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Greenwashing and Responsible Investment Practice: Empirical Evidence from Zimbabwe.

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Greenwashing and Responsible Investment Practices. Empirical Evidence from Zimbabwe.

Introduction

There is a noticeable increase in the level of Responsible Investment[1] (RI) awareness globally based on the number of academic publications in the subject[2]. Recent studies suggest that this surge can be traced to pressure to increase return on shareholders' funds, long-term survival in a highly dynamic society that is continually changing, and the need to give humane face to business organisations[3]. With the adoption of the sustainable development goals (SDGs) in 2016, it is believed that another layer of pressure is being heaped upon institutional investors in developing countries, especially in Africa, to adopt responsible investment tenets, which is the consideration of environmental, social and governance factors (ESG), in addition to the traditional investment appraisal techniques (see AVCA, 2018). Apart from financial returns, integrating ESG factors into investments is a social service since it involves deploying capital to activities with societal impact, and it is concerned with the long-term survival of businesses through good governance practice and environmentally-friendly business undertakings (CISL, 2014).

The concept of RI is not totally new, as the practice of avoiding certain types of investment (i.e. negative screening) dates back several centuries, evidenced by its entrenchment in many religious beliefs[4]. However, new strands such as integration, engagement and voting, norm-based screening, best-in-class, impact investment and thematic screening methods have grown substantially in recent years (Biehl and Atkins, 2014). Although RI is seen as advantageous to investors and the society at large (Solomon, 2009; Barnett and Salomon, 2006), others have argued that the growth of RI is a consequence of governmental failures in addressing externalities and risks imposed on business entities, financial or otherwise (Crifo and Forget, 2012; CISL, 2014, Gifford, 2014). It is suggested therefore, that effective ESG engagement and strong management can help channel finance to where it is needed in order to achieve the SDGs in developing countries – especially in Africa. According to UNCTAD (2014, 2018), there is an annual investment gap of US$2.5 trillion which must be plugged for the seventeen SDG goals to have a good chance of being delivered by 2030. However, this challenge is particularly noticeable in Africa, due to its large population, weak economies, feeble regulatory environment and low adaptive capacity (UNECA, 2017). Little has been written on country specific responsible investment practices in Africa (Tessa *et al.*, 2014; Solomon, 2013a), and none at all has been written on Zimbabwe.

In an increasingly competitive business environment, RI is now seen as an important avenue to obtain a competitive advantage, favourable media attention, and increased value of investment. The perceived positive effects of stakeholders' desire for environmentally friendly products and services has led to a surge in the pressure

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to present RI façade to stakeholders, leading to an increase in the incidence of greenwashing and impression management (Solomon, 2013b; Flammer, 2013; Jones, 1995) even when the reality differs from the contents of such external communication. (Hopwood, 2009). This study contributes to the body of knowledge by investigating the prevalence of RI practices of asset owners in Zimbabwe through the theoretical lenses of greenwashing and impression management.

The concept of greenwashing

Greenwashing refers to the undertakings involving intentional manipulation of external communication by an organisation in order to present it as being environmentally or socially responsible, or to intentionally hide reprehensible actions or implicating facts about an organisation for reputational reasons[5]. According to Delmas and Burbano (2016), greenwashing exists at the intersection of poor environmental performance and positive communication, motivated by organisational and external factors. The recent academic literature has adopted several variants of greenwashing to include "impression management", "active management of misleading information", "creative reputational management", and "selective disclosure" (Solomon *et al.*, 2013; Laufer, 2003; Lyon and Maxwell, 2011). According to Bazillier and Vauday (2013, 2014), the emergence of greenwashing can be traced to the period of 1970s, which also coincided with the emergence of growth in environmentalism when economic agents increased their desire to present sustainable products in order to gain a market advantage.

Insert Figure 1 about here

As more organisations discovered that being environmentally friendly confers some market advantages, the art of greenwashing grew sporadically after 1999 based on the number of academic articles mentioning the term 'greenwashing', and this continues to grow (Bowen, 2009). Delmas and Burbano (2016) offered an institutional theory explanation to the growth of greenwashing through the complex interaction of market drivers, regulatory pressure, organisation-specific culture and managerial-psychological factors. With several interest groups involved - including politicians seeking re-election, activists pursuing the protection of the habitat, non-governmental organisations demanding funding for their environmental activities, consumers demanding eco-friendly products - it is likely that more attention would be placed on greenwashing and it also equally likely that the terrain will continue to change as stakeholders become more sophisticated. This, according to Baron (2007, 2009) partly explains why corporations invest in reputational management in order to manage the two noticeable strands of greenwashing – aggressive and defensive[6a]. Aggressive greenwashing involves selective disclosure of favourable ESG information using a wider communication strategy to promote or magnify RI acts in the press; whereas defensive greenwashing includes minimising reputational

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damage imposed via protests against the organisation, threats from environmental activists, bad press, and even defending environmental lawsuits.

The concept of impression management

Goffman's 1959 work on True Self (cited by Dynel, 2011), gave a dramaturgical allegory of how humans interact. The work argued that humans merely wear the appropriate mask to for the occasion, in which case, humans play tailor-made roles as each event or activity demands, and that this becomes apparent in difficult situations when we surprisingly meet people from different social groups, which requires different role-plays. He argues that there is no true self, and no identifiable performer behind the façade – in which case, the whole world is a stage performance, and every human being making his or her entry and exit times. This dramaturgical metaphor analysed two kinds of communication: "the expression given" and "the expression given off," (Dynel, 2011) the former being the information revealed, and the latter being the core reality, which in many cases represent the concealed information.

