to framed as an integral part of company's strategy and equity story
3. Communication should have a long-term perspective
4. IR should stress the indicators that the company can control (i.e costs, efficiency, new technologies)

In sum, this subsection discussed the emergence of CSR into the investor relations. As CSR in investor context is the umbrella theme of the present study, it was vital to review previous research on the topic. On the base of the literature, it was presented that nowadays, many investors judge companies partly based on how they interact with other stakeholders. For IR departments the communication on CSR and other non-financials could possibly pose some challenges, as investors have different types of requirements for CSR communication than other stakeholder groups. Furthermore, there are differences in investors as well, and in relation to their interest in CSR, based on which investors can be categorized as mainstream investors and socially responsible investors.

To conclude the whole section discussing investor relations, it can be argued that the function of investor relations is changing. Even though IR's origins as a reporting-function strictly governed by laws and regulations are still the very much the core of it, new characteristics such as deeper relationships with investors and discussion about "softer" topics such as CSR are starting to emerge.

2.2 Socially responsible investors

As the share of socially responsible investments in the investment market is growing, it becomes critical for listed companies to provide information on their CSR activities. Kurtz (2008, p. 253) depicts socially responsible investment as an approach that stands in the intersection of two powerful streams: 1) religious and moral reasoning and 2) economic and finance theory. SRIs have assigned themselves a challenging task of meeting the requirements of both tradition and combining ethics with risk and return. This combination seems to fit particularly well to institutional investors whose role is two-fold: 1) to manage someone else's money 2) to make profit.

Thus, it does not come as a surprise that the main drivers of socially responsible investment have been institutional investors (Eurosif, 2006, 2008, 2010), which according to Sullivan and Mackenzie (2006, p. 13), are facing the expectations of the society to work proactively to address the environmental and social impacts of their investments. In many countries, institutional investors are a major player in the financial market, and thus have the possibility to have an influence on companies. According to Hockerts and Moir (2004, p. 86), investors are increasingly assuming this responsibility and putting pressure on companies to address CSR issues. As Sparkes and Cowton (2004, p. 49) argue, companies need to take into account the opinions of their most powerful investors, and if those investors are interested in CSR, issues related to it will have a significant spot on the company agenda.

The following subsections review some of the most common strategies for implementing SRI and the motives for it (2.2.1) and the implications the emergence of SRIs has on investor relations' activities (2.2.2).

2.2.1 SRI strategies and motives

Socially responsible investment is a constantly developing field, which has changed during its history both in terms of its name and definition. The origins of socially responsible investment are in religious groups, which started to avoid certain industries and companies for moral reasons (e.g. Bengtsson, 2008; Sullivan & Mackenzie, 2006; MacLeod, 2009). At this point, socially responsible investment was still called ethical investment, which depicted the investors' own value set as a driver in investment decisions. In the following decades, SRI has developed to a broader industry covering a variety of techniques and ambitions that are light years away from its historical grounds. European Sustainable Investment Forum (Eurosif, 2010) defines socially responsible investment (SRI) in the following way:

"a generic term covering any type of investment process, which combines investors' financial objectives with their concerns of Environmental (E), Social (S) and Governance (G) issues. "

Today, socially responsible investors have various motives for their responsible investment strategy. Jansson & Biel (2011, p. 155) found that whereas for individual investors and institutional investors values play a more significant role in SRI, investment institutions (banks, mutual funds etc.) are more concentrated on the financial possibilities of SRI. For institutional investors, risk aversion and reputation management are also seen as motives for SRI. Eurosif (2010) also sees risk management as the motive for institutional investors, and the demand of private investors as a motive for investment institutions. However, the drivers for SRI seem to be a different in the United States, where a study by USSIF, U.S based Forum for Sustainable and Responsible Investment (2010), found that money managers are driven towards SRI mostly because of client demand and institutional investors are motived by regulation or legislation.

As the drivers for SRI vary, so do the strategies socially responsible investors deploy. Bengtsson (2008) points out that SRI is by no means a homogenous concept, but it differs in practise and principle in different countries. The differences can be explained by different roles of the government, public conceptions of sustainability and other contextual factors. Table 1 depicts a summary of some of the most commonly used SRI strategies as perceived by the author of the thesis.

Table 1. SRI strategies.

Strategy	Description
Negative Screening/ Avoidance	Investors avoid investing in companies whose products or business practices are harmful to individuals, communities, or the environment (ussif.org). Industries, which are typically avoided include alcohol, tobacco, firearms, defence, nuclear energy, gambling and pornography (e.g. Domini, 2001, p. 52; Sparkes & Cowton, 2004, p. 47).
Positive screening/Best-in class	Investors include in their portfolios companies, which they have assessed to be notably strong in their corporate social responsibility (e.g. Kurzt, 2008; p. 250; Domini, 2001, p. 62). This approach can be based on finding the best companies of each sector based on selected factors (Eurosif, 2010), or on investing in positive activities, such as environmental technology (e.g. Sparkes & Cowton, 2004, p. 48; Sullivan & Mackenzie, 2006, p. 14)

Shareholder activism/Engagement	Investors use their formal rights as shareholders and encourage companies to pay attention to their corporate responsibility and if needed, to make changes to it (e.g. Domini, 2001; Sullivan & Mackenzie, 2006; Vandekerckhove et al., 2007). In its most traditional form, shareholder engagment was about voting in the AGM and filing shareholder resolutions (e.g. Logsdon & Van Buren III, 2009, p. 353-354). The other stream of shareholder engagement, and an alternative to filing a resolution/voting, is a direct dialogue between the investor and the company management (Logsdon & Van Buren III, 2009, p. 354).
Community investment	Investors and lenders direct capital to underserved communities, which would not have access to credit, equity, capital and basic banking products from traditional financial institutions (ussif.org). According to Domini (2001, p. 24), community investment can take place, for example, through microlending and through partnering with social service agencies.

Despite, or perhaps due to, the diversity of strategies there has been some attempt to standardize the practices of responsible investors and bring the investors in the field together. For example, in 2006, the UNEP Finance Initiative and UN Global Compact launched the Principles of Responsible Investment (PRI) with the objective of promoting and mainstreaming responsible investment practices (PRI, 2012a). PRI claims to be *"the leading network for investors to learn and to collaborate to fulfil their commitments to responsible ownership and long-term, sustainable returns"*. In April 2012, there were over 1,000 PRI signatories and approximately US $30 trillion under asset management. The PRI are the following:

1) We will incorporate ESG issues into investment analysis and decision-making processes.
2) We will be active owners and incorporate ESG issues into our ownership policies and practices.
3) We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4) We will promote acceptance and implementation of the Principles within the investment industry.
5) We will work together to enhance our effectiveness in implementing the Principles.
6) We will each report on our activities and progress towards implementing the Principles.

Eccles (2010, p. 415) describes the principles above as a standard for defining the character of mainstream investment practices, which integrate environmental, social and governance issues. Interestingly, Eccles (2010, p. 446) claims that the principles do not take any ethical stance, and are “principles of process, rather than principles of principle”. Moreover, Richardson (2009, p. 555) sees the former “ethical investment”, nowadays more known as SRI, increasingly downplaying ethics. Whereas in the original view of ethical investment the investors addressed social and environmental issues mainly for moral reasons and desire to improve the world, the new wave of socially responsible investors tends to consider CSR issues only when they are financially material, and create either risks or profitable opportunities. In fact, the financial motivations behind CSR considerations make it possible and purposeful for institutional investors, the drivers of SRI, to take CSR issues into consideration due to their fiduciary duty of managing the money of others (Eccles, 2010, p. 416). In other words, if CSR issues are financially material, institutional investors basically have to consider them, and if they were not, these investors could not consider them solely based on their own values and beliefs.

If the critics (e.g. Viviers et al., 2008; Richardson, 2009; Eccles, 2010) of socially responsible investors in the 21st century are correct, the goal of both the SRIs and the company is ultimately the same: to maintain the company financially profitable. Although the critics see these new SRIs as egoistic, it seems rather harsh to argue that financial matters are the only issues socially responsible investors of today are concerned about.

What the critics are ignoring is that the most evolved and time-consuming SRI strategies, such as engagement, involve costs and their direct relationship with investment results is often hard to prove (Bauer & Hummels, 2011, p. 180). If SRIs were merely interested in the financial implications of CSR issues, there is a high probability that they would not engage in such resource-binding activities.

To sum up, this subsection introduced the motives and strategies of socially responsible investors. Understanding how socially responsible act and for what reasons is relevant for the present study as it examines specifically the interaction between these kinds of investors and the company. Neither the motives nor the strategies can be characterised with one word, as there seem to be various different reasons and techniques for exercising SRI. There have been attempts to standardize SRI with principles of responsible investment (UNPRI), but these principles have also been criticized for lacking of ethical base.

2.2.2 SRIs as shaping forces of the IR function

As SRI has developed regarding its underpinning values, so has the depth and amount of information socially responsible investors expect from companies. Hockerts & Moir (2004, p. 91) found that both the volume and quality of SRI analysts' questions has increased, and this evolution naturally has implications on the IR function as well. Hockerts & Moir (2004) present some of the most significant effects:

1) IR converges with other departments of the firm

Specific questions on non-financial issues are likely to go beyond IROs expertise. Hockerts and Moir (2004) point out that a large part of information exchange on CSR issues has traditionally taken place through detailed questionnaires. Even with the help of documented policies and practises, the questionnaires require significant amount of both information and time. Thus, IROs are often helped by experts in filling the questionnaires in.

In addition to experts' (environmental manager, corporate communications manager etc.) help in questionnaires, Hockerts and Moir (2004) mention that specialized environmental or social managers can be present in meetings with SRI analysts and investors.

2) IR broadens to stakeholder groups beyond capital market participants

As IR departments increasingly deal with CSR issues, investors are not the only stakeholder group they are addressing. Hockerts and Moir (2004) found that through CSR issues, IR is exposed to a wider audience, which may include actors such as NGOs and governments. It is not rare that in meetings with SRIs other stakeholders are present as well.

3) IR's role as a two-way function evolves further

According to Hockerts and Moir (2004), IROs are eager to educate their constituencies about the company approach to CSR. Companies increasingly understand that investors with sufficient amount of accurate information make well-informed decisions. The following quote by an interviewee of Hockerts and Moir (2004, p. 94) highlights this idea:

"We've learnt that we probably get better results if we're out there, if people can see what were doing and what we're not doing"

Likewise, companies are also realising the educative potential of socially responsible investors. Hockerts and Moir argue that for companies, engagement with SRIs helps them monitor the upcoming social and environmental issues. In addition, the detailed CSR questionnaires were seen as a learning point as well.

To sum up, this subsection argued that socially responsible investors have implications for the IR departments. It was important to examine what the implications can be, as one agenda of the research is to examine how SRIs interact with IR. It was presented that as a result of interaction with socially responsible investors, the constituencies of IR broaden both outside and inside the company and the role of IR as a function managing relationships is further promoted.

To conclude the whole section, socially responsible investors with environmental, social and governance issues in mind were introduced. This group of investors is eager to challenge the company and its IR department to engage in a deeper dialogue on CSR. While the new wave of socially responsible investors is accused of addressing CSR issues purely with the hopes of enhancing their own financial status, their actions influence other stakeholder groups at the same time. The emergence of these investors is likely to have certain implications for companies and their IR departments as well.

2.3 Stakeholders as legitimizers of corporate existence

For decades, if not even for centuries, companies were seen to have responsibilities only to their shareholders. However, business in relation to ethics has always been a popular topic. It was discussed as early as in the 1770s, when the Scottish moral philosopher Adam Smith presented his thoughts on the "invisible hand". According to Smith's ideal world, companies do good to society just by making profits (Heal, 2008, p. 18). Two centuries later, Milton Friedman (2008, p. 84) continued Smith's groundwork by stating in the 1960s that the only responsibility of business is to make profits.

Since the 1960s companies have started to see that they do have other responsibilities as well. What these responsibilities are is still in question, since academics find it hard to conceptualize what in fact is corporate social responsibility. One way of looking at the responsibilities companies have towards society is the stakeholder theory, which emerged in the 1980s, and has been discussed ever since. Stakeholder theory is often seen as an alternative or complementary concept to CSR (e.g. Freeman et al., 2010, p. 235 -264; Carroll, 1991, p. 43). Whatever the definition of their relationship, it cannot be denied that CSR and stakeholder research are closely interwoven. Consequently, in CSR research stakeholder theory is repeatedly discussed and vice versa (see e.g. Andriof & Waddock, 2002; Crane et al., 2008; Burchell, 2008; Freeman et al., 2010). According to Carroll (1991, p. 43), stakeholder theory actually helps to diminish the ambiguity of CSR, since “it puts *names and faces* on the societal members who are the most urgent to business, and to whom it must be responsive.” In fact, Russo and Perrini (2010, p. 209) state that today CSR is focused on a stakeholder model.

Companies should not take their responsibilities towards their surroundings lightly, as Svendsen (1998, p.4) notes that stakeholder relationships are “as vital for company as water and air are to human being’s survival”. In other words, companies do not operate without their stakeholders. Burchell (2008, p. 81) continues by claiming that without the support of the group of stakeholders to which a company is accountable, the company does not have a licence to operate. Licence to operate is closely linked to the concept of legitimacy, which Suchman (1995, p. 574) defines as “a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed norms, value, belief and definitions.” Furthermore, Beaulieu and Pasquero (2002, p. 102) emphasize that to an organization, legitimacy is not given, it is a resource granted by its stakeholders.

If stakeholders have an interest in a company, and a company is dependent on its stakeholders, there must be some sort of mutual relationship between them. In the modern stakeholder theory this has been understood, and stakeholders are not seen as something that a company can manage, but rather groups and individuals it can engage with for mutual benefits. Stakeholders are also increasingly taking matters into their own hands, and contemplating on how they can influence the company. An example of growing field in stakeholder engagement is shareholder engagement, which implies to activities in which shareholders use their power as the owners to facilitate change in a company (Sullivan & Mackenzie, 2006). According to Logsdon and Van Buren III (2009, p. 360), these critics, like socially responsible investors, represent not only themselves, but also the viewpoints of many other stakeholders.

The following subsections examine stakeholder theory (2.3.1), the recent transfer from stakeholder management to stakeholder engagement (2.3.2) and investors as drivers of corporate change (2.3.3).

2.3.1 Review on stakeholder theory

Since 1980s the concept of "stakeholder" has grown in popularity. Perhaps the most known definition of stakeholders was originally given by Freeman (1984), who described them as

"—groups and individuals who can affect, or are effected by the achievement of an organization's mission."

Though Freeman's definition seems simple, literature on stakeholder theory has struggled with finding out *who* exactly are these aforementioned groups and individuals. In stakeholder research (e.g. Freeman, 1984; Goodpaster, 1991; Hill & Jones, 1992; Donaldson & Preston, 1995) at least the following groups are mentioned as stakeholders: employees, investors, suppliers, customers, creditors, competitors, local authorities, governments and communities. Mitchell et al. (1997) mention that stakeholders can be categorised in multiple ways, for example, as primary or secondary stakeholders, as owners or non-owners, as owners of capital or owners of intangibles, as actors or those acted upon, as voluntary actors or non-voluntary actors and so on.

According to Cornelissen (2011, p. 41), stakeholder management literature assumes that there is, in principle, no priority for one stakeholder's interests and benefits over another. However, from a company perspective some sort of prioritizing is often needed due to scarcity of resources. Podnar and Jancic (2006, p. 299) argue that companies cannot treat all stakeholders similarly and communicate with them equally intensively, and they must prioritize some groups over others. Several researchers (e.g. Freeman et al., 2010; Clarkson, 1995; Podnar & Jancic, 2006; Mitchell el al., 1997) introduce different models for stakeholder identification, some of which are now further discussed.

First of all, many authors (Clarkson, 1995; Freeman et al., 2010) have identified at least two groups: primary and secondary stakeholders. Clarkson (1995, p. 106-107) defines the primary stakeholders as a group "without whose participation the continuing participation the corporation cannot survive as a going concern". The secondary stakeholders are a group “who influence or affect, or are affected by the corporation, but they are not engaged in transactions with the corporation, and are not essential to its survival”. Freeman et al. (2010, p. 24) propose a similar approach, which can be seen in figure 2.

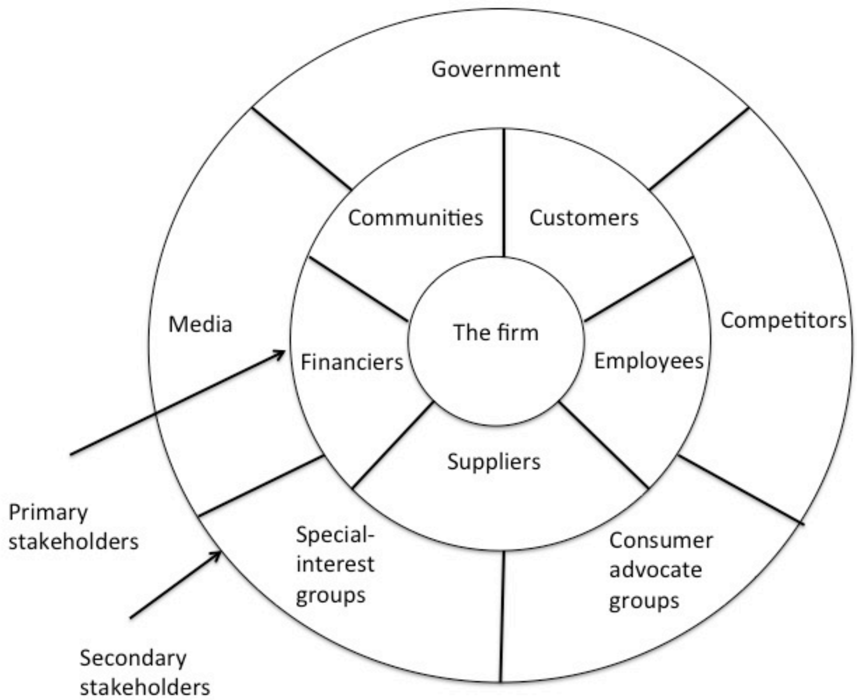

Figure 2. Creating value for stakeholders. (Freeman et al. 2010,p. 24)

As Figure 2 shows, the primary or the definitional group in the inner circle consists of customers, employees, suppliers, financiers and communities, and the second group in the outer circle contains governments, competitors, consumer advocate groups, special interest groups and the media. Freeman et al. claim (2010) that the primary stakeholders are vital to the company success and the secondary groups are important because they can affect the primary relationships.

It seems that the theories of Clarkson (1995) and Freeman et al. (2010) do not consider the dynamic nature of stakeholder relationships. That is, these relationships change and evolve in time. Some other models have attempted to take this into account by not naming exact stakeholder groups that are important over time, but rather emphasizing the attributes the most important stakeholder relationships have. Podnar and Jancic (2006) recognize the dynamism of stakeholder relations and present a three-level model for stakeholder grouping. In the first group, there are stakeholders that are the most crucial for the successful economic performance of the company, the second group is less powerful, but still recognizable and the third group has even less power to influence the company. However, Podnar and Jancic do not implicitly address on which basis stakeholders belong to which group, they just mention that the groups can evolve and change over time. Mitchell et al. (1997), on the other hand, have developed a more in-depth categorization model, which is seen in figure 3.

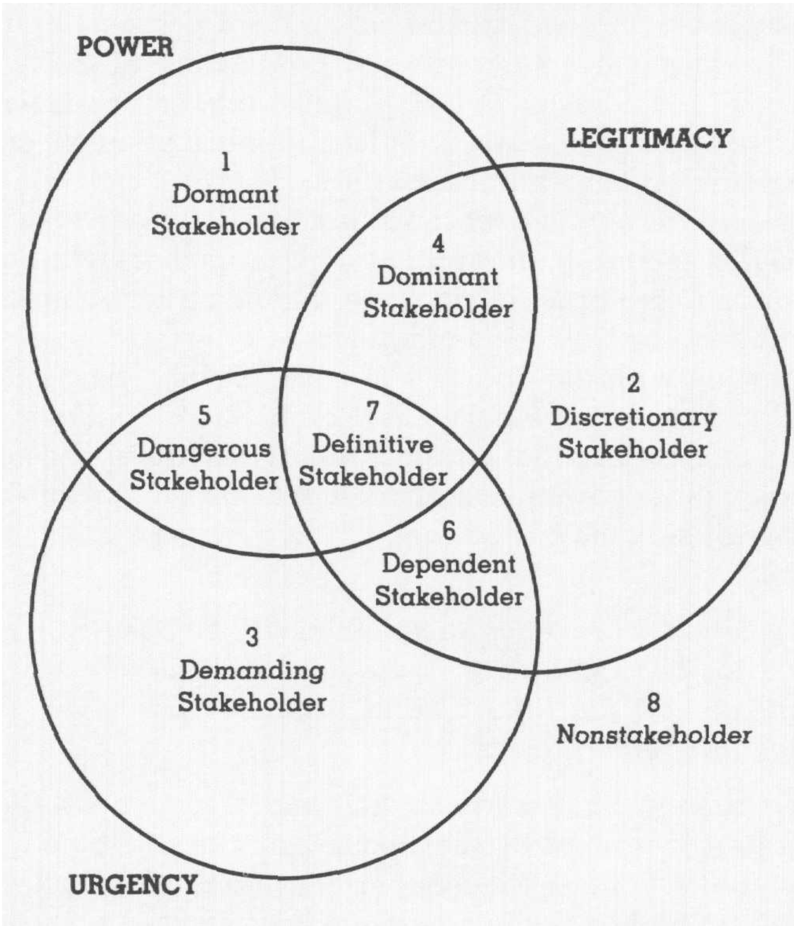

Figure 3. Stakeholder typology: One, two or three attributes present. (Mitchell et al., 1997, p. 874)

As can be seen in Figure 3, stakeholders belong into different groups based on the following attributes: power, legitimacy and urgency. Depending on how many attributes a stakeholder has, it can belong to seven different groups, of which “definitive stakeholder” can be seen as the most salient one. When a stakeholder group is salient, it means that its claim should climb at the top of management agenda. As an example of definitive stakeholders, the authors (Mitchell et al., 1997, p. 878) mention stockholders, who have the power to replace the company management in case of dissatisfaction.

