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Supporting sustainable transition of financial sector through information-based governance initiative involving niche actors

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Information-Based Governance Initiatives and transition pathways

Insights From the Towards Sustainability

1. Introduction

The sustainable transition of the financial sector is an important challenge as it is a leverage for the sustainable transition of the whole society (Geddes & Schmidt, 2020). However, sustainable transition is a specific form of transition which is strongly affected by lock-in mechanisms implemented by industries (Geels, 2011). And many financial institutions are directly targeted for paying poor attention to environmental issues; for being responsible of rising inequalities; for resisting to disruptive changes, etc. (Loorbach, Schoenmaker & Schramade, 2020).

In the recent years, many labels were created to target Sustainable Investment (SI) products (Megaeva, Engelen, & Van Liedekerke, 2021). Some of them can even be considered as information-based governance (IBG) initiatives, i.e. an object using information to steer society towards a particular direction (Bullock, 2016). They indeed intend to use SI in order to influence the sustainable transition pathways of the financial regime. Some of these labels have already implemented new practices at the level of the financial industry (Arjaliès et al;, 2013). However – in a rather surprising way – there are only limited studies focusing on SI within the scope of Transition Studies (Geddes & Schmidt, 2020). Labelling schemes are also poorly covered by sustainable finance literature, even if they remain a critical issue for practitioners (Arjaliès et al., 2013).

In this study, we focus on the requirements which are applied by the Towards Sustainability Initiative – also called Quality Standard. This label is an IBG initiative targeting SI. It has been launched by the Belgian Federation of the Financial Sector (Febelfin) in 2019, and has implemented new stringent requirements in 2021 after an ambitious multi-stakeholder process involving actors from civil society and financial institutions. We aim at understanding why actors of the financial regime keep using this label.

To do so, we have decided to use multi-level perspective (MLP) as our main theoretical framework, also mobilizing framing to interpret our data. Specifically, we adopt a posture rarely used in MLP literature. Indeed, unlike most studies that seek to identify how niche actors challenge the stability of the regime through their frames, we decide to look at the problem from the other perspective; and we try to determine how certain actors within the regime can participate to the destabilisation process by participating to the transition path of their regime.

Our paper contributes to transition studies by demonstrating how information-based governance initiatives participate to sustainable transition of sustainable investment socio-technical regimes. Our paper also provides a practical incentive for legitimate IBG initiatives to set stringent criteria under some conditions. Moreover, we state boundaries between regime and niche levels of MLP can be crossed by multi-stakeholder IBG initiatives to accelerate the pathways of sustainable transition.

2. Research Design

2.1. The Financial Socio-Technical Regime

The multi-level perspective (MLP) is a heuristic framework that allows studying socio-technical transitions, which are "shifts to new kinds of (energy, mobility, housing, agro-food) systems" (Geels, 2020). They differ from purely technological shifts because they are not only driven by technological innovations; but also by policies, consumers practices, cultural changes, changes in institutional structures, social interactions, etc (Markard, Raven & Truffer, 2012). MLP also offers a suitable framework for understanding sustainability transitions, which are shifts of socio-technical regimes towards more sustainable systems.

MLP mobilises three levels of analysis (Elzen et al., 2011): macro/landscape level; meso/regime level; and micro/niche level. Dominant regimes are analysed through their context (landscape) – which cannot be influenced by niche and regime actors in the short-run (Geels, 2011), but which influences them (Geels, 2012) – and the influence of niches/innovations (Geels, 2002). These dominant regimes incorporate rules that are connected to each other to form the basic principles to which the actors in the regime conform (Geels, 2004). MLP is represented on *Figure I* as developed by Geels (2002).

The shifts to new systems are driven by radical innovations which are generally developed in niches – which act as incubation rooms (Geels, 2002)– and need windows of opportunity to emerge at the regime level (Geels & Schot, 2007).

These opportunities are mainly created by: changes at landscape level, internal technical problems, negative externalities, emergence of new actors, changing users' preferences or strategic and competitive games between firms (Geels, 2004). In other words, anything that can put

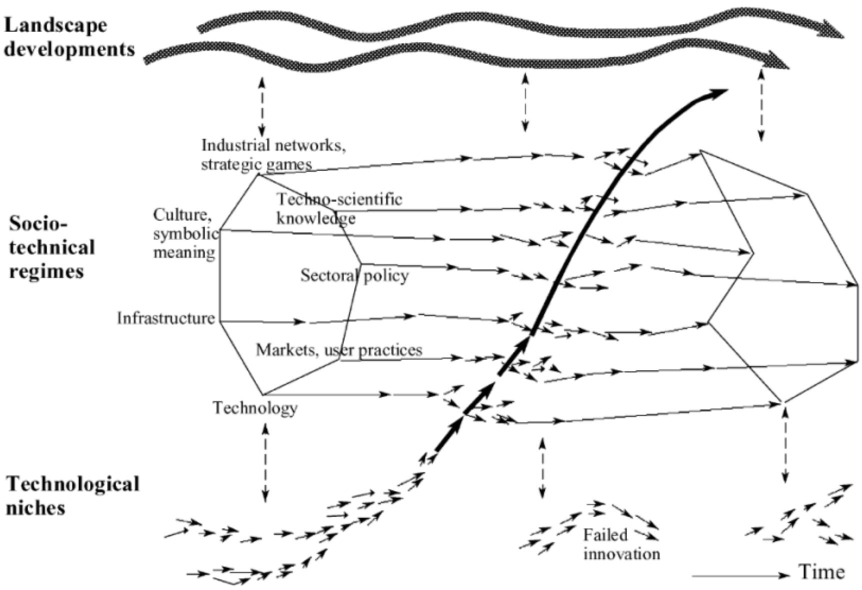

Figure I (Geels, 2002)

sufficient pressure on the regime to induce some changes; or anything that can create destabilisation at the regime level. This destabilisation process can be defined as "the process through which an existing regime loses its grip on firms-in-an-industry" (Turnheim & Geels, 2012). In particular, this can be reflected in the emergence of internal contradictions at the regime level.

However, the existence of windows of opportunity – created by destabilisation process or external pressure – is not sufficient in itself to induce major shifts in socio-technical regimes. Indeed, new practices need to gain legitimacy to develop themselves in well-established regimes where incumbent actors are assumed to develop resistance mechanisms – lock-in mechanisms. This is even more evident when these new practices concern sustainability-oriented shifts (Geels, 2011).

Most papers have used MLP to study historical transition on long-term horizons, but it may also be adapted to cover future transitions (Geels, 2020); and even" transitions in the making". These "transitions in the making" are studied not because some major changes are depicted as unavoidable, but "because new developments are started to question some of the basic assumptions in the existing regime which may (or may not) eventually lead to a transition" (Elzen et al., 2011).

This may be illustrated by the financial sector and its interaction with SI practices. The financial sector has already been conceptualised as a well-defined socio-technical regime (Urban & Wójcik, 2019 ; Seyfang & Gilbert-Squires, 2018). Actors from the financial regime are those who are strongly embedded into conventional financial activities and its returns-based logic. They mainly develop SI practices in internal incubator rooms which are separated from their main activities. The impact of these incubators on the core business of these institutions is therefore limited (Loorbach, Schoenmaker & Schramade, 2020).