Goffman's Frame Analysis (1974) further deepened the understanding of impression management by examining the world through frames or organisation of experiences. The author opined that conceptual frames structure how individuals perceive society by using the concept of a picture frame to illustrate this theory. This further demonstrates the importance of information presentation over information content (Dynel, 2011, Kozloff, 2000; Bubel, 2008). For instance, an investment portfolio could be framed as being "75% free of environmentally damaging oil and gas shares" rather than advertising same as being "25% responsible investment in content." The frame represents the edifice for holding or contextualising information being communicated to the users. Framing is applied in portfolio construction to make a company look more attractive to investors, more so than they would be if they were presented individually, either to conceal risky assets, or to make them profitable for the fund manager (Langer and Weber, 2001; Steul, M, 2005). Goffman (1959, 1974) harangued that framing skills could be learnt, since it is a reflection of what people are going through in their lives. Framing can be used in understanding media effects. For instance, politicians and activists can frame their ideas in a way that the public will buy into them. Goffman also suggests that like stage acting, compatible actors can work together to achieve good results (Ritzer, 2009).

The existing literature discusses incidences where entrenched impression management and greenwashing have been elevated higher than genuine RI practices (Archel *et al.*, 2011; Solomon *et al.*, 2013). Such institutionalised practices are designed to mimic true RI practice by, for instance, signing up to the PRI Code and posting ESG news on the company's website, but with little actual substantive RI engagement visible on ground. However, little has been written on how these concepts influence communication of responsible investment to stakeholders within the African context where regulations are weak compared to other jurisdictions.

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RI in the African context

Institutional investors now play an important role in the global capital markets based on the number of shares that they own, and the influence that they exercise in the investment chain. In the UK, they control over ninety percent of the share ownership. This is also similar to the situation in South Africa where institutional investors control over 95% of the shares directly or indirectly (Van Der Ahee and Schulschenk, 2013). However in most other African countries, the capital markets exist only at the developmental stage. Due to the quantum of the resources at their disposal because of material ownership of equity shares, and their influence over other important players in the investment chain, it believed that institutional investors have an important role to play in ESG integration, therefore promoting responsible investment practices.

Insert table 1 about here

Like the capital market, the RI market in Africa is still in its infancy, based on the number of signatories to the United Nations sponsored Principles for Responsible Investment as of December 2018 and the size of assets under management in the region (see table 1). From an African perspective, RI is seen as an important development in the investment industry due to its linkage with ESG integration, which is closely associated with the achievement of sustainable development goals (SDGs), including the promise to eradicate poverty, especially in Africa by 2030 (AVCA, 2018). Although the concept of sustainable investment which metamorphosed into RI was first mentioned in the Brundtland Commission report (see WCED, 1987), it is not totally new to Africa. For instance during the Apartheid era in the 1970s and 1980s, there was a worldwide campaign to avoid investing in South Africa-based companies, which is a form of RI screening technique.
Since the establishment of PRI in 2006, the number of asset owners who are signatories to the six principles of RI grew from less than 100 to over 2000 in 2018.[6b]
While much of the earlier research in this area does not point to a conclusive relationship between RI and financial performance (Sauer, 1997; Schröder, 2004; Hamilton *et.al.*, 1993), recent works in this area have demonstrated the existence of significant positive relationship between ESG portfolio (i.e. RI assets) and long-term corporate financial performance using meta-analysis (Wallis and Klein, 2015; Orlitzky *et al.*, 2003), combined methods (Eccles et al., 2014; Manescu, 2011; and Dimson et al., 2013; Derwall et al., 2011), and conclusive quantitative evidence from over two thousand empirical studies (Friede et al., 2015), thereby disproving the notion that integrating ESG into investment portfolios results in underperformance. None of these works, however, had focused on the practice in the developing countries.

The quest for a heightened RI awareness in Africa has been steadily growing. Firstly, RI practice is seen as means of leapfrogging into economic development by meeting

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the criteria specified for attracting foreign direct investments from investors based in rich Western countries (Hebb *et al.*, 2014; Van Der Ahee, G., and Schulschenk, 2013). This quest for economic development partly influenced the establishment of the Code for Responsible Investment in South Africa (CRISA) in 2011, which has adopted all the six principles of UNPRI. South Africa is the second country in the world after the UK published the Stewardship Code (2010), to establish policies promoting RI. Secondly, many developed countries including EU, UK and the USA now have anti-corruption laws in place, which forbids bribery and corruption both in their home and foreign subsidiaries. Unfortunately, many African countries rank lowly in the Transparency International's Corruption Perception Index (2017). Thirdly, the concept of RI is central to the achievement of the Sustainable Development Goals. According to the World Investment Reports (UNCTAD 2014, 2017), US$3.9 trillion in annual investment is required in order to eradicate poverty by 2030. However, there is an annual investment shortfall of US$2.5 trillion in responsible investment with economic, ecological and social perspectives. According to the 2018 World Bank report on poverty[7], 7.8% of the world population live in extreme poverty, and 33.7% of them are living in Africa.

Research in context

Zimbabwe is a Southern African country with a population of over 16 million people (equivalent to 0.22% of the total world population). The Zimbabwean economy experienced robust and largely stable growth between 1980 and 1996. However, the economy began experiencing accelerated decline in the late 1990s due to the Mugabe[7] administration's land reform programme which sought to forcefully reallocate white farmlands to black Zimbabweans[8]. Subsequently, the country could not access foreign aids and loans due to sanctions imposed by donors and investors. This, together with other factors such as high inflation, high incidence of HIV, economic mismanagement, unemployment the country's inability to pay previous credit facilities, thereby worsening the economic situation (see table 2).
Agriculture and mining are the mainstay of the economy. Agriculture employs more than 50% of the labour force and contributes about fifteen percent to the GDP, while mining employs about 10% of the labour force and contributes about ten percent to the GDP. In 2017, the capital market was worth only US$5 billion (58% drop when compared to the 2012 figure), and the economy is characterised by a high prevalence of HIV/AIDS and poverty, low productivity, a non-existent FDI and lack of access to long-term international finance[9] (see table 2). This partly explains why the local investment portfolio managers are likely to be under pressure to communicate ESG integration into the investment portfolios to clients, which they may or may not be practicing.
The capital market is largely underdeveloped, based on the number of securities listed and the annual volume of trade on the Zimbabwe Stock exchange (ZSE), although the number of financial market operators and regulators continue to grow. With only sixty-four stocks available to buy or sell on the ZSE, the pressure is high

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on the main asset owners like pension funds, life assurance funds and mutual funds operating in the country. None of the licenced asset owners is a signatory to the PRI Code, although many asset owners advertise their claim to proficiency in RI practice on their website. Despite the lack of databases by the regulators in Zimbabwe as regards RI funds held by asset owners, the existing number of local laws promoting the entrenchment of ESG may turn RI practice into an advantage if regulations are functional. What is the level of RI awareness in the country? How much of RI practices is taking place? Are there differences between what the practitioners say and what they do? This study provides answers to these questions.