It is not surprising that shareholders are often among the most important stakeholders, since earlier they were generally seen as the only stakeholders. Goodpaster (1991, p. 54) argues that the term “stakeholder” started to develop in the 1960s *“*as a deliberate play on the word “stockholder”, to signify that there are other parties having a “stake” on the decision-making of the modern publicly held corporation in addition to those holding equity positions.” For decades, business has been based on the neoclassical theory that companies are the property of their owners, that is shareholders in public limited companies, and that companies are primarily responsible to shareholders (Freeman et al., 2010, pp.4,128), and of providing them profits. One of the most notorious sentences stakeholder theory is trying to challenge, is the following quote by Milton Friedman:

“There is one and only one social responsibility of business--to use its resources and engage in activities designed to ***increase its profits*** *so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."* (emphasis by author) (Friedman, 2008, p. 89)

Freeman et al. (2010, p.3) argue that due to the gigantic changes in the business world in the 21st century (globalization, information technology, increased social awareness), this type of thinking is no longer valid. It does not imply that shareholders would not be an important stakeholder group anymore, but that other groups and their interests are meaningful as well. Furthermore, Freeman et al. (2010, p. 27) mention that the stakes of different stakeholder groups are multifaceted and connected to each other. Consequently, Freeman et al. argue that stakeholder theory should not be concerned of categorising stakeholders to “primary” and “secondary” groups after all, but rather understand that the interests of all stakeholder needs should be taken into account without resorting to trade-offs. Furthermore, George (as cited in Freeman et al., 2010, p. 27) claims that it is not possible to provide shareholders with excellent returns without serving all other stakeholders as well. In other words, the company is not likely to be successful if it only takes into account the interests and needs of some, not all stakeholder groups. For a company to be profitable, and thus serve its original task from the financial perspective, it needs to form relationships with multiple stakeholder groups.

According to Foster and Jonker (2005, p. 51), the importance of stakeholder relations is nowadays widely accepted, and even the friedmanists (researchers in accordance with Milton Friedman’s view on business) see the relevance of interacting with stakeholders. However, Foster and Jonker (2005) claim that many organizations have understood the concept wrong, and see their relationships with stakeholders as something they can manage, control, structure and even manipulate, so that they best serve the company’s needs. Svendsen (1998, p.2) continues by stating that traditionally, the main purpose of stakeholder management has been seen to be buffering the company from potential negative impacts of stakeholder activities and defending itself from different stakeholder demands and expectations.

As a summary, this subsection revisited the basics of stakeholder theory. As the present thesis assumes that companies and society are interwoven, it was vital to establish to which societal members companies are accountable. The theories founded in the last few decades support this view, and companies are seen to have responsibilities towards the people and groups, which affect or are affected by it. This view can be seen as a counter response to the idea that shareholders would be the only stakeholder group and profitability the only objective important for companies. Even though the majority of companies might nowadays understand the vital role of stakeholders, many still see stakeholder relationships as something they can manage.

2.3.2 From stakeholder management to stakeholder engagement

During the last decade, researchers have started to look at stakeholder relationships in a new way, and Johansen and Nielsen (2011, p. 206) claim that whereas the original stakeholder theory (e.g. Freeman, 1984) focused on stakeholder management, the postmodern approach uses concepts such as "stakeholder enabling". In addition, Cornelissen (2011, p. 53) mentions that there have been efforts to change the relationships between the company and its stakeholders "from management to collaboration, and from exchange to long-term relationships."

Different authors frame the concept of engagement differently. For example, Morsing and Schultz (2006) talk about stakeholder involvement, Johansen and Nielsen (2011) define it as strategic stakeholder dialogue and Girard and Sobczak (2012) and Lawrence (2002) use the concept of stakeholder engagement. This thesis adopts the stakeholder engagement term, since it can be argued to be closest to shareholder engagement, which is one of the main themes of the study. The basic idea behind these different terms is the same: companies engaging in a dialogue with their stakeholders. Stakeholder engagement can be defined as the company's practices to involve stakeholders in its activities in a positive manner (Greenwood, 2007, p. 315) in order to build reciprocal relationships (Cornelissen, 2011, p.53) and also as a learning process that diffuses trust, knowledge and values to build social capital (Girard & Sobczak, 2012, p. 217). Next, the research on stakeholder engagement is discussed on the base of models from Cornelissen (2011), Hund et al. (2002), Greenwood (2007) and Girard and Sobczak (2012) since they are deemed as most relevant for this study.

Cornelissen (2007, p. 49) approaches stakeholder engagement from a communicative viewpoint by presenting a model of stakeholder communication, which develops from mere information providing to a dialogue. The model can be seen in Table 2.

Type of strategy	**Informational strategy**	**Persuasive strategy**	**Dialogue strategy**	**Dialogue strategy**
Tactics	Newsletters Reports Memos Free publicity	Discussions Meetings Advertising & Educational campaigns	Consultation Debate	Early incorporation Collective problem-solving
Stakeholder effects	**Awareness**	**Understanding**	**Involvement**	**Commitment**

Table 2. Stakeholder communication: from awareness to commitment (adapted from Cornelissen, 2011, p. 49)

As Table 2 shows, the least developed strategy is informational strategy, which is mainly concerned with increasing stakeholder awareness via press releases, newsletters etc. The next step is persuasive strategy, in which the company tries to create mutual understanding through discussions, meetings and campaigns. The third strategy is a dialogue strategy, in which the company involves the stakeholders in a dialogue where they actively exchange ideas and opinions. In this strategy, the company consults its stakeholders, incorporates them into the decision-making and aims towards mutual understanding.

Hund et al. (2002) see similar types of communication phases in engagement as Cornelissen's. Their model can be seen in Figure 4.

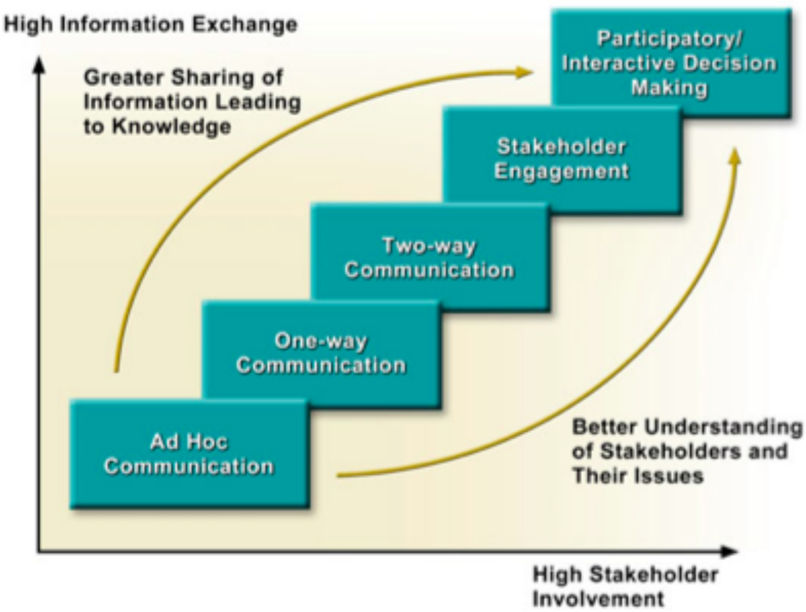

Figure 4. Types of communication. (Hund et al., 2002, p. 228)

As Figure 4 illustrates, the least developed communication type in stakeholder involvement is ad hoc communication, which is the type of communication that only occurs when an opportunity presents itself. In the most developed stage both information exchange and stakeholder involvement is high, and the company collaborates with its stakeholders in decision-making.

The models of Cornelissen (2011) and Hund et al. (2002) seem to be highly concentrated on the corporate side of engagement and from a communicative viewpoint. Since stakeholder engagement is a "tango for two" it is necessary to examine its underpinnings more broadly from both parties' perspective. The model of Greenwood (2007) depicts engagement from company perspective, and is seen in Figure 5.

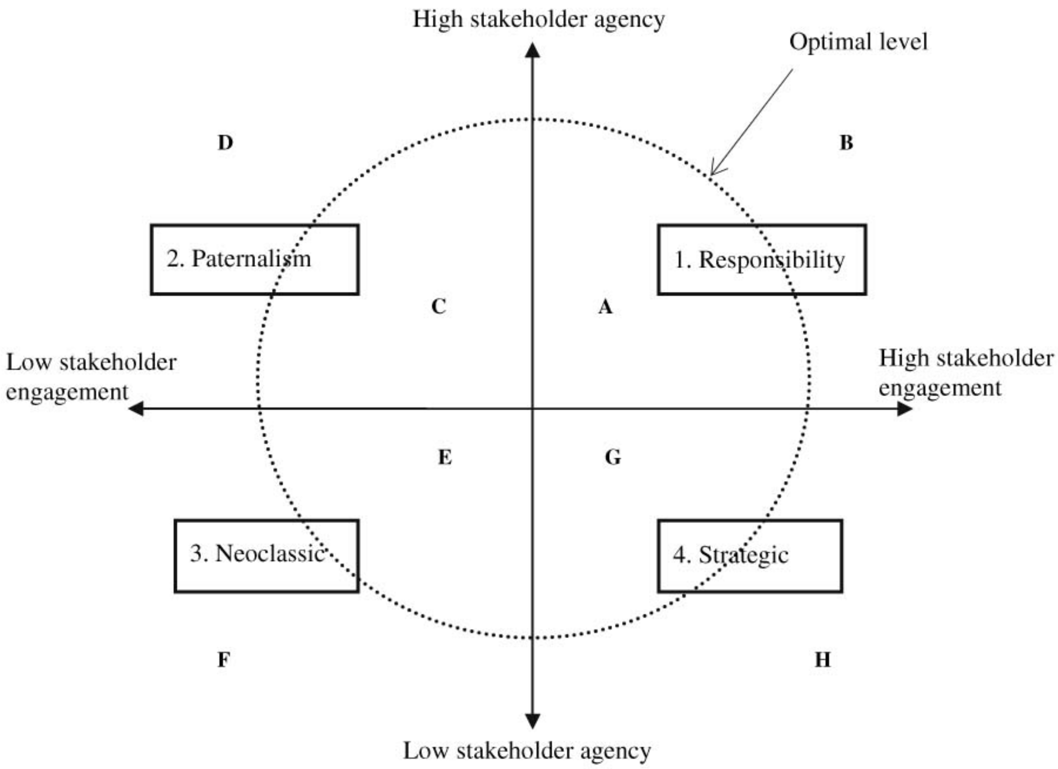

Figure 5. A model of stakeholder engagement and the moral treatment of stakeholders (Greenwood, 2007, p. 322)

As is depicted in Figure 5, the x-asis model assesses stakeholder engagement, which according to Greenwood (2007, p. 321-322), is "a process or processes of consultation communication, dialogue and exchange". The y-axis examines stakeholder agency, which is defined as "the number and breadth of stakeholder groups in whose interest the company acts" (Greenwood, 2007, p. 322). The model is divided into 4 quadrants; responsibility, paternalism, neoclassic and strategic. The most optimal quadrant is responsibility in which both stakeholder agency and stakeholder engagement are high, but not extreme. In "Paternalism" quadrant company acts in the interest of stakeholders but doesn't engage with them, in neoclassic quadrant the company does not engage with stakeholders and has a purely economically based view and in strategic quadrant the company acts in its own interests and uses the stakeholders as a vehicle.

Girard's and Sobczak's (2012) model looks at stakeholder engagement from the stakeholder perspective and is seen in Figure 6.

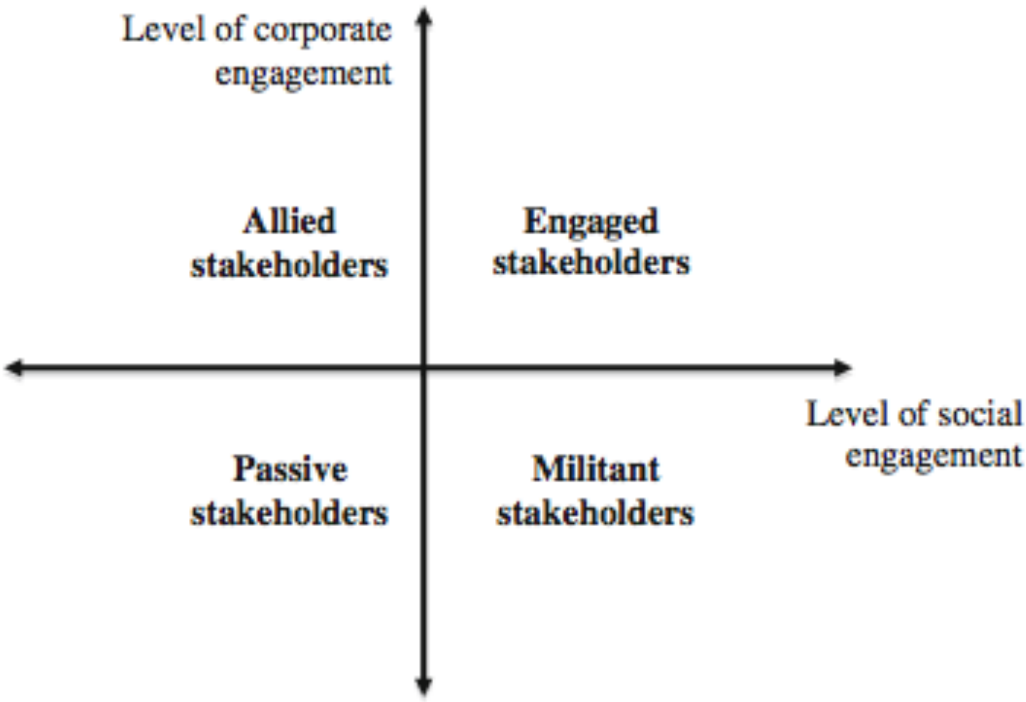

Figure 6. Segmentation of engaged stakeholders. (Girard & Sobczak 2012, p. 218)

As Figure 6 shows, stakeholders are committed either to the company (corporate commitment) or the natural and social environment (social engagement). Engaged stakeholders are highly committed both to the company and to CSR, and are thus key players for the company. Allied stakeholders commit to the company but not to CSR, passive stakeholders do not care about either and militant stakeholders are mostly concerned about the natural and social environment.

Whatever the underlying tactics and philosophies of both parties are, the fact is that engagement requires effort and will from both the company's side and the stakeholder's side. Lawrence (2002, p. 185-199) examined the case of stakeholder engagement between Shell and two NGO's and found the following factors to be the drivers of engagement: motivation, goal, organisational capacity and dynamics of the dialogue.

Lawrence mentions that though the motivations, goals and organisational capacities of Shell and the NGO's were asymmetrical, they complimented each other in a way that the engagement was desired by both parties. As for process dynamics, the dialogue was successful, because the parties shared common values, took time to build a relationship of trust, respected each other's legitimacy and integrity.

Although Greenwood (2007, p. 322-324) does not see a strategic approach to stakeholder engagement as the most optimal perspective, there is no denying that most companies are likely to take interest in stakeholders to ultimately promote the interests of the company. Companies can benefit from engagement in several ways. Svendsen (1998, p. 3) and Andriof and Waddock (2002, pp. 36; 40-41) argue that interactive relationships with stakeholders can be a source of competitive advantage. According to Svendsen (1998, p.3), these relationships can "increase an organization's stability in a turbulent environment, enhance its control over changing circumstances, and expand its capacity rather than diminish it". Andriof and Waddock (2002, p. 36) see stakeholders as a "lens" for recognizing and interpreting significant trends in the company's operating environment. Furthermore, they argue that increased trust, better communication and involvement of stakeholders may lead to benefits such as successful innovations and fewer unwanted actions by stakeholders (e.g. strikes, boycotts, and bad publicity).

However, the actual financial benefits of interactive stakeholder relationships seem to be hard to prove, although researchers have studied the relationship between corporate social responsibility and the bottom line already for decades. Svendsen (1998, p. 17) claims that though there is no definitive answer to the puzzle, well-managed companies with strong stakeholder relationships tend to be more successful than companies that focus only on profit maximization. Furthermore, Svendsen states as follows:

"Often what is good for the community and the company's other stakeholders, is also good for shareholders and the bottom line".

Therefore, one can argue that it is also in the interest of shareholders to allow companies devote time and other resources to maintaining relationships with other stakeholders.

In sum, this subsection reviewed previous research on stakeholder engagement. Stakeholder engagement was looked at because the present study addresses engagement between companies and one of their most significant stakeholder groups, that is shareholders. On the base of the literature, it can be argued that companies are beginning to engage with their stakeholders instead of managing them. Naturally, companies cannot do engagement on their own, but stakeholders need to have motivation for it as well. If companies succeed in engaging with their stakeholders and in building mutually beneficial relationships with them, they can be expected to be more profitable and successful.

2.3.3 Investors engaging for corporate social responsibility

Literature on stakeholder engagement is largely concentrated on other stakeholders than shareholders. Only recently concepts such as "shareholder activism" and "shareholder engagement" have started to gain ground in the academia. Both of these terms are somewhat interchangeably used in research, and they refer to a variety of activities, in which shareholders use their power as the owners to facilitate change in a company (Sullivan & Mackenzie, 2006, p. 152). Vandekerckhove et al. (2007) suggest that shareholder activism is mostly about shareholder resolutions and proxy votes whereas shareholder engagement is a softer approach based on dialogue. Since the aim of the present study is to focus on dialogues and interactions, for clarity's sake, the term "shareholder engagement" is used to describe both of them.

As a phenomenon, shareholder engagement is not entirely novel, as according to Hendry et al. (2007, p. 224), individual investors and religious groups have been challenging companies on moral and social issues for ages and Macleod (2009, p.79) claims that shareholder engagement has existed from the early 1970s. However, Macleod mentions that it did not begin to grow as a concept until in the late 1980s and 1990s partly as a response to notorious corporate scandals, such as Exxon Valdez in

1989. According to Gifford (2010, p. 79), institutional investors are also increasingly becoming active owners by voting their shares and "by engaging in a dialogue with companies on a broad range of environmental, social and corporate governance issues".

Though religious investors have a long history in shareholder engagement precisely related to environmental and social issues, in general, corporate governance issues have been the main focus, and social, ethical and environmental aspects have started to emerge in the last few decades (Sullivan & Mackenzie, 2006; Budde, 2008; Bauer & Hummels, 2011). Even if engagement beyond corporate governance is still a new phenomenon, it seems that it is a good starting point for engagement in other issues. Budde (2008, p. 84) claims that shareholder engagement on corporate governance matters has an important impact also on environmental and social factors, as well-governed companies are likely to be more proactive on the latter two domains as well.

The underlying reasons for shareholder engagement can be discussed from the perspective of Albert Hirschman's Exit, Voice and Loyalty theory (as cited in Kurtz, 2008, p. 257-258). Hirschman noted that Exit, i.e. selling of the shares, is a typical investor response when the company behavior is dissatisfactory. Exit strategy is also a classical choice of traditional SRIs who want to form portfolios that are consistent with their moral beliefs, but are not eager to change corporate behavior. Voice, on the other hand, is a strategy in which the investor, a more active one, raises concerns with the management before selling the stock. The choice between Exit and Voice is mediated by Loyalty, by which Hirchsman means "the rational assessment of the likelihood that the organization will do the right thing over time."

Judging by Hirschman's theory, one might easily jump into the conclusion that investors are engaging with companies purely on an ethical basis. Ethics and moral do seem to play their part in engagement, but they are not the only motivators. Kurtz (2008, p. 259) also points out that the Exit strategy is often difficult, if not even impossible for large institutional investors. These investors are bound by their legal obligations to diversify their assets, which means that they have to own a large variety of companies. By applying the Voice strategy, they can also own companies with a less dissatisfactory behavior, as long as they address their concerns. According to Friedman & Miles (2001, p. 535), many institutional investors prefer engagement with companies over screening practices (negative and positive), and Sparkes & Cowton (2004, p. 50) mention that by engaging and trying to steer the company into a more responsible direction, these investors do not need to let it influence the composition of their portfolios. In addition to causes related to portfolio composition and diversification, Macleod (2009, p. 80) mentions that responsible investors engage with corporations also because they see it as prudent risk management and as a part of their fiduciary duty. Hebb (2008, p.13) is in accordance with Macleod and notes that anticipation and mitigation of long-term risks is a key motivation for engagement.

