Investment Consultants and Responsible Investment Study

EU: 60 per cent of European institutional investors are now utilising consultancy services. Environmental, social and governance (ESG) matters are a part of this trend as they begin to form a piece of the investment consultants’ agenda due to growing investor demand.

Demand for ESG services is being driven by three different types of asset owners. Corporate pension funds are frequently the primary client for investment consultant services and their interests around ESG issues tend to be related to positive selection through thematic and best-in-class investment approaches. Public pension funds are often the most advanced in their demands, which encompass all responsible investment (RI) styles. Finally, family offices/high net worth individuals and foundations/charities form some of the most progressive clients of investment consultancies offering ESG services.

This demand is projected to grow; 89 per cent of consultants anticipate an increase of clients’ interest in ESG matters in the next three years. The main reasons cited for this view were related to branding/reputation needs of investors and the evolution of fiduciary duty being consistent with ESG integration.

Positive selection is the approach considered by investment consultants to have the most beneficial impact on performance, whether according to sustainable themes or through a best-in-class approach. As a result, this is the approach that consultants advise on the most. Investors seek the most advice on environmental issues, followed closely by social and governance issues. The study also shows that there still exist a number of preconceived notions on performance and RI approaches which are not necessarily based on first hand experience.

The development of ESG services by investment consultants is still very much based on explicit demand from clients. Interestingly, there is room for a number of different ESG product offerings due to the varied demands of investors. Clients currently seek counsel initially for how to incorporate RI into their investment strategies. The next two areas of demand were in mandate design and investment policy. Other services also mentioned by respondents included fund selection as well as selection of external research providers.
This study shows that service development relating to RI is a recent phenomenon amongst investment consultants but growing quickly. One noted trend uncovered by the survey is the emergence of boutique firms that are focused completely on RI advice. The fact that some dominant consultancy firms did not participate in the survey reflects the early stage of adoption of ESG issues in these firms. One reason for this is that larger consulting firms still have sufficient business revenues from other services, and as can be the case with new areas, it takes time for the opportunity to be clearly understood. For a majority of the responding consultants, RI counsel represents between two to 10 per cent of their time, which albeit small, is significant as it was non-existent only a few years ago. Service development will remain a key facet to monitor as it is not yet clear whether newer or established firms will best respond to the growing demand for ESG advisory services.

Barriers certainly exist in preventing consultants from quickly developing their ESG service offerings and key among them is the need for greater education and training. Additionally, asset owners need to be more explicit about responsible investment by clearly stating their beliefs on ESG issues and RI. Finally an improved regulatory environment where pension funds were required to state whether or not they take ESG considerations into account in their investment practices would be a significant change; at the time of print for this study, the European Commission is assessing whether this type of legislation could be helpful as a part of the harmonisation of financial markets in a post-crisis environment.

BACKGROUND, METHODOLOGY AND RESPONDENTS’ PROFILES

Sustainable and responsible investment is a concept that continues to evolve, where both veteran and new players alike debate the semantics and definitions in this field. The term ‘social’, ‘ethical’, ‘responsible’, ‘socially responsible’ and ‘sustainable’ are all used in a multitude of overlapping and competing ways. Nevertheless, the constant in this area is that most sustainable and responsible investors are concerned with long-term investment, and environmental, social and governance (ESG) issues are important criteria in determining long-term investment performance.

Responsible Investment (RI) is the current terminology often used by institutional investors and remains most connected to the mainstream financial community. As such, this is the term that Eurosif will use throughout this report. For clarity, the terms SRI, sustainable investment or ethical investment are often used interchangeably with responsible investment, and they usually refer to similar activities.

What is a responsible investor? Responsible investors take into consideration the long-term influence of extra-financial factors such as environmental, social and governance (ESG) issues in their investment and governance decision-making. They integrate ESG factors with traditional financial analysis in their portfolio analysis and engagement activity.

Examples of responsible investment approaches include positive selection, whether it is according to sustainable themes or through a best-in-class approach, integration of ESG factors into investment decision-making, the exclusion of stock/bonds in a portfolio, and engagement, a long-term process of dialogue with companies which seeks to influence company behaviour in relation to their ESG practices.

See definitions side box.

Why look at investment consultants and responsible investment?

“It is important that consultants change from an ‘actuarial’ culture to a culture of leadership where consultants help their clients identify and manage long-term strategic challenges ESG will then automatically appear on their radar-screens.”

— Ivo Knoepfel, onValues Ltd.

The quotation above serves as a reminder of the significant role that investment consultants play or could play in the future in their work with clients on ESG matters.

FIGURE 1. Investment consultants: gatekeepers within the financial services chain
Study was conducted for two specific reasons:

- To better understand the demand drivers for investment consultant services overall and in particular ESG, as the investment consultants role in the financial services chain is growing in importance;
- To determine the current offerings for investors who seek advice and guidance in responsible investment services as demand from institutional investors for counsel on responsible investment is projected to continue and even to accelerate.

Consultants as increasingly critical ‘gatekeepers’ in the financial services chain

Institutional investors extensively utilise the services of investment consultants for their activities, and their use has been increasing in recent years. The institutional investors market with the Investment Pensions Europe (IPE) annual survey shows that approximately 60 per cent of the institutional investor market currently utilise their services.

Investment consultants play a significant role in shaping investors’ strategies, investment practices and asset manager selections; to a certain extent they have become one of the key gatekeepers within the financial industry as illustrated in Figure 1. Investment consultants provide advice to their clients on investment strategy and policy, asset allocations, mandate design, and risk management. On behalf of their clients, they may also select the fund managers, provide benchmarking and evaluation of their performance. For this they use financial, and increasingly, ESG information.

While a handful of investment consultants have units which are pro-active in helping some of their clients to develop responsible investment strategies, investment practices and asset manager selections; one of the aims of this study is to see what all the others are doing. Are they developing tools and offering services to help their clients integrate ESG issues? Are they pro-actively raising those issues with their clients, or do they address them only based on client demand?

A growing interest in responsible investment and ESG issues from investors

There is a growing view among investment professionals that ESG issues can affect the performance of investment portfolios. Investors fulfilling their fiduciary duty therefore need to provide appropriate consideration of these issues. In a recent survey of institutional investors conducted by IPE, around 70 per cent of the respondents said it was trustees’ fiduciary duty to include ESG matters in their decision-making process and during manager selection processes. The legal research conducted by Freshfields has highlighted that taking account of the risks and opportunities from financially material ESG factors by asset owners is legally possible since it is in the best interests of fund beneficiaries; even more importantly, the research suggests that not taking such factors into account is a breach of fiduciary duty.