However, at the same time, more and more conventional financial products use ESG criteria integration in their portfolio selection (Atbani & Trullols, 2014); SI represents an important share of the total financial sector. It is nevertheless true that this SI adopted by the whole financial industry has been defined as "mainstream SI" (Reveli, 2017), and is mainly a financialization of ESG issues that is not translated into managerial constraints for incumbent actors.

Nevertheless, it seems that some SI innovations have managed to break into the financial regime and question one of the basic assumptions of the financial regime: "collective well-being would flow from this maximisation [of individual gains] by the shareholder" (Lagoarde-Segot & Paranque, 2018). SI introduces some elements in the financial regime which are not directly related to financial returns. We therefore disagree with Urban and Wójcik (2019) who position sustainable finance only at the level of niche innovations.

This "transition in the making" could be a step in what Geels and Schot (2007) identified as a transformative path, which is one of the four main transitions paths they conceptualised. Within transformation path, pressure and tensions exercised on the regime oblige regime actors to adopt some innovations developed in niches. The regime actors survive and a new regime is created through cumulative adjustments. However, financial regime seems to follow a slow transformative transition pathway which will not be sufficient to cover the needs of our society and guide it towards minimum level of sustainability (Loorbach, Schoenmaker & Schramade, 2020).

Therefore — and even if some of the SI innovations have managed to break into the financial regime within mainstream SI –some actors defend a more radical vision of sustainable investment. This "core SI" – or niche SI– would be translated into management constraints (Reveli, 2017), the expression of ethical convictions (Arjaliès & Bansal, 2018), and the transformation of institutions in a context of trust crisis. Core

SI stands therefore as a critical tool for the necessary development of a “moral capitalism” (Arjaliès, 2011). This transition path could be defined as a reconfiguration (Geels & Schot, 2007) of the financial socio-technical regime. In this pathway, adjustments coming from the niche profoundly modify the regime and its dominant paradigms to obtain a new architecture.

However, until now, additional SI niche innovations failed in breaking in the financial regime which only allows a limited and incremental niche diffusion since the success of some former niche innovations. This success can be partially explained by regime destabilisations – like the 2008 financial crisis – which are key elements in transition pathways (Geels & Schot, 2007).

The current stability of the financial regime may be threatened by some important changes at the landscape level. The pressure exercised by climate change on financial sector is indeed more and more important. It has directly led European political authorities to implement regulations on sustainable finance (SFDR, Taxonomy, etc.); while there are massive divestment movements on controversial activities, etc. (Loorbach, Schoenmaker & Schramade, 2020). This process could create some windows of opportunity for radical actors if they find how to influence the regime.

SI stands therefore at a critical crossroad: SI keeps being financialised (mainstream SI); or core SI strongly influences –and even becomes – mainstream finance – which would lead to the emergence of a sustainable finance socio-technical regime (Urban & Wójcik, 2019). The latter is what Krosinsky (2014) described as the “long and necessary death of socially responsible investing”. This implies that either the transformation process accelerates to effectively change the regime's practices towards more sustainability; or the process continues to stagnate as it is currently doing. In the first case, we can even imagine that this transformation is becoming a reconfiguration of the regime. The main paradigms of the financial system would therefore be modified to incorporate strong sustainability rather than incremental ESG criteria which do not strongly impact conventional products (Loorbach, Schoenmaker & Schramade, 2020).

In order to destabilise the regimes and foster this transformation process, some actors may use frames (Geels & Verhees, 2011) which are discursive contents helping those actors to communicate about their perception of the reality (Dewulf & al. 2009). Dewulf et al. (2009) make a distinction between the process of framing which is a dynamic concept, and cognitive frames which are static elements reflecting the opinions of stakeholders on a given social issue. In this paper, we will only rely on cognitive frames. In the general vision of MLP, niche actors are assumed to develop frames aiming to initiate destabilisation process; while regime actors — who are embedded in their socio-technical regime cognitive framework (Geels, 2004) — would mobilise frames to implement lock-in mechanisms guaranteeing the stability of the regime. When regime actors also start developing frames which are at odds with the ones generally used by incumbent actors, it creates internal contradictions (Deleye, Van Poeck & Block, 2019) which play an active role in the destabilisation process, and therefore in the transition of the regime.

One strategy often used to successfully develop diverging frames is to anchor them in social or environmental issues (Nyberg, Wright & Kirk 2018). For example, effective frames tackling the massive use of fossil fuels will describe the need to turn to greener energies if we want to maintain a decent standard of living. They will be based in particular on data such as that provided by the IPCC reports. However, those who challenge the dominant frames tend to use diverging frames with negative connotations, which are less effective (Leipprand & Flachsland, 2018). To continue with the previous example, these diverging frames would be based on the highly negative impacts of fossil fuels and the destruction of our ecosystem. Such diverging frames lead to frames polarization (Van Eck, Mulder & Dewulf, 2020). The result is the opposing actors tend to reinforce their frames rather than succeeding in co-constructing new frames based on consensus. This means that the form used for communicating diverging frames is of major importance when trying to modify dominant frames.

In addition, the social issues on sustainability are often transformed into what are known as consensus frames; i.e. “a concept or term that finds broad resonance and consent, but which is used diverging, and sometimes conflicting, claims” (Candel et al., 2013). Various actors agree to work on sustainability and consider it is important to commit to a sustainable transition. However, they do not agree on the actions to be taken, nor on the policies and standards to be implemented.

If some papers already consider the ability of regime actors to participate to destabilisation processes in the field of sustainable transition (Mori, 2021; Geels & Penna, 2015; Berggren, Magnusson & Sushandoyo, 2015; Mattioni, Milbourne & Sonnino, 2022), they only consider incumbent actors and their impact within their institution. In our paper, we follow this trend of deepening a multi-level perspective which also conceptualises the regime level as possible actors of destabilisation. As the destabilisation of a regime seems to be one of the necessary conditions for its sustainable transition, this problem seems relevant for all researchers involved in Sustainable Transition Studies.

2.2. Information-Based Governance Initiatives

The fuzzy conceptual framework of SI makes it difficult for investors to select products that fully reflect their expectations. SI products are credence goods, and labels — or certifications — can therefore be used to inform customers on their purchase decisions (Kong et al., 2002) by reducing the information asymmetry (Li & Simcoe, 2021), and increasing transparency (Gutsche & Zwergel, 2016).

However, labels are not only an object for providing information to customers. Standards, labels, and certification can be considered as information-based governance (IBG) strategies (Bullock & Van der Ven, 2020) if they are designed to direct economy and society in particular pathways. Indeed, as defined by Bullock (2016):

"*The scope of information-based governance is thus limited to intentional efforts to deploy information that steers society and the economy in particular directions and does not include the general use of information in all forms of governance. It is also limited to efforts that create public and common goods and are oriented towards goals that are collectively negotiated.*"

Lots of IBG initiatives have been launched these last years in every commercial sector (Bullock & van der Ven, 2020). These labels and certifications are generally launched and managed by three categories of actors: The State, NGOs — or civil society — and the industry (or multi-stakeholders organisations). In many situations, there is a competition on the same field between an initiative sponsored by an NGO and an initiative launched by a business association (Li, 2020). The State is thus often relegated to a role of support (Gulbrandsen, 2006).