In addition to ethical and financial considerations, large investors may have another reason for engaging in CSR issues: pressure from other stakeholders. Sullivan and Mackenzie (2006, p. 151) claim that stakeholders such as clients, trade unions and non-governmental organizations have actively encouraged investors to engage more. In many countries, such as in the UK, pressure on institutional investors has even come from the government level, as regulations have been imposed on pension funds to be more active owners. It is no wonder that other stakeholders are pressuring investors to act on enhancing companies' responsibility, given their power to influence companies. Macleod (2009, p. 78) mentions that institutional investors are globally the most significant source of capital and both their economic power and their influence are growing at a considerable rate. Their source of power is two-fold: first, they have power over the shares that they own and second, they also have the power through the shares that they do *not* own. Even if investors are not currently shareholders, they can put pressure on companies through creating responsibility standards or screens, which they turn to when considering potential new purchases.

The activities of shareholder engagement are generally categorized into two different groups: 1) preparing and/or voting on shareholder resolutions and 2) entering into a direct dialogue with the company management (O'Rourke, 2003; Hancock, 2004; Vandekerckhove et al., 2007; Budde, 2008). In the shareholder resolution strategy, investors try to influence the company behavior by using their legitimate power as the owners of the company, and filing a resolution and voting on it in the Annual General meeting (AGM) (Logsdon & Van Buren III, 2009, p. 353). In the second strategy, investors aim to bring about a change in the company in a more subtle way, by raising the issue up directly with the management (Vandekerckhove et al., 2007). There are many differences between these two strategies, but perhaps the most distinctive one relates to the nature of the company-investor relationship; whereas investors filing shareholder resolutions are easily seen as irritating "gadflies" by the company, the shareholder – company dialogue takes place only if it is based on mutual agreement and cooperation (Logsdon & Van Buren, 2009, p. 353-354).

Sullivan & Mackenzie (2006, p. 152) mention that the formal rights of filing a shareholder resolution and voting in AGMs has been the starting point of discussions on shareholder engagement, and Logsdon and Van Buren III (2009) suggest that the reason for this is that they are quantifiable and public, unlike private dialogues between the company and the investor. Since dialogues take place behind closed doors, it is difficult to encounter them, and thus, to research them more thoroughly. (Logsdon & Van Buren III, 2009; Mallin, 2011).

A popular view on shareholder engagement seems to be that if investors resort to shareholder resolutions, they often do so to engage in a more profound and private conversation with the company. As an example, Van Buren III (2007, p. 61) describes shareholder resolutions as "not the ends in themselves but means to an end". By filing a shareholder resolution, shareholder activist gets access to both other shareholders and the management, and may get the opportunity to engage in a dialogue with the management. In fact, Hancock (2004, p. 92) mentions that in the United States companies rarely engage in a dialogue if a resolution has not been filed before. In European countries, where filing shareholder resolutions is not as simple (Sullivan & Mackenzie, 2006, p. 153), the primary tactic of engagement is often to engage in a dialogue (Vandekerckhove et al., 2007). In the end, according to Logsdon and Van Buren III (2009, p. 354), much "of the real action" occurs in a dialogue, in which companies and shareholder activists engage in on-going communication to address an issue.

The dialogue approach to shareholder engagement is based on cooperation, in which both the investor and the company have to put effort to. In order for the engagement to be satisfactory to both, certain elements are needed. Logsdon and Van Buren III (2009) have studied two cases of dialogues between companies and ICCR (Interfaith Center on Corporate responsibility), an organization of investors, which is argued to have invented modern shareholder engagement (Macleod, 2009, p. 91). Below are some elements of a successful engagement process according to Logsdon and Van Buren III (2009) (emphasis by author):

1. The issue the dialogue addresses must be meaningful for both parties. However, the issue may change over time, and the dialogue can continue on related topics.
2. Both parties (the company and the shareholder/investor) must be flexible**.**
3. The dialogue participants must understand each others' needs and constraints.
4. Both parties should tone down their public rhetoric and exchange views in a way that creates common ground.

Logsdon and Buren III (2009, p. 360-361) and Collier (as cited in Vandekerckhove et al., 2007, p. 408-409) provide further advice for both the companies and the shareholders. According to Logsdon and Van Buren III (2009), the company needs to take shareholders seriously, since they provide useful information on the issues stakeholders, not just shareholders, deem important. For shareholders, Logsdon and Van Buren III (2009) suggest respectful listening, proper tone of criticism and finding allies inside the company. After all, the company consists of people, of which others may favor the activists and others not. Furthermore, Collier (as cited in Vandekerckhove et al., 2007, p. 408-409) suggests that for the engagement to succeed, the following elements are important: (1) "a balancing of power asymmetries in the sense that there is a recognition of both parties that each has the potential to harm the other" (2) "the acknowledgement of integral rights and responsibilities"(3) "intensive communication and relation building" and (4) "management of relations with other key stakeholders"

Logsdon and Van Buren III (2009, p. 356) note that many dialogues go on for several years, which undoubtedly means that they create costs for the shareholders (and to companies as well). Bauer and Hummels (2011, p. 177; 180) mention that there is no guarantee that the costs will automatically bring financial benefits, and even if they do, the benefits are hard to quantify. Hebb (2008, p. 3) notes that in the past, costs of engagement measured against its benefits did not encourage a lot of shareholders to engage. This situation was caused by the fact that ownership was dispersed and owners thus had no power to control the management and board. The table has turned since, as now, for example, pension funds have such high ownership stakes that they can bear the costs of engagement or furthermore, form coalitions with other investors (Hebb 2008, p.3).

Investor coalitions are further discussed by Macleod (2009), who calls these coalitions by the name IGN – Investor-driven governance network. According to Macleod, these networks may focus on one issue or on several issues, they can consist only of investors or of other actors as well and they may exercise extensive shareholder engagement or satisfy to more modest collective action. Whatever their strategy and composition, they are focused on "advancing the principles and objectives associated with socially responsible investing and corporate social responsibility" (Macleod, 2009, p. 69).

According to Macleod (2009, p. 80), a large part of IGNs have emerged since the late 1990s. However, one of the best known shareholder engagement agents, Interfaith Center on Corporate Responsibility (ICCR) was established in 1971, and has grown to be a coalition of over 300 faith-based institutional investors, who work closely with other stakeholder groups on a variety of issues such as sustainable use of water and food, the environment, human trafficking and supply chain management (ICCR, 2012) Macleod, 2009, p. 80). The ICCR is an example of an IGN consisting of multiple actors and addressing multiple issues. An example of a single-actor, single issue IGN is Carbon Disclosure project, an organization launched in 2000 by institutional investors (Macleod, 2009, p. 87) to drive greenhouse gas emission reduction and sustainable water use by companies and cities. Finally, an example of a single-actor, multi-issue IGN is PRI Engagement Clearinghouse, a tool designed to stimulate collaborative engagement among PRI signatories. At the moment, the Clearinghouse brings together PRI signatories on issues such as water usage, global arms trade agreement and sustainable stock exchanges (PRI, 2012b).

To sum up this subsection, shareholder engagement as a means of influencing companies' behavior was addressed, as it is one of the main themes of the present study and therefore a vital topic to discover. It was argued that investors may have both ethical and financial reasons for engaging, and some may even feel pressured by other stakeholder groups to do so. The dialogue approach to shareholder engagement was concentrated on, since it is in the interest of the present thesis.

To conclude the whole section covering stakeholders as corporate legitimizers, it can be stated that without stakeholders companies cannot survive. Moreover, it seems that companies cannot consider stakeholder relationships as something they can manage, but rather mutually beneficial interaction. Whereas previously shareholders were the only important stakeholder group, nowadays it is widely accepted that they are not the only one. If for some reason companies themselves are not yet understanding the need to live according to the responsibilities they have to their surroundings, socially responsible investors are looking after other stakeholder groups by engaging with companies on their behalf.

2.4 Theoretical framework

This section presents the theoretical framework, the purpose of which is to guide the research process. The theoretical framework is presented in Figure 7 and is based on the theories of Tuominen (1997), Greenwood (2007) and Girard and Sobzcak (2012), with elements from Lawrence (2002), Logsdon & Van Buren III (2009) and Collier (as cited in Vandekerckhove et al. 2007). The theories of abovementioned researchers are refined to better fit the objectives of this study, which is to examine CSR discussions in investor relations with a focus on interaction between socially responsible investors and IR and shareholder engagement.

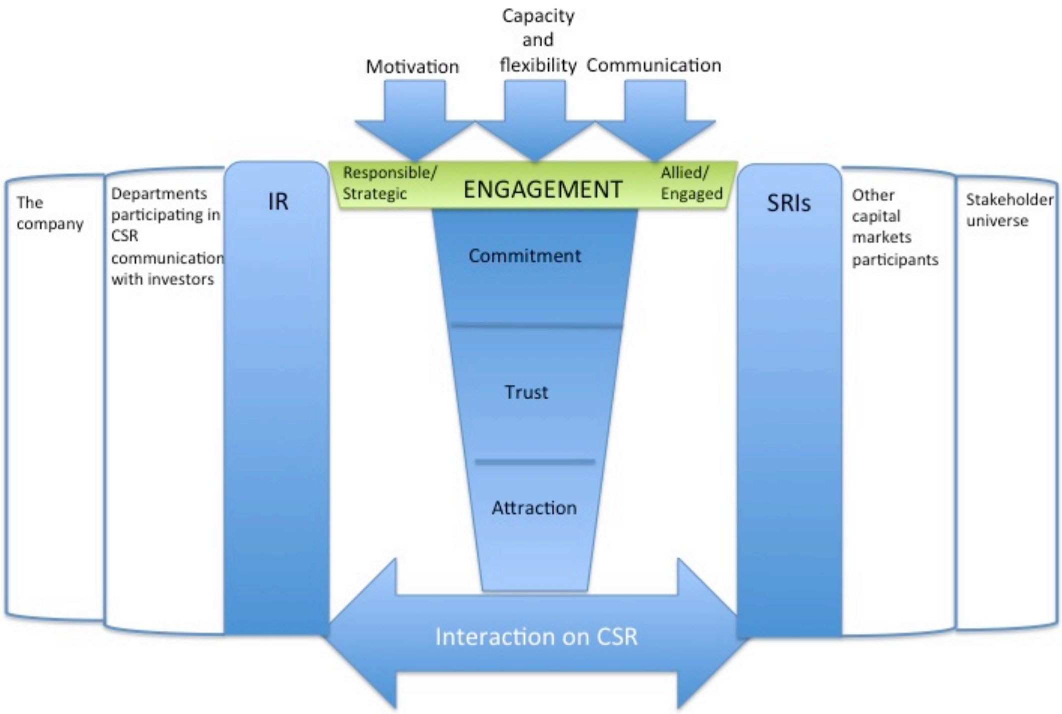

Figure 7. Framework for discussing CSR in IR

The main building block of the framework is Tuominen's (1997, p. 51) model for investor relations. According to Tuominen (p. 51), the objective of investor relations is to "create and increase common long-term interaction between the companies and their direct and indirect groups in the investor community". Also other researchers, such as Laskin (2009) and Kelly et al. (2010) share Tuominen's relationship-based view of IR. Thus, it can be argued that IR manages dialogue and interaction between the company and the investor community in order to build relationships with them. In Figure 7 this interaction is depicted with a two-way arrow. Since this research focuses on interaction on CSR, the examination of interaction is limited to those issues.

As the research objective of this thesis is to study the interaction between IR departments and SRIs, they are the primary parties of Figure 7 and are presented in the ends of the two-way arrow depicting interaction. However, it cannot be overlooked that both sides are only small actors in a larger context and there are influential forces behind them. First, in the circles behind SRIs there are both other capital markets participants (e.g. mainstream investors, consultants) and the entire stakeholder universe. Second, in the circles behind IR, there are other departments that potentially participate in the interaction, and the company itself. All these four instances can be claimed to have an effect on or be affected by the interaction between IR and SRIs.

It can be argued that the interaction between socially responsible investors and IR has to be built and maintained in order for a relationship to develop. Tuominen (1997, p. 51) suggests that in enhancing the interaction, three types of relational bonds are vital. The bonds Tuominen mentions are attraction, trust and commitment and they are depicted in the midst of Figure 7. The most developed bond is commitment, which is a pledge of continuity in the relationship between the parties. Tuominen argues that committed investors expect long-term profits from the investment, and are willing to sacrifice short-term profits in exchange for them. As can be seen in the framework, shareholder engagement is added to Tuominen's model as a continuum to the relational bonds. In section 2.3.3 shareholder engagement was described as a set of tools, with which the investors together with the company can try to solve a CSR-related issue that the investor raises out of concern. Engagement is added as continuum to attraction, trust and commitment, as it is likely that these bonds are needed for engagement to occur. To depict the underlying motivations SRIs and companies can have for engagement, the models on stakeholder engagement by both Girard and Sobzcak (2012) and Greenwood (2007) are refined to fit this thesis and added inside the engagement bulk of the Figure.

On the company side, by applying Greenwood's model (2007), the author of this thesis claims that the motivations for engagement are likely to be either strategic or responsible. A strategic company participates in the engagement to enhance its own possibilities, while a responsible company engages for the greater good. On the investor side, by applying Girard and Sobzcak (2012), the nature of the engagement is assumed to be either allied or engaged. An allied investor is committed to the company, but not as much to enhancing its CSR. An engaged investor, on the other hand, is interested in the company, but in CSR as well.

The author of the thesis suggests that there are three most influential factors, which determine whether the engagement succeeds. These factors are presented on the top of Figure 7 and they are the following:

1) Motivation: Both parties must find the engagement meaningful
2) Capacity and flexibility: Both parties must have resources for the engagement and they must understand the other party's perspective
3) Communication: A lot of interaction needs to take place between the two parties, and it needs to be trustful and respectful in nature

(Applying Lawrence (2002), Logsdon and Van Buren III (2009) and Collier (as cited in Vandekerckhove et al. 2007))

To conclude, the theoretical framework assumes that there is interaction on CSR issues between IR departments of companies and SRIs investing, or considering investing in them. The interaction is a basis for a deeper relationship, which develops as relational bonds – attraction, trust and commitment – grow higher. The deeper the relationship, the more committed both parties are in working possible CSR problems out. Shareholder engagement is a vehicle through which it can be done. Both parties, the IR/company and the socially responsible investor, have their own motivations for doing it. For the engagement to be successful, which means that the issue is solved so that both parties are somewhat satisfied, there has to be enough motivation, both parties have to have capacity for it and be flexible towards the other party, and there needs to be a lot communication that is respectful by nature.

3 METHODOLOGY

This chapter presents the methodology for examining CSR in investor relations, with a focus on interaction between socially responsible investors and companies and shareholder engagement.

The research design chosen for the present thesis is qualitative. One reason for choosing a qualitative research design is the fact that the research touches a relatively unknown topic. Ghauri and Gronhaug (as cited in Eriksson & Kovalainen, 2008, p. 5) describe qualitative research in the following way: "Qualitative research is particularly relevant when prior insights about a phenomenon under scrutiny are modest, implying that qualitative research tends to be exploratory and flexible because of "unstructured" problems (due to modest insights)". In other words, it is difficult to form exact hypotheses that are typically used in quantitative research, when there is limited amount of previous research on the area of interest.

Furthermore, qualitative research design was selected since the objective of the thesis is to understand the nature of the interaction between socially responsible investors and companies/their investor relations departments and not to provide statistical information. According to Ghauri and Gronhaug (2005, p. 88), qualitative methods are most suitable when the objectives of the study demand in-depth insight into a phenomenon. Compared to quantitative analysis, the number of observations is typically much lower and the problem area is examined from different perspectives. The low number of observations is justified, because a "thick description" of the topic is not possible with numerous observations (Ghauri & Gronhaug, 2005).

The first section of this chapter (3.1) explains the data collection, the second section (3.2) continues with data analysis and the third section (3.3) finishes the chapter by discussing the trustworthiness and quality of the study.

3.1 Data collection

Ghauri and Gronhaug (2005, p.76) mention that in qualitative research the data collected can be either secondary, which are collected by others possibly for other purposes, or primary, which are original data collected by the research him-/herself. As there are hardly any previously collected data regarding the topic at hand, in this research process primary data were the only option, and it had to be collected by the author herself by using some qualitative method. Bryman and Bell (2003, p. 281) claim that the following qualitative research methods for collecting data are the most common:

- ethnography/participant observation
- qualitative interviewing
- focus groups
- discourse and conversation analysis
- the collection and qualitative analysis of texts and documents

As both participation in investor – IR/company interaction and access to confidential documents such as e-mails was seen as highly challenging, if not even impossible, observation, focus groups, discourse and conversation analysis and texts and documents were automatically ruled out. Therefore, the research method chosen was qualitative interviewing.

The data of the present thesis were collected through semi-structured interviews. According to Hirsjärvi and Hurme (2000, p. 35), an interview is a suitable method when the research explores a topic that has been scarcely studied previously. Indeed, as mentioned before, the topic has been somewhat neglected by academics and thus fulfils the qualification of Hirsjärvi and Hurme. Furthermore, semi-structured interviews, which Hirsjärvi & Hurme (2000, p. 47-48) call “theme interviews”, free the interview from the perspective of the researcher and let the interviewees’ voices be heard. Partly due to the undiscovered nature of the topic, the author of the present thesis finds it particularly important that her own perspective is in the background and that of the interviewees' is brought to the front.

Since the present thesis is focused on concepts such as "interaction" and "dialogue", it was deemed important that the perspectives of both participants in the aforementioned communicational situations were addressed. Thus, the data were collected from both investor relations officers (IROs) of companies (potential investment choices) and from institutional investors, which take environmental, social and corporate governance factors into account (i.e socially responsible investors).

The selection process of interviewees was two-fold. First, it was based on the considerations of the present author. All the IROs approached were from Finland-based internationally operating public limited companies that were seen to be somehow active in their corporate social responsibility. Furthermore, publicly available information on the companies suggested that they had also brought CSR to their strategies and - even more importantly for this study - to investor presentations. All of the approached investors were both signatories of the UN Principles of Responsible Investment and members of FINSIF, Finland's Sustainable Investment Forum. Based on these two characteristics it can be argued that they are socially responsible investors. Furthermore, all of the investors had large amount of information on their responsible investment processes and active ownership in their web sites. Second, some interviewees were chosen on the base of other interviewees' suggestions. This technique is also known as snowball sampling (e.g. Saunders et al., 2009, p. 240). The idea in snowball sampling is that the researcher identifies and contacts one or two cases and asks them to identify new cases. According to Saunders et al. (2009, p. 240), snowball sampling is common when it is difficult to identify members of the desired population, which was the case in this study.

Interview requests were sent by e-mail to five IROs and to six socially responsible investors and in May – June 2012. In the end, in June – July 2012 in total nine interviews were conducted; five of which were with investor representatives, and four of which were with IROs of public limited companies. Thus only two of the approached persons were not interviewed. One investor approached did not think she would have enough information on engagement processes, but would have given an interview after some consideration. However, the author of the thesis wanted to concentrate on investors who had something to say about engagement, and thus decided that the interview would not be performed. One IRO approached seemed willing to participate when first contacted but did not respond later on to an e-mail regarding the exact schedule for the interview.

Although both sets of interviews focused on IR – investor interaction in CSR issues, the themes in the IRO interviews differed from the themes in the investor interviews. The largest difference regarded shareholder engagement. Early on in the research process, it became evident that the engagement dialogues often take place behind closed doors and involve a large amount of secrecy (Logdson & Van Buren III, 2009; Mallin, 2011). Though this is necessary for a relationship built on trust to develop, for a researcher it complicates the process when the "target" companies of engagement are not published. In this thesis, the secrecy made it difficult to discover engagement from the company point of view. Therefore, the author decided to limit the specific shareholder engagement research (research question 3, part of research question 4) mainly to the investor side, and look at interaction between socially responsible investors and IROs on a more general level from the company side. The interview themes for both the IROs and the socially responsible investors can be found in Appendix 1 and 2.

All the interviews were audio-recorded and the recordings were transcribed within a few days of the interview. The language of all nine interviews was Finnish and parts of the interview transcripts were later carefully translated to English for the reporting of the findings. The interview facts can be seen in table 3 (IROs) and table 4 (investors) below.

Table 3. IRO Interviews

Interviewee	**Date**	**Interview length**	**Job title**	**Sex**	**Code**
Large public limited company	June 11 2012	54 minutes	Vice president, Investor Relations	Male	IRO1
Large public limited company	June 14 2012	54 minutes	Manager, Investor Relations	Female	IRO2
Large public limited company	June 18 2012	51 minutes	Director, Investor Relations	Female	IRO3
Large public limited company	June 18 2012	33 minutes	Head of Investor Relations	Female	IRO4

Table 4. Investor interviews

Company	**Date**	**Interview length**	**Person interviewed**	**Sex**	**Code**
Mutual Pension Insurance company	June 5 2012	1 h 49 minutes	Head of Responsible Investments	Female	Investor 1
Asset Manager	June 7 2012	1 h 41 minutes	Director of Responsible investment and	Male	Investor 2

			Governance		
Mutual Pension Insurance company	June 12 2012	58 minutes	Head of Equities, Direct Equities Portfolio Manager, Fixed Income	Two male interviewees	Investor 3
Religious organisation	July 2 2012	1 h	Portfolio manager and RI specialist	Female	Investor 4
Mutual Pension Insurance company	July 3 2012	1 h	Legal Counsel, Investment Operations	Female	Investor 5

As tables 3 and 4 show, all the investor interviews were longer than the IRO interviews. This was not seen as a problem, as to some extent, the present thesis emphasizes the investor viewpoint more (due to the company related limitations on engagements). Furthermore, as tables 1 and 2 show, there was also some variety in the lengths of the interviews within interview groups. This variety was caused by natural reasons: some interviewees had more to say than others. For example, though the interview with IRO4 lasted approximately 20 minutes less than the other IRO interviews, exactly the same themes were discussed. Moreover, the fact that interviews with Investor 1 and Investor 2 lasted 40-50 minutes longer than the other three interviews was caused by their interest in sharing more information regarding the themes. According to Bryman & Bell (2003, p. 354), such large variations in qualitative interviews are completely normal.

