Trajectories and Tensions of SRI: A Comparative Analysis of the Evolution of Markets and Investor Motivations

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Abstract

Socially Responsible Investing (SRI) possesses deep historical roots, but its recent institutionalization through Environmental, Social, and Governance (ESG) criteria has fundamentally altered its nature and objectives. This article provides a critical review of this transformation by analyzing the evolution of its theoretical underpinnings, market structures, and investor motivations. The objective is to synthesize this multi-decadal trajectory to elucidate the contemporary tensions between financial imperatives and ethical aspirations.

The study employs a critical and systematic literature review following a diachronic approach. It relies on a core corpus (represented by an exhaustive dissertation chapter) to establish a historical baseline (circa 1920-2012) and contrasts it with recent academic research and industry reports (circa 2018-2024) in order to analyze fundamental paradigm shifts.

The review reveals three major transformations: 1) a shift in the dominant logic, moving from values-based exclusion to an integration founded on risk management; 2) a potential convergence of the historically divergent American and European markets, driven by the pressure of global reporting standards and regulations; 3) a growing disconnect between the motivations of institutional investors (focused on the financial risk/return profile) and the ethical preferences of their end beneficiaries.

The article contributes to the literature by synthesizing the evolution of SRI and framing it within the central, unresolved tension between financial objectives (shareholder theory) and broader societal responsibilities (stakeholder theory). It highlights that the modern ESG movement, far from resolving this tension, has reframed it as a matter of financial materiality and risk.

Keywords: Socially Responsible Investing (SRI), ESG, Sustainable Finance, Stakeholder Theory, Shareholder Activism, Financial Performance.

1. Introduction

Socially Responsible Investing (SRI) is situated at the crossroads of two fundamental and often opposing theories of corporate finance. On the one hand, shareholder theory, popularized by **Friedman, M. (1962)**, posits that the sole social responsibility of the corporation is to increase its profits for its shareholders. On the other hand, stakeholder theory, formalized by **Freeman, R.E., (1984)**, maintains that the corporation must create value for all of its stakeholders, including employees, customers, suppliers, and the broader community. The history of SRI can be interpreted as a materialization of the persistent tension between these two worldviews. While its origins are anchored in deep-seated ethical and religious convictions, such as those of the 17th-century Quakers **Dandelion, P. (2007)** who refused to profit from activities deemed immoral, its contemporary form, dominated by the Environmental, Social, and Governance (ESG) acronym, appears to be increasingly aligned with a logic of risk management and financial optimization.

The existing literature often addresses the history of SRI and the modern ESG phenomenon in a disjointed manner. A significant gap lies in the absence of a critical synthesis that traces this entire trajectory to understand how the ethical motivations of the early days were progressively transformed, or even supplanted, by the risk-management framework that characterizes sustainable finance today. Recent attempts at a normative reconciliation between shareholder and stakeholder theories in the ESG era demonstrate that this debate is more relevant than ever, seeking to prove that serving stakeholders is the best way to serve shareholders in the long term **Zumente, I., & Bistrova, J. (2021)**. This evolution raises fundamental questions about the nature, objectives, and actual impact of SRI.

This article seeks to address this gap by answering the following central research question: How has the transition of Socially Responsible Investing (SRI) from a niche ethical movement to a global ESG paradigm reconfigured the markets, investment strategies, and the motivations of institutional investors?

To address this question, two sub-questions will guide our analysis:

1. Do the historical divergences between the American and European SRI approaches persist in the era of global regulation and standardization?

2. Have the motivations of institutional investors evolved from an ethical basis to a purely financial and risk-management imperative, and what is the impact of this evolution on the performance and purpose of SRI?

Based on these questions, we formulate two research hypotheses that will be examined throughout this article:

- **H1**: Regulatory pressure and global standardization (e.g., SFDR regulation, ISSB standards) have led to a progressive convergence of the American and European SRI markets, blurring the historical distinctions based on 'best-in-class' versus 'exclusions' approaches.