Insert Figure 2, Table 2, Table 3, Table 4, about here

The role of Asset Owners in the investment chain

Asset owners[10], due to their relatively large equity holdings in investee companies, have a fiduciary duty to use the powers attached to their shareholding to ensure good management of their investee companies (Solomon, 2013). They are best positioned to positively influence CSR initiatives and the implementation of corporate governance reforms. They have fiduciary responsibility to act in the best interest of other shareholders, that concentrates shares, and hence power, into a relatively small number of hands, has enabled institutional investors to directly challenge management on issues of concern. (Useem, 1996; Mallin, 2010; Gifford, 2014). These views were also reflected in many of the recommendations of several committees set up to review corporate governance in the UK between 1991 and 2012 (see Walker, 2009; Myners Report, 2001; FRC, 2010; Kay Review, 2012). The main asset owners licensed to operate in Zimbabwe are the pension funds, mutual funds, and life assurance funds. According to the Insurance Pension Commission (IPEC), the size of the assets under management (AUM) by the end of the fourth quarter of 2017 was US$4.03 billion, 62% of these are invested in long-term assets comprising real estates and equities. However, information on the size of the life assurance and mutual funds were unavailable from the regulators. The pension fund is constrained in terms of where they can invest, and due to the past hyperinflation in the country (2003-2008) that led to the *dollarisation* policy, the regulators have now approved offshore investments. This has now opened up the investment market as the investment options have increased, especially for those desiring better yields abroad. The policy has also opened up space for foreign investors to enter into the funds market. As of December 2018, the Zimbabwe Association of Pension Funds (ZAPF), which is an umbrella organization of pension fund entities in the country has 93 members. The IPEC regulates the activities of operators such as pension funds, fund administrators, insurance companies, brokers, multiple agents, and loss adjusters. However, IPEC has no functional policy regarding responsible investing.

Research Methodology

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By conducting interviews as a means of data collection, this study analyses RI practices amongst Zimbabwean asset owners through the lenses of greenwashing and impression management. This area is largely unexplored, thus justifying our adoption of a qualitative approach for data collection and analysis. We believe that qualitative research approach enriches understanding of issues and phenomena, and permits the application of integrative and analytic skills to the analyses of a social issue within the RI knowledge area (see Creswell *et al.*, 2007). We therefore applied interpretive-constructivism in this research work, based on the ontological assumptions that reality is self-created (Galdiano, 2009; Guba and Lincoln, 1994). This enabled us to gain contextual knowledge of impression management and greenwashing. The case study of Zimbabwe was used because it provides an opportunity to deepen our understanding and context of the subject of RI within an African country that is in crucial need of financial growth which RI practice could offer.

There is a noticeable increase in the use of interviews as a means of data collection in the field of corporate governance and responsible investment in order to contextualise personal and organisational practices analyses (see Friedman and Miles, 2001; Sandberg et al., 2009; Statman, 2000; Knox and Maklan, 2004; Fowler and Hope, 2007). It provides flexibility and opportunity to probe into, and interrogate the minds of the interviewees that are knowledgeable about a subject, expand interviewees' responses, and follow up on interesting new developments (see Solomon, 2013; Alshenqeeti, 2014; Chanda *et al.*, 2017). A qualitative interview method also provides an opportunity to interrogate and reflect on literature across a wide range (Qu and Dumay, 2011). We conducted recorded face-to-face or telephone interviews between January and June 2017 with three classes of asset owners licenced by the Insurance and Pension Commission of Zimbabwe (IPCZ). All the 41 interviewees held senior management positions (See table 5). Each interview session lasted close to 30 minutes. Each interviewee was assured of the confidentiality of the views expressed by them, and so their names and those of their organisation would not be mentioned directly or otherwise anywhere in the report. This explains why we did not differentiate between foreign and locally owned asset owners in the analysis.

The interviews solicited interviewees' insight on their understanding of RI, how they report RI, how they engage with investee companies, what motivates them to embrace RI (if they do), and how they rank ESG factors for the purpose of their engagement. In order to avoid bias, we asked the same sets of questions except for follow-up questions, which sometimes vary based on the primary response in each interview session. We used the semi-structured interview method due to its ability to reveal cryptic or concealed truths about organisational policy on RI, as well as the attitudes of people charged with RI in organisations (Qu and Dumay, 2011). Afterwards, we transcribed and manually coded the data for the purposes of collecting themes and subthemes in greenwashing and impression management as regards RI practice.

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Insert Table 5 about here.

Findings

In this section, we analysed our findings using manual coding, in order to ascertain the extent of RI practices, and then uncover elements of greenwashing and impression management. The illustrative extracts emanating from the sub-themes and the main themes are presented in the Figure 3.

Insert Figure 3 about here.