It has to be noted that there were two interviews, which the author of the thesis perceived as somewhat challenging. One of them was is interview with IRO4 and the other was with Investor 3. First, the interview with IRO4 was considerably shorter than the other interviews. As mentioned above, exactly the same themes were raised, which leads to the conclusion that this interviewee did not share as much information as the others. However, also this interview offered interesting perspectives, and quotations of the interview can be seen in Chapter 4. Second, the interview with Investor 3 suffered from a language barrier. Other one of the two interviewees supposedly had another mother tongue than Finnish, and it was not revealed until in the interview situation. The author of the present thesis perceived it uncomfortable to suggest the interviewee to change to another language, due to which the interview was conducted in Finnish. Nevertheless, the language barrier was not insurmountable, since the interviewee was able to respond to all the questions in Finnish. However, for the researcher the interpretation of these answers was more difficult than with other interviews, and therefore some precaution needs to be kept in mind whilst contemplating on the findings of this interview.

3.2 Data analysis

Saunders et al. (2009, p. 485) claim that transcribing interviews is the first step in preparing qualitative data for analysis. Furthermore, the transcription should be made as soon as possible after the interview has taken place. In the present research process, all nine interviews were audio-recorded and transcribed within a few days after the interview. The interviews were transcribed word by word, and in total 129 pages were generated.

According to Saunders et al. (2009, p. 488), qualitative data analysis is characterised by the interactivity of the process. This means that data collection, data analysis and the development and verification of propositions is very much an interactive process and done at the same time. Similarly, in this research, the preliminary data analysis began already after the first interview was done. In fact, interview approach and themes were slightly adjusted based on the preliminary analysis done during the data collection. Saunders et al. (2009, p. 488-489) mention that due to the interactivity of the research process, the researcher has to ensure that there is sufficient amount of time between the interviews so that he/she is able to do the preliminary analysis before the next data collection event. In the present research all the interviews were quite close to each other, but before the next interview the researcher always listened to the last audio-recorded interview and made preliminary analysis.

When all the nine interviews had been conducted, a more thorough data analysis was started. At this stage, all of the interview transcripts were read through and key points were sought for. Saunders et al. (2009, p. 491) define this activity as "summarizing" data, which, according to them, is one of the three main qualitative analysis processes. At the same time as the data was summarized, it was also categorized, which Saunders et al. (2009, p. 492) mention as another qualitative analysis process. The categories were formed based on the interview themes, which on their part were derived from the theoretical part of the study. After the collected data had been categorised, points of convergence were made inside each category. As the aim of this study was to explore the topic, also divergent views were seen as relevant results and are thus presented in the findings of the study. By including the divergent views, the present researcher claims to achieve "thicker" description of the results, which, according to Bryman & Bell (2003, p. 288 – 289), is one way of ensuring the trustworthiness of a study.

3.3 The trustworthiness and quality of the study

In this section, the concept of trustworthiness in qualitative research is briefly introduced, after which the trustworthiness of this study is evaluated from four selected perspectives.

Guba and Lincoln (as cited in Bryman & Bell, 2003, p. 35) suggest that trustworthiness can be considered a suitable criterion for assessing the quality of qualitative research. They propose that the following four elements should be considered: credibility, transferability, dependability and confirmability. Miles and Huberman (1994, p. 277) continue Guba's and Lincoln's list by adding the term "utilizability/application/action orientation". Saunders et al. (2009, p. 326) propose that when assessing data quality of semi-structured interviews, reliability and validity together with generalizability are valid measures. As the data collection method was precisely semi-structured interviews, the quality of this study is evaluated using the guidelines of Saunders et al. but also integrating them to measures presented by other authors (e.g. Miles & Huberman 1994, Guba & Lincoln). In addition to those concepts, utilizability/application/action orientation is briefly discussed.

3.3.1 Reliability/Confirmability

Saunders et al. (2009, p. 326) state that reliability is concerned whether other researchers would find similar information. According to Saunders et al., in semi-structured interviews the reliability is threatened by the unstructured nature of this data collection method as well as by different sort of biases. Biases can be related to the interviewer or the interviewees. In short, interviewer bias occurs when the interviewer's persona affects either the interview situation or the interpretation afterwards (Saunders et al., 2009, p. 326-327). Guba & Lincoln (as cited in Bryman & Bell, 2003, p. 35) call this measure as confirmability. Interviewee bias, on the other hand, refers to limitations related to the interviewees, such as unwillingness to respond to certain questions or tendency to give socially acceptable answers (Saunders et al., 2009, p. 326-327). The latter threat to the trustworthiness of a study is also known as social desirability bias (e.g. Bryman & Bell, 2003, p. 136; Wrench et al., 2008, p. 208).

First, for avoiding problems related to the unstructured nature of data from semi-structured interviews Saunders et al. (2009, p. 328) suggest making and retaining notes regarding the whole research process. In the present research process, notes have been taken along the whole research process and full interview transcripts were done within a couple of days from each interview. As the full interview transcripts from the nine interviews conducted amount to 129 pages, it is not feasible to include them in this study. However, the quotations used in the Chapter 4 are presented in their original language, Finnish, in Appendix 3. In the end, Saunders et al. (2009, p. 328) suggest that the unstructured nature of semi-structured interviews should not necessarily be considered a threat but rather a strength, since it offers flexibility, which is important when one explores a complex topic. Indeed, also in the present study the flexibility offered by semi-structured data collection was definitely needed. By allowing interviews to differ from one another to some extent it was possible to look at the topic from a broader perspective, which would not have been possible if the data collection method would have been more structured.

Second, for avoiding both interviewer and interviewee biases researchers propose certain measures. According to Bryman & Bell (2003, p. 353), transcriptions of interviews help the researcher counter accusations of letting values or biases affect the research. As mentioned, all the nine interviews were fully transcribed and are available upon request for further scrutiny. Also, it has to be noted that due to the undiscovered nature of the topic the present researcher actually had practically no presuppositions of it, which diminishes possible interviewer biases. Interviewee biases, especially social desirability bias, can be, according to Wrench et al. (2008, p. 208), lessened by explaining that the responses are confidential and by ensuring anonymity. In the present research process, all interviewees were promised confidentiality. Furthermore, to ensure that the name of the interviewees' companies would not be easily guessed, the author of the thesis decided to limit also the amount of general information (e.g. industry, assets under management) provided about the interviewees.

3.3.2 Validity/Credibility

According to Saunders et al. (2009, p. 327), validity refers to the extent to which the researcher is able to access the interviewees' knowledge and experience, and manages to draw the right meanings of this data. Other authors (e.g. Bryman & Bell, 2003, p. 288-289; Miles & Huberman, 1994, p. 278-279) call this measure of quality the internal validity or credibility of the study. Miles and Huberman (1994, p. 278) suggest that when this measure is assessed, the researcher should ask whether the findings of the study make sense and are credible to the researched people and to the readers. Researchers suggest multiple ways for ensuring the validity/credibility of a study, of which three of the most relevant are discussed. These three are tests of understanding, respondent validation, and probing questions.

First, tests of understanding, according to Saunders et al. (2009, p. 334), can be done by summarizing an explanation provided by the interviewee. In the data collection process of this study, tests of understanding were made whenever the present researcher felt unsure about the interpretation of the answer. Even though this might have prolonged some interviews, the present researcher deemed it necessary. Second, respondent validation is defined by Bryman & Bell (2003, p.288) as the act of submitting the research findings back to the researched people for confirmation of correct understanding of the data. In this study, respondent validation was not conducted due to the large amount of data. Moreover, the present researcher deemed the tests of understanding as a sufficient measure for confirming the validity.

Finally, probing questions suggested by Saunders et al. (2009, p. 338) are questions that can be used to explore some responses more and to seek additional and clarifying information. Bryman & Bell (2003, p. 127) mention that probing can be done by using wordings such as "Could you say a little more about that.." etc. In the present research, probing questions were used if it seemed that the interviewees had not fully understood the question or if they gave a limited response. By probing, it was possible to discuss the topic from multiple angles, which Saunders (2009, p. 327) argues to be one measure for ensuring the high validity of non-standardised qualitative interviews.

3.3.3 Generalizability/Transferability

Saunders et al. (2009, p. 158) define generalizability as the measure of to which extent the research findings are applicable to other research settings. Even though there is a common understanding (e.g. Bryman & Bell, 2003, p. 300; Saunders, 2009, p. 327) that the findings of a qualitative research cannot be expected to be generalized to larger population, there are other ways of defining generalizability. Firestone (as cited in Miles & Huberman, 1994, p. 279) mentions that generalization can also be analytic (theory-connected) or case-to-case transfer. The analytic generalization is most relevant for this study and it is thus briefly discussed.

Saunders et al. (2009, p. 335) are in line with Firestone's suggestion of analytic generalization and argue that if a researcher is able to relate the research to existing theory, he/she will be able to demonstrate that the findings have broader theoretical significance. Furthermore, Bryman & Bell (2003, p. 300) claim that the generalizability of qualitative research is evaluated by the quality of theoretical inferences that are made out of the acquired data.

In the present research, the analytic generalizability has been attempted to be ensured by two measures taken. First, before beginning the collection of data, extensive amount of relevant literature to the topic was discovered. Based on the literature review, a theoretical framework was established to guide the research process. This framework was used when discussing the findings. After presenting the findings they were linked back to the previously examined theories.

3.3.4 Utilizability/application/action orientation

According to Miles and Huberman (1994, p. 280), utilizability/application/action orientation is one of the main criterion when assessing the quality of a study. This criterion is related to the pragmatic validity of a study, and it assesses what the research does for the researcher and the researched.

The present study can be claimed to have utilizability for two reasons. First, most of the interviewees seemed genuinely interested about the topic and many of them mentioned that it is a very current topic. Furthermore, six of the nine interviewees wished the researcher to provide the research to them when it is completed. Second, the study received recognition from FINSIF, Finland's sustainable investor's forum, in the form of a scholarship. The scholarship committee described the research topic as current and mentioned that it addresses key questions related to responsible investing. Moreover, it was pointed out that the committee wants to promote research that gives responsible actors concrete results (FINSIF 2012).

4 FINDINGS

This chapter presents the mains findings of the present research. The data for the findings are interviews with five socially responsible investors (SRIs) and with four investor relations officers (IROs) of large public limited companies. The findings are presented so that the four sections answer the four research questions presented in Chapter 1:

RQ1: How is CSR present in IR?
RQ2: How do socially responsible investors and IR interact with each other?
RQ3: What is shareholder engagement (as perceived by the interviewed investors) and how does it work in practice?
RQ4: What challenges are there in bringing CSR to IR and in shareholder engagement? How does their future development look like?

This research is confidential and the names of the interviewees or the companies they represent are not disclosed. All the interviewees are referred to with personal codes, which were given in section 3.2. The quotations presented amongst the findings have been translated from the Finnish interview transcripts to English by the author of the thesis. The author of this thesis admits full responsibility for potential alterations in the meanings of these quotations. The quotations are found in their original language, Finnish, in Appendix 3.

4.1 CSR in investor relations

This section answers the first research question of the thesis.

RQ 1: How is CSR present in IR?

This research question was examined from the perspective of both the SRIs and the IROs. In short, the findings suggested that CSR is starting to be a part of IR, but it seems that at the moment companies are not yet fluent in discussing CSR with investors, and on the other hand, not all investors are interested in hearing about it.

Furthermore, the findings showed that investors have a more problem-based approach to CSR, whereas companies would like to stress the opportunity side of it.

All the interviewees – both investors and IROs – perceived corporate responsibility playing some kind of role in investor relations today. A number of interviewees stressed that corporate social responsibility is or should be a part of IR, if it is a part of a company's business and strategy. When CSR is integrated to everything a company does, it is naturally present also in investor presentations and meetings. The findings implied that CSR should not be categorized as an isolated focus area, but rather a part of normal business. The quote below describes the hopes of an investor regarding integrating CSR messages better to other messages:

"When a company reports and communicates, it should communicate everything as a whole, not have separate corporate responsibility web pages or something like that. In my opinion, it would stress that theses things are just as big part of a company's operation than anything else." Investor 5

The IROs interviewed seemed to agree with the quotation above, since all of them somehow referred to the integration of business and sustainability. Below are considerations by two IROs:

"Unlike many other companies, we have strived to integrate all CSR messages directly to messages of our business areas, and we do not produce a separate annual responsibility report at all. Instead, we have taken the messages inside the business areas and we always strive to integrate them to other company messages in presentations and conversations as far as we can." IRO2

"We do not have a separate (responsibility) presentation, but it should be on the agenda of all the people in the company. It is not just one department who takes care of it alone." IRO4

The IRO interviews suggested that the main communicators of CSR to investors are generally the CEO, the CFO and the IRO. However, all the IROs brought up that managers, which are responsible for different areas of CSR, such as environmental managers or HR managers, are also turned to for help in specific CSR related questions. In fact, the findings indicated that even though CEOs seem to be responsible for discussing CSR with investors in the big picture, in more detailed questions they are either prepped by CSR experts before an investor event or the experts take a stand on the CEO's behalf.

Consequently, some investors felt that the discussion on corporate responsibility is still a challenge for the top management to some extent, as CEOs are not necessarily as acquainted with responsibility themes as they are with more typical investor communication. Furthermore, one investor saw large investor events as a learning opportunity for CEOs and another investor felt that conversations related to CSR can be very fruitful as they force the management out of their comfort zone. The following quotations highlight the thoughts these two investors:

"I've noticed that many CEOs seem to have challenges in discussing ESG issues. They talk naturally and knowingly about quarterly outlooks or investment plans, but when environment or social responsibility is in question, there are only few bullet points an environmental manager or a sustainability manager has given to them. The CEOs know those bullet points, but that is all. That's why I've said that Capital Markets Days and Road Shows are excellent opportunities for CEOs and other top management to learn discuss these things." Investor 1

"It (responsibility topics) often goes beyond standard question-answer package. And the company management has to think out loud and in the best-case scenario reflect how these topics affect them. These conversations are fruitful, as they reveal information between the lines much more effectively than the questions on how much your EPS (earning per share) will be." Investor 2

It appears that companies could discuss CSR in investor events more than they do now. Both the investors and the IROs perceived as one reason for the limited discussion on CSR in investor relations events the fact that CSR is not yet in the interest of all investors. In sum, if investors do not seem interested in CSR, companies do not have motivation to bring it up. Most IROs were of the opinion that mainstream investors are clearly still mostly interested in financial figures. It was also suggested that mainstream investors are interested in CSR mainly when there is a problem related to it. The quotations below highlight the problem-based interest in CSR.

"It (CSR) is more like an uprising theme, but it is not discussed that much yet. I would say that it comes up especially if one feels there is a problem to it." IRO1

"Especially if there are critical articles about us, then we receive questions from normal sell side analysts, that is when there are negative news, then they (CSR issues) rise to the agenda." IRO4

Similarly, it seemed that whereas the IROs saw responsibility as the company's asset and a positive opportunity, for most investors the grounds for socially responsible investing are more in risk management. However, the perspectives on SRI appeared to be slightly different depending on the type of the investor: whereas, for example, an asset manager implemented also the opportunity side SRI by scanning for the most responsible companies in developing countries and investing in them, for a pension fund executing its fiduciary duty the risk management view on investing was natural. The following quotation shows how one IRO described the different approaches investors have on CSR.

"There are two types of fields: Some scan companies with a pure risk approach, and look whether there are any risks that might affect the profitability of their investment. And some do scenario work much further to the future and search for opportunities which would make a company's business even more profitable in the future. And of these two approaches, there are far more risk scanners than opportunity seekers." IRO2

4.2 Interaction between socially responsible investors and IR

This section answers the second research question of the thesis.

RQ 2: How do socially responsible investors and IR interact with each other?

This research question was studied from the perspective of both the IROs and the SRIs. In sum, the findings suggested that the interaction does differ from normal investor interaction, since socially responsible investors are considered to have both a different focus and processes. Furthermore, it became apparent that SRI consultants have a large role in the interaction between the SRIs and the IROs.

All the IROs felt that socially responsible investors stand out from the so-called mainstream investors on some level. The findings implied that the interaction with socially responsible investors is largely focused on CSR issues, and they were mentioned to use a large part of their time in investor meetings or events on CSR. In fact, some IROs argued that socially responsible investors do not need much help in financial issues, since they find that data themselves, but when it comes to CSR issues, they long for more detailed information, which perhaps cannot be found in public channels. The CSR topics the IROs felt that socially responsible investors want to discuss varied to some extent, probably due to natural reasons such as different industries the companies operate in. What seemed to be a common factor was the fact that as companies broaden their activities globally, investors start asking CSR related questions more. Typical examples of issues that came into the conversation between SRIs and IROs due to global presence were, for example, supply chains, the treatment of employees and human rights.

The findings suggested that companies' transparency and openness is important for SRIs, which is something that is not always easy for companies to implement. The quotations below highlight the challenges the requirements for openness can bring.

"I sort of understand their desire to get more data, but on the other hand, we might not necessarily be willing to give it. It is about where to draw the line on how deep into the

details we can go. And often the reason is related to competition: we do not want to disclose those issues to our competitors." IRO3

"Investors always want transparency and openness,"show us everything you've got". It's sort of a basic claim to put everything on the table. (...) For business reasons we have not wanted to disclose certain issues. We have understood that it is important to be transparent, but we have tried to find a compromise between business interests and openness regarding responsibility." IRO1

Despite the challenges related to openness, some socially responsible investors felt that companies are quite open and eager to give data and reveal their processes if asked. The investors were of the opinion that in general, companies are both eager to discuss the good things they do and happy to get feedback from stakeholders. The findings also indicated that investors think companies see them as an interesting stakeholder group, since they are not activists or NGOs. Furthermore, the findings implied that the attitude towards socially responsible investors and their requirements and questions has improved from what it was a few years ago.

Socially responsible investors were considered to be quite thorough in their processes as they investigate the social responsibility of their current or potential investments. First, the findings implied that SRIs use extensive checklists as they attempt to verify that certain responsibility aspects are in order in a company. Although one IRO described these checklists as quite mechanical, it seems that they can be an important part in investors' processes. Second, it became apparent that sometimes investors go even further in their responsibility checks and have companies go through extensive interaction processes before they are verified to be responsible enough and are approved as potential investments. The following quotation highlights how one IRO saw the process of an SRI.

"Let's say I personally probably had five phone calls with their analysts, which lasted an hour each, before we even made it to their list of 25 companies they invest in. And we met them a few times as well, our CEO met them before they were ready to make the

decision. So, their screening was quite thorough. We talked through all sorts of things before they decided to invest in us. (...) If you think of it from the perspective of IR, perhaps socially responsible investors require more resources from us in the beginning than mainstream investors." IRO3

It appeared that companies and their IR departments receive a fair amount of contacts also from SRI consultants and advisories, which are serving socially responsible investors. From the five investors interviewed, four used SRI consultancies in some part of their investment process. Accordingly, all the IROs mentioned these consultants are regularly in contact with them. The socially responsible investors used these consultants, for example, as an inspector of their portfolios: the investors send the consultant their portfolio on a regular basis for checking, and the consultant reports which companies have breached norms predetermined by the investor. Using a service provider for portfolio scanning seemed to be mainly a resource question, but one investor also mentioned objectivity as one reason for outsourcing the portfolio check.

"There is a business reason for buying that service from outside, but it is also important for us because it is more credible if another organisation decides when a norm has been violated and when it hasn't. If you just admire your own portfolio, you sort of get blind to it and then it's a grey area what is a norm violation and what is not. I see that there is a clear conflict of interest if portfolio managers figure it out themselves." Investor 2

From the perspective of the IROs, these consultants meant endless questionnaires often received via e-mail. Consequently, the IROs did not quite seem to know how to deal with these consultants, and challenges related to resources and even malpractices were stated. The following quotations display the thoughts of the IROs regarding the consultants.

"There are all sorts of questionnaires. I think there are a bit too much questionnaires these days. It's quite an effort to start answering them..and in fact, we do not have the time to answer every questionnaire." IRO1

"There are continuously more consultant firms, and it is starting to get impossible to answer all their questionnaires, and we have not been able to do so. And we sort of do not know these consultant firms and which one of them makes a qualified analysis. (...) Some of them sometimes use the investor to get their analysis, and they might plead to a name of a specific investor." IRO2

"Some of these, or actually a large part of these SRI consultant firms fill their reports based on public information – web sites and annual reports. And we have not started to correct the mistakes they make, since it would mean continuous work. And we do not know how they sell the information further. In general, the best option for us would be to have the conversation directly with the investor." IRO2

Despite the somewhat doubtful attitude the IROs had towards the consultants, some IROs had understood the important role of these consultants in socially responsible investors' processes, and had begun to apply a different approach to them. The company of one IRO was already on quite a proactive path with SRI consultants, as they were even permitted to visit the company's factories as a basis for their analysis. Another IRO wondered whether SRI consultants should be trained more by the company. The quotation below shows the thoughts of this IRO.