- **H2**: The primary motivation for institutional investors to adopt ESG strategies has shifted from an adherence to ethical values to the strategic management of non-financial risks perceived as materially relevant to long-term financial performance.

The originality of this study lies in its diachronic and critical approach. It builds a bridge between the historical narrative of SRI, as captured in the foundational literature up to the early 2010s, and an analysis of the contemporary post-2018 landscape, marked by increased regulation and massive institutionalization. By using a detailed synthesis of the state-of-the-art from a decade ago as a historical 'snapshot', we have a unique baseline from which to measure and critique the profound transformations in the field. This method allows for a holistic and nuanced understanding of what can be described as the 'financialization' of ethical investing, identifying the continuities, ruptures, and tensions that define SRI today.

2. Critical Literature Review

The field of Socially Responsible Investing (SRI) and ESG has undergone a meteoric expansion, moving from a niche concern to a central theme in modern finance. However, this growth has given rise to significant conceptual and empirical challenges. The current literature is often fragmented, with parallel debates on financial performance, investor motivations, and the real-world impact of strategies that struggle to connect. This review adopts a critical stance, arguing that the term 'ESG' itself tends to obscure a persistent and unresolved tension between the original ethical objectives and the financial optimization that dominates today **Gupta, P., Mehlawat, M., & Saxena, A. (2013)**. The analysis of recent literature (post-2018) makes it possible to take stock of current knowledge and to identify the gaps that this study aims to address.

One of the oldest and most persistent debates concerns the relationship between ESG criteria and financial performance. While initial studies produced mixed or inconclusive results, more recent meta-analyses and research suggest that this link is complex, contextual, and not universally positive **Gupta, P., Mehlawat, M., & Saxena, A. (2013)**; **Renneboog, L., Ter Horst, J., & Zhang, C. (2008)**. In particular, studies analyzing periods of financial crisis have challenged the narrative of the 'resilience' of SRI funds, showing that their performance varies considerably depending on geography, the type of crisis, and the fund's composition, and that they do not systematically offer superior protection **Shanthirathna, N., Gan, C., Vatsa, P., & Ho, L. (2023)**. The use of sophisticated rating systems, such as those from Morningstar, has enabled more granular analyses but has also highlighted the considerable heterogeneity hidden behind the 'sustainable' label, making direct comparisons difficult **Shanthirathna, N., Gan, C., Vatsa, P., & Ho, L. (2023)**.

Concurrently, the rise of ESG has rekindled the fundamental theoretical debate between the shareholder primacy of **Friedman, M. (1962)** and stakeholder theory. Far from closing the discussion, ESG has intensified it. Recent academic works propose a normative reconciliation, arguing that considering stakeholder interests is not an end in itself, but rather the most effective means of serving the long-term financial and moral interests of shareholders **Zumente, I., & Bistrova, J. (2021)**. This view is in direct opposition to the 'anti-ESG' movement, particularly visible in the United States, which considers the integration of non-financial factors a breach of the fiduciary duty of asset managers (PRI, 2023). Furthermore, the nature of investor influence has evolved and become more complex. On one hand, shareholder engagement has become a common practice for large institutional investors, often conducted collaboratively and discreetly **Wu**, **W**., **Wang**, **H**., **Tong**, **L**., **& Zhang**, **Y**. (**2025**). On the other hand, shareholder activism has become more aggressive and sophisticated. Modern activists deploy tactics such as hostile takeovers, the publication of short-selling reports amplified by social media, and the exploitation of regulatory asymmetries to impose their views, with ESG issues becoming a new battleground for these conflicts **Bajzík**, **J**., **Havranek**, **T**., **Irsova**, **Z**., **& Novak**, **J**. (**2025**).