This increasing interest in RI is also due to the fact that investors have become more aware of the impact of ESG issues, such as climate change, on financial performance over the long-term. For instance, the French Reserve Fund (FRR – Fonds de Réserv for les Retraites) stated in its Responsible Investment Strategy “Environmental concerns and, in particular, the impact of global warming on the world economy and its various sectors pose numerous questions that a long-term investor cannot afford to ignore when determining its global investment strategy.” In addition, certain types of investors such as foundations and charities are increasingly seeking to align their investment practices with their underlying mission or long-term vision.

As another example of this growing interest in responsible investment, the number of signatories to the Principles for Responsible Investment (PRI) continues to rise (+45 per cent between 2008 and 2009) and reached 637 in October 2009, representing over $18 trillion as illustrated in Figure 2. The PRI convened in 2005 by UNEP FI and the UN Global Compact, was established as a framework to help investors achieve better long-term investment returns and sustainable markets through improved analysis of ESG issues in the investment process and the exercise of responsible ownership practices.
Methodology

There has not yet been a comprehensive, European-wide study on how investment consultancies regard and to which extent they integrate ESG issues into their offerings. The Boston College Institute for Responsible Investment conducted a roundtable in April 2009 showing that a fully developed discipline of responsible investment consulting has yet to emerge; and the UNEP FI Asset Management Working Group (AMWG) conducted an initial investment consultant survey in 2008. The UNEP FI study analyses the responses of six large consultants with respect to their ESG practices.

This Eurosif study has concentrated on the top 10 European consultancy markets which account for over 70 per cent of the total EU market: Austria, Belgium, France, Germany, Ireland, Italy, the Netherlands, Sweden, Switzerland and UK. A few Scandinavian consultants were also contacted. This approach, while not allowing for a reach of the entire European investment consultants community, was deemed to be more time and cost effective while covering an important portion of the existing European investment consulting market. Eurosif approached over 300 consultancy firms, including various local offices of global consultancy firms.

A survey of 30 questions was developed by Eurosif with the Advisory Board’s input and building on the UNEP FI AMWG initial investment consultant survey. The online survey was distributed by email between July and September 2009. A series of follow up phone interviews was conducted for clarification and research for case studies. The return rate on the questionnaire was about 16 per cent with just under 50 responses in total. This in itself is an interesting result: 84 per cent of the investment consultants chose not to respond to Eurosif’s survey, including some dominant local, but also global, consultancy firms. While this might be partly due to questionnaire fatigue, it also reveals a split in the consultancy market, with those firms that have developed expertise in responsible investment and those that show no interest at this point in responsible investment and ESG issues.

While readers should keep in mind that most respondents are either already involved in responsible investment or interested by the topic, we can also assume that the survey responses encompass all the consultancy firms offering services in responsible investment. When possible, differences according to countries are highlighted in the report but these should be taken with caution given the relatively small size of country samples.

Profile of the responding consultants

Geographic origin and reach

Out of the survey’s respondents, 29 per cent come from the UK, 18 per cent from the Netherlands, followed equally by France, Switzerland and Germany at 11 per cent. Figure 3 compares the nationality of the surveyed consultants with the breakdown of existing investment consultants by country (in terms of number of players) as listed by IPE in March 2009. The UK, Netherlands and Germany have the most concentrated percentage of consultants and this is reflected to a certain extent in the survey.

In terms of reach, 40 per cent of the surveyed consultants have a national reach, one-third service clients globally and the remainder (27 per cent) focus on the European market. The consultant market is still quite local, with the necessity for consultants to respond to country specificities. This raises the question as to how firms with a global reach are able to tailor their offer at a local level and the degree to which they can standardise their services across all markets, including services on responsible investment.

See the case study of Mercer.

Size of investment consultancy firms

The total of overall assets under advisement of the surveyed consultants is €3.4 trillion, with an average per respondent close to €100 billion. Figure 4 shows the distribution of the respondents in terms of size. A majority of responding firms corresponds to the €10 billion – €100 billion of assets under advisement range; this is particularly true for the case of Dutch and Swiss consultancy firms, while the French firms tend to be primarily in the range of €100 million – €1 billion. The chart also shows several large firms with over €1 trillion of assets under advisement.
Their clients

Surveyed consultants were asked to rank their different types of clients by order of revenue importance. As shown in Figure 5, corporate pension funds emerge clearly as the primary type of client followed by public pension funds and insurance companies. Interestingly, the corporate pension funds are a primary client for investment consultant services although they are traditionally not as ‘advanced’ on ESG issues as are the public pension funds. Family offices/high net worth individuals and foundations/charities are close behind and the study found that they can be some of the more progressive clients in their ESG demands.

When reviewing these results country by country, the following differences emerge: for the Swiss respondents, high net worth individuals (HNWIs) and family offices are predominant, followed by corporate pension funds. The most important clients of French consultants are insurance companies followed by public pension funds, NGOs and religious institutions – the importance of corporate pension funds is quite minimal. The other countries follow a breakdown somewhat similar to the European trends shown in Figure 5.

Anecdotes through phone interviews provided further insights about the by-products of servicing different clients. Generally speaking, servicing different types of clients allows investment consultants to develop a diverse range of services which ultimately may be of use to each particular segment.

See Swiss boutiques case study,

**Being a signatory to the PRI**

Out of the surveyed consultants, 28 per cent are signatories to the Principles for Responsible Investment (PRI). As for reasons why the remaining 72 per cent are not signatories, respondents mentioned lack of awareness, lack of resources to do so and lack of priority. A few did say that their signature was under consideration.

A global consultant explained: “At the time of the PRI launch, our decision was to wait and see what would happen and avoid sending an intentional or non-intentional signal to our clients, as with any type of similar initiative. We are now weighing the cost/benefit with becoming a signatory: there is a time and financial commitment of being associated with the PRI; and as of now our clients (corporate pension funds) aren’t asking us to be a signatory.”

**DEFINITIONS**

**Various responsible investment strategies available:**

**Best-in-Class:** A subset of positive selection where the leading companies with regards to ESG criteria from each individual sector or industry group are identified and included in the portfolio.

**Engagement:** A long-term process of dialogue with companies which seeks to influence company behaviour in relation to their environmental, social, and governance practices.