The use of labels by regime actors is mostly explained by economic factors (Gulbrandsen, 2006). Some business associations consider that consumers are ready to pay more for labelled products. Moreover, labels may convince sceptical investors to direct their investment towards sustainable products (Gutsche & Zwergel, 2016). Bullock and van der Ven (2020) also highlighted the role of the shadow of consumers in the decision of using a label. By anticipating some changes of behaviours of their clients at social, economic, or political level, companies can decide to obtain a label for some of their products. These end customers have therefore an indirect impact on this decision of using certifications on sustainability. The purpose for these companies remains the profit maximization. The organisations sponsoring the IBG initiatives exploit the opportunism of these companies to steer their activities in a certain direction (Bullock, 2015).

But labelling schemes are not always end-consumer oriented. Indeed, they can also be implemented to protect the industry from itself, and from insufficient state regulation (Yamahaki, 2019). These initiatives send a message to governments and industries to implement new regulations and try to lead behaviours towards more sustainability.

However, if certifications and labels can have a positive impact on the sustainability of products they cover (Blackman & Naranjo, 2012), there are still important limitations they need to address to achieve their true potential. Indeed, civil society's initiatives are limited by the weak power they are able to exercise on important corporate actors (Klooster, 2006); while initiatives sponsored by business associations have demonstrated their limited impacts if they do not implement appropriate sanctions (King & Lenox, 2000). Impact on products' sustainability is also positively correlated to the use of independent third-party verification on how certifications schemes are built and monitored (Blackman & Naranjo, 2012). This independent verification reduces the risk of opportunistic behaviours (King & Lenox, 2000), and increases the trust of stakeholders towards certifications (Gorton & al., 2021). These labels and certifications are also initiatives which are used to develop specific frames on societal issues (Higgins & Richards, 2018). Quite logically, it is expected from actors to be mobilized by initiatives which do not develop frames that are divergent from their own (Missonier & Loufrani-Fedida, 2014).

The first European SI label was launched in 2004 in Austria (Gutsche & Zwergel, 2016), but it was not until 2009 that the first label entirely dedicated to ESG issues in finance emerged (Petrillo et al., 2016). Fourteen years later, we can observe eight labels on sustainable finance on the European market (Megaeva, Engelen, & Van Liedekerke, 2021). These labels on SI generally analyse the transparency or the sustainability of the financial products under their scope (Gutsche & Swergel, 2016). They mainly use two approaches: (1) labelling the investment process; (2) labelling the content of portfolio (Arjaliès et al., 2013). This second method is expected to create some resistance from financial actors.

In this paper, we focus on the requirements applied by the Towards Sustainability Initiative (TSI). This label is IBG initiative which aims to steer the financial sector towards more sustainability. More precisely, we focus on the second version of the label which is considered as one of the most ambitious on the European market. As It is an stringent initiative which involves actors from the regime and niche as individual experts in its decision-making process, we consider it is a relevant field of research to observe and analyse diverging frames; and the responses of regime actors to these diverging frames in the context of sustainable transition of the financial socio-technical regime.

The major challenge is to understand how these initiatives can have the greatest effect achievable. In other words, how they can put in place ambitious policies without alienating a large number of regime actors. It is a question of finding the right balance between the need for sustainability and pragmatism. We therefore try to answer the following questions: : (1) Why do regimes actors agree to comply with stringent IBG initiatives which are setting diverging frames? (2) What is the impact of these stringent IBG initiatives on transition pathways?

2.3. The Second Version of the Towards Sustainability Initiative

The Towards Sustainability Initiative is a Belgian label on SI which has been created by the Belgian Federation of the Financial Sector (Febelfin) in 2019. It immediately became one of the most important European labels, both in terms of assets under management and number of products labelled (Husson-Traore, 2019).

The first version of the label was based on different criteria which cover: SI strategies, thresholds on controversial activities, transparency, etc. (Febelfin, 2019). Moreover, the thresholds on controversial activities are evolutive and increase the level of the exigence of the label through time. Labelled products must at least use three SRI strategies, including negative screening and ESG integration. Some thresholds have been set up for the following controversial sectors: coal and unconventional oil and gas supply; conventional oil and gas supply; electricity generation; weapons; tobacco.

SI strategies used by asset managers must be clearly communicated in a various range of publicly available documents. Asset managers must also submit themselves to an audit on SI strategies' implementation at least one every three years. However, the content of each portfolio is not systematically screened. It only happens when there is a doubt regarding the compliance of financial products with the label's requirements. The "no expansion plans" of the TSI prevent asset managers from investing in sectors which would increase their negative impact on environment.

The Towards sustainability Initiative has already introduced some major changes at the level of financial institutions. Indeed, 11 actors – which are called Signatories – among the most important of the Belgian SI field have decided not to sell "sustainable products" that would not have received the label.

In 2020 the TSI entered a review process of its requirements. Every two years, the Quality Standard is supposed to go under this process which is divided in three stages: multi-stakeholder consultation; Advisory Commission meetings, decision of the Board of Directors.

The multi-stakeholder consultation is a fifty-question survey sent to financial institutions and key actors of the sustainable investment field. It's also publicly available on the website of the label. Questions mainly cover 11 clusters which have been determined as the most important for the field: definition of a sustainable financial product; offer of sustainable financial products; product information, transparency on investment policies and reporting; environmental factors; supervision of sustainability claims; client demand for sustainable financial products; Towards Sustainability Initiative; sustainability strategies requirements; sectoral requirements; specific asset classes and management techniques; transparency and disclosure.

The Advisory Commission (AC) holds meetings with experts on SI to write a report with recommendations for the evolution of the TSI and general guidelines. The AC theoretically uses the content of the multi-stakeholder consultation to organize its meetings and direct the discussions on the most important issues. The report of the AC is submitted to the Board of Directors of the label which consists of representatives from the financial sector and from the non-financial sector. They decide of the requirements that will be implemented following the AC meetings. This first review process of 2020 led the label to implement additional requirements. The main additional requirements are summarised below.

The QS already required asset managers to implement some mandatory strategies. This approach is extended by the use of 4 international norms and standards in the negative screening:
(1) The UN Global compact
(2) The UN Guiding Principles on Business and Human Rights (UNGPs)
(3) The OECD Guidelines for Multinational Enterprises (as far as relevant)
(4) The ILO Conventions

Investee companies must comply with these standards to be eligible for labeled products. Moreover, the engagement is still not considered as a mandatory strategy which should be widely used. Engagement is only mandatory for investments in fossil fuel sector.

The phasing-out margins of the first version of the TSI allow asset managers to invest under some conditions in companies which do not respect the criteria of the label. One of these conditions was to invest in companies under a 50% sectorial best-in class margin. In the second version of the TSI, the best-in class margin is more challenging than before. It goes from 50% to 25%. It means the companies you can still invest in are those who are considered among the top 25% of their industry.

The transparency is increased on the selection of assets. It means asset managers must disclose the universe reduction rate which is cause by the use of sustainable investment strategies. It's not anymore sufficient to implement these strategies in the assets selection of the sustainable products. Asset managers must demonstrate these strategies have an impact on their final assets selection. In addition, sustainability policies of the asset managers must be publicly available and disclosed on their website in order to improve the availability of relevant data for end investors.