The primary gap identified in the literature is the absence of a synthetic analysis that connects the historical trajectory of SRI to these contemporary debates. How could the activism of the Quakers, founded on uncompromising moral values, evolve into the complex, data-driven, and often confrontational world of ESG? The existing literature fails to satisfactorily explain the mechanisms of this profound transformation. This article aims to fill this gap by positing that the central mechanism of this metamorphosis has been the professionalization and institutionalization of SRI. This process was led by key actors such as specialized rating agencies, like KLD Research & Analytics, Inc., which were the first to systematize non-financial evaluation **Saadaoui**, **K**. (**2009**), and large institutional investors. The latter gradually reframed ethical concerns into the language of financial risk and market opportunity. Recent research highlights a critical disconnect resulting from this process: fund managers are primarily motivated by beliefs about financial performance, while systematically underestimating the importance their end clients place on ethical values and real-world impact **Jin**, **Q**., **Basso**, **A**., **Funari**, **S**., **Kerstens**, **K**., **& Woestyne**, **I**. (**2023**). This suggests that the transformation of SRI into ESG is not only an unfinished process but also one that is fraught with tensions and contradictions.

3. Methodology

To answer our research question regarding the transformation of Socially Responsible Investing, this study employs a methodology of critical and systematic literature review. The adopted approach is diachronic; that is, it analyzes the evolution of the phenomenon over a long period by comparing two distinct research corpora. This method allows not only for the description of changes but also for the critical identification and analysis of paradigm shifts, continuities, and the driving forces behind this evolution.

The research protocol consisted of constructing two textual data corpora. The first corpus serves as a historical baseline, while the second represents the current state of the field.

Corpus 1 (**Historical Baseline**, **circa 1920–2015**): The primary source for this period is the dissertation chapter provided by the user. This text is treated as a rich and structured secondary source, synthesizing the foundational academic literature and key industry reports of that era. It includes references to seminal works **Dandelion**, **P**. (**2007**); **Férone**, **G**., **C**. **H**. **D'Arcimoles**, **P**. **Bello**, **et al**. (**2001**); **Saadaoui**, **K**. (**2009**); **Aglietta**, **M**., **& Rebérioux**, **A**. (**2004**); **Renneboog**, **L**., **Ter Horst**, **J**., **& Zhang**, **C**. (**2008**) as well as to market reports that were authoritative at the time (Eurosif[1], 2012; US SIF, 2012). The value of this corpus lies in its capacity to provide a detailed and organized 'snapshot' of the history of SRI, its market structures, and its theoretical underpinnings prior to the recent explosion of the ESG phenomenon. It offers us a solid starting point from which to measure the extent of the changes that have since occurred.

Corpus 2 (**Contemporary Analysis**, **circa 2018–2024**): This corpus is composed of a targeted selection of recent high-impact academic articles, industry reports, and regulatory analyses, extracted from the provided research documents. The selection criteria for this corpus were strict: 1) recent publication dates, primarily between 2018 and 2024, to capture the most current trends; 2) direct relevance to the study's central themes, namely financial performance, market structure, investor motivation, and regulatory evolution; and 3) sources reflecting the current state of the academic debate and market reality **Gupta**, **P**., **Mehlawat**, **M**., **& Saxena**, **A**. (**2013**); **Global Sustainable Investment Alliance**, **2023**; **Jin**, **Q**., **Basso**, **A**., **Funari**, **S**., **Kerstens**, **K**., **& Woestyne**, **I**. (**2023**); **Wu**, **W**., **Wang**, **H**., **Tong**, **L**., **& Zhang**, **Y**. (**2025**); **Zumente**, **I**., **& Bistrova**, **J**. (**2021**)). This corpus allows for an analysis of

[1] Eurosif : The European Sustainable Investment Forum (*Forum Européen de l'Investissement Durable*), an organization promoting socially responsible investment in Europe.

the forces shaping SRI today, notably regulation, standardization, and new forms of activism.