"It might be that they do not understand, and we have not done our work to educate them about what we do, for example, from the environmental aspect. It is a challenge, that it (the report) is based on an e-mail you have to answer. It is a good question should we start training these consultants more proactively." IRO3

Even though issues regarding CSR might generally fall out of the scope of regular IR topics, both the IROs and the investors agreed that socially responsible investors generally contact the IR department first. From the investors' viewpoint the IR department is often the first contact, because IROs know with whom the investor should communicate with if not with them. However, in small companies where there are no IR departments, the first contact point can be directly the top management. From the IROs' perspective, IR department should be contacted first, so that they are aware of everything that happens in the investor community and are able to control the information that the company discloses to the capital market participants. However, all the IROs mentioned that they often resort to the help of sustainability, HR or environment experts. The quotations below display the thoughts of the IROs.

"I think it is very good that all contacts go through investor relations. And then we cooperate internally. If I am off the loop, I don't learn these things. And then again, our sustainability people don't know what is our normal policy with these investors. In my opinion, socially responsible investors should definitely be handled by investor relations." IRO4

"Most of the contacts come directly to our team, investor relations, and at that point we see if there is a special theme relating to that contact and then we selectively take people from our environmental or sustainability department with us. Sometimes they go so deep into details, that it is not our team's strongest expertise." IRO2

As all the four IROs felt that socially responsible investors differ from mainstream investors to some extent, they had given at least some thought to how this specific group of investors could be treated. In fact, two of the four IROs mentioned that their company participates or organizes SRI Road shows, which target especially socially responsible investors. One IRO mentioned that the focus of these Road Shows is entirely different than in mainstream Road Shows, which is highlighted in the following quote.

"I was not sure how I should be prepared, so I had all kinds of different material, related to both results and responsibility, but those investors, or their SRI experts were not interested in the results material at all. They had perhaps already looked those things somewhere else. But the conversations were about raw material purchases and their sustainability, about different procedures and how we take care of safety, and what sort of proof we have that things are improving. In this situation one is on quite thin ice with a typical mainstream investor approach." IRO1

Moreover, one IRO said that they are considering whether they should organise separate SRI Road Shows or not. This IRO had doubts on whether a separation of mainstream investors and socially responsible investors would be artificial, since basically, responsibility issues are attached to everything a company does. The quotation below describes the thoughts of this IRO.

"We are developing a clearer strategy, the idea of which is basically whether IR should treat socially responsible investors as a separate group. (...) The question sort of is if socially responsible investing is this special differentiating factor, which causes that socially responsible investors should be treated as their own target group. " IRO3

4.3 Shareholder engagement as a tool for influencing companies' behaviour

This section answers the third research question of the thesis.

R3: What is shareholder engagement (as perceived by the interviewed investors) and how does it work in practice?

The findings of this research question are mainly based on investor interviews, as the interviews with the IROs did not reveal that their companies would have been targets of engagement. However, as the issue was to some extent addressed with these IROs, the findings of these discussions are presented in subsection 4.3.3. This subsection is titled "Engagement with Finnish companies?" as all the IROs represented Finnish companies and the investors interviewed had specific comments about engagement with Finnish companies.

To sum up the findings for this research question, engagement processes are dialogues between the investor and a company, in which the investor tries to direct a company's behaviour relating to CSR. The findings indicated that although engagement processes can be done in various ways and compositions and of different motives, they tend to have certain characteristics, such as their resource-binding nature and the importance of personal relationships and trust. Furthermore, the findings suggested that there have not been any engagement processes with Finnish companies, but general CSR related discussion and guidance has existed.

The section is divided into three subsections. First, the essence of shareholder engagement is explored in subsection 4.3.1. Second, shareholder engagement processes and their outcomes are outlined in section 4.3.2. Third, engagement processes with Finnish companies are discussed in section 4.3.3.

4.3.1 The essence of shareholder engagement

The perceptions of the definition of engagement were quite similar among the investors, although they employed different wordings while describing it. It is worth noting that shareholder resolutions, which have historically been the most utilised shareholder engagement strategy in the US, were not mentioned as a part of engagement by any investor. The quotations below show how investors defined engagement.

"It means that the investor identifies an issue or a theme, which it sees as something that has a negative effect on the value of the company or the company's securities. Or there is a risk that it will have a negative effect. And the investor uses engagement – meaning active conversation and dialogue - to get the company to understand this issue and to change and improve its behaviour so that this risk won't be realised." Investor 1

"It is about how we make sure that business is done within the law and good practice, because that should be in the interest of the owner. And it is the interest of our clients, our asset managers and the company itself. Engagement process..or I would define it as active ownership, and it means that the power and freedom brought by ownership is used to direct a company's operations." Investor 2

"A company has a misconduct and one (investor) tries to fix it and improve the company's preparedness so that a corresponding incident would not take place again." Investor 4

The findings indicated that investors have engagement processes also with companies, which are not yet a part of their portfolio. The main reason for engaging with these companies appeared to be the investors' interest in an ownership in the company either at that moment or possibly later on. There were also other motives to engage with companies outside the investors' current portfolios, such as educating oneself or promoting a higher objective of improving the general business environment. These motives can be seen in the following quotations.

"We either a) see that our own expertise might develop regarding, for example, human rights, which might be useful later on or b) feel that the topic is interesting and good." Investor 1

"*If a company x does something somewhere, and its actions are questioned, and it changes its behaviour, the probability that it will have an effect on the entire sector is that big that the input is worth it."* Investor 5

In addition, it became evident that engagement can have different timings: either before something happens (proactive) or after something has already happened (reactive). It seemed that many investors see the proactive engagement approach slightly more difficult. First, it was seen as challenging to detect problems as they are still bubbling under. Second, it was mentioned that action should not be undertaken on light grounds and a claim about a potential threat should be thoroughly investigated before acting. Three of the five investors said that they do proactive engagement on some level, whereas two investors said that their focus is mainly on reactive engagement. Nevertheless, the manner in which one investor described proactive management lead to believe that other investors might do it as well, but potentially just use another term to describe it. The actions this investor brought up included general conversations with companies, different investor initiatives, such as the Carbon Disclosure project, and seminars. The following quotations show how this investor pictured proactive engagement activities:

"The problem is not that something dramatic would take place the next day, but rather in the long run." Investor 4

"There usually is a larger theme in the background. Climate change, naturally, and reporting practises in CDP (Carbon Disclosure Project). (...) There's this higher objective, which aims at getting companies to obey international norms and to report actions they have taken regarding these norms." Investor 4

As for the motives behind engagement processes, at least four can be brought up. First, making sure that business is done within laws and commonly approved policies seemed to be an important motivator for investors. Most of them stated in almost identical wordings that if the ownership is sold to someone else when a company has CSR related challenges, nothing will change and problems will keep on escalating. Second, many investors also mentioned financial motives. CSR problems do have a price, which can be fairly high, for example, in environmental accidents. By engaging, the investor can potentially prevent such accident from happening in the future. In addition, if an investor sold its shares right after an incident has taken place, the share price would probably be at a lower level and it would thus not be *financially* responsible to sell. Third, it was brought up that it is considerably easier to influence a company's actions when one is a current owner compared to if one was only a potential owner, because by selling the investor loses, for example, voting rights. Fourth, some investors pointed out that a company might otherwise be a very good investment, and an investor should not condemn it based on one factor. The following quotation summarizes the motives of many of these investors.

"A responsible owner does not sell. In principle, first you have to have a dialogue and make a difference." Investor 3

It became apparent that an engagement process requires a lot of resources. One of the most significant reasons for the resource-binding nature of engagement was revealed to be the amount of investigation work and expertise it requires. All the investors agreed that before contacting a company, the investor has to do its homework. Otherwise, the starting point for the engagement is not very good and the odds of succeeding in it can decrease. The following quotations highlight the importance of thorough investigation beforehand.

"If an investor starts a dialogue with a company, it has to know the industry the company is in. And the investor should have read the annual reports and get acquainted with the company. The investor cannot just go there and state what is wrong with the company. If that is your way of opening the conversation and your contribution to it, you cannot call it a dialogue. The worst thing you can do is skip your homework." Investor 1

"There's a requirement of expertise: if you start an engagement process, you have to know what you are doing. And we came to the conclusion that we do not have the resources to collect that expertise ourselves." Investor 5

Investors appeared to have two different strategies for solving challenges related to resources. The first strategy was to limit the amount of processes undertaken and decide on which cases to concentrate. In general, the probability of making a difference was seen as the most important factor when choosing which processes to start. In addition, some investors also mentioned the importance and size of their ownership as significant attributes. Even though many investors mentioned having engagements also with potential investment companies, the findings implied that in the first instance, engagement with current ownerships would however be the first priority if resources were scarce. The second strategy was outsourcing the engagement or teaming up with other investors. As mentioned in section 4.2, four out of five investors used SRI consultants and advisors in some part of the process. In addition to SRI consultants, asset managers were used for conducting engagement as well. All in all, it became obvious that the field of actors managing engagement processes is quite fragmented, and several different parties may be practising engagement on behalf and with investors. This issue is highlighted in the following quotation.

"We don't do all of our engagement processes alone. Yes, we do them on our own and in investor groups, but in addition we use an engagement service provider who manages engagement processes on our behalf. We also have a few asset managers, which have been selected not only because they are good asset managers, but also because they have a strong engagement strategy." Investor 1

The findings implied that in the past, opening a conversation with a company on its responsibility was perhaps more difficult, but these days companies are quite willing to discuss with investors and, investors, on the other hand, do not give up easily. However, one investor said that though their preference is in general to start an engagement, situations have to be considered case by case. If there are a lot of other engagements in progress, or some other investors are already discussing with the company with bad results, the investor can back out. In the end, one of the decisive factors in succeeding in the engagement seemed to be chemistry between the participants of the dialogue. Two investors used practically the exact same wording as they described the human aspect of engagement processes.

"Organizations don't discuss with organizations, it's people who discuss with people." Investor 1 and Investor 2

Furthermore, all the investors stressed that a relationship built on trust is essential for the engagement to succeed. Most investors had decided not to disclose virtually anything on the discussions and engagement they have with a company. Some investors also had a discrete approach to the confidential nature of engagement, but they had decided to report some basic facts or give examples of engagement processes, which are already publicly known. In general, trust was said to be important because otherwise the company might lose its willingness for discussion. The following quotation displays the considerations of an investor regarding the confidential nature of engagement.

"It is quite human that if someone feels pressured, the reaction is often either aggressive defence or silence and complete ignorance towards all contact. While on the

other hand, if a company feels that we are on the same side of the table, the willingness to discuss and receive critique is much better." Investor 1

4.3.2 The process of shareholder engagement

It became apparent that shareholder engagement processes can be done in different compositions. As mentioned in the previous subsection, investors can do them alone, with the help of an SRI consultancy or an asset manager, or by teaming up with other investors. All the five investors interviewed had quite different approaches towards managing an engagement process: two conducted engagement independently, two had outsourced it to SRI consultants or asset managers and one did not seem to have very official engagement processes. It has to be noted that these approaches may not be the only approaches these investors deploy, as many of the investors were implementing several approaches. In addition, one of the main approaches, using an asset manager for engagement, is not discussed, as it was not focused on in the interviews.

The findings showed that an engagement process is typically started after an SRI consultancy has scanned the investors' portfolios and found a company that has violated internationally acknowledged norms, such as the Global Compact, the ILO conventions or the OECD guidelines for multinational companies. Four out of five investors used this service provided by an SRI consultancy, which means that also the investors conducting engagement independently had outsourced some part of the process. As established in subsection 4.3.1, engagement processes are conducted also with companies outside investors' current portfolio, which implies that the portfolio scanning is not the only way to start the process. Especially the investors, who had outsourced engagement seemed to, in principle, participate in *all* engagement processes with companies that have verified norms violations via the SRI consultancy, regardless of whether the company is in their portfolio at that moment or not. Nonetheless, one of these investors mentioned that they do consider all the cases before participating in them, but that the consideration is a bit reverse as the following quotation shows.

"We almost consider them the other way around: Is there a reason for NOT participating in a certain engagement process?" Investor 5

It became evident that before starting the engagement, the investor should understand the situation and the context well. For the investors, who had outsourced the processes, the background work was done by the SRI consultant. Investors who handled engagement independently, attempted to develop an understanding of the situation by themselves. The following quotation displays how one investor saw the importance of understanding the background:

"It is in the essence of our process that first we have to understand the context: what has happened and how it is related to the company's business and how important this business is for them. Let's say there has been an accident at a certain factory: how important is this factory for their entire business? And it (context understanding) actually goes as far as what the ownership base of this company is and what it has been in the past." Investor 2

The findings implied that it is not the aim of the engagement to give companies detailed solutions to problems, or to present too formal or technical demands, but rather raise themes, initiate a conversation and coach the companies. One investor mentioned that their improvement suggestions are generally related to three things: 1) communication, 2) auditing by a third party and 3) publicly disclosed policies. First, the investor can ask the company to produce and report more data. Second, the investor can suggest that the company would have a third – objective – party to audit some of its processes. Third, the investor can propose that the company publicly discloses a policy, where it, for example, states its commitment to prevent corruption in its business. Moreover, another investor argued that it is vital to be careful in what one asks for, as the following quotation suggests.

"Let's say the topic would be, for example, child labour. The goal is not necessarily to eliminate child labour, as perverse as it sounds. In some cases, if the first thing you ask from a company is to eliminate child labour and the company agrees to do so, the end result may be even worse for those children." Investor 1

It appeared that engagement processes are somewhat structured. The investors with independent engagement processes mentioned that engagement typically progresses through certain steps, but that each process is also unique. It was brought up that how and when the steps are taken is very much dependent on the topic of the violation, on the company itself and on the situation at hand. In general, the first step after verifying the misconduct and doing the background work is a contact to the company. The last step is to verify that the misconduct has been corrected. In between, the investors mentioned meeting, calling and e-mailing with the company. The investors using an SRI consultancy brought up that the consultancy first sends companies letters with a list of investors involved in the engagement. After that, the investors assumed that the SRI consultancy waits for an answer and possible organises phone conferences or even meetings. Overall, these investors mentioned staying in the background and letting the consultancy manage the process on their behalf. The following quotations show how the investors saw their own role in the process.

"We want to know which companies are there (in the pool of engagements), and where the conversation is headed. But we do not have that sort of expertise that we could start commenting on the process in the middle of it. So we trust them and buy their expertise." Investor 5

"We use the consultancy precisely because we do not have time to sit in these meetings or go and meet these companies around the world." Investor 4

Even though the findings implied that it is usually not difficult to initiate a dialogue with a company, the process may not always go smoothly and fast to the desired end result: improved practices. In fact, it became evident that an engagement process hardly ever lasts less than 1,5 years, and some might last even four years. As reasons for the slow progress investors named factors such as lacking chemistry between the investor and the company representatives, the slow realization of major changes, and the fact that the processes are managed to the very end, so that it can be verified that the company really has improved the issue under discussion. The findings showed that to keep track of the progress of the engagement processes, investors monitor them on a regular basis. The investors using an SRI consultant for engagement mentioned receiving reports from the consultant regularly. Despite the typically long length of engagements, no investor admitted restricting the time spent on them, as one can never know when the much-waited change is around the corner. The quotation below highlights this idea.

"If we would set a time limit, it would be somewhat artificial be it two years, three years or five years. What if the 5-year time limit is soon reached and, for example, a local newspaper publishes a story, which awakens the management and they are enlightened. Should we then still sell (the ownership) although we see that now things are really starting to progress?" Investor 1

It became evident that selling of the ownership is not a desirable option for investors, and thus they do not quit an engagement easily. If there are problems and challenges with the process, investor can put the process on a hold or consider other ways to do it or other people to contact inside the company. The investors using an SRI consultant did not admit having quitted an engagement process, but the investors conducting the processes alone mentioned that there have been situations in which selling the ownership has been the only option. The quotation below displays how one investor felt about quitting the process.

"If engagement processes end so that we have to sell the security, I think it is a total failure and I have not succeeded in my job, since I have not been able to make the company understand my views." Investor 1

So far, the investors seemed somewhat satisfied with the results of engagement processes. Nonetheless, it was brought up that it is difficult to know what in the end has caused the desired change in the company behaviour. Furthermore, the figures of successful engagements were not particularly high yet, since these processes have not been conducted for a long time yet and they tend to last long. One investor argued that a too impressive success rate would actually insinuate that the cases they have taken have been too simple. In fact, this investor thought that they should be ambitious while deciding which engagements to embark on, and also take cases where there is a large possibility to fail.

4.3.3 Shareholder engagement with Finnish companies?

In trying to get a company perspective to engagement, it was also explored in the IRO interviews whether their companies had had a longer dialogue with an investor, which aimed at changing the company's CSR behaviour. As all the interviewed IROs represented Finnish companies and the investors, also being Finnish, had specific comments about engagement with Finnish companies, this subsection discusses findings related to Finnish companies and engagement.

None of the four IROs admitted, or recognised having been in an engagement process with an investor. However, many of the IROs had some sort of experience in socially responsible investors' guidance. The nature of this guidance seemed to be proactive, meaning that investors try to make sure that companies keep up the good work in corporate responsibility. In addition, the biggest development points appeared to be more related to communication than actual processes or operation. The following quotations highlight these experiences.

"They strive to direct companies, but on the other hand, we perform at their seminars as an example of how these things are done in our company. (...) They do not necessarily try to change our current behaviour, but rather direct us so that we don't start going in the wrong direction." IRO2

"I would say that the biggest changes have been in the way we communicate about these issues. We have taken a clearer, more open approach as far as it's possible." IRO1

"Maybe for us they (investor requests for change) have been more related to the fact that some of these socially responsible investors would like to have access to a lot of data." IRO3

In fact, it is not surprising that the IROs did not admit their companies having been subjects of a broader investor engagement, since the SRIs interviewed revealed that so far engagement processes have not been carried out with Finnish companies. In general, the investors perceived the relationships with Finnish companies as tight, and issues regarding corporate responsibility were seen to be discussed in good spirit. Also, the investors felt that the interaction with Finnish companies is mainly proactive, and the conversations were described as tentative, exploratory and clarifying rather than accusatory. The following quotations show how conversations with Finnish companies were described.

"With Finnish companies, we discuss their policies or if they are broadening their business somewhere or establishing a factory somewhere. It is much more proactive (compared to foreign companies)." Investor 2

"The dialogue is based on the fact that we are big owners and care about these things, not so much that there would be something wrong with the company." Investor 2

Furthermore, many investors were fairly discrete when the terms "Finnish companies" and "Engagement" were mentioned in relation to each other. It was apparent that maintaining trust with Finnish companies is important and investors are not willing to reveal anything that would somehow jeopardize their relationship with these companies. The quotation below displays the discreteness.

"Even though we have conversations with Finnish companies, we have not been eager to perceive them as engagement processes. Just because it can be considered like we condemn them as half criminal." Investor 1

4.4 Challenges and future development of CSR in IR and shareholder engagement

This section presents the findings for the fourth research question:

RQ4: What challenges are there in bringing CSR to IR and in shareholder engagement? How does their future development look like?

The findings for the fourth research question are to some extent based on both the IRO and the investor interviews. The challenges and future development of general CSR discussion in IR are discussed from IRO and investor perspective. However, the findings related to challenges and future development of shareholder engagement are only based on investor interviews. In short, according to the findings, there are some challenges related to CSR discussion in IR. The most relevant of these challenges seemed to be the way in how CSR messages should be framed to investors. In the future CSR in IR seems to be increasing, as both the IROs and investors felt so. Regarding challenges in engagement processes, perhaps the most significant one was related to their resource-binding nature. In the future, engagement processes were speculated to increase, as well as develop further.

First, the challenges and future development concerning implementing CSR in investor relations is examined in subsection 4.4.1. Second, the challenges and future of shareholder engagement is examined in subsection 4.4.2.

4.4.1 Challenges and future of implementing CSR in IR

The interviewed IROs' views on challenges relating CSR in IR cannot be generalized, as practically each IRO brought up a different challenge. As an example of these challenges at least the following were mentioned: the role of SRI consultants and the large amount of their questionnaires, the difficulty of measuring responsibility in indicators relevant for investors, the making of a decision on whether socially responsible investors should be treated separately and the framing of CSR messages for investor needs. The last challenge was also mentioned by many of the investors. The findings suggested that according to these investors, companies often employ quite a qualitative communication style as they communicate CSR, and for investors this is not relevant. The following quotations highlight how investors felt about companies' CSR communication in relation to their own needs.

"It would be important for us to get raw data separated from a more qualitative communication. And we have said to quite many companies that we agree on how they take care of these (CSR) things, and that we would appreciate if they could communicate about it rather by showing absolute facts than with this qualitative communication." Investor 2

"Some company reports are really good, but in some of them the important data from investors' perspective drowns in the marketing material and pretty pictures." Investor 1

The following quote shows why one IRO perceived it difficult to frame CSR messages to investor needs.

"The messages for investors differ, since we should always be able to tell about the financial implications. And maybe the challenge is that when things are done well, it is difficult to measure it in money and how much additional value it has created. On the other hand, if there is an environmental problem, one can immediately see how much it will cost the company." IRO2

As for the future development, all the IROs did see CSR topics as an area of interest for IR in the future. Some IROs felt that its importance would actually increase, and the quality and depth of conversations was expected to augment as investors' knowledge and expertise is constantly growing. From the investors' perspective, CSR discussions did not seem to be diminishing either, as practically all the investors interviewed felt that socially responsible investing is not going away. Both the IROs and the investors mentioned CSR possibly becoming more integrated to the financial side. The following quotations show what kind of integration they had in mind.