**Exclusion:** An approach that excludes given sectors or companies from a fund if involved in certain activities based on specific criteria, such as arms manufacturing, breach of international norms, tobacco, animal testing, etc.

**Integration of ESG factors:** The explicit inclusion by investment managers of ESG risks and opportunities into traditional financial analysis. Corporate Governance risk should be limited here to the interface between Governance and Social and Environmental issues.

**Positive selection:** The selection, within a given Investment universe, of stocks/bonds of companies/issuers that perform best against a defined set of ESG criteria. This may include Best-in-Class or selection according to sustainable themes.

**Positive selection according to sustainable themes:** Thematic funds may focus on sectors such as water or energy, or issues such as the transition to sustainable development and a low carbon economy.

* For more details, see Eurosif’s 'European SRI Study 2008’ at www.eurosif.org.
ISSUES, APPROACHES AND ROLE OF CONSULTANTS

Investment consultants’ human resources devoted to RI

A recent phenomenon

Figure 6 shows the evolution over time of service development relating to responsible investment. This can be broken down into the following stages:

- From 1988 to 2001: investment consultants started to develop responsible investment services sporadically and on a small scale. Many of these pioneering firms were based in the UK, consistent with the history of SRI development in Europe.

- Following the 2001/2002 dotcom crash and series of scandals (Enron, Parmalat, Tyco), and through 2004, counsel on responsible investment was increasingly developed, especially in continental Europe. This was due to an increase in demand for investment advice taking into consideration issues such as corporate governance and environmental impacts.

- Between 2005 and 2007, there was significant interest from investors in positive screening focused on sustainable themes, encouraging new services from investment consultants. A few of the responsible investment specialised boutiques were founded during this stage, betting on an emerging trend and market potential.

- Since 2008, the development of responsible investment services has slowed, with the financial crisis described as the culprit. It is nonetheless encouraging to see that new offerings are still being planned for 2010.

Consultants’ time devoted to responsible investment

When looking at the investment consultants’ time devoted to responsible investment as shown in Figure 7, there are two findings to note: first, almost 20 per cent of the respondents are focused 100 per cent on responsible investment advice, establishing themselves as highly specialised boutiques—these types of firms are most often seen in Switzerland, the Netherlands and the UK.

On the other hand, the majority of the respondents devote between 2 per cent – 10 per cent of their consultants’ time to responsible investment; this is particularly true for Germany (60 per cent of the German consultants are in this range) and the Netherlands (50 per cent).

See case study of Faros Consulting.

These figures highlight that responsible investment is still of relatively small significance to the investment consultants’ overall business. Nevertheless, as the field of responsible investment itself is still in its earliest stages, the limited time spent currently servicing client requests on ESG matters still needs to be compared with being next to nil just a few years ago. Additionally, the significance of responsible investment within the fund management profession is expected to increase steadily as we will see further in the report.

Figure 8 reveals that there is no clear correlation between the size of the firms and the amount of time devoted to responsible investment – what it shows though is that for the largest firms (over €1 trillion), the consultants’ time devoted to responsible investment falls below 2 per cent.

Size of responsible investment teams

“Consultants should hire more people with professional ESG backgrounds and provide independent judgements; more focus on quality in investment strategies instead of historic quantitative data.”

— Floris Lambrechtsen, Double Dividend B.V.

The size of the investment consultants’ teams devoted to responsible investment is usually small, fluctuating between less than 1 and 3 full-time equivalents (FTEs), with the majority of cases less than half full-time equivalent as illustrated in Figure 9. This raises the question as to how experienced and trained consultants are, or can become, if responsible investment is only one part of their regular job. Alternatively, one potential outcome over time could be that ESG experts are assigned to work with other personnel within the investment consultancies, thus mirroring an integration philosophy that is occurring in some asset management houses today. One exception to note in the 1-3 average FTEs is the responsible investment team of a large global consultancy firm composed of 15 full-time equivalents located in various offices throughout the world; however this represents only 2 per cent of the firm’s investment consultant staff – in line with the trend already highlighted in Figure 7.

Consultants’ perception about RI

Surveyed consultants were asked how, in their view, the various responsible investment approaches affect performance. As illustrated in Figure 10, positive selection is the approach considered to have the most beneficial impact, whether according to sustainable themes (74 per cent) or via a best-in-class approach (66 per cent). Exclusion is the approach seen as having potentially the largest negative impact. The survey also
asked respondents whether their answer was based on experience: concerning positive selection and exclusion, it was the case for about 40 per cent of respondents whereas for integration and engagement it was only the case for 30 per cent and 21 per cent respectively. This latter point reveals that there are a number of pre-conceived notions on performance and responsible investment approaches which are not necessarily based on first-hand experience; this was further reinforced through phone interviews.

A consultant from a global firm explained “There are many misconceptions among clients and consultants that sustainable investment is about non-financial gain and that there is performance penalty. A lot of communication is needed internally and externally around what contemporary sustainable investment is, as opposed to the historical perception of it (where ethical investment was more predominant).”

Related to performance, there were also important questions raised about RI within some of the evolving demands around asset allocation. For example, some respondents mentioned that RI needs to be more present within absolute return investing products since relative return investing may not constitute the most efficient means to accumulate wealth in the future. In Switzerland, index oriented investing was mentioned as the most important trend and therefore, there was a need for RI ETFs. The current perception of RI is that it does not fit easily within either of these scenarios. As with any type of investment, responsible investment performance is also linked to the quality of the fund manager – hence the importance of a thorough assessment of responsible investment providers and their processes, both financial and sustainable. A recent report featuring influential academic studies and a diverse set of studies from renowned brokerage firms analysed responsible investment performance at both the company/stock and fund/portfolio level. Of the 20 academic studies reviewed in the report, there was evidence of a positive relationship between ESG factors and portfolio performance in half of these, with seven studies reporting a neutral effect while three showed a negative association.13

Consultants were also asked how appropriate each responsible investment approach is with regard to their clients, as shown in Figure 11. Integration is the approach considered the most appropriate (always appropriate for 51 per cent of respondents), followed by positive selection according to a sustainable theme (47 per cent). It is worth noting in particular that more than half of the respondents still think that they have no role in pushing ESG approaches as it depends on the nature of the client and their specific demand.
Consultants’ approach and RI offering with their clients

Proactive vs. passive approach with clients

Sixty-three per cent of the surveyed consultants indicated that they systematically and proactively raise the issue of responsible investment when meeting with their clients. This is particularly true for Swiss, French and British consultants but much less so for German ones. This overall figure is rather encouraging although it is not quite consistent with other results of the survey showing that clients’ demand remains the main driver for consultants to offer responsible investment services. 24 per cent of respondents said that they raise the issue only when clients ask about it and 2 per cent indicated that they refer interested clients to specialist advisers (11 per cent did not respond).