The choice of a critical review as a methodology is fully justified by the nature of the research question. Such an approach is the most appropriate for synthesizing a vast body of knowledge dispersed over time, something that a single empirical study could not accomplish. By treating the dissertation chapter as a historical artifact, we can perform a 'before-and-after' analysis that allows for a critical assessment of how the concepts, practices, and discourses it describes have been transformed by recent developments. This method goes beyond a mere chronological description. It enables the identification of long-term trends, ideological shifts, and causal mechanisms (such as regulation, institutionalization, and technology) that have driven the evolution of the field. Ultimately, this approach authorizes us to propose a critical and nuanced interpretation of the entire trajectory of responsible finance, from its ethical origins to its current incarnation, which is dominated by financial considerations.

4. Findings: The Architecture of SRI on the Eve of the ESG Wave

This section presents the synthesized findings from our analysis of the historical literature corpus (pre-2015). It outlines the state of Socially Responsible Investing prior to its massive transformation under the impetus of the ESG paradigm. These findings constitute the baseline upon which our discussion of contemporary evolutions will be built.

The Generations of SRI: From a Moral Vocation to a Societal Responsibility

The historical analysis reveals a clear and sequential evolution of SRI, which can be broken down into several distinct generations, each with its own motivations and strategies. The first generation, which can be described as 'ethical funds', finds its roots in deep-seated religious and moral values. The most emblematic example is that of the Quakers in the 17th century **Dandelion, P. (2007)**, who were pioneers in introducing ethical considerations into their business and investment practices, refusing to finance activities related to war or slavery **Saadaoui, K. (2009)**. This approach, formalized in the 20th century, was primarily characterized by a strategy of exclusion, or 'negative screening', aimed at screening out 'sin stocks' (shares of companies involved in alcohol, tobacco, armaments, or gambling) from portfolios **Saadaoui**, **K**. (**2009**).

The second generation emerged in the context of the major social and political movements of the 1960s and 1970s. Investing then became a political tool. Investors, particularly university pension funds and religious groups, used their shareholder rights to exert pressure on corporations. This 'shareholder activism' targeted major societal issues such as the Vietnam War or the apartheid regime in South Africa **Saadaoui**, **K**. (**2009**). The objective was no longer merely to avoid 'harm,' but to actively promote 'good' by influencing corporate behavior.

The third generation marks a conceptual turning point with the integration of the notions of Corporate Social Responsibility (CSR) and Stakeholder Theory. Influenced by thinkers such as **Férone**, **G**., **d'Arcimoles**, **C**. **H**., **Bello**, **P**., **&** **Sassenou**, **N**. (**2001**), SRI shifted from a logic of exclusion to a more holistic and positive assessment of companies. It was no longer just about what companies do not do, but about what they do for their employees, their communities, and the environment. This evolution was greatly facilitated by the emergence of specialized non-financial rating agencies, such as KLD Research & Analytics, Inc., founded in 1988, which began to provide structured data on the social and environmental performance of companies, thereby laying the technical foundations for the future ESG framework. Finally, a fourth, performance-oriented generation began to emerge, positing that good management of ESG issues could be synonymous with long-term financial outperformance **Saadaoui**, **K**. (**2009**).

Table 1: **Evolution of Socially Responsible Investing Paradigms** (**pre–2015**)

Period/Generation	**Primary Objective**	**Dominant Strategy**	**Theoretical/Ideological Foundation**	**Key Authors/Examples**
1st Generation (**Ethical Funds**)	Maintain investor's moral consistency	Exclusion (Negative screening)	Religious and moral values	Quakers **Dandelion**, **P**. (**2007**), Methodists, Pioneer Fund (1928)
2nd Generation (**Political Activism**)	Influence corporate behavior on political and social issues	Shareholder activism, targeted exclusions	Social and civic movements	Anti-Apartheid campaigns, Pax World Fund (1971)
3rd Generation (**SRI**/**CSR**)	Meet stakeholder expectations	Positive screening (Best-in-Class), integration	Stakeholder Theory, CSR	**Saadaoui**, **K**. (**2009**), KLD
4th Generation (**Performance**/**ESG**)	Optimize long-term risk/return profile	Full ESG integration, engagement	Enlightened shareholder value theory	Dow Jones Sustainability Indices, FTSE4Good

Legend: This table synthesizes the chronological and ideological evolution of SRI, based on the analysis of historical literature **Saadaoui**, **K**. (**2009**).