"Those (CSR) questions have to be asked all the time. I don't think it is enough if they are asked case by case, but I think that they should be an integrated part of questions asked from companies." Investor 4

"There are discussions on integrating responsibility reporting to normal financial reporting. But for that to happen normal auditing processes would have to change as well." IRO4

"I would hope that the portfolio managers, who in the end make the investment decisions, would also be aware of the views of their own experts. At the moment they seem sort of separate issues. With the SRI experts we discuss those (SRI) issues, and with the portfolio managers we discuss figures and profits etc. Somehow, in the long run they will come closer together." IRO1

There were divergent views on how general financial turbulence affects investor interest in CSR. Whereas one investor and one IRO felt that the bad financial situation does not diminish this interest, one IRO had the opposite feeling. These thoughts can be seen in the following quotations.

"After the (financial) crisis hit in 2007, the markets have been tough and difficult, and they (companies) need loan, they need capital. It is very important that IR is successful. They cannot afford to say "go home" in this market situation. (…) But they (companies) cannot afford..they have to keep their eyes open. If someone wants to know something, they have to answer." Investor 3

"Even though the financial situation is like this, there are big challenges with Europe's national economies, and banks are in danger of running out of money, you might think that these other themes would be more marginal. But at least I haven't got the feeling that corporate responsibility issues would be in anyway loosing their importance." IRO1

"When the economy is doing worse, these themes are less in the limelight. When the economy is better, then they pop up." IRO4

4.4.2 Challenges and future of shareholder engagement

As challenges of engagement processes the investors saw all kinds of issues. At least the following challenges were pointed out: the fact that the actors in the field of engagement are very separated, which makes it difficult to join forces for a larger impact, the individual nature of engagement processes, which makes it hard to apply the lessons learned in one engagement process to another case, and the amount of expertise and knowledge each engagement requires. The latter challenge leads to resource challenges, which were mentioned by most of the investors.

There were a number of reasons why the investors saw the resource-binding nature of the engagement as a challenge. First, because of resource limitations not all engagement processes can be undertaken. Second, a free-rider challenge was brought up: only some investors sacrifice their resources, but all the other investors get the benefits for free. Nonetheless, the investors did not let the free-rider problem affect their actions, since they themselves could also benefit from someone else's actions and also, if everyone would be concerned of the free-rider challenge, no one would do anything. Third, it was mentioned to be challenging to measure the results of the engagements, which makes it more difficult to justify the resources used. Nonetheless, in the end one investor was of the opinion that it is to a certain extent actually a good thing that the resources are limited, because it leads to a wiser use of them. This thought is highlighted in the following quote.

"I am not eager to complain that we have too little resources for engagement, because there is the risk that we would start undertaking too many engagement processes, and the benefits would be minimal or even negative. We cannot change the entire world. We try to do it piece by piece. Every once in a while the idealist in me pops out, but I have to realise that not everything is possible." Investor 1

One investor also brought up a legal challenge related to public limited companies' disclosure requirements: How far can a company go in its conversations with one investor without violating the disclosure standards set by the Securities Act? After all, the Securities Act requires companies to report all material information that might affect their market value to all the participants in the market at the same time. The quotation below displays this idea.

"Let's say we would start a dialogue with a company, in which we are the majority shareholder. If you think of the situation in relation to other shareholders, at which point we would know something about the company they do not know? When this "something" in the end has some kind of effect on the value of the security. Although it's (engagement) a good thing, one can go out of the frying pan in to the fire, and then one has to face an entirely different set of challenges." Investor 5

In general, most investors interviewed felt that the focus of responsible investing is moving from avoiding and selling dissatisfactory companies more towards dialogue and interaction. The investors also had views on how the essence of engagement processes would change in the future. First, some investors felt that the role of SRI consultants would perhaps grow even larger and they would manage more engagement processes on behalf of investors. These investors mentioned that since the consultants have acquired much special expertise, it would be resourcewise more effective to use them than manage engagement processes on their own. Second, the focus of the engagement processes was speculated to move from reactive engagement processes more towards proactive engagement processes. Third, one investor felt that in a more distant future investors would start to focus on a larger picture, such as structural problems of certain industries, instead of concentrating on challenges individual companies are facing. The quotation below shows the thoughts the investor had on this development.

"The participants in the industry of socially responsible investing have not yet joined their forces in a way that we could notice and say "wait a minute, all these companies (of a certain industry) have the exact same systematic problem. And those problems you cannot change in a company-specific dialogue, but they will have to be changed through legislation or regulations or so forth. I think we are headed that way though." Investor 2

The UN principles for responsible investors, UNPRI, were also seen to have a role in shaping the future development of engagement. It was mentioned that from 2013 onwards every signatory of the principles has to start reporting on the engagement processes they have had. The reporting requirements will cover at least the number of companies the investors have met, the topics they have discussed, and whether they have done the process alone or with other investors. Furthermore, it was also brought up that there have even been discussions on whether the success of these processes should be somehow rated. However, one investor was strongly opposed rating the success of engagement processes, because she felt that it would lead to lower level of ambition while choosing which engagements to take on. The following quotation highlights the thinking of this investor.

"It could lead to choosing easier engagements and decreasing the overall amount of engagements to score better success rates. And it would mean that those engagements, which really should be undertaken, would be left out." Investor 1

As discussed in subsection 4.3.3, the findings suggested that so far there have not been any engagement processes with Finnish companies – at least the interviewed investors were under that impression. The findings suggested that the situation could change anytime, as it was revealed that every once in a while Finnish companies are suspected of violations, which could require an engagement process. Even though the investors did not rule out the possibility of an engagement process with a Finnish company if the situation required it, many investors felt that the process would perhaps be done a bit differently than with foreign companies. As one difference, the investors mentioned that engagement processes with Finnish companies could be even more confidential than with foreign companies. Another difference was suggested to be the easier nature of these engagements. The easiness was speculated to derive from the familiarity of both the company and the context it operates in.

5 DISCUSSION

This chapter discusses the main findings of the present research and connects them to the previous literature reviewed in Chapter 2. However, it has to be noted that there are some findings that were not discussed in the previous literature and thus came as a surprise for the present researcher. Even though the more surprising findings cannot necessarily be connected to previous research, their novelty value is deemed large enough to discuss them in the present chapter.

The findings supported the view of previous literature by suggesting that IR is not only about numbers anymore. CSR issues are slowly emerging to investor relations, as they are nowadays a part of companies' business and strategy. Indeed, Fieseler et al. (2008, p. 16) also argued that in order for CSR communication towards financial markets participants to be successful, it should be integral to a company's strategy and equity story. Furthermore, CSR communication between investors and companies is mostly two-way as the theoretical framework depicts it, and companies are not necessarily always the initiators of these conversations. In the end, if corporate social responsibility is discussed in investor relations it needs to be in the interest of both the investors and the company. However, the findings of the study suggest that so far CSR has mainly been in the interest of a small group of socially responsible investors, and mainstream investors have mostly been interested in financials. This may be one reason for why CSR issues are not yet discussed more in IR, as Fieseler et al. (2008, p. 4) claim that for CSR to become an important topic in IR, also mainstream investors need to be interested in it.

The findings suggested that companies are looking at CSR from a positive angle and attempt to frame it as a profitable opportunity. This finding supports the idea of Fieseler et al. (2008, p.16), who argue that one of the ways for IR to carry out a successful CSR communication to financial markets participants is to frame CSR as something else than a cost, a constraint or a charitable deed. However, investors do not seem to be quite there yet, since for them CSR still appears to be something they consider from a risk perspective. In other words, investors tend to be focused on the current or upcoming problems related to CSR and overlook the potential opportunities. Consequently, it may well be that companies are not that motivated to discuss CSR with investors, if investors only focus on the negative side of it. Thus, the risk viewpoint many investors take may be one reason for the still quite low-key CSR talk in IR.

The findings showed that it is usually the CEO, the CFO or the IRO who talks about CSR issues to investors in investor events. However, IROs seem to be the primary contact when investors have questions or comments related to CSR. Not surprisingly, it was brough up that departments or managers responsible for certain areas of CSR are very often a part of the conversation somehow, either by prepping the top management before they speak or by taking a stand themselves. This finding is consistent with Hockerts and Moir (2004, p.91), who also suggested that the emergence of CSR to IR brings investor relations closer to other departments of the firm. Furthermore, the finding supports the assumption of the theoretical framework, which suggested that while IR may be the primary party in the CSR discussion with investors, it is often supported by other internal parties.

Interestingly, it became evident that some investors are not quite impressed with top management's skills in communicating CSR. This finding raises a question on who would be the most suitable person for CSR discussion with investors. On one hand, top management, which is acquainted with IR jargon, knows what investors expect, but on the other hand, they are not necessarily experts in CSR, which can make them lack plausibility. In turn, CSR experts may know how to discuss CSR but do they now how to do it in a way that speaks to investors? In the end, it seems that in the ideal situation CSR is so deeply rooted in everything a company does that it is natural for all departments and employees to discuss it regardless of the stakeholder group addressed.

On the investor side, the findings suggested that the main participants in the CSR discussion seem to be the SRIs, as mainstream investors are still quite modestly interested in issues beyond financial figures. Even though the theoretical framework assumed that the whole stakeholder universe would somehow affect CSR discussions between investors and companies, the findings did not support this view, at least explicitly. Moreover, this implies that the view of Hockerts and Moir (2004) was not supported, as they claimed that the interaction with socially responsible investors would broaden IR constituencies to other stakeholder groups (2004, p. 91). Implicitly, however, it seems that other stakeholder groups are influenced as well, since even though the investors may be driven by selfish motives, they have an impact on the other members in the stakeholder universe at the same time.

Surprisingly, it became evident that SRI consultancies and advisories have a significant role in the processes of socially responsible investors. The researcher found the role to be that considerable that one could easily call SRI consultancies the "third wheel" in the relationship between SRIs and IR departments in CSR discussion. These SRI consultancies offer a variety of services for investors ranging from gathering information to replacing the investor in a conversation with companies. As a result, it seems evident that the consultancies and their services are of great importance for investors. What made this finding particularly interesting was the fact that the present researcher encountered very few mentions of consultants in the previous literature reviewed.

Despite the significant role SRI consultants seem to play for socially responsible investors, it was apparent that many IROs have a somewhat doubtful attitude towards them for various reasons. First, there are dozens of different consultancies these days and the IROs are not familiar with them. Second, the main ways by which the consultancies approach the companies are questionnaires sent by e-mail. The questionnaires are long and there are a lot of them, which causes resource challenges for IR. Third, sometimes the consultancies plead to investor names to get their answers, which may be uncomfortable for the IROs. All in all, it seems that many IROs either do not know how to deal with consultants or they simply would rather deal directly with investors. This finding appears to insinuate that the relationship between the investors and the companies is not something that can be outsourced. Consequently, this triangle of IR – SRI consultancy – SRIs raises a question: If IROs are not as eager to answer the questions and requests of the consultants as they would be if it was the investor asking them, can the investors really trust the quality of these consultancies' services?

Even though the IROs appeared to have a somewhat doubtful attitude towards SRI consultancies, the findings implied that the SRIs themselves are nowadays treated well and they are as important of a constituency group to IR as any other. Nonetheless, the findings suggested that they do differ from other investors to some extent. First, SRIs seem to be quite thorough as they search for attractive investment opportunities. As Tuominen's (1997, p. 51) framework for investor relations suggests, attraction is one of the three most important bonds that promotes the investor-company relationship. Second, the SRIs require a lot of openness from the companies. This finding can also be related to one bond in Tuominen's model (1997, p. 51), that is trust. The SRIs need facts and data about CSR in order to count on the company's CSR actions. As attraction and trust are, according to Tuominen (1997, p. 51), bonds that enhance investor commitment, it could be argued that SRIs develop a more committed relationship to companies compared to other investors. Third, the findings suggest that the SRIs are fairly concentrated on CSR topics. These topics vary a lot depending on the company in question, but in general, it seems that social topics, such as employee or human rights, are on the agenda at the present moment.

For IROs the specific nature of SRIs poses a question: Should the SRIs be treated as a separate constituency group? Some of the companies were already organising separate Road Shows for socially responsible investors and some were considering it. The author of the present thesis sees at least three reasons that contest against this sort of categorization and separation. First, when CSR is discussed in investor events, where there are all sorts investors, it is a learning opportunity for the company as well as for the mainstream investors. By bringing CSR topics to normal IR interaction the company's top management may become more natural in discussing it and mainstream investors may become more acquainted with it. Second, since the findings of the study suggested that CSR is an integral part of the business, it seems natural that it would be discussed with all investors. If CSR is discussed to a broader extent only with SRIs, doesn't it imply the opposite? Finally, investors themselves did not mention a desire to be treated differently than any other investor. In fact, it can be argued that the limitation of CSR talk to socially responsible investors is somewhat against to the UNPRI, The UN Principles of Responsible investing, according to which many SRIs live by. One of the principles states *"We will promote acceptance and implementation of the Principles within the investment industry."* If CSR is discussed in the presence of mainstream investors, the abovementioned principle is also fulfilled to some extent since responsibility is brought to the IR discussion and in that way promoted.

Whatever companies decide about the SRIs/mainstream investors -separation, there is no denying that the most in-depth CSR discussions are usually one-on-ones. These conversations take place especially when socially responsible investors feel there is a challenge or a risk related to a company's CSR. The findings suggested that these dialogues are often called engagement processes, and they were described as processes in which the investor tries to guide the company to the right direction (concerning CSR issues). As not even one investor mentioned using shareholder resolutions as primary tools of impact, the findings were consistent with Vandekerkhove et al. (2007, p. 404) who suggested that European investors are more inclined towards dialogue with the company when trying to make an impact.

The findings suggested that there are various ways of conducting engagement. First, it became evident that many investors also engage with companies, which are only potential investments - in other words, not in their portfolio at that moment. This finding was to some extent in contradiction with the theoretical framework, which assumed that for engagement to take place, there needs to be attraction, trust and commitment between investors and companies. Since engagement can take place also with potential investments, this finding seems to imply that attraction alone can be a sufficient bond. On the other hand, this finding supported the view of Macleod (2009, p. 78) who argues that large institutional investors have power also through the shares that they could own but do not own yet. Second, the findings pointed out that in addition to reacting on risks that have already realized, investors also engage with companies beforehand. These processes can be called proactive engagement, and as an example, Carbon Disclosure, an investor initiative to drive companies to reduce, for example, greenhouse gas emissions was mentioned.

On the base of the findings, there are several motivations that seem to drive investors to engage. First, the findings showed that most investors seem to think of engagement as their responsibility, which aims at preventing a company's CSR problems grow larger. Comparing to the model of Girard and Sobzcak (2012, p.18), this motive can be categorized as engagement to the company and to CSR. Second, the findings pointed out that some investors do not want to judge company based on one factor (CSR) if it is a good investment from every other aspect. Applying the model of Girard and Sobzcak (2012, p.18) again, this motive can be categorized as commitment to the company. Third, purely financial motives were mentioned as well, such as contemplating on if it is financially responsible to sell when risks have realized and the stock has plummeted, or is it more responsible to stay and try to improve the valuation. The financial motive is consistent with the views of SRI critics such as Richardson (2009, p. 555), who claims that SRIs tend to consider ESG issues only when they are financially material. In fact, it has to be noted that even though the findings suggested that all of the investors are genuinely interested also in improving companies' CSR, financial and risk management motives are present in all of the ideologies to some extent.

Motivation for the process is surely needed, as the findings indicated that engagement processes are quite resource-binding, to which the author of the thesis sees two main reasons. First, the findings were consistent with Logsdon's and Van Buren's (2009, p. 356) claim about the long length of these processes. It was discovered that it can take even several years before an engagement process is verifiably completed. Second, it became evident that substantial amount of expertise and background work is required from the investor side, especially before an engagement process is started, but likely also during it. Investors seemed to have different ways of responding to the resource challenge, but the most significant one seemed to be teaming up with other investors or using the services of an SRI consultant or an asset manager. The role of the consultants appeared to be quite large also in engagement processes, as some investors handled these processes mainly through consultants. Hebb (2008, p. 3) suggests that investor coalitions are one way of making engagement processes more profitable measured against their costs, but to the author of the thesis it seems evident that the matter is not as black and white as it seems. In fact, it seems that investors might be engaging with the same company and about the same issue in different coalitions, which is not a better use of resources but a double use of resources.

In addition to the resource-binding nature of engagement, the findings also indicated that there are two other attributes that are characteristic for many engagement processes: trust and personal relationships. Regarding the importance of trust, for the most part the engagement processes seemed to be entirely confidential, but in some cases some basic information is revealed. This finding supports the views of Logsdon and Van Buren III (2009) and Mallin (2011), who also note that engagement processes often take place behind closed doors. Concerning the role of personal relationships, it was pointed out by some investors that sometimes the conversation might not function with some people, and things start to progress as another person gets involved. Similarly, Logsdon and Van Buren III (2009, p. 360 – 361) suggest that finding allies within the companies is recommendable. As the theoretical framework assumed that in engagement processes motivation, capacity and flexibility and communication are needed, some sort of refinement to it would be in order. As a conclusion of the findings discovered, the final three factors impacting on the success of an engagement would be resources, trust and personal relationships.

It became evident that CSR in investor relations is still a developing phenomenon and especially shareholder engagement has matured neither conceptually nor process wise. As one of the main challenges of CSR in IR both the IROs and the investors saw the way in which CSR messages are conveyed to investors. From the investor perspective, companies' CSR messages are often quite qualitative, but from the company perspective it is not always easy discuss CSR in relation to its financial implications. This finding is in conformity with Fieseler et al. (2008, p. 1) who point out that presenting CSR topics to financial market participants is a common problem, since investors' views on CSR often differ from those of other stakeholders. With regard to shareholder engagement, the findings suggested that the biggest problems are related to the resource-binding nature of the engagement processes.

As for the future development of CSR in IR and shareholder engagement, neither was seen to be diminishing. Both the IROs and the investors speculated that CSR would become more integrated to normal financial analysis and communication than before. Shareholder engagement, on the other hand, was believed to increase, as more and more investors would choose the tactic of influencing over selling as problems arise. Furthermore, it seems that engagement processes would be to some extent more analyzed and discussed than before, since UNPRI (The organization of UN Principles of Responsible investing) was mentioned to consider requiring investors to report on their engagements more explicitly.

One of the most significant discoveries of the study was that the investors are under the impression that there has not been any engagement processes with Finnish companies to date. The findings suggested that this situation could change any day now, as every once in a while also Finnish companies are suspected of norms violations. The moment for a first Finnish engagement process could be speculated to be close, as at the time of this study, a Finnish mining company was accused of severe environmental problems. The head of responsible investments of a large Finnish pension fund commented on the topic as follows:

"If a company cannot live up to our standards, we aim to influence it rather then sell the securities immediately." (Helsingin Sanomat, 2012)

According to the findings, if Finnish companies would be targets of such processes investors would handle the processes a bit differently. First of all, these engagement processes would be handled with even more discreteness, if possible. Second, the nature of these engagement processes would be a bit different since the companies would be familiar to the investors.

6 CONCLUSIONS

This chapter summarizes the research process and presents the main findings and practical implications of the study. In addition, the chapter elaborates on the limitations of this study and suggests some avenues for further research.

6.1 Research summary

The objective of the present research was to study CSR in investor relations with a focus on the interaction between socially responsible investors and IR and shareholder engagement as a tool for influencing companies' CSR. This research objective was approached by the following four research questions:

RQ1: How is CSR present in IR?
RQ2: How do socially responsible investors and IR interact with each other?
RQ3: What is shareholder engagement (as perceived by the interviewed investors) and how does it work in practice?
RQ4: What challenges are there in bringing CSR to IR and in shareholder engagement? How does their future development look like?

These research questions were studied using a qualitative research design and the data were collected via semi-structured interviews. During summer 2012 in total nine interviews were conducted, four of which were with IROs of large Finnish public limited companies and five with large Finnish institutional investors categorized as socially responsible investors. All the interviewees were carefully selected based on publicly available information on the companies they represent. In addition, some interviewees suggested other people who could be interviewed, a method also known as snowballing (e.g. Saunders et al., 2009, p. 240). All the interviews were conducted face-to-face in the interviewee companies' premises, and the language of the interviews was Finnish. The interviews were transcribed within a few days after being conducted, and quotations presented in Chapter 4 were carefully translated to English by the researcher.

The literature review of this thesis was divided into three sections, which examined previous research in the fields of corporate communication, business ethics and management. The first section discussed previous research in the field of investor relations. Investor relations was approached especially from a relationship viewpoint and its changing nature of discussing also non-financial topics was studied. The second section concentrated on socially responsible investors. In this section, the motivations and strategies of this specific investor group were studied. In addition, the implications they may have on the IR function were briefly discussed. The third section focused on stakeholders as corporate legitimizers, and had an extra focus on shareholder engagement. After examining these three areas, a theoretical framework was established. The main building block in the theoretical frameworks was Tuominen's (1997, p. 51) model for investor relations. This model was modified to better fit the objectives of this thesis, and it was complemented with research by Greenwood (2007), Girard and Sobzcak (2012), Lawrence (2002), Logsdon & Van Buren III (2009) and Collier (as cited in Vandekerckhove et al. 2007).

6.2 Main findings

The main findings of the study are presented below in the order of the four research questions. In short, the main findings suggest that 1) CSR is slowly emerging into investor relations 2) the interaction between socially responsible investors and IR differs from typical IR interaction and 3) investors have interest and potential to change company behaviour by engagement, which can be done in different ways and compositions 4) CSR dialogues with investors are increasing, yet still developing. These findings will now be further discussed.