New requirements are also introduced to evaluate the sustainable transition of energy generation companies, coal companies, and conventional oil and gas companies. The label focuses on their alignment on 1;5° target. For energy generation companies, asset managers can invest in companies which do not to increase their production or capacity for "most harmful activities (coal, unconventional oil & gas, nuclear energy)". Asset managers must also measure the transition of these companies by using one of these criteria to justify their investments:
(1) SBTI 1.5°C target
(2) Extremely low revenue from harmful activities (<5%)
(3) Very low capex to harmful activities & not with the objective of increasing revenue (< 10-15%)
(4) High to very high capex to contributing activities (> 15-50%)
(5) Very high revenue from contributing activities (> 50%)

For coal companies, invested assets shall meet at least one of the following criteria:
(1) Have a SBTi5 target set at well-below 2°C or 1.5°C

(2) SBTi 'Business Ambition for 1.5°C' commitment
(3) Derive less than 5% of its revenues from thermal coal-related activities
(4) Have less than 10% of CapEx dedicated to thermal coal-related activities and not with the objective of increasing revenue
(5) Have more than 50% of CapEx dedicated to contributing activities

For conventional oil and gas, invested assets shall meet at least one of the following criteria:

(1) Have a SBTi target set at well-below 2°C or 1.5°C
(2) SBTi 'Business Ambition for 1.5°C' commitment
(3) Derive less than 5% of its revenues from oil and gas-related activities
(4) Have less than 15% of CapEx dedicated to oil and gas-related activities and not with the objective of increasing revenue
(5) Have more than 15% of CapEx dedicated to contributing activities

These requirements introduce a measure of the sustainable transition of these companies. The label is not anymore only based on past activities of these companies, but also on future investments and concrete engagements.

The exclusionary threshold on weapons sector has been decreased sooner than expected. The new requirement is the company shall derive less than 5% of its revenues from the production of (other) weapons or tailor-made components. It was supposed to be 10%.

The TSI also introduced new requirements on the use of sovereign bonds in SI products. Investments in sovereign bonds are now linked to the ratification of national regulations which are the equivalent of:
(1) the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work
(2) at least half of the 18 core International Human Rights Treaties

States which are not signatory of the following initiatives cannot be financed:
(1) The Paris Agreement
(2) the UN Convention on Biological Diversity
(3) The Nuclear Non-Proliferation Treaty

In addition, states with high military budget (>4% GDP) are also out of scope for sustainable products. States must also obtain a score over 40/100 on the Transparency International Corruption Perception Index and they must not be qualified as "Not Free" by the Freedom House "Freedom in the world" survey. These requirements prevent asset managers from investing in some European countries. Indeed, only a few exceptions are allowed for investments in US, Japanese and England debts if it does not represent more than 30% of total assets under management.

Requirements have also been implemented for assets in the financial sectors on the following matters:
(1) External ESG ratings
(2) Current operations
(3) ESG due diligence process and financing policies
(4) Strategies on ESG themes
(5) Adherence to (international) frameworks and standards, involvement in sectoral initiatives
(6) Disclosures and reporting

These requirements have an impact on the investments of financial institutions but also on the loans they offer to controversial activities. In addition, the Signatories of the TSI must comply with these criteria, with the exception of the ESG rating criterion.

The QS now goes beyond the European regulations by implementing other requirements on transparency and by asking some additional information on products which are not yet covered by the upcoming regulation. The new version of the TSI also better explains under which conditions derivatives and shorting can be used within sustainable finance scope.

2.4. Methodology and approach

2.4.1. Sample

We have collected data by using two main sources: participant observation; and semi-structured interviews. Participant observation allows collecting data only available for insiders (DeWalt & DeWalt, 2011); while giving to the researcher a real opportunity to understand some internal mechanisms, which are difficult to assimilate only through interviews. From October 2020 to June 2021, we participated to the review process of the TSI. We worked within a consultant team specialised on sustainability issues. Our analysis and insights on some issues were presented during the meetings of the AC. We also worked on the writing of the minutes of the meetings, as well as the final report of the AC which was sent to the board of directors of the label for approval. However, our main task was to collect and analyse the 33 answers from financial institutions to the multi-stakeholder consultation.

We also decided to conduct semi-structured interviews from July 2022 to December 2022 in order to complement our observations of the meetings, and our analysis of internal documents. We interviewed sustainability managers or ESG data analysts of asset management companies which sell sustainable products on Belgian market, and which have some labelled products. We therefore conducted 10 interviews of 50 minutes average length.

2.4.2. Analysis

In order to code our data, we used the qualitative data analysis software NVivo. We have followed different successive steps in the analysis of our data. The first step was dedicated to the identification of diverging frames between regime actors and the revised version of the TSI. We used data from multi-stakeholder consultation to identify the main frames which are developed by regime actors.

We have created 4 substantive themes which have been used as the set up for our coding scheme: Ambitions Towards European Regulation; Additional Normative Requirements, Implementing Requirements on Financial Institutions; Support of Transition. We then processed to an inductive coding to identify the elements of discourses in answers to the multi-stakeholder consultation which would allow us to summarize the main key cognitive frames within our 4 themes.

The process was repeated to determine the key cognitive frames now carried by the label. We used internal documents (minutes of the meetings, final report of the AC, final technical revised version of the label, etc.), and observation of the AC meetings. We were therefore able to compare the main frames, and to identify the diverging frames between regime actors and the TSI.

The second step of our analysis was to work on our semi-structured interviews. Based on the theoretical framework on cognitive frames (Dewulf et al., 2009), we confronted our interviewees to the diverging frames we identified in the first step to confirm their existence and deepen our understanding of these diverging frames and their importance for financial socio-technical regime. Finally, we conducted a second analysis of the interviews base on MLP (Geels, 2002) and IBG literatures. We developed 7 substantives themes: legitimacy, landscape pressure, regime pressure, niche pressure, transformation, reconfiguration, other. We then conducted an inductive coding to understand the reasons why regime actors still use the TSI which has become more stringent.

3. Results

This section presents the frames which are developed by regime actors (table 1) and those which can be identified within the final version of the revised label (table 2). We compare these frames in table 3 to identify if there are diverging frames between the TSI and the regime actors. We also analyse how regime actors do react to these diverging frames and why they still use a label which do not follow their vision for the development of SI on the European market.

3.1. Identifying the Diverging Frames

3.1.1. Frames from the multi-stakeholder consultation

The analysis of the answers to the multi-stakeholder consultation allow us to identify the key cognitive frames which are directed towards the label. These frames represent the expectations of the financial sector towards the label. We divided them in four main issues which are the most used clusters: Ambitions Towards European Regulation; Additional Normative Requirements, Implementing Requirements on Financial Institutions; Support of Transition.

Using table 1, we observe regime actors want the label to help them to align on upcoming European regulation. This utilitarian viewpoint is the basis of the **Following the regulation** frame**.** Most of these regime actors fear the label could go too far in implementing some new requirements which would create some contradictions with the reporting initiatives. Moreover, international actors do not want to follow several national standards with opposite approaches regarding reporting policies. They consider the role of a general label on SI which is sponsored by the industry is to help them implement these upcoming European regulations, not to create any additional complexity.