Structural Divergences of SRI Markets (circa 2012): The Transatlantic Divide

Around 2012, the global SRI landscape was largely dominated by two distinct models, reflecting different financial cultures and regulatory histories: the European model and the American model.

The European market was, in absolute terms, the largest. According to the Eurosif (2012) report, assets under management (AUM) using SRI strategies in Europe reached €6,763 billion at the end of 2011. This market was, however, highly heterogeneous. The most widespread strategy by far was 'Exclusions' (based on specific norms or sectors), which accounted for a very significant share of the total. Other strategies such as 'ESG Integration' and 'Engagement and voting' were also significant, but their popularity varied greatly from one country to another. For example, France was distinguished by a preference for integrating ESG criteria into financial analysis, while the United Kingdom favored shareholder engagement. This fragmentation testified to a market still under construction, where national approaches prevailed over a unified continental standard.

The American market, although smaller in total value with $3,744 billion in assets under management in 2012 according to the US SIF (2012) report, was the largest single-country market and arguably the most mature. Its approach was structured around what the report calls the 'three-legged stool of SRI': ESG criteria integration, shareholder activism, and community investing. Unlike in Europe where exclusions dominated, the most significant strategy in the United States was ESG integration, which encompassed both negative and positive screening. Shareholder activism also had a long tradition and considerable weight there. This transatlantic divide was therefore structural: a Europe dominated by large-scale exclusion strategies and an American market more oriented towards the proactive integration of ESG factors and direct engagement with companies.

Table 2: Comparison of European and American SRI Markets (circa 2011–2012)

Characteristic	European Market (2011)	American Market (2012)
Total Assets (AUM)	€6,763 billion	$3,744 billion (~€2,912 billion)
Dominant Strategy (by AUM)	Exclusions (specific and norm-based)	ESG Integration
Second Strategy	ESG Integration	Shareholder Activism
Primary Approach	Primarily based on exclusions and international norms	Integrated approach (screening, activism, community investing)
Source	Eurosif (2012)	US SIF (2012)

Legend: This table highlights the structural differences between the two main SRI markets in the early 2010s, based on data from the benchmark reports of the era.

The Role and Motivations of Institutional Investors

Institutional investors (pension funds, insurance companies, asset management firms) were the primary drivers of SRI's growth. Managing colossal sums, their primary objective, framed by models such as Markowitz's Portfolio Theory, is to maximize returns for a given level of risk. Their growing involvement in SRI marked a fundamental shift in financial capitalism, as analyzed by **Aglietta, M., & Rebérioux, A. (2004)**.

However, the motivations driving them towards SRI were complex and extended beyond simple financial optimization. An influential study by **Renneboog, L., Ter Horst, J., & Zhang, C. (2008)** highlighted that SRI investors, although sensitive to performance, were often guided by psychological and moral considerations. They derived non-financial ‘utility' from the alignment of their investments with their ethical convictions and were willing, to a certain extent, to accept sub-optimal financial performance to achieve social or environmental objectives. This duality created a fundamental tension between their traditional fiduciary duty (maximizing returns) and their ethical aspirations.

The main challenges identified at that time were twofold. Firstly, a lack of transparency in the management practices of SRI funds, which raised doubts about the actual application of the stated ethical criteria. Secondly, the tangible impact of engagement and voting remained limited, with institutional investors often struggling to significantly influence corporate behavior **Renneboog, L., Ter Horst, J., & Zhang, C. (2008).**

Table 3: Summary of Motivations and Challenges for Institutional Investors in SRI (pre-2015)

Dimension	Motivations	Challenges/Criticisms
Financial	Potential for long-term outperformance, management of reputational risks.	Absence of conclusive proof of systematic outperformance.
Ethical/Moral	Alignment of investments with personal/institutional values (religious beliefs, altruism). Psychological satisfaction ('warm glow').	Tension with the fiduciary duty to maximize returns.
Governance/Engagement	Desire to positively influence corporate behavior.	Lack of transparency in management practices. The real impact of voting and engagement often limited.