Aggressive and Defensive greenwashing

All through the series interviews, one distinctive pattern that was noticed is the difference in the attitude towards the subject of RI, based on whether the interviewee works for a local (34, or 83% of the respondents) or a foreign controlled firm (7, or 17% of the respondents). The foreign firms are those that are subsidiaries of foreign firms, mainly based in Europe or South Africa. All the foreign controlled entities have elaborate policies regarding RI, their parent companies are signatories to the PRI Code and the local executive policy makers attend annual training on RI. We asked for their understanding of RI and why they communicate their ESG engagements in investee companies to their stakeholders in the manner in which they currently do. Most of the respondents equated RI with negative screening, and very few associated RI with ESG. All the ones that understand the concept of RI are executives of foreign-owned firms, and they all learnt about the term from on-the-job training, and because their head office (not based in Zimbabwe) demands preparation of periodic returns on RI. Almost all the respondents communicate their expertise in some form of RI practices to stakeholders, either through their company websites, twitter, advertisements, or the annual financial report. Although most of the interviewees do not demonstrate any knowledge of links between ESG screening and financial performance, the aggressiveness of asset owners in a saturated financial market was illustrated when an interviewee responded thus:

> "Our ESG credentials are conspicuously made available on our website. Our understanding of responsible investment is basically, how we manage assets entrusted to us and how we vote at AGMs… because we know that it gives us an edge in the market place." (PF8)

Similar views were expressed by other interviewees. This confirms the views of Baron (2009) and Delmas and Burbano (2016) on the prevalence of aggressive greenwashing for gaining investors' confidence, especially in jurisdictions where punishments are not meted out to discourage such cognitive tendencies. Weak regulatory environment and weak consumer education tends to encourage such patterns of behaviour. Secondly this view demonstrate the RI knowledge and

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expectation gaps. RI practice goes beyond honesty in managing assets, which is an underlying assumption between trustees and beneficiaries.

Some asset owners with good knowledge of what RI entails, but without any evidence of practice, believe that it is an expensive venture which ought to be left to the government.

> "Exclusion of mining companies from our portfolio is virtually impossible unless we want to close shop. Where are the alternatives? Surely that is where the money is. If we no longer offer this service, our competitors will, and we would be out of business soon. Responsible investment shouldn't be our business, but government business." (PF10)

Another defence for not engaging in responsible investment goes thus:

> "It is not humanly possible to construct a wholly ethical fund without closing shop" (LA5)

The most common reason given for not engaging in ESG was the cost implication. Most asset owners believe that it would impose additional cost on them, and with a highly competitive environment, it is not something that they are planning to do, and they do not seen any tangible reason for doing it since it is likely not to improve their portfolio return.

> "…it would cost us substantially to continually monitor investee companies." (MF9)
> "Extra engagements will not yield new results." (LA3)
> "….I'm not sure whether this economy is ripe enough for such advanced concepts." (PF1)
> "…do you think it is humanly possible to construct a wholly ethical funds? How can that be possible? We have a limited number of shares to invest in. Where are we going to get these ethical equities? Do you even have such equities on the London or even New York Stock Exchange? Do you want us to close shop…? I tell you what, it is all a marketing gimmick for me." (PF6)

The above statements indicate that some asset owners have not considered collaboration which would likely be easier than the process in other countries, given the few number of securities traded on the ZSE. The PRI Code and the UK Stewardship Codes encourage asset owners to work together in engaging the investee companies for the benefit of all. This is likely to be easier to operationalise in an environment where the number of available investee companies are few. For instance, the UK LAPFF is a collaboration of 77 Pension Funds, providing opportunity to engage investee companies with one voice.[11] Some interviewees believe that RI is a new concept which has not been properly defined by the regulatory agencies. Many of them expect the regulatory authorities to send them

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circulars specifically on how to include ESG considerations when planning their investment portfolios. Others believe that responsible investment is an unattainable myth.

Framing

This concerns how much ESG credentials the asset owners claim to possess compared to the reality. An interviewee gave the following reason for presenting their organisation as practicing RI thus:

> "RI is a selling point, and that's why everyone claims to be doing it…. I don't know of anyone that practices RI one hundred percent. We are trying, although we may not be doing enough." (PF3).

Apart from the above, most of the interviewees also claim to mention ethical investment, or sustainable investment and engagement in their brochure and in their financial reports. These significant differences between the reality and the façade being presented to stakeholders are evidences of framing. The above response also suggests that the weak compliance and enforcement environment, coupled with a growing number of licenced asset owners with an unchanging number of investee companies listed on the ZSE for many years, has provided a fertile ground for framing to fester.

It was also found that due to the record-keeping issues, adequate attention had not been given to documenting RI practices. For instance, when asked of the number of times that they have applied RI screening methods to asset acquisition in the last three years, only a few of the entities had a recollection, and these are foreign-owned ones. In total, 6 RI screening methods have been applied on 44 investment appraisal occasions in the last three years (see table 6). While this number is insignificant, we paid attention to the scant understanding of RI screening methods demonstrated. For instance, some asset owners claimed not to be involved in RI practice whereas they confirmed regular attendance at AGMs, which is an engagement method of RI. The undeveloped RI practice, nonetheless, interview evidence suggests that the negative screening methods is the most popular strategy, which conforms to similar findings in other parts of the world[12]. Also, RI practices only take place in fringes of asset ownership business, and they have not become integrated into all investment practices.

Fabrication and Concealment

In many cases, there are unexplained headings like "shareholder engagement", "proxy voting", and "responsible investment" available on the website of the interviewees' organisations. When asked why the website was not up to date, the responses raged from cost to forgetfulness:

> "…not all our RI practices are available on the website" (MF3)
> "Not all our engagements are available on our website because maintaining the website 24/7 is quite expensive..." (LA6)

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In addition to the above, some managers agree that certain information are better managed privately since, according to the interviewee:

> "…no one washes their dirty linen in the public…" (PF4).

One excuse given is that such practices avert market disruption when negotiating divestments, operations restructuring or removal of a managing director in an investee company. Some interviewees justified their right to supress perceived negative information by reminding us of their executive mandate to maximise wealth of their beneficiaries, to the exclusion of other stakeholders. However, there were some elements of astonishment when we flipped the question around to gauge their reaction upon the discovery of suppression of material information due to them by their investee companies.

Relationship building and interactive rituals

How the interviewees firms engage with investee companies is mainly through voting at AGMs. All the firms, whether foreign or locally controlled, demonstrated evidences of voting actively at statutory meetings, thus:

> "We don't dictate to management…. We trust the board to do right thing as they have been doing for some time now. Over the last 5 years, there hadn't been any bad news from them. I don't think we need to worry too much about that. Government policies affect all companies the same way. Remember that these are publicly listed shares. It is a well-known fact that they are well managed" (PF4).