According to a legal opinion expressed in the UNEP FI fiduciary report mentioned previously, Quayle Watchman Consulting clarifies that institutional investment consultants and asset managers have a professional duty of care to proactively raise ESG considerations with their clients and cautions that failure to do so may have serious consequences: “In tendering for investment mandates, it would be expected that the investment consultant or asset manager would raise ESG considerations as an issue to be taken into account and discussed with the client even if the pension fund had not specified ESG considerations as material to the tender. If the investment consultant or asset manager fails to do so, there is a very real risk that they will be sued for negligence on the ground that they failed to discharge their professional duty of care to the client by failing to raise and take into account ESG considerations.”

At least one surveyed consultant indicated that they did not share that specific conclusion of the UNEP FI report above and even indicated that it was “slightly irresponsible” to push the idea that consultants have a professional duty to proactively raise ESG considerations with their clients based only on one legal opinion. In Eurosif’s phone interviews, consultants argued that there are often situations in which clients such as pension funds find themselves seeking to wind down, in financial difficulty or about to go through massive strategic changes; in those cases, responsible investment was not seen as a priority for the consultant.

The means most often used by consultants to promote responsible investment included noting ESG issues as a regular agenda item in their meetings with clients (54 per cent), training sessions (46 per cent), followed by ongoing information regarding market developments (39 per cent) and conferences on ESG issues (31 per cent). Other suggestions by respondents included research publications, briefings of senior management, and involvement in a responsible investment trade association/forum.

Type of RI advice needed by clients

Responsible investment is particularly relevant for their clients when it comes to investment strategy, followed by mandate design and investment policy as shown in Figure 12.

Asset allocation strategy appears rather less important. Other services mentioned by the respondents included fund selection and selection of external research providers. See case study of Altedia Investment Consulting.

These results can be compared to the IPE pension fund survey previously mentioned which shows, in a similar way, that investors use consultants primarily for investment advice (58 per cent), followed by asset allocation (55 per cent) and investment manager selection (39 per cent).

The implication is that ESG matters are held at the broad strategic level while implementation of specific aspects of RI policy into the portfolio can be more challenging. A recent study conducted by the French reserve fund FRR highlights the need to consider the integration of environmental issues across all facets of investment decisions. One of the study’s findings is that environmental challenges should be integrated by institutional investors into various levels of its investment policy including strategic asset allocation, selections made within asset classes, management styles, reporting and assessment. In all of these areas, consultants could have a role in guiding and shaping investor knowledge.

On a country-by-country basis, the following differences emerge: mandate design is less considered in Switzerland while 100 per cent of Dutch consultants think it fits with their client needs; investment policy is barely considered in France and ESG in asset allocation strategy is the most favoured by Swiss and German consultants.

FIGURE 12. Where, in your view, does RI fit with regards to your clients’ needs? (multiple answers possible)

Source: Eurosif Investment Consultants & Responsible Investment Survey, 2009
CASE STUDY

SWISS BOUTIQUE FIRMS 100 PER CENT SPECIALISED IN RESPONSIBLE INVESTMENT CONSER INVEST (GENEVA) AND ONVALUES LTD (ZURICH)

Background

OnValues is based in Zurich and was founded in 2002 while Conser Invest, located in Geneva, was started in 2007. After many years working for a large Swiss institutional investor and then an asset manager specialised in sustainability, onValues’ founder, Ivo Knoepfel, realised that asset owners needed independent advice to articulate their own needs in terms of responsible investment and to check the quality of sustainable asset managers and their funds. Similarly, Angela de Wolff, co-founder of Conser Invest, had worked several years in a private bank and also identified a need for an independent intermediary between the RI providers and the asset owners willing to develop a responsible investment strategy/approach. According to her, the range of RI products had become sufficiently sophisticated to justify the need for independent counsel in selecting them.

100 per cent RI Boutiques

Both firms are relatively small (3 consultants each) and are 100 per cent specialised in sustainable investment. Both firms consider their independence as a competitive advantage. For instance, even though onValues could have grown significantly, its founders chose to keep the organization small and flexible to remain independent (“if the firm starts growing there is a risk of being under pressure to accept any type of work which could compromise our independence”). On the other hand, Conser Invest expects the firm to develop as demand for recognised experts in this field is growing. Both firms service a variety of clients, including pension funds, family offices and foundations. onValues also occasionally services governmental organisations and various SRI initiatives/forums while Conser Invest also services financial institutions/banks for training and development of SRI solutions and supports wealth managers for sustainable portfolio construction.

onValues: the variety of clients compels the firms to be innovative

This diversity of clients has forced onValues to develop a wide range of expertise in sustainability and to remain innovative. This is particularly the case when working with some family offices who would like all of their assets to be managed sustainably, entailing counsel on investment strategy, asset allocation, due diligence, screening, etc. Family offices are often interested in green property, private equity or hedge funds for instance, while foundations show more of an interest in microfinance or mission-related investing. Usually pension funds concentrate on index strategies. The resulting know-how developed by onValues, often well in advance of their peers, can then be of use to all of their clients.

Conser Invest: rigorous approach through proprietary tools and a strong network

Conser Invest has developed original tools enabling the investor to align its sustainability objectives with its investment decisions. Conser has also been instrumental in the development of ‘Sustainable Finance Geneva’ whose mission is to promote sustainability and responsibility within the Geneva financial community. The objective of this involvement is of course to raise awareness but also to network, challenge, learn from others and increase visibility.

Biggest challenge

For onValues, the challenge comes from a rapidly changing environment: “It can be challenging for the consultant to keep track of everything. Many people are changing positions, many new funds get launched (how serious are they? how long will they last?). It is still a time of testing and quite a nervous industry.” Generally speaking, it can also be challenging to attract good investment professionals as the business model of investment consultancy may not always be considered to be the most attractive.

For Conser Invest, the challenge is to increase awareness and understanding that responsible investment goes beyond ethical considerations and is about taking into account long term considerations. “A lot of energy and education is needed to reach a common level ground with our clients on what sustainable and responsible investment is and why it makes sense. The lack of standards and common terminology in this field are still a weakness.”