Regarding the normative requirements which could possibly be added to the revised version of the label, the regime actors use two complementary sets of frames. The first one is based on the current level of exigence of the Towards Sustainability Initiative, and relies on the frames **Current Requirement Already too Strict**; **Status quo**; and **Independence**.

Indeed, the incumbent actors judge the current level of the label are already sufficient to assure to end investors they have invested in a SI product. They therefore argue for keeping the thresholds as they were in the first version of the label, without including new requirements. They also state that they need to be able to keep a certain flexibility and independence regarding the composition of their products. These frames are based on the technical knowledge these actors have on the financial field.

These arguments are supported by the **Lack of data/ heterogeneity of data** and **Lack of ESG Alternatives** frames. Regime actors take a pragmatic stance on the current state of maturity of the ESG market. ESG data providers and reporting companies use different sets of methodologies which make ESG data heterogeneous. Moreover, market is not mature enough to provide a sustainable alternative to each conventional product. This last point seems to illustrate regime is only ready for smooth incremental changes.

The regime is also strongly opposed to any sectorial requirement targeting the financial industry itself. Indeed, using the **Useless** frame, they emphasise the current requirements already encourage the selection of the best actors through a best-in-class approach. Moreover, the **Regulation frame** states it is the role of the regulator to supervise the activities of financial institutions. There is therefore no reason for the label to target precisely the financial sector.

The last issue mainly relates to the coal, fossil fuel and energy sectors; and shapes the debate on transition in terms of how these sectors should be addressed by the label. The first two frames, **Slow and Broad (companies) Process** and **Broad (products) Process**, argue that a fast and disruptive transition would unfairly exclude companies from the transition process while preventing end investors from being able to select financial products according to their preferences. Complementary to this, incumbent actors use the **Engagement as the Best Strategy to Support Transition Towards Sustainability** argument to illustrate that the best way to influence companies towards sustainability is to invest in them and be able to exercise shareholders' rights.

3.1.2. Frames Developed by the Revised Label

The first issue on European Regulation is mainly covered through two frames: **Clarifying and Going Beyond Regulation** and **Not Financing Unsustainable Governments**. The first argument states that the role of the label is to help bringing some clarity where the regulation is not always easy to understand or to apply. Therefore, it must set very specific rules on reporting, for example. But the role of a label should also be to go beyond the regulatory framework by integrating additional rules. It's done by integrating additional issues on reporting and by exiting a higher transparency on sustainable issues and sustainable strategies used by financial actors.

The second frame tries to bring some clarity on the use of some fixed income assets which are not entirely covered by the upcoming regulation: sovereign bonds. Their use is therefore now conditioned upon the ratification of international treaties by the issuing states, spending on armaments below a certain percentage of their gross domestic product, etc.

The label sets a few new normative requirements (**Supporting 1,5° Target and Following Existing Initiatives**) while it still acknowledges data are not always available to cover all the sustainable topics and products (**Best Effort**). It requires financial institutions to be fully transparent about their collection and use of information; but also about the strategies they apply. The evolutive thresholds are strengthened and thus become more restrictive.

The last frame which concerns these new requirements (**Bad Use of some Assets and Strategies**) is based on the negative impacts some assets and strategies can have on society when they are only used on speculative purposes without any considerations for the sustainability. Some of these are therefore forbidden or regulated by stricter rules within the label. This for example includes short-selling, derivatives on agricultural commodities, etc.

The Towards Sustainability Initiative also introduces sectorial requirements on the financial industry which is therefore considered as an important leverage for directing society towards more sustainable pathways. Indeed, many actors in the field do not simply invest in companies, they also finance them through banking activities. By using the **Looking Future Actions** framing, the label plans to direct the activities of financial actors by limiting their future interests in unsustainable and controversial activities. Indeed, the purpose of these sectorial requirements is not to punish the actors of the industry for their past engagements. In addition, the criteria for inclusion of a financial institution in an investment fund are mandatory for signatories of the label. The latter are therefore even more affected by these sectoral rules than the rest of the financial industry.

The issue of transition is also addressed by creating specific frames for coal, fossil fuel and energy sectors. The label considers financial actors must use engagement to help fossil fuel companies move towards greater sustainability (**Engagement for Fossil Fuel Sector**). Nevertheless, engagement is not added to the SI strategies which are mandatory to consider a product is sustainable or not. The case of fossil fuel sector therefore stands as an exception to the general rules of the label on sustainable financial strategies. The framing is created only to answer specific needs of this sector.

The same situation applies to the frame **Needing Phase-Out Margins** which is only addressed to conventional oil, conventional gas and power generation sectors. The label assumes that some of the companies which are still not compliant with the current requirements are nevertheless necessary to engage society towards sustainability. There is therefore a certain degree of tolerance that allows these companies not to be excluded from the application of the new normative criteria. The label therefore emphasises the positive impact they could have on society in the long term.

Issues	Key frames	Development	Examples
Ambitions Towards European Regulation	**Following the regulation**	The label should be used to help asset managers to follow upcoming European regulations and initiatives on sustainable finance	"As Febelfin takes its ESG Standards forward, we encourage the Febelfin Quality standard to carefully monitor the changing regulatory landscape globally for sustainability-related investment product disclosure, as any final standard will need to align and avoid duplication with regulatory standards."
Additional Normative Requirements	**Current requirement already too Strict**	A weakening of some requirements is necessary	"The label requirements are too strict to provide exposure to our clients in certain sub asset classes such as high yield, emerging market debt and convertible debt. As a result for instance, trackers cannot be offered in those areas."
	Status quo	Some requirement should be left unchanged	"We are still in the phase of developing the SRI business and the towards sustainability label. A change in the thresholds will make everything again complex for clients and asset managers. "
	Independence	increasing the level of requirements should be left to asset managers' will	"We believe that sector allocation should exclusively remain the work of a portfolio manager and not be set by a label. If the label determines the sector allocation , the end client needs to be aware of the limitations set by the label and possible consequences."
	Lack of data/ heterogeneity of data	The lack of data on many issues prevents from implementing new requirements	Other data might not be easy to understand for end clients nor to calculate due to a lack of information. Data might not be uniform. When available, data are sometimes based on assumptions which might lead to discrepancies. Also different methodologies and definitions coexist which could lead to confusion in the information given to the clients.
	Lack of ESG Alternatives	For some products, there is no valid sustainable alternatives	"We do not believe specifying the types of derivatives would be pragmatic due to the lack of "ESG derivatives" currently available and given the liquidity profile of those that are."
Implementing Requirements on Financial Institutions	**Useless**	The label already encourages best-in class strategies, therefore only well-performing ESG financial actors can be included	"The financial institution must therefore comply with the applied sustainability methodology of the financial product or the Best-in-Class methodology."
	Regulation	Sector already highly regulated	"Trying to create an eligibility criteria that goes beyond the existing regulation in a sector that is already highly regulated carries the risk of creating a false impression of established best practices."
Support of Transition	**Slow and broad (companies) Process**	If transition is to fast, lots of actors are going to be excluded	"This means that we will continue to fund sectors with a negative impact. Because we think they will need funding during this transition period. There are others who say that we should exclude these actors. We think that in a transition label, we must also dare to include sensitive sectors"
	Broad (products) Process	The label should be applied to a broad range of financial products; and therefore not to set to restrcitive criteria	"It is important that the TS-label fits a broad range of products in order to provide the end investors with a wide variety of sustainable investment choices."
	Engagement as the Best Strategy to Support Transition Towards Sustainability	Corporate engagement is presented as a better strategy than exclusion to guide enterprises towards more sustainability	"We believe that eligibility of investments for a certain strategy cannot be predetermined by numbers or percentages. This very much depends on the asset class and geography that is being assessed. Moreover, we prefer inclusion over exclusion and would rather engage with a company to instigate positive change than exclude a company and having no influence at all anymore"