> ".. voting is the only way by which we engage the management of the companies that we have invested in. It will cost us substantial sums of money to create a new office to continually monitor these companies. …for instance we are fortunate to have director representing our interest in …. (*Company's name withheld*)". If there are issues that needs to be brought to us, we will know." (PF7)

Apart from negative screening, engagement with investee companies is another noticeable means by which the asset owners bring investee companies to account, albeit not in a proactive way. Among the local asset owner firms, there is no evidence of periodic meetings with directors of investee companies. AGMS are ritualistic and are merely reactive. According to Solomon (2013), meetings may provide insufficient powers where the institutional investor is unable to sanction the investee companies, especially where investors do not possess majority equity shares. However, all the foreign owned asset owner firms interviewed demonstrated significant levels of effort on and public communication with investee companies during the financial year.

Discussions

This study investigates the prevalence of responsible investment practices in Zimbabwe through the theoretical lenses of greenwashing and impression

Qualitative Research in Financial Markets

management. We analyse how the asset owners' responses fit into the five sub-themes that we identified based on existing literature (Solomon, *et al.*, 2013; Archel *et al.*, 2011; Dynel, 2011; Goffman, 1959, 1974; Delmas and Burbano 2016). First, we noticed that irrespective of form of ownership (i.e. pension fund, life assurance or mutual funds), managers of the foreign subsidiaries operating within Zimbabwe are knowledgeable and skilled significantly in ESG matters and RI screening methods. The reason for their non-registration with the UNPRI is that their headquarters in Europe or South Africa had done so already. There is need for increase in the knowledge and skills of the locally owned asset owners in the area of RI screening methods through training. Although membership of the PRI may not in itself constitute conclusive evidence of RI practice, it is a good starting point. Also, many of the locally-owned asset owners equated negative screening with responsible investment. This partly influenced their inability to present their engagement activities on their website because they are unaware that meeting with investee companies and voting at AGMS are examples of good RI practice, although they should be as proactive as possible. Interview evidences suggests that foreign-owned firms practice more proactive engagements with their investee companies, which is a good RI practice that is expected to be replicated in locally-owned firms. Dialogical communication between institutional investors and investee companies has been proven to build trust and reduce reputational risks associated with long-term investments (see Gifford, 2014; ICAEW, 2004). Although they build long-term relationships, meetings can become repetitive and ritualistic especially when they are not a result of proactive engagement.

Secondly the regulatory environment needs to be stronger than it is currently, as seeming laxity on the part of the financial regulators encourages greenwashing, which is a reflection of the general pattern of the corporate governance system in Zimbabwe, as having been instituted only at the foundational level. This is a noticeable weakness of the rules-based system in many developing countries, where, despite the multiplicity of laws and regulations, flouting of regulations largely goes unpunished (Arjoon, 2006; Adegbite *et al.*, 2011; Benston, *et al.*, 2006). Considering the response of one of the interviewees, "RI is a selling point and that is why everyone is claiming to be engaging in RI." This resonates with Delmans and Burbano (2016)'s findings that incidences of limited or contradictory regulatory information strengthens individual and organisational-level cognitive greenwashing, which explains why policymakers and activists should be incentivised to reduce greenwashing. They also found that individual and organisational cognition and regulatory laxity allow for greenwashing tactics to go unchecked. Societal culture and value systems have been found to create legitimacy for an ethical environment (see Rossouw, 2005; Monks and Minnow, 2004, Wanyama *et al.*, 2009), which explains the seeming incompatibility of corporate laws based on an Anglo-Saxon model of corporate governance with some indigenous African traditional business practices.

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Elements of 'innocent concealment' of information is extensive among the asset owners interviewed. According to Dynel (2011), such "subordinate communication", which Goffman (1981) had hitherto referred to as *"byplay"*, *"cross-play"* or *"side-play"*, are designed to either hide (thereby causing inaudibility of the) substantive communication, or supress it by using oblique words with a view to confusing the participants, except the vigilant ones. Goffman (1974, 1981) reminds us that not all concealments are deliberately or fraudulently made. The intention of the asset owners in concealing market-damaging information goes against transparency, which is a fundamental tenet of RI. The responsibility of asset owner institutions goes beyond their portfolio of shares, but also includes valuing the ESG elements of their assets.

We also found that the traditional view at the portfolio level of investing, that constructed RI funds must underperform, is still very prevalent, evidenced by the cost implication excuses provided by local asset owners. This, however, runs counter to recent academic findings that stocks do not necessarily underperform because they are responsible investment portfolios (Derwall *et al*, 2011; Kempf and Osthoff, 2007; Dimson *et al.*, 2013). Although it could be argued that these findings originated from jurisdictions with developed capital markets, collaboration with other asset owners is capable of reducing portfolio management cost.

Research implications

This study investigated greenwashing and impression management entrenched in RI practice from asset owners' standpoint in a developing country. Asset owners' paradigm was chosen because they play a crucial role in the investment chain, given that they dictate RI policies to others intermediaries in the investment chain, and thus lead to ultimate consequences on the going concern assumptions of the investee companies (Solomon,2009; FRC, 2010). Although there are numerous laws regulating environmental, social and governance issues in Zimbabwe, the weak regulatory environment was apparent from the interview data gathered, thus discouraging the development of genuine RI practice. Also, there is no coherent legislation similar to the CRISA or the UK Stewardship Code that primarily encourages or regulates the roles of asset owners in entrenching RI in Zimbabwe. Future researchers can apply other qualitative techniques such as observation at AGM, inspection of communication documents between asset owners and investee companies to further analyse greenwashing and impression management.