CASE STUDY

ALTEDIA INVESTMENT CONSULTING – A FRENCH RI SPECIALIST

History / background

Altedia Investment Consulting (AIC) is a French firm with a European reach, with a team of 7 investment consultants all concerned by ESG issues (partners included) and devoting on average 50 per cent of their time to responsible investment. The development of counsel on RI was motivated by several factors; 1) values of the firm’s owners, Altedia Group/Adecco, who are deeply involved in social and HR services 2) a strong demand from the firm’s main clients (employees saving plans and corporate pension funds) through the employee representatives and 3) strong convictions from the firm’s partners on this subject. Their responsible investment consulting activity began in 2004 with two large clients, one needing counsel to develop its RI policy and another which as interested in testing out a few SRI funds. The firm decided then to develop and structure this knowledge and allocate resources to develop a database of SRI fund managers and of SRI funds.

Competitive advantage

AIC has an extensive SRI research database with track records, a variety of clients (public and corporate pension funds), flexibility and the partners’ willingness to invest resources in this field. Dedicated partnerships with clients or investment solutions providers (e.g. creation of the first index of SRI funds) and expertise developed either in equity or bonds (long term and money market).

Manager’s measuring tool

AIC Research provides a constant overview of the global SRI market assessing over 80 fund managers in the world and nearly 350 SRI funds in all asset classes. The tool rates asset managers’ expertise in SRI (AAA to C) and the SRI funds (AAA to B) according to organisation and quality of research (both internal and external), as well as the level of proficiency of the SRI team, investment process and quality of reporting. The research is qualitative and past performance is not directly taken into account in the rating process. Each ranking comes with a briefing note and is discussed at quarterly meetings.

Biggest challenge

According to one of Altedia’s managing partners Christel Bapt, the biggest challenge is “to have institutional investors go from a discourse of ‘We believe in responsible investment, it is fantastic’ to the point where this is really translated into their investment strategy, policy and implementation. We need more champions on these subjects”.


Anecdotes collected through the phone interviews indicate that large pension funds tend to already have a strong RI strategy in place and therefore, their need is greater for counsel on mandate design and manager selection. Conversely, the smaller schemes, frequently in the earlier RI stages, require counsel on investment policy, strategy development and education/training. Foundations and charities tend to be more inclined towards greening their investment or developing an exclusion policy.

Advice on E, S or G?

According to the survey, investors seek the most advice on environmental issues, followed closely by social and governance issues. Climate change tends to be the issue of greatest concern for clients. In France, social issues emerge on top; whereas in Germany and Switzerland, governance issues appear in second position, and social issues in third.

Undoubtedly, the specific ESG issues vary from country to country, and even within the same borders, there are differing views on appropriate responses to client demands. For example, one consultant in the Netherlands (Ger Goris, Goris and Partners) indicated that it is difficult to know what advice to provide around ESG issues. “It requires a broader discussion and there is seldom an easy and practical solution for the investor. For instance, if you wish to exclude cluster bombs from your portfolio – how does one do this when practicing index investing? And where should the line be drawn? Should suppliers of parts that make up cluster bombs be excluded too?” As a result, Ger Goris would very much like to see an industry-wide set of rules/guidelines (developed by international bodies such as the UN for instance) on how to go about this.

This also shows that advice on ESG issues represents a great opportunity for the investment consultants to assist the investors because the advice required is nuanced and subject to thoughtful analytical insights.

Where do consultants source ESG research?

Consultants source research on ESG issues both internally (72 per cent) and to a lesser extent through external ESG research providers (59 per cent). The external providers can be extra-financial rating agencies, brokers, industry associations, public research, etc. It is interesting to note that one of the responding consultancy firms partly owns an ESG research provider. As a matter of fact, the boundary between an ESG research provider and an investment consultant can sometimes become blurry as some ESG research providers also provide investment counsel to their clients.

Not surprisingly, the survey shows that consultants are in need of more research and education concerning ESG issues to strengthen the business case for responsible investment.

“To spread sustainability in our financial community, we need high quality studies, deep research on the subject and the industry (history, investment style, performance, perspectives, AUMs, etc) as well as educational material.”

— Angela de Wolff, Conser Invest.

“There is a need for quantitative research on the correlation between ESG approach and stock performance.”

— Claire Gillig-Brouwer, PwC.
Responses from the study show that professional training and education on ESG matters remain problematic. An inclusion of ESG matters and responsible investment practices within traditional financial training and education is clearly lacking. Some initiatives in this respect are being developed and are worth mentioning: the “Responsible Investment Academy” is a global, online centre for responsible investment education and training. It was established in late 2008 by RIAA (Responsible Investment Association Australasia) to address the significant and growing skills gap in the responsible investment sector. The European Federation of Financial Analysts Societies (EFFAS) is also developing an ESG training tool. One hopes that such efforts as the Academy and ongoing initiatives in the field will eventually assuage concerns that some consultants continue to have around the business case for RI.

Type of RI approaches most in demand

“Watson Wyatt would challenge the perception that there is just one way to implement sustainable and responsible investment. We see various manifestations and it means different things to different clients but the key issue is protecting and enhancing shareholder value. Whilst being an active owner might be right for one client, allocating capital to sustainable themes might be right for another and doing nothing could also be appropriate in some circumstances. As a consultant you need to be sensitive to your client’s needs.”

— Jane Goodland, Watson Wyatt Worldwide Inc.

As introduced in the report, there are multiple responsible investment strategies available to investors, which can be combined. As illustrated in Figure 13, positive selection is the type of responsible investment strategy which is the most advised on by the surveyed consultants, both according to sustainable themes (77 per cent) or via a best-in-class approach (72 per cent). Integration comes next, closely followed by exclusion. Finally, counsel on engagement and voting rights is offered by less than half of consultants.

A closer look at the data reveals some interesting differences at the country level: Swiss consultants rarely provide advice on the exercise of engagement; only a few French consultants offer counsel on exclusion; and in Germany, consultants seldom discuss integration of ESG factors. These are consistent with the country differences in terms of SRI practices highlighted in Eurosit’s 2008 European SRI Study. One of the issues highlighted by some consultants around engagement/voting is that these were often areas where legal advice/counsel was more appropriate and/or there was not a direct connection to performance.

Perhaps the most interesting conclusion one may draw from Figure 13 is that it mirrors the findings from Figure 10 showing that consultants view positive selection as the approach most likely to affect performance. Figures 10 and 13 taken together would suggest that both consultants and asset owners are most comfortable with this RI approach and therefore, it represents the highest demand for related ESG advisory services.