It became evident that CSR topics are discussed in IR, since CSR is an integral part of companies' business these days. According to the findings, CEO, CFO and IRO are the main communicators of companies' CSR to investors, but it appears that managers responsible for certain areas of CSR are often somehow involved in the process. Interestingly, it seems that some investors think companies' top management could use training in discussing CSR topics with investors. The findings suggested that while companies and IROs would like to discuss the opportunities and possibilities their corporate social responsibility brings, many investors look at CSR from a risk perspective.

The findings of the study implied that mainstream investors are still not very interested in CSR, which means that socially responsible investors stand out from the crowd. Socially responsible investors are a distinctive investor group, and the IROs interviewed were thus either already addressing or considering addressing them differently, for example, by organising separate SRI Road Shows. The findings also showed that SRIs are quite thorough in their processes especially when they are considering making an investment, and they require a lot of openness from companies. In addition, after the investment has been made, SRIs follow companies' actions closely. One of the most important findings of the study was the role SRI consultants play in the relationship between companies and SRIs. Interestingly, the findings suggested that while for SRIs these consultants are an important service provider, IROs do not necessarily know how to interact with them.

The findings suggested that socially responsible investors are trying to influence companies' CSR behaviour by engaging with them. Investors' motives for engagement are related to both financial and ethical aspects. There are different ways of exercising engagement, such as either engaging when something has already happened or by engaging beforehand. From these two approaches, the former, also called reactive engagement, seemed to be the more used strategy. In addition, the findings showed that engagement processes are not limited to current ownerships, but investors also have them with potential ownerships. Furthermore, the findings implied that engagement processes are done in different compositions. Some investors do engagement on their own, some team up with other investors, some use asset managers and some resort to the help of SRI consultants. As two of the interviewed investors did engagement solely via SRI consultants, and in total four investors used SRI consultants in some part of the process, it became evident that SRI consultants have quite a large role also in engagement.

Even though the findings suggested that engagement processes can hardly be characterised with one word, there seem to be, however, some common denominators in all of them. The findings supported the view of previous research (e.g. Logsdon & Van Buren III 2009) on the confidential nature of engagement. In other words, trust was stressed to be a very important factor. The findings also showed that as engagement is a dialogue between people, not organisations, personal relationships are important. Finally, the findings pointed out that engagement requires quite a lot of resources, especially because extensive background work has to be done, and also because the processes take quite long to complete.

As CSR in IR and shareholder engagement are still developing phenomena, the findings suggested that there are some challenges related to them. First, CSR is often difficult to frame to investors since the financial implications of it should be addressed. Second, shareholder engagement seems to be challenged by resource-related issues. The findings suggested that both CSR in IR and shareholder engagement would, however, increase in the future. In addition, both were somewhat expected to progress; the findings suggested that CSR could become more integrated to financials and shareholder engagement would be analysed and measured to a larger extent. With regard to shareholder engagement, a potential future turn could also be an engagement process with a Finnish company. To date, the findings suggested that there had not been any, but the situation could be expected to change at any time.

6.3 Implications and recommendations

This section introduces the practical implications of this study and gives recommendations for both companies and their IROs and for socially responsible investors. For clarity's sake, these two groups are discussed in separate subsections, so that subsection 6.3.1 first presents the implications and recommendations for companies and their IROs and subsection 6.3.2 does the same for SRIs.

6.3.1 Practical implications for companies

This subsection discusses the practical implications of the present study for companies and their IROs and aims to give them recommendations.

It seems that companies have already realised that if CSR is important in their business it should be communicated to investors as well. At the moment it appears that many companies and their IROs are waiting for investors to become more interested in CSR and them to start asking questions, but it seems that it should also be the other way around: If CSR matters to companies, they should bring it up. Otherwise investors may not think that it is relevant. However, when communicating CSR to investors, companies should keep in mind that CSR messages to investors have to differ from messages to other stakeholders. As for the most suitable communicator of CSR to investors, the author of the thesis suggests that it should be the same person who also discusses more typical IR topics with investors. CSR should not be made a separate topic in IR if companies and IROs wish to make it relevant.

Furthermore, integration is the key word also when IROs consider whether they should treat socially responsible investors as a separate group. On the basis of the findings it can be recommended that socially responsible investors should not be isolated from mainstream investors by organising them separate Road Shows. Bringing mainstream investors and SRIs together and addressing them both at the same time does not only save companies' resources, but more importantly, it increases mainstream investors' awareness and possibly also interest in CSR. Moreover, by not making a clear cut division between socially responsible investors and mainstream investors companies indicate to the capital market participants that CSR is not a "soft topic", but something that affects their bottom line.

As the findings suggested that SRI consultants have a large role in investors' processes, it can be argued that companies should not undermine or neglect these consultants. In fact, companies and their IROs should bear in mind that there is always an investor behind the consultant. By serving the consultant poorly, it may even cost the company an investor. Moreover, the findings seemed to indicate that companies could consider a more proactive approach when handling the consultants. It appears that the current main channel for IR – consultant communication, questionnaires via e-mail, leaves room for misinterpretations and does not necessarily give a very comprehensive picture of the company or its CSR performance. Therefore, it is recommendable, that IROs also offer consultants a possibility to face-to-face communication.

Finally, although the findings suggested that at the time of the research interviews Finnish companies had been spared from investors' engagement processes, it is quite likely that the situation will change at some point. It would seem that companies should be aware of that, and if investors are willing to start a dialogue, it is in the company's best interest to cooperate. Nonetheless, on the basis of the findings and the previous literature reviewed, it seems that IROs should set principles for how detailed conversations they can have with a single investor without breaking the laws and regulations concerning fair disclosure (see pp. 14-15).

6.3.2 Practical implications for socially responsible investors

This subsection presents the practical implications the present study has to socially responsible investors and attempts to give them recommendations.

It seems reasonable that if socially responsible investors wish that CSR would be discussed more and better in IR, they should let companies know it more explicitly. In addition to raising CSR topics in one-on-one meetings with IROs and top management, they should bring up CSR also in events where mainstream investors are present. This would be one way of raising awareness about CSR. After all, as mentioned in the literature review and also in Chapter 5, one principle of UNPRI, the UN principles of responsible investing, states the following: *"We will promote acceptance and implementation of the Principles within the investment industry*.". To the author of the thesis this insinuates that socially responsible investors are expected to discuss responsible investing openly to get other investors interested in it as well.

As the findings clearly implied that companies are not necessarily motivated to handle requests from SRI consultants, the reliability of these consultants' services is in danger. Investors could improve the companies' attitudes towards SRI consultants by being open about which consultant they use. Investors should thus reveal the consultants' names and also make sure that the IROs understand the important role these consultants have. If investors make it clear to companies that the information the consultants provide for them may have implications on their investment decisions or other procedures, it is unlikely that the companies would still keep on dismissing the consultants.

As for the engagement processes, it seems that the investors could organise their resources more wisely. The findings suggested that engagement processes are done in various compositions and one investor may be influencing a single company in many different teams. Companies, on the other hand, can be assumed to receive requests for dialogue from multiple directions. It would appear a wiser use of resources for the investors and less oppressive for the company if investors would do the teaming up in a more organised manner. In fact, there are attempts to do so, as the PRI Engagement Clearinghouse was established in 2006 to "*provide signatories with a collaborative forum that can transform one voice into the voice of many.*

The findings did not give any indication that investors would involve other stakeholders in their engagement processes. However, the author of the thesis would see it somewhat natural that other stakeholders would be involved as well, as companies' CSR performance has effects precisely on them. For example, NGOs could be expected to be delighted to offer their help in guiding companies to a more responsible direction, as they themselves may have more difficulties in accessing companies' top management.

On the basis of the findings, it could be suggested that investors should talk about their engagement processes more openly. Even though confidentiality between the company and the investor is of utmost importance, it is recommendable that investors would share some basic facts about their engagement processes. The reason for this recommendation is two-fold. First, it would raise awareness of engagement processes and increase the knowledge on what kind of CSR offenses can initiate engagement. This increased awareness might work as some kind of deterrent for companies and make them deliberate their actions carefully even before something happens. Second, as has been noted, the scarcity of publicly available information on engagement processes has caused limitations for this study. Thus, it seems plausible that by being more open about their engagement processes, the investors could contribute to the research of the topic.

6.4 Limitations

This section discusses the limitations of the study, which should be borne in mind while contemplating on the findings presented in Chapter 4 and the recommendations given in the previous section of this chapter. The author of this study sees four main limitations: the unexplored nature of the topic, the lack of two major viewpoints – the SRI consultants' perspective and the company's perspective for engagement –, the study's focus on the Finnish capital market and the fact that the data collection cannot be claimed to have achieved saturation. Most of these limitations concern especially the part of the study related to engagement processes.

First, as especially the engagement part of the research was a fairly new topic, there was very scarce amount of previous literature on it. Furthermore, it seems that even if it has been studied internationally, the Finnish market has not been studied. As a result, the lack of established concepts and prior information of the phenomenon might have had implications on the trustworthiness of the findings. Indeed, it is possible that the researcher has misinterpreted the interviewees at some point. The fact that there was such little previous information made the data collection process quite erratic. In other words, in the end the interviews differed from one another quite heavily, since surprises experienced in the middle of the interviews made it necessary to reconsider the relevance of some interview themes and come up with new sorts of questions.

Second, the research did not include the viewpoint of SRI consultants nor did it look at engagement from the company point of view. Not to cover SRI consultants was a deliberate decision, as they did not fit the scope of the present thesis. After all, the aim of this study was to research the interaction precisely between IR and investors. On the other hand, the company perspective would have fitted the study perfectly, but the absence of this viewpoint was dictated by constraint: the author of the thesis simply did not know which companies have been "targets" of engagement and thus potential sources of data. In fact, as the findings suggested that no Finnish companies have been targets of engagement processes to date, it would have been fairly difficult to get a company perspective. After all, this would have meant broadening the study abroad, which would have been difficult to organise from practical perspective. This leads to the next limitation: restriction to Finnish capital market.

Third, as mentioned above, the study was restricted to Finnish interviewees. This poses a few limitations, of which the most important ones are the specific characteristics of the Finnish capital market and the recognizability of the interviewees. To begin with, the findings only depict the current state of the phenomena in Finnish market, which is undeniably quite small and often behind development compared to other, larger countries. In fact, an article by Rapeli (Arvopaperi, 2012) argued that Finland is lagging behind other Nordic companies as well as European companies in responsible investing. Thus, perhaps a study on the Finnish market does not give the most fruitful findings on socially responsible investing at this point.

The recognizability challenge had an affect on the presentation of both interviewee groups, since it made it difficult to give more background information about the interviewees and elaborate on how such information impacted their answers. As a result, the findings could not be contemplated on as deeply as the author of the thesis would have wanted. With the IRO interviews recognisability was a threat, since in a small country such as Finland, even the industry of a company can be enough to enhance recognition. From the perspective of the investors, the recognizability factor was even more relevant, since due to the small number of socially responsible investors in Finland, it is possible that they can identify each other from the findings despite the limited amount of background information revealed. As a result, there is a possibility that the recognizability has had an effect on how the interviewees answered. This dilemma falls into the category of social desirability bias, which means that the interviewee gives answers that he/she thinks are socially acceptable (e.g. Wrench et al., 2008, p. 207).

Finally, the fourth main limitation is that the data cannot be claimed to have achieved saturation, at least not concerning the third research question about shareholder engagement. According to Saunders et al. (2009, p. 235), data saturation refers to the point after which additional data provides only few if any new insights. As there were various views on the process of engagement, the author of the thesis did not reach the point in which answers would have started to replicate other answers.

6.5 Suggestions for further research

As the topic of the present thesis, CSR in investor relations, with as special focus on socially responsible investor – investor relations interaction and shareholder engagement, is fairly unexplored at the moment, there would be various ways to research it further. In this section, three of the most important recommendations for further research are presented. First, engagement should be researched from the point of view of companies in addition to investor perspective. Second, the role of SRI consultants in the interaction between investors and IR would benefit from further examination. Third, a corresponding study should be undertaken in a few years time.

Firstly, the present study was not able to cover the company perspective to engagement processes. Since the findings of this study suggested that engagement is a dialogue, where personal relationships play a key role, it would be interesting to see how companies perceive these dialogues. The author of this thesis recommends that further studies would take a case-study approach, and look at one or two engagement processes from both participants' perspective. As the findings indicated that one of the key factors in engagement processes is personal relationships, the case-study approach would be a relevant method for exploring the topic thoroughly from the perspective of one relationship. However, as the findings implied, the confidential nature of engagement processes might stand as an obstacle for this research recommendation. Nonetheless, it may be that confidentiality is especially a characteristic of Finnish capital market, and there are other countries in which the names of companies targeted for engagement are more publicly available.

Secondly, as the findings suggested that SRI consultants have a large role in the relationship between investors and investor relations, the consultant viewpoint would definitely benefit from further research. Especially since there seemed to be some sort of discord on how companies relate to these consultants and how investors value them. For investors they are a vital source of information and a provider of important services and for companies they often appear as irritating gadflies. As it became evident that the SRI consultants are largely involved in SRI – IR processes, it was considered whether two consultants would have been interviewed in this study. In the end, the researcher decided not to involve the consultants, as they would not have quite fitted the scope of this study.

Finally, as interaction between socially responsible investors and IR, and especially engagement, are still developing phenomena, the topic should be researched again in a few years time. At that point, it would probably be clearer how CSR topics are discussed in IR, and if mainstream investors are already more interested in CSR or if SRIs are still treated as a separate constituency. Furthermore, especially the field of engagement processes would benefit from a similar research in a few years. By then there would be more engagement processes undertaken, and there would be more information about the results they can produce.

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APPENDICES

Appendix 1. Interview themes for IROs

Theme 1: CSR in IR

- most important channel for CSR communication
- responsibility as a part of IR
- investor interest in responsibility
- SRIs as a investor group
- Communicator of responsibility to investors

Theme 2: Interaction with SRIs

- contacts from SRIs
- who has contacted
- typical issues SRIs have raised
- longer dialogue or lessons from critique
- Changes after an investor contact

Theme 3: Future and challenges in IR and responsibility/responsible investors

- Challenges
- Changes ahead in own practices/investor behaviour?

Appendix 2. Interview themes for SRIs

Theme 1: Socially responsible investing and the companies invested in

- The meaning of SRI for the investor
- Interaction with companies on CSR issues
- Information sources on companies' CSR
- The companies' level of CSR reporting
- IR and responsibility
- Companies' attitudes towards SRIs

Theme 2: Background for engagement

- Definition of engagement
- motives
- situations that cause it
- resources and their allocation
- contact person in the company
- reaction in case of negative response
- proactivity/reactivity of engagement

Theme 3: The engagement process and results

- process steps
- quitting the process
- differences: Finnish company/foreign company
- differences: current shareholder/potential shareholder
- results so far

Theme 4: The future and challenges of SRI and SRI engagement

- challenges
- future

Appendix 3. Quotations in their original language

Page	Interviewee code	Quote in Finnish
65	Investor 5	Että samalla tavalla kun se yritys raportoi tai viestii, niin se viestis niinku kokonaisuutena kaikkea sitä itseään koskevaa, eikä sillä tavalla, että sillä on erikseen jotkut yritysvastuusivut tai jotain tämmöstä. (…) Ja mun mielestä se korostais sillon sitä, että nää on ihan samalla tavalla osa yrityksen toimintaa.
65	IRO2	Mut niinku poiketen monesta muusta firmasta, niin meillä on pyritty yhdistämään kaikki vastuullisuusviestit suoraan liiketoiminta-alueiden viesteihin, että me ei niinku erillistä tällasta vastuullisuusraporttia kirjoiteta vuositasolla lainkaan, vaan ne on viety kaikki sinne liiketoimintoihin sisälle, ja pyritään aina yhdistämään mahdollisimman pitkälle niinku muihinkin yhtiön viesteihin esityksissä ja keskusteluissa.
65	IRO4	Mutta meillä ei ole mitään sellasta erillistä esitystä, mutta senhän pitäsikin olla kaikkien yhtiössä olevien ihmisten niinku asia. Ettei se ole joku osasto, joka sitä yksin jossakin hoitaa.
66	Investor 1	Mä oon itse huomannut sen, että monella toimitusjohtajalla tuntuu olevan haasteita puhua ESG-asioista. Puhutaan luonnollisesti ja hyvin tietävästi yrityksen kvartaalinäkemyksistä ja investointisuunnitelmista, mutta sitten kun tulee kysymys ympäristöön liittyen tai sosiaaliseen vastuuseen liittyen, niin sitten on just se että ympäristöjohtaja tai sustainability manager on antanut niinku pari ranskalaista viivaa. Ne asiat tiedetään, mutta se on niinku se ainoo mitä tiedetään. (..) Sen takia mä oon sanonut että tollaset CMD:t, Road Show't nehän on ihan erinomaisia keinoja toimitusjohtajille ja myöskin muulle ylimmälle johdolle opetella puhumaan näistä asioista.

66	Investor 2	Niin se monesti menee sen standardin kysymys/vastaus-patteriston ulkopuolelle. Ja sit se joutuu se yrityksen johto niinku ääneen ajattelemaan ja miettimään, ja parhaimmassa tapauksessa ääneen vähän niinku reflektoimaan että miten tämä heidän puolelta niinku vaikuttaa. Ne on siinä mielessä hedelmällisiäkin keskusteluja, koska siinä saa niinku..se yleensä avaa sitä rivien välissä olevaa informaatiota paljon tehokkaammin kuin ne kysymykset siitä paljon teidän osakekohtainen tulos tulee olemaan.
67	IRO1	Se on ehkä semmonen nouseva teema, mutta ei siitä vielä ihan hirveesti puhuta. Mä niinku luonnehtisin sitä niin että se nousee silloin esiin erityisesti jos koetaan että siinä on joku ongelma.
67	IRO4	Jos meillä on esimerkiksi julkisuudessa tällasia kriittisiä artikkeleita, niin sit me saadaan ihan kyllä normaaleiltakin myyntianalyytikoilta kysymyksiä, eli sillon ne tavallaan kun tulee nää negatiiviset uutiset, niin ne nousee niinku tavallaan agendalle.
67	IRO2	No siinä on varmaan niinku kahden tyyppistä kenttää. Että osa puhtaasti riskimielessä kartoittaa yrityksiä. Että onko näiden asioiden kautta tulossa jotain riskejä, mitkä vaikuttaa sit siihen sijoittamisen kannattavuuteen. Ja osa on sit sellasia, että he tekee enemmän tällasta skenaariotyötä niinku pidemmälle tulevaisuuteen ja sit kartottaa niitä mahdollisuuksia, että onko sieltä nousemassa jotain mikä tekis sen yrityksen toiminnasta vielä kannattavampaa jatkossa. Ja siitä kentästä laajemmin on näitä riskinkartottajia, ja sitä niinku mahdollisuuspuolta on selkeesti pienempi määrä vielä.
68	IRO3	Se tilanne tavallaan on se, että ymmärtää sen heidän halun saada niitä datoja, mut sit kun ei löydy sisäisesti semmosta halua välttämättä. Että mihin sen vetää sen rajan, että miten

		detaljitasolla ollaan. Ja sit kun meilläkin on just se, että se syy on usein kilpailullinen syy, että me ei haluta avata kilpailijoille niitä.
69	IRO1	Sijoittajathan aina haluu vaan niinku avoimuutta, transparenssia, että näyttäkää kaikki mitä teillä on. Se on semmonen perusvaatimus, että pankaa kaikki tohon pöydälle. (..) Kun me ei olla kaupallisista syistä haluttu aikasemmin kertoa xx (for confidential reasons not specified here). Me on yritetty löytää semmonen, ehkä semmonen toimiva kompromissi näiden kaupallisten niinku intressien ja sit sen tämmösen avoimuuden ja vastuusanoman edistämisen ja sen niinku uskottavuuden lisäämisen kannalta
69	IRO3	Eli sanotaan näin että mä puhuin varmaan ite puhelimessa niiden heidän analyytikoiden kanssa varmaan 5 tuntia, niinku viis kertaa tunnin puheluita, ennen kuin me päästiin edes siihen heidän 25 listalle. Ja tavattiinkin heidät pari kertaa, meidän toimitusjohtaja tapasi heidät ennen kuin he oli valmiita tekemään sen päätöksen. Että se heidän screenaus on niinku aika perusteellinen. Että siinä kyllä ehdittiin käydä läpi yhtä sun toista ennen kuin he päätti niinku sijoittaa x:ään (company name, not revealed for confidential reasons).
70	Investor 2	Siinä on niinku business-syy ostaa se palvelu ulkopuolelta, mutta on meille myös tärkeetä että se ostetaan ulkopuolelta sen takia että se on uskottavampaa. Kyllä tämmönen niinku ulkopuolinen organisaatio joka tekee sen päätöksen että million se normirikkomus on tapahtunut ja milloin ei. Eikä niitä omia salkkuja ihastelemalla ei..sille vähän sokeutuu sille..ja sitten se linjanveto että mikä on normirikkomus ja mikä ei, niin se on aina vähän harmaata aluetta. Ja siinä on semmonen niinku selkeä..tai mä näkisin että siinä on semmonen selkeä intressikonflikti jos rahastonhoitaja sitä itse päättelee.
70	IRO1	Kyllähän kaikenlaisia kyselyitä tulee. Kyselyitä tulee nykyisin