Future research may analyse how RI can be encouraged in jurisdictions where regulations are weak or non-existent, especially in terms of regulators' motivation to enforce corporate governance laws and directives that encourage RI practice. For instance, Nakpodia *et al.* (2016), in analysing suitable corporate governance framework for sub-saharan Africa, proposes a combination of rules and principles based regulation supported by other empowered stakeholder groups. Furthermore, this research did not cover the interplay and effects of greenwashing and impression management between the asset owners and the regulators. Our research focuses on

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the case study of RI practices within Zimbabwe, which means that our conclusions may not be generalizable, especially to other developing countries since their regulatory environment may differ. However, we encourage other researchers to conduct similar research in other jurisdictions, especially within Africa where this kind of research is limited.

Professional implications and Conclusion

The greenwashing and impression management discourse offers alternative views of analysing communication between investors and stakeholders. The interview method of data collection offered us the opportunity to extend evidence from identified concepts to the application of greenwashing and impression management. Since a theory on its own may not be enough in analysing behaviours regarding RI practices, but a composite of views, the combination of the two was justified based on their similarities in capturing the issues of under-reporting and information dissemination in RI practice.

Although our study is focused on the RI practice in a specific country through the lens of greenwashing and impression management, future research in this area could explore regional or cross-country discussion in order to consider the effect of culture and laws on investment practice. RI practice has yet to be fully entrenched in Zimbabwe due to factors such as the depth of the financial market and the laxity of regulators. Moreover, the need exists for the development of investment education targeted at asset owners. For instances in other jurisdictions, assets owners, based on the weight of their holdings, do collaborate to engage investee companies thereby saving costs. Local institutional investors should be encouraged to become signatories to the UNPRI in order to attain global standards required to successfully compete in the global financial marketplace. The rigour of meeting the PRI requirements is a starting point in entrenching RI practices.

Neighbouring South Africa has developed a Socially Responsible Index (JSE SRI) and has a functional framework in CRISA, which is an important factor in attracting FDIs. The crafting of the Code for Responsible Investing in Zimbabwe (CRIZ) is an overdue undertaking which should be expedited to allow the investing community to fully contribute and benefit from Responsible Investment.

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NOTES

1. The term became popular in 2005 upon the establishment of the UN sponsored organisation known as the Principles for Responsible Investment. Thereafter, it has been used in literature as the umbrella term for, and interchangeably with Sustainable Responsible Investment, sustainable, ethical, green, and impact investment.
2. Based on data gathered from Scopus, the average annual number of publications on RI between 1978 and 1989: 12; between 1990 and 2000: 32; 2001-2011: 138 and 2012-2017: 289.
3. Jake Reynolds, on the motivations for Responsible Investment: https://www.cisl.cam.ac.uk/resources/publication-pdfs/ilg-the-value-of-responsible-investment.pdf
4. For instance, the RI stance of the Quaker Movement and the Methodist Church in the 18th Century was influenced by Christian belief as documented in the Holy Bible (see, Deuteronomy 23:19-20 and Proverbs 13:11).
5. The Oxford English Dictionary
6. (i) The Six Sins of Greenwashing. Technical Report. Available at: http://sinsofgreenwashing.com/index6b90.pdf. Accessed on December 12, 2018.(ii) TerraChoice (2010). The Six Sins of Greenwashing. Home and Family Edition. A report on environmental claims made in the North American Consumer Market. Available at: http://sinsofgreenwashing.com/index35c6.pdf. Accessed on December 12, 2018.
   (b) United Nations Principles for responsible Investment: https://www.unpri.org/pri/about-the-pri
7. Robert Mugabe is the name of the former Prime Minister, and then Executive President of Zimbabwe (1980 – 2017)
8. Poverty and Shared Prosperity Report. http://www.worldbank.org/en/publication/poverty-and-shared-prosperity
9. Encyclopaedia Britannica: https://www.britannica.com/place/Zimbabwe
10. In literature, they have been denoted as institutional investors hitherto, with subgroups like pension funds, mutual funds, life assurance funds, hedge funds, sovereign wealth funds, activist funds. However, much of the recent literature and many investment practitioners and international regulators like the UNPRI have referred to them as Asset Owners (see, Hebb *et al.*, 2014)
11. LAPFF at: http://www.lapfforum.org/, see also a government paper on the opportunities for collaboration, savings and efficiencies when pension funds work together. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/479721/Government_response_-_consultation.pdf

12. Source: http://www.gsi-alliance.org/members-resources/ global-sustainable-investment-review-2014/.

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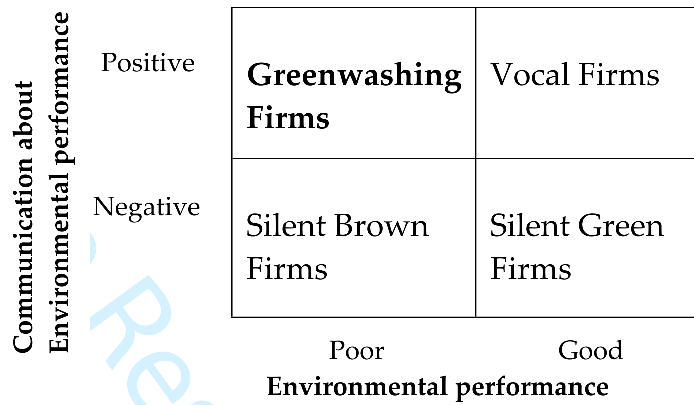
Tables and Graphs accompanying the paper titled:
Greenwashing and Responsible Investment practices. Empirical Evidence from Zimbabwe.