Table 1

Issues	Key Frames	Development	Examples of New Requirements
Ambitions Towards European Regulation	**Clarifying and Going Beyond Regulation**	European Regulations are used as a basis but some requirements are added.	The product manager or distributor shall publish or on its website , preferably on a dedicated webpage; policies about: biodiversity, water use, taxation, oppressive regimes, etc.
	Not Financing Unsustainable Governments	Screening sovereign bonds by using international treaties and norms	A sustainable financial product shall not finance (e.g. via sovereign issued instruments): • States that have not ratified or have not implemented in equivalent national legislation: o at least half of the 18 core International Human Rights Treaties
Additional Normative Requirements	**Supporting 1,5° Target and Following Existing Initiatives**	New normative requirements linked to 1,5° target with existing initiatives	The company shall meet at least one of the following criteria: o Have a SBTi5 target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
	Bad Use of some Assets and Strategies	Some assets (derivatives, real estate products) and strategies (short selling) are not well used within sustainable products	Derivatives on agricultural commodities for speculative reasons are not allowed.
	Best Effort	Recognizing that some data are missing. Therefore financial institutions should do their best to explain their methodologies.	Where information relating to any of the indicators used is not readily available, the manager shall provide details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions.
Implementing Requirements on Financial Institutions	**Looking Future Actions**	Implementing requirements which try to modify future actions of financial institutions	The FI shall not grant (new) general unqualified corporate loans to companies, and not underwrite (new) unqualified general bonds from companies in the 'coal sector'11 that are not QS compliant (see 3.4), with a maturity later than 2030 for European and OECD countries and 2040 for non-OECD countries.
Support of Transition	**Reducing the Universe of Investment**	Products should reduce the universe of investment	The reduction rate will be published on the Sustainability ID, presented in brackets (E.g. 0-10%, 1025%, +25%). For thematic and impact funds, the reduction rate is defaulted to the highest bracket.
	Needing Phase-Out Margins	As some companies cannot comply to new requirements but are still among best-in-class actors, a phasing-out approach has been decided	Some companies are currently not yet aligned with the business criteria in c) but are nevertheless within the best of their peer group in transitioning their business model. A sustainable financial product can finance these companies selectively and to a limited extent. However: • The total portfolio exposure to non-compliant companies (only concerning eligible activities4) is < 5%. This margin will decrease by 1pp (percentage point) per year as of 1/1/2023.
	Engagement for Fossil Fuel Sector	Engagement as mandatory for fossil fuel sector	The product manager shall actively and regularly engage at management level with companies in the fossil fuel sector. These companies shall be selected from amongst those with the most material risk for adverse impact.

Table 2

These exceptions are also illustrated by the last principle which is defended by the label concerning transition. It states again that sustainable finance is still supposed to force industry actors to change their investment practises. One of the most important factors in this move towards sustainability is the reduction of the investment universe from which they can select the companies and states in which they will invest (**Reducing the Universe of Investment**).

3.1.3. From Consultation to Revised Label

In the previous sections, we have analysed the frames which have been directed towards the label by actors from the regime through the consultation. We have also identified the main frames which have been developed within the label to elaborate the revised version. *Table 3* illustrates the relationship between the frames of the consultation and those of the revised label.

We observe that none of the 9 key frames developed by regime actors through the consultation have managed to break into the revised version of the label after the review process. Only four of these frames are partially represented in the new version of the Towards Sustainability Initiative: **Lack of Data/ Heterogeneity of Data; Slow and Broad (companies) Process**; **Broad (products) Process**; **Engagement as the Best Strategy to Support Transition Towards Sustainability**. These frames are indeed directly connected to the **Best Effort**, **Needing Phase-Out Margins** and **Engagement for Fossil Fuel Sector**. The five remaining frames identified in the consultation are ignored in the revised version of the TSI.

We observe that the 4 frames which are partially represented in the revised version refer to technical aspects that impact the requirements which are possible to implement in sustainable products; but also the pace of the sustainable transition and therefore the strategies that are best suited to support it. By developing these frames which do not respect those developed by the actors from the regime, we state the TSI has introduced diverging frames within the financial socio-technical regime. In the following sections, we will try to analyse the importance of these frames and the way they are processed by incumbent actors.

Regime within consultation		Review Process	Final version of the label
Issues	Key frames		Key Frames
Ambitions Towards European Regulation	Following the Regulation		Claryfying and Going Beyond Regulation Not Financing Unsustainable Governments
Additional Normative requirements	Current Requirement already too Strict		
	Status quo		Supporting 1,5° Target and Following Existing Initiatives
	Independence		
	Lack of Data/ Heterogeneity of Data		**Best Effort**
			Bad use of Some Assets and Strategies
Implementing Requirements on Financial Institutions Support of Transition	Useless		Looking Future Actions
	Regulation Slow and Broad (companies) Process		**Needing Phase-Out Margins**
	Broad (products) Process		Reducing the Universe of Investment
	Engagement as the Best Strategy to Support Transition Towards Sustainability		**Engagement for Fossil Fuel Sector**

Table 3

3.2. Explaining the Mobilization of Regime actors Towards the TSI

3.2.1. Confirming the Existence of Diverging Frames

Our interviews also confirmed the existence of diverging cognitive frames between those developed by the regime and those developed by the TSI. These differences are crystallized on 3 main issues: the strategies which should be used in SI; the availability of data; the relationship between the TSI and the European regulations.
The TSI is a certification which is oriented towards the use of negative screening as its main strategy. There is an expectation of reducing the universes of investments while construction a sustainable portfolio, and the thresholds on controversial activities has been modified to become more stringent. Additional requirements have been introduced on negative screening to exclude some financial institutions and some sovereign debts assets from the scope of SI.

However, all our interviewees consider negative screening has only a limited impact. This strategy is a poor support to the sustainable transition of our society. Most of these actors would have preferred the TSI gives more importance to engagement strategy *4*. They explain exclusion has only a limited impact on companies, and should therefore not be considered as the most important strategy while constructing sustainable products. They are therefore totally aligned with the **Useless**, **Slow and Broad (companies) Process**, **Broad (products) Process** and **Engagement as the Best Strategy to Support Transition Towards Sustainability** frames which were developed by regime actors in the multi-stakeholder consultation. Nevertheless, 4 of our interviewees admit that engagement cannot always be used due to a lack of resources. As stated in one of our interviews:

"*If you really want to do engagement properly and conscientiously, it's not just a matter of phoning a company twice a year. I really think you have to keep up, you have to have a certain technical expertise to be able to challenge them properly. You have to be able to follow them on a very regular basis. And we personally don't have these resources*" (Interview 1).

