



**AIC RESEARCH**  
A DEPARTMENT OF ALTEDIA INVESTMENT CONSULTING

*Benoit Magnier*  
Managing Director  
[bmagnier@altdia-ic.com](mailto:bmagnier@altdia-ic.com)

*Marie Luchet*  
Head of SRI  
[mluchet@altdia-ic.com](mailto:mluchet@altdia-ic.com)

*Edmond Schaff*  
SRI Analyst  
[eschaff@altdia-ic.com](mailto:eschaff@altdia-ic.com)

Altedia IC is a financial investment consultant registered under number D008189 with the CNCIF, a body approved by the Autorité des Marchés Financiers (AMF), France's financial market regulator.

This document issued by Altedia Investment Consulting is provided for information purposes only. It was prepared on the basis of information obtained from public sources deemed reliable, as well as external and internal databases, but we offer no implied or explicit guarantee as to its reliability or the exhaustive nature of its contents. Our analyses were carried out at the time indicated and are subject to change without prior notice. Investment decisions should not be made solely on the basis of this information.

## Transparency and reporting of Sustainable and Responsible Investment Equity funds- SRI

*This Altedia IC report was based on AIC Research on reporting by more than 170 Sustainable and Responsible equity funds. The funds studied are managed by several dozen asset management companies operating in Europe, North America, Australia and Asia.*

January  
2009

## 1. Summary of the report

---

The aim of this report is to examine the quality of the information provided by Sustainable and Responsible Investment (SRI) funds. To do this, Altedia IC research teams analysed the various communication supports (websites, fund reporting, scholarly publications) used by more than 70 international asset management companies. The asset management companies were also asked to answer a detailed questionnaire on this subject prepared by Altedia IC.

Sustainable and Responsible Investment (SRI) is a financial management style aimed at optimising financial performances by applying sustainable development principles in asset allocation and management.

SRI is a young asset-management style, undergoing constant change, and the way in which it is implemented can vary widely. Many investors in Europe, be they individuals or institutions, have not yet fully grasped the full range of its characteristics, which are often subtle.

This is why asset management companies face a heightened need for transparency. Asset management companies have a vital role to play in disseminating and developing sustainable and responsible practices by setting out their SRI strategies clearly.

Altedia IC notes that, despite remarkable efforts by some fund managers, the information provided is still lacking, poorly constructed and often insufficiently explained.

Asset management companies themselves, in order to fine tune their selection of responsible companies, push issuers to provide fuller reporting of their sustainable-development policies and programmes. Turning this around, it is legitimate to expect fund managers to provide greater transparency with respect to their SRI management practices.

We would add that EuroSIF, the European Social Investment Forum, has adopted, in association with the Association Française de Gestion (French asset management association), transparency guidelines for retail funds. The aim of these guidelines is to foster more transparent information on SRI funds (<http://www.eurosif.org/transparency-guidelines-retail>).

SRI needs tailor-made information in order to be better understood by the market and to gain greater legitimacy. We need to give this management style the means to pursue its growth, but more importantly to avoid disappointing early investors, dissatisfied by the lack of transparency with respect to portfolio composition, SRI justification for sector under- or overexposure, SRI motivation in the selection of stocks, etc.

## 2. Presentation of Altedia IC

---

Altedia Investment Consulting (Altedia IC) is an asset management consultant. Our research database focused on Sustainable and Responsible funds, created in 2004, is unique in Europe. Our research team deals directly with international asset management companies with a view to referencing, understanding and analysing all Sustainable and Responsible Investment (SRI) funds.

Altedia IC's research website, [www.aic-research.com](http://www.aic-research.com), contains exhaustive information on nearly 300 funds (management process, research and management teams, etc.) totalling € 36 billion in assets. This information is updated quarterly by fund managers, while qualitative updates are carried out on a regular basis by Altedia IC experts.

90  
due diligences  
carried out annually

Altedia IC meets regularly with fund managers' operational teams (managers, analysts, product specialists), carrying out 90 due diligences annually.

Altedia IC also provides real-time monitoring of performance and risk trends on the 300 SRI funds in its universe via a link between its AIC Research internet database and quantitative provided by Bloomberg.

This research is unique in Europe, particularly in its qualitative aspects, and is used by the biggest investors and suppliers of SRI funds.

Altedia Investment Consulting (Altedia IC) is part of the Adecco group of companies.

A report  
on the  
communication and  
transparency of  
asset management  
companies on SRI  
funds

**This report is the first of its kind to be carried out by Altedia IC.** Our research also includes annual surveys of the performance of SRI funds, their risks, the volumes they represent and the broader trends and changes in the SRI market.

In this report, we looked methodologically at the way in which asset management companies communicate with regard to their SRI funds, in particular in their funds' monthly reports, on their websites and in their research publications.

**The overall results are disappointing and demonstrate the clear lack of information and transparency shown by most asset management companies at the present time.** However, some players stand out from the crowd, with committed, quality communications.