Figure 1: Intersection of Greenwashing



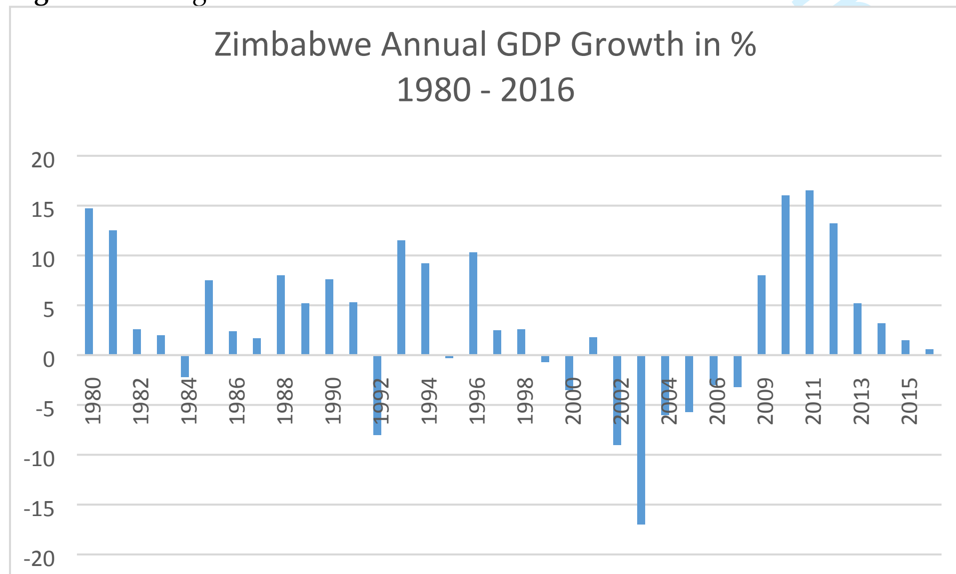
Source: Adapted from Delmas and Burbano (2016)

Table 1: List of PRI signatories based in Africa

Country	Number of signatories
South Africa	56
Mauritius	6
Botswana	3
Nigeria	3
Morocco	2
Egypt	1
Total	**71**

Source: UNPRI, 2018.

Figure 2: GDP growth before and after White Farmlands were seized



Source: Various world Bank Reports

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Table 2: Facts about Zimbabwe

Year	GDP Growth	Life Expectancy	CO2 emission in MT/capita	Population (millions)	Population below poverty line %	HIV prevalence in adults %	Stock market cap. (US$M)	Government debt to GDP %
2012	12.4	56.5	0.53	14.7	72.3	16.2	11,816	60.1
2013	5.4	58.1	0.78	15.1	N/A	15.4	16.012	68.9
2014	2.85	59.4	0.78	15.4	N/A	15.1	4,370	77
2015	1.4	60.4	0.79	15.8	N/A	14.7	3.154	76.9
2016	0.7	61.2	0.82	16.1	73.5	13.5	4,617	77.4

Source: Researchers' findings

Table 3: Legal provisions regarding ESG consideration in Zimbabwe

Environmental	Social	Governance
Environmental Management Act (2002)	Labour Act (2001)	Public Entities Corporate Governance Act (2018)
Natural Resources Act (1996)	Social Welfare Assistance Act (2001)	Companies Act (1952)
Atmospheric Pollution Prevention Act (1996)	Consumer Contracts Act (2003)	Zimbabwe Stock Exchange Act (1973)
Fertilizer, Farm Feeds and Remedies Act (1996)	Consumer Protection Act (1986)	The Public Finance Management Act (2006)
Forests Act (1984)	Dangerous Drugs Act (2002)	The Securities Act (2004)
Parks and Wildlife Act (1972)	Children's Act (2006)	Insider Trading Act (2004)
Rural District Councils Act (1986)		
Urban Councils Act (1985)		

Source: Researchers' findings

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Table 4: Key players in the Zimbabwean Financial Market

Category	Stakeholders	Selected Industry Association
Retirement Funds & Insurers	Pension and provident funds	Bankers Association of Zimbabwe
	Insurers (life and short-term)	Institute of Bankers of Zimbabwe
	Medical schemes	Zimbabwe Association of Microfinance Institutions
		Insurance Council of Zimbabwe
Other Financial Intermediaries	Collective investment schemes	Insurance Institute of Zimbabwe
	Finance companies	Zimbabwe Insurance Brokers Association
	Public sector financial intermediaries	Institute of Asset Managers Zimbabwe
		Institute of Asset Managers Zimbabwe
Banks	Commercial & Merchant Banks	
	Post Banks	
	Building Societies	
Regulatory Bodies	Reserve Bank of Zimbabwe	
	National Treasury	
	Securities and Exchange Commission	
	Financial Services Board	

Source: A Researchers' findings
Adapted from Mans-Kemp and Viviers, 2016

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Table 5: List of interviewees

	Interviewee	Asset owner Type	Code	Duration (minutes)	Experience (in years)
1	Investor Relations Manager	Pension Fund Entity	PF1	28	7
2	Chief Executive	Pension Fund Entity	PF2	22	20
3	Governance Manager	Pension Fund Entity	PF3	28	15
4	MD/CEO	Pension Fund Entity	PF4	20	18
5	Governance Manager	Pension Fund Entity	PF5	28	8
6	Head of Investment	Pension Fund Entity	PF6	21	12
7	Head of Finance & Investment	Pension Fund Entity	PF7	27	8
8	Chief Executive	Pension Fund Entity	PF8	21	22
9	Head of Governance	Pension Fund Entity	PF9	21	15
10	Company Secretary	Pension Fund Entity	PF10	20	10
11	Governance Manager	Pension Fund Entity	PF11	28	10
12	Head of Accounts	Pension Fund Entity	PF12	21	8
13	Governance Manager	Pension Fund Entity	PF13	27	15
14	General Manager	Pension Fund Entity	PF14	22	12
15	Company Secretary	Pension Fund Entity	PF15	19	8
16	General Manager	Pension Fund Entity	PF16	25	10
17	Head of Risk Management	Pension Fund Entity	PF17	27	12
18	Head of Finance & Management Services	Pension Fund Entity	PF18	27	15
19	Head of Business Relations	Pension Fund Entity	PF19	18	8
20	Governance Manager	Pension Fund Entity	PF20	26	7
21	Investment Manager	Pension Fund Entity	PF21	25	11
22	Head of Investment	Life Assurance Fund	LA1	25	12
23	Head of Corporate Business	Life Assurance Fund	LA2	26	6
24	Group Risk Director	Life Assurance Fund	LA3	25	7
25	Chief Actuary	Life Assurance Fund	LA4	21	31
26	Head of Operations	Life Assurance Fund	LA5	25	7
27	Head of Operational Risks	Life Assurance Fund	LA6	20	10
28	Risk Consultant	Life Assurance Fund	LA7	25	13
29	Actuary and Head of Risk	Life Assurance Fund	LA8	20	8
30	Head of Investment	Mutual Funds	LA9	20	11
31	Chief Operations Officer	Mutual Funds	MF1	21	12
32	General Manager – Investment	Mutual Funds	MF2	19	15
33	Managing Director	Mutual Funds	MF3	27	16
34	Governance Manager	Mutual Funds	MF4	22	5
35	Managing Director	Mutual Funds	MF5	25	16
36	Head of Investment	Mutual Funds	MF6	27	17
37	Manager	Mutual Funds	MF7	28	8
38	Head of Finance & Investment	Mutual Funds	MF8	18	12
39	General Manager	Mutual Funds	MF9	22	10
40	Manager	Mutual Funds	MF10	28	7
41	MD/CEO	Mutual Funds	MF11	15	20