Most of the regime actors we decided to interview also explained the availability of data is not sufficient to cover all the requirements of the TSI. The consequence is asset managers turn these requirements into mere exclusion rather than being able to apply the rules of the certification. They are therefore aligned to the Lack of **Data/Heterogeneity of Data** frame and do not support the **Best Effort frame**. When it's not availability that causes the issue, it may also be a lack of resources on the asset manager's side that limits data collection. Furthermore, as one of our interviewees explained, the data market tends to favor the largest companies, which means that they invest in companies with the best communications resources rather than in those that are actually implementing sustainable practices. The label would therefore not be fulfilling its role by contributing to this disparity:

"*we see a huge difference between a large company that has the possibility of having an armada of communicators, analysts and so on to provide data and so on, and a smaller company that, for its part, doesn't have the resources to do so. And so on, and a smaller company which does not yet have the resources to have a team in place to do all the reporting and all these requirements. As a result, they will be categorized as ineligible or unsustainable*." (Interview 5).

The relationship between the TSI and the European regulations on financial field has been criticized. The main concern of regime actors is the probability that the label will implement requirements that are in conflict with legal requirements. This is aligned with the **Following the Regulation** frame, and this contradicts the TSI's intention to go beyond the legal transparency requirements. However, regime actors also acknowledge the TSI offer more clarity for the end investors. European regulations are indeed complex and could lead to some confusion for private investors. As stated during an interview:

"*I don't know if we're not going to lose the customer a bit with the regulations that have been introduced. But for the customer, having a label is perhaps easier. With the label, I know that there are a certain number of rules that have been drawn up*" (Interview 1).

These divergent frames act as a barrier to the use of the label by regime actors. They are also reinforced by the difficulties that asset managers have in using several national labels. As summarized during our interviews:

"*The Belgian standard at European level is really considered to be very strict. And it's true that all the big European groups, which are not just in Belgium, are still having problems getting their entire range through TS because it's not the majority demand in other countries.*" (Interview 4)

"*If each label is constructed on a national basis, we're getting nowhere, because we're institutionalizing the fragmentation of the market*" (Interview 6)

"*You start to have a lot of labels, you start to have a lot of investors in our venture Capital funds that are developing their own SRI type of questions. It asks more and more resources from our side to reply to a growing amount of questionnaires that at the end all ask the same questions*." (Interview 7).

In the next section, we will pursue our analysis to understand why regime actors agree to ignore these diverging frames and keep using the TSI for their sustainable products.

3.2.2. The Use of the TSI

The first element which can explain why the TSI is still used by regime actors after the integration of diverging frames is the fact this label is perceived as an important marketing tool for regime actors. Their opportunistic behavior gives them an incentive to use this certification which is supposed to offer an added value on their sustainable products on the Belgian market. As stated during our interviews, this certification is important for any asset manager who would like to sell sustainable products in Belgium:

"*Our organization is highly international. We cover a lot of markets. In fact, the label is very often linked to the desire to penetrate the market or to meet a strong commercial need*" (Interview 9)

"*We think it's important for us and for our retailers. We sell mainly to the banking sector, and we know that the banks have a real interest in focusing on these (labelled) products*." (Interview 1)

The TSI also offers to end investors a tool which can be used to compare sustainable products, and to check if they meet the minimum level of sustainability:

"We strongly believe that a lot of competitors have been shouting ever louder every year how sustainable their investments are. But we believe it's a more strong statement if you have it independently audited" (Interview 8)

"*This second version perhaps puts more emphasis on transparency for customers, which is of course absolutely key. So they can compare the financial products in which they can invest*." (Interview 3).

End investors therefore have an indirect impact on the use of the TSI by regime actors. But we also observed end investors also exercise a direct pressure on asset management companies by asking them to obtain the label for some of their products:

"I had to work on this label because it was required by a Belgian client for a fund." (Interview 9)

"*We have clients that demand it. Some clients demand their banks and providers of sustainable investment funds to have the Towards Sustainability label. Especially in Belgium. And also outside of Belgium we also have clients in France, in Luxembourg and in the Netherlands and they are asking for local labels and then we can refer to towards sustainability label. And it's International standard. So for us it's worth the work*." (Interview 7)

Moreover, the TSI is considered my most of our interviewees as legitimate to set these requirements on sustainable finance. Indeed, the stakeholders which are involved, and the methodology of the certification are sufficient to ensure the quality of labelled products. The stringency of the criteria is perceived as a positive element which allow regime actors to protect themselves from allegations of greenwashing:

"*I would say that Febelfin has surrounded itself with different stakeholders in setting up this label. We knew that with them we would have knowledge of the markets, knowledge of the issues we would be facing*." (Interview 4)

"*And that's where we saw also the added value of the towards sustainability label. First it is audited. And as I said, the minimum requirements, which are not that minimum…. If your fund has the Towards Sustainability Label, it is also a judgment that you are sustainable in at least a minimal way.*" (Interview 8)

"*Was Febelfin legitimate? Well, yes, because otherwise the actors wouldn't have followed it. They wouldn't have considered it credible and they wouldn't have applied for the label*." (Interview 1)

"*But it is above all a reputational risk and by extension a commercial risk. These are not empty words, because I see it at my level. At product level, I have a huge product governance role, particularly for ESG products, to prevent us from being accused of greenwashing our products*." (Interview 9)

The legitimacy of the TSI is only challenged by an international actors which considers the label has been designed to protect the interests of Belgian asset managers. Following the requirements of this certification is therefore described as challenging for actors whose activities are mainly conceived at an international level.

As stated by all the regime actors we interviewed, the TSI has generated some changes in their sustainability practices. Indeed, they use the requirements of the certification to modify some if their internal policies on sustainable products. They even add some sustainability requirements of the TSI at the level of their conventional products:

"*But for example, unconventional oil and gas were clearly excluded from our labelled products, and until two years ago they weren't excluded from our traditional products. We decided to add this exclusion to our traditional products because of the influence of the label*." (Interview 1).

However these modifications remain incremental. This is mainly due to the fact that sustainable finance activities remain largely separated from the conventional activities of the regime actors:

"*We have with 27 people and the far majority has a DNA which is strongly embedded in the system. It's because of all the work on reporting and compliance like activities. It's just difficult to get all people in a full sustainable investment mode*" (Interview 7)

"*We keep the ESG and the other funds 100% separated. We had these discussions about the impact and this leverage. There is no impact on the other funds because we do not want to be restrained in our other funds.*" (Interview 3)

"*We need to be able to sell both conventional products and, I would say, greener products for those customers who want them*." (Interview 1)

Furthermore, TSI is accepted because it is not perceived as challenging the main paradigms of the financial socio-technical regime. It does not question the major importance of financial returns, nor the need to diversify portfolios; even if this means including controversial assets.