Perhaps this report will encourage asset management companies to improve, thereby better satisfying investors' (individuals and institutions) expectations in terms of SRI information, maybe even aligning themselves with the best practices followed by some players. **We are convinced that transparency and better communication on SRI funds will increasingly become essential and differentiating factors, by helping spread and popularise SRI.**

### 3. Methodology of the report

---

In the months of October and November 2008, our research department carried out a systematic study, both qualitative and quantitative, of both general information and information relative to specific products:

- Monthly or quarterly reports published by asset management companies on their retail funds
- Asset management companies' websites
- Reports issued by asset management companies on sustainable development issues
- Other documents relative to the asset management company's SRI activity (SRI newsletter, report on corporate engagement, etc.)

The field of our investigation was limited to asset management companies offering at least one SRI equity mutual fund, namely 70 asset management companies listed in the AIC Research database.

We also sent asset management companies a questionnaire on their dissemination of SRI information, via the four channels listed above. Responses to these questionnaires were analysed in October and November 2008.

We studied reporting by Best in Class funds and reporting by thematic funds separately, as the SRI information deemed essential and relevant varies from one type of fund to another.

#### **Our definition of SRI:**

**Sustainable and Responsible Investment is a financial management style aimed at optimising financial performance by applying sustainable development principles in the asset allocation process. Investment decisions are based on extra-financial criteria (ethical, environmental, social or governance) that make it possible to manage the risks and/or opportunities linked to the business and the company's record.**

#### Best in Class

SRI management  
does not lead to  
sector bias

A Best in Class fund is one that invests in the most "sustainable" or "responsible" companies in each sector or in a given universe. Sustainability is assessed by means of the company's record on environmental, social and governance (ESG) issues. In some management processes, the environmental or social impact of the products marketed by the company is also taken into account.

#### Thematic

Clear and desired  
sector bias

A Thematic fund invests in one or more sectors producing goods that may help resolve the main sustainable development issues: climate change, waste processing, water supply, healthcare, poverty, employment, etc. The fund may use an ESG filter to take into account the behaviour of the companies in which it invests.



#### 4. Analysis of asset management companies' websites

For this part of the report, we studied the websites of 70 asset management companies that offer SRI products (one or several).

49%  
of asset  
management  
companies mention  
SRI on their  
website's homepage

Broadly speaking, SRI features prominently on asset management companies' websites. We noted that:

- 49% of asset management companies mention their SRI offering on their website's homepage
- 54% describe the management process used for their SRI products
- 30% provide a publication like an "SRI newsletter" or similar

We looked at websites from four main angles:

- a) Emphasis on SRI offerings
- b) Explanation of the notion of SRI
- c) Corporate engagement
- d) Differentiating factors

##### a) Websites: Emphasis on SRI offerings

SRI comes across as being an important marketing tool for asset management companies: putting an emphasis on their SRI offering is seen as a way of improving the image of the company as a whole.

A total of 49% of asset management companies cite the existence of an SRI offering on their website's homepage.

56% have created an SRI or equivalent category, setting out the various products making up the sustainable development range and making the offering as a whole easier to assess.

These numbers show not only the extent to which asset management companies are keen to promote their SRI offering, but also demonstrate an awareness of the fact that SRI is a management style in its own right.

44%  
of asset  
management  
companies do not  
have an SRI page on  
their website

More surprisingly, one in every two asset management companies with a dedicated SRI offering did not consider it worthwhile to create a specific category on its website. In such cases, SRI products are not listed on a single page describing the processes, approaches and products, but are generally listed as part of an exhaustive list of the company's products. This means interested investors will need real determination if they are to pinpoint, often with nothing more than the funds' names to go on, the SRI offering.



**b) Websites: Explanation of the notion of SRI**

SRI is multiform and complex. A website can be particularly useful to investors wanting to gain a precise understanding of the different SRI management processes currently existing, each asset management company having adopted its own, often very elaborate, processes.

An analysis of efforts made by asset management companies to explain the notion of SRI can be used to assess their commitment to spreading the “good word” in this field.

Our conclusions in this area are also disappointing: only one of every two asset management companies with an SRI offering goes to the trouble of setting out clearly the notions of SRI or Corporate Social Responsibility, or of providing details about the management processes used for its SRI funds.

**53%**  
of asset  
management  
companies spell out  
their management  
process

The websites of **48%** of asset management companies offer a definition of SRI and related notions like sustainable development or Corporate Social Responsibility.

**53%** set out the management processes used for their SRI funds. Best in Class processes are nearly always those that are spelled out on the website.

**c) Websites: Corporate engagement**

Asset management companies’ commitment<sup>1</sup> to fostering the development of SRI among retail and institutional investors alike is vital to making this management style better understood and more popular. We measure this commitment by means of the participation of their teams in existing SRI initiatives (for instance: IGCC, Carbon Disclosure Project, Enhanced Analytics Initiative, PRI, etc.), in SRI working groups such as the Chair in Finance and Sustainable Development at the University of Paris Dauphine, in various committees and commissions (AFG, FIR, etc.) and the publication of SRI newsletters or equivalent.