Consultants’ role in evaluating asset managers

Figure 14 details the practices of consultants when it comes to responsible investment.

Figure 14 shows that there is still a split between RI and mainstream investing. For example, 42 per cent of the Requests for Proposal (RFP’s) include questions on RI only when they are specific RI mandates.

On a more positive note, 36 per cent of the consultants evaluate the fund manager’s ability to incorporate ESG as a routine part of their assessment of fund manager competence; the criteria they use in doing so are detailed in Figure 15. Lastly, many consultants seem to be less inclined to investigate the proxy voting and engagement records of asset managers concerning ESG issues. This highlights that active ownership practices are not something closely looked at by most of the consultants. One of the exceptions comes from Watson Wyatt Worldwide which has developed a manager monitoring service called Active Ownership Watch.

Criteria used to evaluate managers’ competence in RI

Figure 15 provides an analysis of the criteria used by consultants to evaluate competence of asset managers when it comes to responsible investment. 97 per cent of respondents look at the research capacity and publications of the fund managers, 91 per cent at the staff experience and 81 per cent assess whether there is evidence of systematic consideration of material ESG issues in investment decisions. Some consultants have developed sophisticated tools to measure the competence of fund managers regarding ESG issues.
Mercer is a global firm for trusted HR and related financial advice, products and services. Mercer investment consulting business represents about 6.5 per cent of the firm revenue with more than 800 staff around the world. The firm began to propose consulting services related to responsible investment in 2004. The RI team almost doubled in the last two years and is currently made up of about 15 full time equivalents; the RI specialists are spread out in various regional offices (of which five are covering Europe and based in London).

Dissemination of RI expertise within the firm

The firm has a matrix system of specialist teams such as responsible investment, custodian, transition management, fund governance and specialist asset class fund research, etc. that provide the most up-to-date research and advice in these areas. This is then disseminated to ‘generalist teams’ who have day-to-day management of client work. There are numerous channels of communication and information exchanges (RI is included in regular training sessions with the consultants; featured in frequent internal ‘hot topics’ and is a fixed agenda item at the firm’s frequent technical internal business meetings) so that the knowledge and expertise are shared with the generalist consultants. These RI specialists work closely with their consultant colleagues who have developed local expertise and a relationship with clients. Depending on the clients, the language and the local consultant involved (i.e. on his/her own level of expertise on responsible investment), the RI specialist may or may not meet directly with the clients.

Manager research tool to consider ESG factors

In May 2008, Mercer evolved its manager research process to evaluate the extent to which fund managers pro-actively integrate ESG factors into their mainstream investment process. In particular, the research process now considers fund manager practices at the strategy level rather than purely taking a view of the firm’s overall stance towards RI and ESG integration at the organisation wide level. The research process categorises managers into four groups – ESG1 (the highest rating managers) to ESG4 (the lowest rating managers). For a strategy to be assigned an ESG1 rating, the investment team must have demonstrated market-leading capabilities in integrating ESG and active ownership into; 1) the way they generate investment ideas, 2) the way they construct portfolios, 3) implementation of their active ownership practices (through voting and engagement) and 4) the degree of firm-wide commitment to ESG issues. At the bottom end of the scale, an ESG4 rated manager is considered to be lagging across all of these issues with little indication of potential change to improve practices in either ESG integration or active ownership practices. Mercer’s approach is to look for an indication that efforts have been made to integrate ESG into what fund managers do in their alpha generation process and also in beta enhancement through behaving as long-term responsible investors. As of April 2009, 15 strategies had been assigned the highest ratings – an ESG1 or ESG2 – which cross over regions and asset classes. Whilst practices vary, what most of these managers have in common is that they have:

- A long-term investment horizon and low portfolio turnover, with some (preliminary) thought given to promoting long-term thinking through incentive systems;
- Formulated a policy and/or commitment to ESG integration at the organisation wide level;
- Demonstrated that ESG factors feature in the natural course of the investment teams’ decision making process and corporate culture;
- Made efforts to build in some ESG factors into valuation metrics, using their own judgement about materiality and time frames;
- For listed equities, a voting and engagement policy and process in place that is moving towards being more integrated, transparent and measurable;
- For alternative assets, evidence of pursuing best practice standards on governance, codes of conduct relevant to their asset class, transparency, staying abreast of regulatory changes and engagement on wider issues (such as stakeholder management);
- A demonstrated willingness to collaborate with other institutional investors to redress systemic issues to promote a more sustainable financial market.

OBSTACLES

Lack of interest/awareness from the consultants

While more and more mainstream investor associations are looking at ESG issues and how they affect company performance, the survey aimed to see whether the investment consultants are aware of these types of publications on the importance of ESG matters and whether they share their conclusions. The survey mentioned two specific and recent publications: 1) the CFA Institute report Environmental, Social and Governance factors at Listed Companies – a manual for investors published in May 2008, and 2) UNEP FI report Fiduciary Responsibility, legal and practical aspects of integrating ESG issues into institutional investment published in July 2009. Only 33 per cent of the respondents were aware of the first report and 44 per cent, the second: the higher score of the UNEP FI report might be explained by the fact that it had just been released at the time of the survey and was therefore still fresh in their minds. The lower score of the CFA report is surprising given that it provides an excellent business case to investors for taking ESG issues into consideration when analysing companies; it provides consultants with a good background as well as mainstream research on the subject. On the other hand, of the respondents who were aware of these reports, a very large majority (over 90 per cent) shared their conclusions.

Finally, as mentioned at the beginning of this report, it is also quite telling that 84 per cent of the investment consultants contacted by Eurosif did not participate in the survey, including some dominant firms at both a local and global level.

This reflects the early stage of adoption of ESG issues by the investment consultant segment.

It would be interesting to see whether those results will remain the same in a similar survey two years from now. See case study on KPMG.

Fund management hurdles

According to the surveyed consultants, the most important obstacle that fund managers face is the lack of explicit demand from the investors. The chicken and egg dilemma is a real one: fund managers do not develop enough responsible investment offers due to a lack of demand coming from investors and conversely, investors often complain about the absence of products as well as long track records. To solve this dilemma, the fund management industry often counts on the investment consultants to advocate responsible investment. What this current survey shows clearly is that consultants are mostly offering ESG services only once they have identified an explicit demand from their clients. The chicken and egg dilemma remains.