Additional note: The IPEC regulates the activities of operators in the insurance and pensions industry. Pension funds, insurance funds and mutual funds managers are the main institutional investors operating in this sector. The names of the participants and those of their organisations have been withheld for confidentiality purposes.

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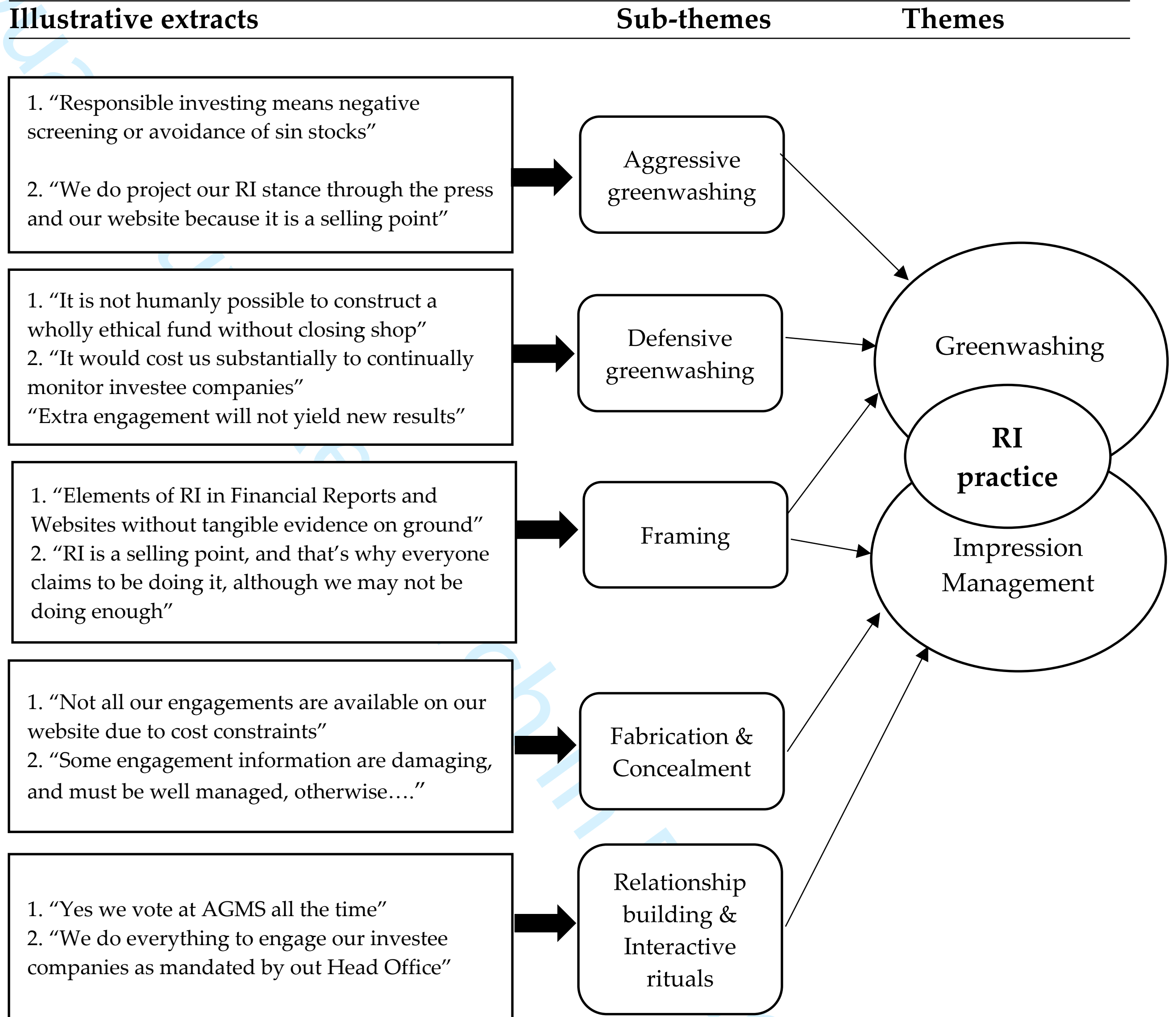
Figure 3. Emerging themes and their illustrative extracts



Source: Researchers' findings

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Table 6: Asset owners' RI strategies

	Pension Funds	Mutual Funds	Life Assurers
Engagement/proxy voting	7	2	2
Negative screening	12	3	3
Positive screening	5	2	2
Best In Class	3	1	2
Thematic investment	0	0	0
Cause based	0	0	0
Total	**27**	**8**	**9**

Source: Researchers' findings

Note: These are the number of occasion that the interviewee asset owners have used RI methods to screen investee companies in the three years up to the time of the interview. This findings do not distinguish between local and foreign-owned entities for confidentiality reasons.

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