		vähän liikaakin. Että niissä on se kynnys ryhtyä vastailemaan..että ihan kaikkien kyselyihin ei kyllä ees ehditä vastaamaan.
71	IRO2	Niitä on jatkuvasti yhä enemmän ja enemmän, ja niihin kaikkien konsulttifirmojen kyselyihin vastaaminen alkaa olla niinku aika mahdotonta, että sen takia sitä ei oo pystytty ihan täysin tekemään. Ja sit kun ei aina nähdä tavallaan sitä että onko..tai ei tavallaan tunneta niitä konsulttifirmoja että kuka tekee edes hyvän tason analyysia ja kuka ei. (…) Ja sitten osa välillä käyttää sijoittajaakin väärin siinä tilanteessa että niinku saadakseen nämä omat analyysinsä, niin sit he saattaa niinku yksittäisiä sijoittajia, heidän nimiinsä niinku vedota
71	IRO2	Sit osa näistä, tai suurin osa näistä muista konsulttifirmoista, niin he täyttää sit ihan julkisen tiedon, nettisivujen ja vuosikertomusten pohjalta niitä raportteja. Ja se asiavirheiden korjaaminen, niin sitä ei oo sit meidän päässä tehty. (..) Ja sit kun ei aina tiedä sitä että miten he sitä tietoa myy eteenpäin, että tavallaan me haluttais pääsääntöisesti niinku..paras vaihtoehto meille ois käydä suoraan sijoittajan kanssa keskusteluja.
71	IRO3	Voi olla sellainen tilanne, että ne ei ymmärrä ja me ei olla tehty tarpeeks hyvin sitä niinku työtä kouluttaaksemme heitä siitä että mitä kaikkee meillä on esimerkiks tästä ympäristönäkökulmasta, (..) Niin toikin on sellanen tietynlainen haaste, että kun se perustuu hyvin paljon tähän että sieltä tulee vaan joku sähköposti, johon sun pitää vastata, niin toikin on yks ihan hyvä kysymys, että pitäiskö sitä itseasiassa alkaa pikkusen niinku proaktiivisemmin yhtiön näkövinkkelistä kouluttamaan näitä konsultteja.
72	IRO4	Mun mielestä se on erittäin hyvä, että tää kaikki kontaktointi tulee tän sijoittajasuhteiden kautta. Ja sitten me sisäisesti tehdään

		yhteistyötä. Koska nää on asioita jotka munkin täytyy osata tosi hyvin. Ja jos mä oon pois siitä luupista, niin mä en opi niitä. Koska sitten se, että nää kestävän kehityksen ihmiset ei taas tiedä että mikä se meidän normaali frekvenssi on näitten sijoittajien kanssa. Että tää on ihan sellanen…mä sanon että jos joku näitä miettii, nää kestävän kehityksen sijoittajat kannattais ehdottomasti hoitaa sijoittajasuhteiden kautta.
72	IRO2	Kyllä se suurin osa yhteydenotoista tulee suoraan meidän tiimiin, eli sijoittajasuhteisiin ja sit me niinku siinä vaiheessa aina katsotaan että onko joku erityisteema siihen pyyntöön liittyen ja sit valikoidusti otetaan aina joko tuolta meidän ympäristöpuolelta, tai sit tuolta yritysvastuupuolelta henkilöitä mukaan. Että niissä välillä mennään sit jo niin niinku asiantuntijayksityiskohtiin että se ei oo sitten suoraan aina meidän tiimin vahvinta osaamisaluetta
72	IRO1	En ollut ihan varma aikasemmin, että miten niihin pitäis valmistautua, niin sit oli vähän erilaista materiaalia, oli tulosmatkua ja näitä tämmösiä vastuullisuusasioita. Niitä sijoittajia, tai niiden sijoittajien edustajia, SRI-ihmisiä, niin ei kiinnostanu ne tulosasiat yhtään. Että oli se lähtökohta että he oli ehkä nähneet ne tai katsoneet jostain, mut ne keskustelut pyöri niinku just meidän raaka-ainehankinnan ympärillä, sen vastuullisuuden ympärillä, erilaisten menettelyjen ympärillä, että miten me valmistetaan..tai miten me huolehditaan turvallisuudesta esimerkiks, minkälaista faktaa meillä on tai minkälaisia toimenpiteitä meillä on, minkälaista evidenssiä meillä niinku on että asiat menee eteenpäin. Niin siinä on niinku tämmösellä yleissijoittajanäkökulmalla pikkusen heikoilla jäillä.
73	IRO3	Me ollaan ehkä kehittelemässä vähän tällaista selkeämpää strategiaa. Sen idea on ehkä lähtökohtaisesti se, tai pohjana on se

		kysymys että pitäisikö IR:n käsitellä vastuullisia sijoittajia jotenkin erillisenä ryhmänä. (…) Tavallaan kysymys on ehkä se, että onko se vastuullinen sijoittaminen ikään kuin niin erityinen tällainen erottava tekijä, että niitä vastuullisia sijoittajia pitäis jotenkin alkaa kohtelemaan omanlaisena niinku kohderyhmänään.
74	Investor 1	Sijoittaja identifioi jonkun asian, teeman, aiheen jonka kokee että se vaikuttaa negatiivisesti yhtiön arvon muodostukseen tai arvopaperin arvon muodostukseen. Tai siinä on niinku potentiaalinen riski että näin tulee tapahtumaan. Ja sijoittaja sitten niinku tämmösen vaikuttamisen kautta, eli aktiivisen keskustelun ja dialogin kautta pyrkii sitten saamaan yhtiön huomaamaan tän asian ja ymmärtämään mistä on kyse, Ja muuttamaan toimintaansa, kehittämään toimintaansa siten, että tämä riski ei toteudu.
74	Investor 2	Millä tavalla me pidetään huoli siitä että tällanen niinku..että tää yritystoiminta tapahtuu lain ja hyvien toimintatapojen rajoissa, koska sen pitäis olla sen omistajan intressi. Ja se on meidän asiakaskunnan, se on meidän varainhoitajien intressi ja se on sen yrityksen intressi. Mutta ehkä vaikuttamisprosessi..varmaan aktiivinen omistajuus..tai mä määrittelelisin sen aktiivisen omistajuuden kautta ja se tarkottaa sitä, että sen omistuksen mukanaan tuomaa valtaa ja vapautta käytetään sen yrityksen toiminnan ohjaamisessa.
74	Investor 4	Yrityksellä on joku rikkomus, ja pyritään sitä sitten korjaamaan ja edistämään sitä yrityksen valmiutta, että vastaavaa ei pääse tapahtumaan uudestaan
75	Investor 1	Tästä joko a) hyödytään siinä mielessä että oma ammattitaito kasvaa vaikka tiettyihin ihmisoikeusasioihin liittyen, josta voi olla hyötyä muutoinkin tai muutoin koetaan että se aihe on

		sellainen niinku kiinnostava ja hyvä.
75	Investor 5	Jos firma x tekee jossain jotakin, ja sen toimintaan tavallaan puututaan, ja se muuttaa toimintatapojaan, niin todennäköisyys että se vaikuttaa sit sille koko sektorille on kuitenkin sen verran suuri, että se panostus, niin me ajatellaan, kannattaa silloin.
76	Investor 4	Ja se ongelmahan ei ole se, että huomenna olisi tän suhteen jotakin dramaattista tapahtumassa, mutta niinku pitkää aikaväliä ajatellen
76	Investor 4	Niissä on yleensä joku tällainen suurempi teema takana. Ilmastonmuutos luonnollisesti, ja raportointi tossa CDP:ssä. (…)Siinä on myöskin laajempi tavoite, saada yritykset niinku noudattamaan kansainvälisiä normeja, ja raportoimaan niihin liittyvistä toimenpiteistä.
76	Investor 3	Vastuullinen omistaja ei myy, että periaatteessa pitäis niinku ensiksi käydä dialogia ja vaikuttaa.
77	Investor 1	Jos sijoittaja lähtee keskusteluun yhtiön kanssa, niin kun sä meet tapaamaan sitä yhtiötä, niin kyllä sun pitää tietää sen yhtiön toimiala. Ja on täytynyt lukee vuosikertomukset ja tutustuu siihen yhtiöön, että se et voi vaan mennä sinne ja sanoa että musta tässä firmassa on jotain vikaa ja se on niinku se sun keskustelunavaus ja sun kontribuutio siihen keskusteluun, et sit se ei oo enää keskustelua. Se on pahinta mitä voi tehdä että ei tee kotiläksyjään ja menee sitten yhtiöön tapaamiseen.
77	Investor 5	Siihen liittyy kuitenkin se asiantuntemuksen vaatimus, että jos sä alat vaikuttaa, niin sun pitää tietää että mitä sä olet tekemässä. Niin me itse todettiin että ei meillä ole resursseja kerätä sitä asiantuntemusta itse
78	Investor	Ja siis kaikkihan meidän vaikuttamisprosessit ei mee niin että me

	1	itse tehdään vaan meillähän on siis sekä näitä että itse tehdään, sitten näitä että tehdään ryhmän kanssa, mut sen lisäks me käytetään paljon x:ää (SRI consultant the name of which is not revelead for confidential reasons), et he hoitaa meidän niinku puolesta vaikuttamisprosesseja, ja sen lisäks meillä on muutamia varainhoitajia, jotka on valittu sen takia että he ovat hyviä varainhoitajia, hyviä salkunhoitajia, mut sen lisäks heillä on myöskin tällainen hyvin vahva vaikuttamisprosessistrategia taustalla.
78	Investor 1 & 2	Organisaatio ei keskustele organisaation kanssa, vaan ihminen keskustelee ihmisen kanssa. (Investor 2) Eihän se oikeesti oo niin että organisaatio keskustelee organisaation kanssa, vaan kyllä se on niin et se on ihmiset keskenään, jotka kommunikoi. (Investor 1)
78	Investor 1	Se on ehkä aika inhimillistäkin että jos kokee että yritetään painostaa selkä seinää vasten niin reaktio usein on se, että ryhdytään niinku joko aggressiivisesti puolustamaan tai ollaan siilimäisesti hiljaa kerällä ja todetaan että ettehän tee vaan nyt tuu tänne ja ignoorataan kaikkia yhteydenottoja. Kun sit taas se, että jos yhtiökin kokee että nyt ollaan samalla puolella pöytää, niin sittenhän se keskusteluhalukkuus ja se kriitiikin vastaanottaminen onnistuu huomattavan paljon helpommin.
79	Investor 5	Melkein me mietitään se niin päin, että onko joku johon jostain syystä ei lähdetä.
80	Investor 2	Meidän täytyy ymmärtää ensin se yrityksen konteksti. Että miten siellä niinku..mitä on tapahtunut ja miten se niinku liittyy sen yrityksen toimintaan. Kuinka tärkeetä se niinku tietty toiminta on niille. Sanotaan nyt jos niillä on nyt joku insidentti ollut sillä jollain tietyllä tehtaalla, niin kuinka tärkee se tehdas on sille koko

		liiketoiminnalle ja kaikki niinku tän tyyppinen konteksti. Se menee itseasiassa niinkin pitkälle, että mikä sen firman omistuspohja on ja mikä se omistuspohja on ollut.
80	Investor 1	Sanotaan vaikka että jos aihe ois esimerkiks tämmönen lapsityövoima, niin se päämäärä, tai sanotaan välipäämäärä pakosti ei ole lapsityövoiman poistaminen, niin perverssiltä kuin se kuulostaakin. Niin joissain tilanteissa jos se ensimmäinen asia jota yhtiöltä haluais tai vaatis välimatkan tavoitteena olis lapsityövoiman vähentäminen, niin loppupeleissä saattais olla niin, että jos se yhtiö suostuisikin siihen niin ne lapset ois pahemmassa asemassa.
81	Investor 5	Ei meillä oo niinku sellasta asiantuntemusta, että me sit tavallaan esimerkiks voitas alkaa kesken sen projektin kommentoimaan sitä että miks on näin, tai pitäiskö jotain muuta. Että kyllä me siinä luotetaan ja ostetaan tosiaan heidän ammattitaitoa.
81	Investor 4	Mehän käytetään X:ää SRI consultancy the name of which is not revealed for confidential reasons)sen takia että meillä ei ole aikaa istua näissä tapaamisissa tai matkustaa maailman ympäri tapaamaan näitä yrityksiä.
82	Investor 1	Jos me laitettais joku sellainen aikaraja, niin se ois aina jossain määrin teennäinen, et ois se sit kaks vuotta tai kolme vuotta tai viis vuotta. Mitä jos viiden vuoden aikaraja on kohta täynnä ja esimerkiksi joku paikallinen lehti kirjoittaa jonkun jutun joka saa tehtaan johdon tai yrityksen johdon heräämään ja se kuuluisa lamppu syttyy. Niin pitääkö meidän silti myydä vaikka me nähdään että hei, että nyt siellä oikeesti ryhtyy tapahtumaan asioita?
82	Investor 1	Jos vaikuttamisprosessit päättyy siihen että me joudutaan myymään arvopaperi, niin se on musta..siinä kohtaa mä sit sanon että se on totaalinen epäonnistuminen ja mä en oo niinku

		onnistunut omassa työssäni hyvin kun en ole saanut yhtiötä ymmärtämään omia näkemyksiäni.
83	IRO2	He pyrkii niinku ohjaamaan firmoja, mut sit me myös kerrotaan siellä heidän tilaisuuksissa niinku yritysesimerkkinä että miten meillä hoidetaan. (..) Ei suoranaisesti pyri niinku muuttamaan nykyistä, mutta hyvin tarkkaan ohjaamaan että mihin suuntaan se kehitys menee, että se ei niinku lähde väärille raiteille.
83	IRO1	Mä sanoisin et eniten se on vaikuttanu että miten me viestitään näistä asioista. Että on otettu semmonen selkeempi, avoimempi lähestyminen siinä määrin kun se on mahdollista.
83	IRO3	Meillä se on liittyny siihen, että jotkut näistä vastuullisista sijoittajista haluais hirveesti saada sellasta dataa.
84	Investor 2	Suomalaisten yritysten kanssa keskustellaan niistä niinku toimintatavoista ja siitä että kun ne vaikka on laajentamassa jonnekin tai perustamassa tehdasta jonnekin tai – niin sitä katotaan niinku siltä puolelta..sillä lailla hyvin paljon proaktiivisempaa.
84	Investor 2	Se dialogi lähtee siitä että me ollaan suuria omistajia ja me välitetään näistä asioista, ei niinkään siitä että yrityksissä ois jotain pielessä tai jotakin väärää.
84	Investor 1	Vaikka me siis käydään keskustelua suomalaisten kanssa, mutta me ei ehkä itekään olla oltu kauheen valmiita puhumaan vaikuttamisprosesseista suomalaisten kanssa. Just sen takia että siitä tulee se ajatus että nyt me leimataan puolirikollisiksi yhtiöitä.
86	Investor 2	Meille ois tärkeetä siinä viestinnässä saada aika semmosta raakaa faktaa (…) raakaa dataa ja raakaa faktaa erotettuna semmosesta niinku viestinnällisemmästä tai tämmösestä niinku laadullisemmasta mielikuvatyyppisestä viestimisestä. Ja me ollaan aika monelle yritykselle sanottukin siitä että me ollaan

		teidän kanssa samaa mieltä siitä miten nää asiat tulis hoitaa ja niin ees päin pois, ja me arvostettais jos te pystyisitte tuomaan sitä sillä lailla niinku absoluuttisempana totuutena kuin niiku tämmösenä laadullisena viestintänä.
86	Investor 1	Se pitää sanoa että yhtiöraportit osa on tosi hyviä, osa on semmosia että kun halutaan palvella mahdollisimman suurta sijoittajajoukkoa, niin sijoittajan kannalta se tärkeä data välillä hukkuu sinne mainosmateriaaliin ja kauniisiin kuviin.
86	IRO2	Sijoittajille suunnatut viestit niinku siinä suhteessa eroaa, että meidän pitäis aina pystyä kertomaan sitä taloudellista vaikutusta. Ja se on ehkä myös samalla haaste siinä, että osa asioista silloin kun ne hoidetaan hyvin, niin niitä on niinku vaikee rahassa mitata sellasenaan, että kuinka paljon se on luonut lisäarvoa yrityksen tulokseen, että sitten tietysti jos tulis vaikka joku iso ympäristöongelma, tai vaikka joku sellainen, niin hetkessä näkis että mitä se tulis yritykselle maksamaan.
86	Investor 4	Kun tavallaan sit pitää myöskin aina esittää niitä kysymyksiä, kun se ei mun mielestä riitä että se on vaan niinku tapauskohtaisesti ja aina sillon tällöin, vaan kyllä sen pitää olla niinku integroitu osa sitä kysymyspatteristoa yritykselle.
87	IRO4	Raportoinnissahan puhutaan näiden, tai siis vastuulllisuusraportoinnin ja ihan normaalitilinpäätöksen yhdistämisestä. Sitten pitäisi muuttua tilintarkastuksenkin.
87	IRO1	Mä toivoisin että nää tämmöset rivisijoittajat, tämmöset salkunhoitajat ja muut, no otetaan se rivi takaisin, mutta tota salkunhoitajat jotka loppujen lopuks vastaa niistä sijoituspäätöksistä, että tota he ois kans kartalla hyvin niistä heidän omien asiantuntijoiden näkymistä. Tällä hetkellä ne tuntuu vähän erillisiltä asioilta. Että se..niitten SRI-eksperttien kanssa puhutaan niistä asioista, ja sitten tän salkunhoitajien kanssa enempi näistä luvuista ja tuotoista ja semmosista. Jotenkin niistä

		varmaan pitemmällä tähtäimellä tulee semmosia niinku yhtä tai samaa juttua.
87	Investor 3	Vuoden 2007 jälkeen, kun rahoitusmarkkina niinku on tiukka ja vaikee (..) Niin se on niinku erittäin tärkeetä just IR ja sijoittajasuhteet sujuu hyvin. Että ei heillä oo tämmösessä markkinassa varaa sanoa että tää on niinku turhaa että mee kotiin. (..) Mut se on just näin että ei heillä niinku oo varaa, pitäis olla vaan silmät auki. Jos joku haluaa tietää jotain niin sit sä vastaat.
87	IRO1	Vaikka onkin tämmösiä, tai tää tilanne on tämmönen yleisesti taloudellisesti, on kaikenlaista aika isoakin huolta että miten nyt Euroopan kansantalouksilla pyyhkii ja riittääkö pankeilla rahaa vai loppuuks ne, jolloin vois ajatella että tämmöset niinku jotkut muut teemat painuis vähän marginaaliin. Niin ei ainakaan mulla oo semmosta tunnelmaa että nää vastuullisuusasiat ois niinku vähenemässä merkitykseltään.
87	IRO4	Silloin kun on taloudellisesti heikommat ajat, niin silloin nää teemat on vähemmän esillä. Silloin kun on taloudellisesti paremmat ajat, niin silloin ne tulee enemmän esille.
88	Investor 1	Mä en ole myöskään valmis huutamaan ja valittamaan että meillä on liian vähän resursseja vaikuttamiseen, koska sit siinä on se ongelma että sit alettais tekemään liikaa ja siitä saatavat hyödyt sijoitustoiminnan kannalta on jo minimaaliset tai jopa negatiiviset. Että ei mekään koko maailmaa pystytä parantamaan. Pieni pala yritetään kerrallaan. Minun pieni idealistini aina välillä pääsee esille, mutta kyllä se niinkun täytyy huomata että ihan kaikkea ei pysty tekemään.
89	Investor 5	Mut jos meillä ois joku yritys jossa me oltais vaikka niinku instituutioista enemmistöosakas, ja sit me alettais jotain tällasta

		keskustelee, ja sit ajattelee sitä vaikka suhteessa henkilöosakkaisiin, niin millon me tiedetään jotain semmosta mitä ne ei tiedä. Joka kuitenkin loppupeleissä vaikuttais sen arvopaperin arvoon. (..) On niinku hyvä asia, mutta sitten meneekin ojasta allikkooon, että sitten tuleekin ihan erityyppiset kysymykset vastaan.
89	Investor 2	Vastuullisen sijoittamisen sisällä tää toimijakunta ei oo tullu sillä lailla yhteen että ne pystyis sanomaan että hei hetkinen, että kaikilla näillä pankeilla on täsmälleen sama systemaattinen ongelma. Ja siihen ei pysty vaikuttamaan semmosessa niinku yrityskohtaisessa viestinnässä, vaan se täytyy jollain tavalla niinku vaikuttaa jonkun lainsäädännön tai regulaation tai jonkun tämmösen isomman ryhmän kautta ja niin ees päin pois. Mä näkisin että sinnepäin ollaan menossa.
90	Investor 1	Se johtaa siihen, tai saattaa johtaa siihen, että valitaan niitä helppoja keissejä ja vähennetään keissien määrää just sen takia että saadaan mahdollisimman korkeat onnistumisprosentit. Mut se tarkottaa sit sitä, että ne keissit joista oikeesti pitäis puhua, joita pitäis pitää esillä, niin niitä ei käydä. Eli niitä vaikeimpia, ehkä jossain määrin myös pahimpia rikkomuksia niin ei sitten haluta käsitellä koska sitten tulis sellainen käsitys että ei ookaan niin vastuullinen sijoittaja. Ja osa ihmisistä on sitä mieltä että mä ajattelen kyynisesti, mutta omasta mielestäni mä olen kovin realisti.