The second obstacle identified by the consultants is the lack of knowledge and understanding of fund manager staff – something also true from the consultants themselves as seen previously and which could be tackled through the development of ESG training and education.

Many of the issues cited in Figure 16 will be familiar to those who have an interest in the responsible investment field. Predictably, the legal/performance issues are cited as an important hurdle. Other significant obstacles mentioned include resource constraints, incentive misalignment and time horizons. Again, it will be important to note the differences in the views about hurdles in two years when this study is next conducted to see how the issues have evolved.
To assess the reasons why some investment consultants show less interest in ESG issues and responsible investment than others, Eurosif conducted a phone interview with a mainstream player who did not respond to the survey: Patrick McCoy, Head of Investment Advisory at KPMG (Pension, Tax & People Services), based in the UK.

**Background**

KPMG operates as an international network of member firms offering audit, tax and advisory services, with a network of member firms in over 140 countries worldwide. Its UK investment consultancy division employs about 50 consultants. Its client base is mostly corporate pension funds, a few charities and foundations.

**Demand on ESG issues must be connected to financial returns**

“For most of our clients, it is impossible to form a view on ESG issues. They only take them into account when they impact the financial performance of their investment. For example, even on the delicate issue of child labour, they do not want to form a view unless it will have an effect on the performance – they shy away from making type of judgement.” indicated Patrick McCoy.

**ESG issues delegated to the fund managers**

KPMG does not provide advice on specific ESG issues; rather, KPMG ensures that the fund managers have a clear and sensible policy whereby they will factor in those ESG issues showing an obvious financial impact. KPMG reviews these policies at a high level and checks for evidence that they are being implemented, for example through reviewing the voting policy to see how the voting rights are used.

**Legislation around fiduciary duty would need to change for interest to increase**

In the UK, legislation around fiduciary duty makes it clear that trustees should only take into consideration issues that will impact the financial performance of the fund. RI approaches (such as exclusion) might generate different (i.e. negative) outcomes in terms of performance. To change clients’ views, legislation around fiduciary duty would need to change. (Patrick McCoy was not aware of the work done around fiduciary duty and ESG issues by UNEP FI and therefore could not comment on them) KPMG has not seen any evidence of increased interest on ESG issues from its client base and does not think this will change in the next three to five years.

* For more information http://rd.kpmg.co.uk
FUTURE TREND

A growing demand

As illustrated in Figure 17, between September 2008 and September 2009, 64 per cent of the surveyed consultants saw an increased interest in ESG matters from their clients. This somewhat slowed down with the financial crisis but interestingly, the crisis did not trigger a decrease in interest in ESG advice (only 4 per cent of respondents thought that it did): the financial crisis either increased demand or it has remained the same.

“Different types of clients reacted differently to the financial crisis. The large pension funds had to slow down innovative projects in the responsible investment field—so there has been a stagnation of business coming from them. On the other hand, the crisis was a wake-up call for some family offices which understood much better the value of independent advice and realised that they could not just simply trust the big banks.”

— Swiss consultant

In addition, consultants remain very confident when it comes to the future trend as 89 per cent of them anticipate an increase of clients’ interest in ESG matters in the next three years.

One Dutch consultant clarified “Responsible investment represents about 3–5 per cent of what we are doing now, but 5 years from now ESG issues will be very strongly addressed, and I expect that it will represent 50 per cent of what we are doing within the firm if we do not have a lot of hiccups like the current one.”

Drivers for clients’ demand

When consultants were asked for the most powerful motivator behind demand for RI services, Figure 18 shows their perception that image/reputation as a ‘responsible asset owner’ is the number one driver. Political and beneficiary pressures are also listed as important factors, again linked to branding and reputation of the asset owner.

Secondly comes the notion that understanding true fiduciary duty means taking into account all risks, including ESG ones which are typically not integrated into traditional financial analysis. A final demand driver is the need for advice on how to implement the Principles for Responsible Investment (PRI). These answers are interesting; the focus on reputation may suggest that consultants currently see the interest in ESG issues as compliance-driven.

It is Eurosif’s view that the depth of interest in ESG matters among consultants will only truly be achieved when the primary drivers are understood as business-related.

Fortunately, regardless of the initial driver, once asset owners have shown interest in responsible investment, they start to think about and clarify their positions on ESG issues. In some cases, external pressure also acts as a means to further implement ESG matters into investment-making decisions and mandates with fund managers. A good illustration of this is the impact the 2007 Zembla television documentary had on Dutch pension funds, resulting in increased development of responsible investment policies.

That there is a positive trend in the growth for ESG services provided by investment consultants is little in doubt. The unanswerable question at the present time is around ‘how much’ demand. As evidenced through the answers to the survey and the follow-up phone interviews conducted by Eurosif, the investment consultants are adamant about their need for explicit client demand in order for further resources to be allocated to this area. Whereas this survey concretely shows that ESG demand will increase in the coming years, it will be of great interest to assess the actual growth rate when the next study is produced.

“Consultants are highly responsive to client requirements. Greater signals that clients value research on ESG integration, active ownership and interesting product opportunities would be a highly effective driver.”

— Emma Hunt, Mercer

FIGURE 17. Client’s interest on ESG matters

FIGURE 18. What is the most powerful motivator for your clients to demand consulting services on RI? (ranked by order of importance)
CASE STUDY
FAROS CONSULTING
– A GERMAN FIRM RESPONDING TO RECENT CLIENT DEMAND FOR RI

Background
FAROS Consulting is a consulting firm with five consultants and a German-speaking reach (Germany, Austria, and German speaking Switzerland). The firm developed sustainable investment services in 2003, representing about 5 per cent of the consultants’ time. Since currently there is not enough business to dedicate someone specifically to sustainable investment, RI services are spread among several consultants, depending on their expertise (matrix structure around asset expertise).

An offer of RI services entirely client-led
The development of RI services is entirely driven by client demand, which is mostly coming from religious institutions (however the firm’s main clients are corporate and public pension funds). As of today, the pension funds have shown little interest for responsible investment. Religious institutions are mostly interested in some form of exclusion (usually weapons but can also include some pharmaceuticals or utilities). They are also interested in thematic investment, but much more from a performance perspective than a sustainability point of view.

Challenge and competitive advantage
According to FAROS Consulting, RI is not really a differentiating selling point for them and would not be for other German consultants either. In addition, RI does not really represent a challenge for the firm as the demand is coming from the client. In terms of ESG research, the firm uses external providers (EIRIS, imug) and interacts with some asset managers with dedicated sustainable investment products.