By focusing solely on sustainable finance, the label is therefore more easily accepted by regime actors who can continue their other activities in parallel. However, the aim of the TSI is to have a major impact on financial practices at a global level. This does not seem possible by acting solely on the spectrum of sustainable finance. The label will therefore make it possible to move ahead a little more quickly with the transition of the financial regime, without radically changing its core architecture. The internal diverging frames of the TSI do not create a strong destabilization of the regime as their range is limited to a specific part of the socio-technical regime. As summarized by regime actors:

"*We mustn't reduce our investment universe too much at that point and end up investing in companies in which we simply wouldn't have invested in terms of valuation. We found ourselves somewhat obliged to invest in companies that we considered too expensive and which, from a valuation point of view, would not be a good investment for our clients*." (Interview 3)

"*The purpose is not to change the world. It is to avoid greenwashing*." (Interview 7)

"*I understand the urgency, I understand the need to go further, faster, but let's not forget that there are millions, even billions of people on the planet who are primarily interested in living their daily lives*." (Interview 9).

4. Discussion

Focusing on the review process of the requirements of the TSI, and questioning the reactions of regime actors to the diverging frames it has implemented allows us to better understand the role IBG can play in destabilization of socio-technical regimes, and on sustainable transitions.

We observed most of regime actors have played the role that is generally their when faced with a risk of instability of the socio-technical regime. They have deployed cognitive frames of resistance and contestation — lock-in mechanisms — directed at the label (Geels, 2004). In this, the regime has demonstrated a certain homogeneity and inertia that characterizes it in most studies of MLP (Mori, 2021). Indeed, regime actors do not want IBG initiatives in financial sector to set stringent requirement which would oblige them to deeply modify their practices. This is particularly the case when it comes to introducing elements of sustainability that could reduce the profitability of their products (Geels, 2011).

However, IBG initiatives can still mobilize diverging cognitive frames in socio-technical regimes without being rejected by most of the regime actors. It means they can set stringent sustainability criteria while still being used in their field. This is explained by several factors we identify in this study. There are other elements than financial factors and green premium which can explain the success of sustainability IBG initiatives (Sogn-Grundvag, Asche, Zhang & Young, XXX). First, the shadow of consumers (Bullock & van der Ven, 2020) encourages regime actors to use IBG initiatives. They expect their clients' preferences are going to evolve, and that they are going to ask for more and more sustainable products. IBG initiatives therefore offer an added value to their range of products, and their use is the result of an opportunistic behavior. Moreover, regime actors also expect their clients to ask for more detailed information on the sustainability of the products they buy. IBG initiatives are tools which may help regime actors to fulfil these demands on transparency.

Clients also have a direct impact on the use of IBG initiatives among regime actors. They put pressure on incumbent actors to oblige them to label their sustainable products. However, we do not consider it is the expression of a landscape pressure (Geels & Schot, 2007) where customers preferences oblige regime actors to modify their practices. These pressures are indeed also exercised from within the regime, as it also concerns business-to-business relationships. These incumbent actors therefore play an important role in the sustainable transition of their regime by promoting the use of sustainability practices. These practices are radical innovations for the financial socio-technical regime. These actors are generally assumed to promote only incremental changes, while the integration of radical innovations within the regime is caused by niche-cumulation (Geels, 2002). It also proves some regime insiders consider SI practices as viable, which is a necessary condition for innovations to go through transformation or reconfiguration pathways (Geels & Schot, 2007).

Moreover, the credibility of actors who sponsor the IBG initiative among the regime is an important factor for its success (Geels & Vershees, 2011). If they are considered to be the only legitimate actors to sponsor such an initiative, the policies they implement are likely to be more widely accepted. Including if they implement stringent sustainable principles. If the IBG initiative is a multi-stakeholder institution, this also enables it to create a bridge between the regime and niche levels. The boundaries between the two are therefore less clearly defined than what is generally described in the literature. (Geels, 2002) There are initiatives that facilitate the emergence in the regime of sustainable practices born in the niche. The real impact of IBG initiatives (Bullock, 2016) therefore lies in their ability to create this link between the different levels in a credible way.

However, the radical innovations which are implemented focus mainly on sustainable products themselves; and therefore fail to encompass the entire socio-technical regime in any substantive way. From the point of view of the regime as a whole, we can therefore consider that these changes are above all an acceleration in the spread of sustainable niche practices rather than an in-depth modification of regime's architecture. Such a stance of in-depth modification would lead to a movement of resistance threatening the viability of the certification process. These IBG initiatives are therefore catalysts for a path of transformation, but cannot be used as vehicles for reconfiguration. The changes they implement are therefore accepted by regime actors who do not perceive a threat to their survival; but merely an acceleration of an irreversible process that has already begun and cannot be stopped. IBG initiatives therefore have an impact on the linearity of the transformation pathway (Geels et al., 2016) taken by the financial socio-technical regime; but they do not destabilize the system to any great extent.

We also highlight regime actors are not able to conceptualize transition as a process in which a societal system is pushed away from a "dynamic equilibrium (regime) into a phase of chaotic and non-linear reconfiguration" (Loorbach, Schoenmaker & Schramade, 2020) which would lead to new equilibrium; it's rather a polysemic term used by these incumbent actors to explain why they still invest in controversial activities by focusing on engagement strategies as an answer to sustainable issues.

5. Conclusion

In our paper we highlight stringent sustainable certifications and labels which encompass the characteristics of IBG initiatives are used by regime actors if they are not perceived as reconfiguration tools, but only as catalysts of an irreversible transformation in the making. The credibility of actors who sponsor these initiatives, the direct and indirect impacts of customers, the internal pressures and contradictions within the regime, and the perception of regime actors allow labels and certifications to impose stringent requirements.

Moreover, these IBG initiatives allow to develop diverging frames based on scientific and tangible elements (Nyberg et al., 2018) which are collectively build through multi-stakeholder process. Since the aim is to improve regime practices in a constructive way rather than focusing on negative behaviors (Leipprand & Flachsland, 2018), these certifications partly help to mitigate the problem of frames polarization (Van Eck, Mulder & Dewulf, 2020).

However, if they are able to modify sustainability practices, the impacts of these IBG initiatives on regimes they target seem limited. As they only target a specific part of socio-technical regimes, they only lead to incremental changes which are not sufficient to deeply modify the core architecture of the regimes. The TSI is unable to change a financial system based on the need for returns and asset diversification (Lagoarde-Segot & Paranque, 2018). But we also demonstrate regime actors voluntary help accelerate the transition process by using the TSI for their sustainable products. The usefulness of IBG initiatives on transition paths is therefore not negligible. We therefore contribute to literatures on IBG initiatives and transition studies by deepening the connections between both fields of research, and highlighting how certifications and labels can have an influence on sustainable transition pathways.

Future studies should try to determinate which are the real and tangible impacts of these IBG initiatives on regime actors sustainability practices. Academics should also try to understand how sustainability IBG initiatives are used by individuals within regime institutions to influence conventional activities. These initiatives provide cognitive frames that can be used by certain stakeholders within their institution to change unsustainable practices. Making successful use of the IBG initiatives in this way could lead to in-depth modification of socio-technical regimes by destabilizing them.

We also state the impact of end investors on asset management companies may reopen the debate on the existence of “invest’actors” (Giamporcaro, 2004), i.e. investors who exert sufficient pressure on other investors to change their practices towards greater sustainability. Their existence had not been proven, but it appears that more and more pressure is being exerted within the financial regime itself.

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