Legend: This table summarizes the complex motivations and challenges faced by institutional investors in the SRI field, drawing on the literature of the time, notably **Renneboog, L., Ter Horst, J., & Zhang, C. (2008).**

5. Discussion

The analysis of the historical findings on SRI provides an essential baseline for assessing the magnitude of the transformations that have occurred over the last decade. The responsible finance landscape has been radically reshaped by regulatory, technological, and ideological forces. This section contrasts the previously presented findings with contemporary literature and data to analyze three major paradigm shifts: the convergence of global markets, the redefinition of investor motivations, and the metamorphosis of shareholder engagement.

From Divergence to Convergence? The Reconfiguration of Global Markets

The historic transatlantic divide, characterized by a Europe focused on exclusions and an America pioneering integration and activism, is blurring. Although structural differences remain, the regulatory landscape is driving an inevitable convergence. The European Union's Sustainable Finance Disclosure Regulation (SFDR) has become a major catalyst for this harmonization (Eurosif, 2025). Designed as a transparency framework, it has been used by the market as a de facto classification system, compelling asset managers worldwide to position their products according to its categories (notably Articles 8 and 9), which directly impacts the naming and marketing of funds far beyond the EU's borders.

This pressure for greater rigor and transparency explains a phenomenon that might, at first glance, be interpreted as a market decline. The dramatic drop in declared sustainable assets under management (AUM) in the United States, from $17 trillion in 2020 to $8.4 trillion in 2022, is not a sign of a collapse in demand (Global Sustainable Investment Alliance, 2023). On the contrary, it is the direct result of a methodological change by the US SIF, which tightened its criteria to exclude strategies that do not demonstrate substantial ESG commitment, in direct response to growing concerns about 'greenwashing' (Global Sustainable Investment Alliance, 2023). Similarly, the proportion of assets defined as 'sustainable' in Europe has seen a downward trend. This is not a retreat, but a market correction towards greater quality and credibility. The American and European markets are therefore facing the same challenges of definition, disclosure, and the fight against greenwashing, which is pushing them to adopt more robust and comparable frameworks. This dynamic strongly supports our first hypothesis (H1) of a progressive convergence of markets, not through mimicry, but through a common response to global regulatory and market pressures.

Financial Performance and Motivation: The Triumph of Risk over Ethics

The historical debate on the possibility of sacrificing a portion of financial return in the name of ethics, as suggested by the work of **Renneboog, L., Ter Horst, J., & Zhang, C. (2008)**, seems increasingly anachronistic in the dominant discourse of institutional investors. Today, the primary narrative no longer presents ESG integration as a compromise, but as an indispensable tool for enhancing long-term risk-adjusted returns. ESG has become synonymous with the sound management of non-financial risks (climate, social, regulatory) that are now considered materially relevant to financial performance.

This evolution has created a chasm between the motivations of asset managers and those of their end clients. Whereas historical literature described a mix of financial and ethical motivations among investors, more recent research reveals a striking disconnect. A comparative study has shown that fund managers are primarily guided by their beliefs about long-term financial returns and risk reduction, while they systematically underestimate the importance that their beneficiaries (whether retail or institutional investors) place on authentic ethical, social, and environmental values **Jin, Q., Basso, A., Funari, S., Kerstens, K., & Woestyne, I. (2023)**. This phenomenon can be interpreted as a large-scale principal-agent problem: the 'agents' (fund managers) have translated the ethical demands of their 'principals' (end investors) into a language of their own—that of financial materiality and risk management. The modern ESG landscape is therefore less a reflection of a desire to express values than an attempt to price and manage externalities. This observation strongly corroborates our second hypothesis (H2), which posits that the primary motivation of institutional investors has shifted from an adherence to values towards the strategic management of risk.