Perspective for the future
Most of the firm’s clients have other priorities than sustainable investment in the short term, especially with the consequences of the financial crisis. If the market improves, the interest for sustainable investment might increase and the firm could devote more time to it.

• More information www.faros-consulting.de.

CONCLUSION

“Everything mankind and business does is ultimately dependent on the earth’s natural resources and bio-sphere. Even with global publicity over their man-made depletion and damage – it is worrying that relatively few businesses, investment consultants and investment firms fully understand the future economic significance of the earth’s natural capital, eco-system services and climate change, and their linkages and relevance to future investment strategies that might deliver sustainable long-term financial returns.”

— Howard Pearce, Environment Agency Pension Fund

The quotation above mirrors this survey’s findings that European investment consultants are in the early stages of tackling ESG issues as a part of their counsel and advice to their clients. It also serves as a reminder that investment consultants, along with all actors within the financial service chain, urgently need to further integrate ESG issues into their service offerings.

We see today that demand for ESG services is still new but equally, it is diverse. The client typology ranges from public and corporate pension funds to family offices and charities. As investors delve more deeply into ESG matters over time, client demands will continue to be varied and are poised to grow even more so. Investor demands focus on all aspects of RI: how to incorporate RI into investment strategies, mandate design, investment policy, fund selection and selection of external research providers.

At the moment, the demand for ESG counsel is driven by a mixture of investor reputation, beneficiary pressure and an evolving view on fiduciary duty. All of these drivers create opportunities for ESG advisory services; however, meeting this demand is less straightforward.

Clients need consultants to exhibit a broad and deep understanding of responsible investment that requires ESG competence, financial expertise and strategic skills.

For example, even a seemingly straightforward investment policy of ‘no cluster bombs in a portfolio’ can become a question of nuances when determining how this should be addressed with regards to the supply chain within the portfolio.

As noted in this survey, service development will remain a key facet to monitor as it is not yet clear whether newer or established firms will best respond to the growing ESG demand for services. Certainly there is evidence that some firms are aggressively developing products and services in anticipation for further market growth in the coming years. It remains impressive that 89 per cent of the surveyed consultants anticipate an increase of client interest in ESG matters in the next three years.

Additionally, the study finds that there are a few important barriers that if addressed, will push the ESG advisory market forward even faster than predicted today. First, since consultants are often reactive by nature, the asset owners should consider being more explicit about RI immediately. Frequently, asset owners are not consistent and/or are too passive. There are a few simple steps that asset owners can take to speed up progress. One such step is to clarify their expectations by reviewing their investment policies and beliefs. A recent survey showed that the publication of investment beliefs is still a relatively rare phenomenon. Asset owners should stipulate ESG and active
ownership expectations into requests for proposals and investment manager agreements. They should also integrate ESG metrics (and/or ask their consultants to do so) into the way fund manager performance is measured and reviewed.

The second barrier may be more long-term: regulatory change. Many of the surveyed consultants are supportive of an improved regulatory environment that better incorporates ESG issues into the financial services sector. Regulation at the European level which would require the investors to state their investment beliefs, whether or not they take ESG considerations into account in the selection, retention and realisation of investments; and if not, why they choose not to do so, would be a great step forward. Eurosif is actively working with the European Commission on these matters and has published a policy position paper on ESG disclosure as a reference.

Lastly, the survey and the interviews also highlighted a few issues pertaining to the investment consultancy segment that should be watched closely going forward and which might justify specific questions in a follow-up survey two years from now. They are the following:

- Within an investment consulting firm, how is the knowledge of ESG specialists/strategists actually being transferred to client-facing consultants and their advice?
- What will be the successful business model(s) for ESG advisory services? One consultant indicated that their greatest challenge was in providing the proper value for their responsible investment services, i.e. clients are willing to pay a price for it but have trouble evaluating how much it should be. Another consultant indicated that they were charging their clients an hourly rate, regardless of clients’ type or size.
- As more consultants develop responsible investment services, how serious will they be? New players are starting to emerge but sometimes with little dedicated resources and in-depth research on ESG issues. Could there be a trend towards more specialised RI consultancy firms?

The growth of responsible investment has been significant over the past 10 years, even when including the dips as well as the rallies of the capital markets. As noted in the survey, in spite of the current crisis, the respondents have indicated that they expect the interest and demand for ESG counsel to increase. What this Eurosif study ultimately shows is that many investment consultants have already started preparing today in advance of tomorrow's different type of client. They will be the most prepared as ESG risks and opportunities become a normal part of investor interest and client demand.

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NOTES

5 Responsible Investment Strategy ratified by the FRR’s Supervisory Board on 15 April 2008.
6 See www.unpri.org for more details.
8 Published in July 2009 as Part II of the Fiduciary responsibility report. www.unepfi.org.
9 IPE special issue on Europe’s Pension Consultants. March 2009.
10 The Eurosif survey was then used by the US Social Investment Forum which conducted a similar survey with American-based investment consultants.
11 The full questionnaire is available on www.eurosif.org/publications/investment_consultants ri.
12 See credit page at the end of the report for a list of responding consultants.
16 FRR Working Document, How should the environment be factored into FRR’s investment policy?, June 2009.
17 www.riacademy.org.
19 For more details on responsible investment practices across Europe, see Eurosif’s European SRI Market Study 2009.
20 It might also be due to the fact that in Europe proxy fights around environmental and social issues remain rare (as opposed to the US where it is increasing).
21 Through direct contact with managers, the firm assesses their ownership policies, procedures, resources, voting and engagement activity and reporting systems. This observation tool highlights areas of strength, weakness and also any inconsistency between managers used by the pension fund, enabling trustees to identify areas for improvement.
22 Consultants looking to develop such a tool could use as reference the ‘Evaluation Template – How to be a responsible pension fund’ developed by USS (Universities Superannuation Scheme Limited) and available on their website www.uss.co.uk/ UssInvestments/ResponsibleInvestments.
23 www.cfainstitute.org/centre/topics/esg/.
25 While showing a positive trend, these numbers should be taken with caution as generally people tend to be very bullish when it comes to predictions.
26 Broadcasted in early 2007, the documentary exposed that several large pension funds had minimal responsible investments and were invested in some highly polluting companies or producers of weapons such as cluster bombs.
28 http://www.eurosif.org/eu_eurosif/lobbying