The Evolution of Engagement: From Moral Pressure to Information Warfare

The shareholder activism described in the historical literature, based on the filing of resolutions at general meetings to promote social causes, has undergone a radical mutation. The current landscape of shareholder influence is polarized. On one side, we have collaborative 'engagement', practiced by large institutional investors who seek to influence companies through discreet and continuous dialogue **Wu, W., Wang, H., Tong, L., & Zhang, Y. (2025)**. On the other, we are witnessing the rise of hyper-aggressive 'activism', led by specialized funds that no longer hesitate to use economic warfare tactics.

These modern activists deploy a sophisticated arsenal that includes hostile takeovers, the publication of devastating short-selling reports, and disinformation campaigns conducted on social media to manipulate opinion and drive down share prices **Bajzík, J., Havranek, T., Irsova, Z., & Novak, J. (2025)**. They skillfully exploit regulatory asymmetry: while companies are subject to strict disclosure rules, activists can disseminate allegations with far fewer constraints, allowing them to control the narrative **Bajzík, J., Havranek, T., Irsova, Z., & Novak, J. (2025)**. In this new context, ESG issues are no longer just an end in themselves but have become a strategic lever, a weapon used to criticize a company's governance, justify a campaign, or rally the support of other shareholders. This instrumentalization and 'weaponization' of the principles that were at the origin of SRI represent a profound transformation, a far cry from the moral campaigns of previous decades.

6. Conclusion

At the conclusion of this diachronic critical review, it is clear that Socially Responsible Investing has undergone a paradigmatic transformation. Far from being a simple linear evolution, the transition from a niche movement founded on ethical values to an institutionalized pillar of modern finance under the ESG banner represents a fundamental rupture. By contrasting a detailed historical baseline with an analysis of contemporary literature and data, this article has illuminated the mechanisms, tensions, and consequences of this metamorphosis. The synthesis of our contributions makes it possible to answer the research hypotheses and to outline future prospects for responsible finance.

The analysis confirms our two research hypotheses. Firstly, hypothesis H1, which posited a progressive convergence of the American and European SRI markets, is largely supported. The historical divide is fading under a twofold pressure: a global regulatory push towards the standardization of disclosures, epitomized by frameworks such as the European SFDR and the ISSB standards, and a shared challenge of combating 'greenwashing'. This dynamic has forced markets to adopt stricter definitions and more rigorous practices, leading to a maturation and harmonization of the industry on a global scale. Secondly, hypothesis H2, which suggested a shift in the motivations of institutional investors from ethics to risk management, is also confirmed. The dominant discourse has evolved from a potential trade-off between return and values to a logic of integrating ESG factors as a tool for managing materially relevant risks to financial performance. This 'financialization' of ethics has created a significant disconnect between the objectives of asset managers and the aspirations of end investors, a tension that remains at the heart of current debates.

The implications of these findings are manifold. For finance practitioners, it is imperative to acknowledge and seek to bridge the motivational gap that separates them from their clients. More transparent communication about the real objectives of funds (risk-adjusted return maximization versus real-world impact) is essential to restore trust. For regulators, the major challenge is to ensure that transparency-based regulations, such as the SFDR, translate into substantial changes in capital allocation and corporate behavior, and are not limited to a mere reclassification and marketing exercise. The objective must be to foster tangible impact rather than merely perfecting risk measurement.

This study, as a literature review, has inherent limitations. Its conclusions are based on the synthesis and interpretation of existing research and do not generate new primary data. However, it opens up several promising avenues for future research that could further investigate the causal links identified. Future quantitative research could measure the impact of fund reclassifications under SFDR not only on capital flows but also on the actual corporate sustainability performance indicators of the companies in their portfolios. A large-scale behavioral finance study could explore in greater detail the nature and extent of the preference and motivation gap between asset managers and their different types of clients. Finally, a network analysis of activist campaigns could precisely map how ESG themes are used as strategic levers in battles for corporate control, offering insight into the new dynamics of shareholder power in the era of sustainable finance. In sum, while SRI may have changed its face, the fundamental questions about its purpose and its soul remain more open than ever.

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