**29%**  
of asset  
management  
companies produce  
an SRI newsletter or  
equivalent

**37%** of asset management companies illustrate their commitment to SRI by citing the relevant working groups in which they participate or by communicating on the actions they undertake to prompt companies to make progress on their sustainable development policies.

British and American asset management companies are virtually the only ones to provide detailed documents dealing with their corporate engagement policies. Documents of this nature are almost unheard of in Continental Europe.

Our study highlights an even more marked weakness on this topic. **The numbers suggest that asset management companies are still only lukewarm in their commitment to SRI, even though a small number of them devote a lot of time and energy to this field via publications, participation in working groups and shareholder activism.**

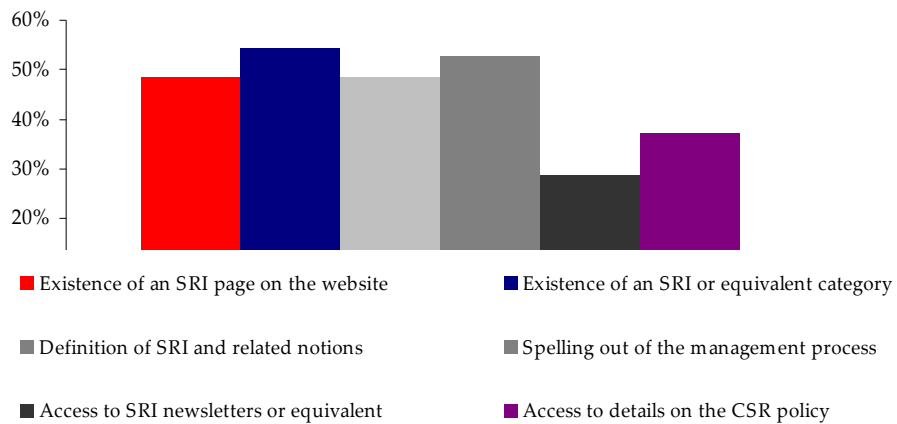
<sup>1</sup> We mean the management company’s overall commitment to SRI and not just corporate engagement

**d) Websites: Differentiating factors**

We would like to note here a number of initiatives we found particularly interesting:

- One asset management company provides the ESG (Environment/Social/Governance)<sup>2</sup> score of all companies on its website;
- One (unlisted) asset management company publishes a sustainable development report;
- Several asset management companies have dedicated SRI websites, one of them allowing users to calculate their carbon footprint.

**Informations available on the Asset Managers Websites**



Source: Altedia IC

<sup>2</sup> ESG scores are awarded to companies by rating agencies or by asset management companies to reflect their sustainable development policies and performance on environmental, social and governance issues.

## 5. Reporting by Best in Class funds

Altedia IC research looked separately at mutual funds and dedicated funds, the results in terms of the quality and quantity of SRI information being very different.

Our analysis covered public reporting by the SRI funds of 70 asset management companies, on the basis of regular documents issued monthly or quarterly. Among these 70 asset management companies, 56 had a Best in Class offering. For the 39 asset management companies that participated in our study, documents attached to their response were also studied.

We studied reporting by Best in Class funds and thematic funds separately, as it is legitimate to have different expectations in terms of SRI information depending on the type of fund.

Our study covered three types of elements:

- a) Reminder of the management goal and the SRI nature of the fund
- b) Quantitative elements highlighting the portfolio's sustainable development performance
- c) Management comments relative to SRI

### a) Reporting by BiC funds: Reminder of the management goal and the SRI nature of the fund

**39%**  
of BiC funds make  
no reference to ESG  
criteria in their  
reports

**84%** of asset management companies state in their management goals that stocks are selected by combining financial criteria with sustainable development criteria.

**39%** do not provide any detail on the notion of Best in Class, and do not make reference to ESG (Environment, Social, Governance) criteria.

### b) Reporting by BiC funds: Quantitative elements highlighting the portfolio's sustainable development performance

Here we looked for detailed indicators that, in addition to financial performances, could shed light on the fund's sustainable development performance.

**Paradoxically,**  
nearly 50% of asset  
management  
companies talk about  
SRI on their website,  
but only 16% have  
adapted their financial  
reporting to the needs  
of SRI

Unfortunately, it would appear that **the majority of asset management companies have not adapted their standard reporting to include SRI information.**

While a lot of fund managers are keen to showcase their SRI offering on their website, few of them provide information about their SRI management, not even citing the fund's ESG score, despite the fact that such information could help provide clients with a better understanding of the whys and wherefores of SRI management.

From a cultural standpoint, we note that French asset management companies are pretty much the only ones to have made the effort to factor quantitative elements, like the ESG score, into the reporting of their mutual funds.

We also note that two fund managers giving virtually no information on SRI in their monthly reporting issue extremely detailed documents on a quarterly basis.

**16%**  
of BiC funds give the portfolio's ESG score

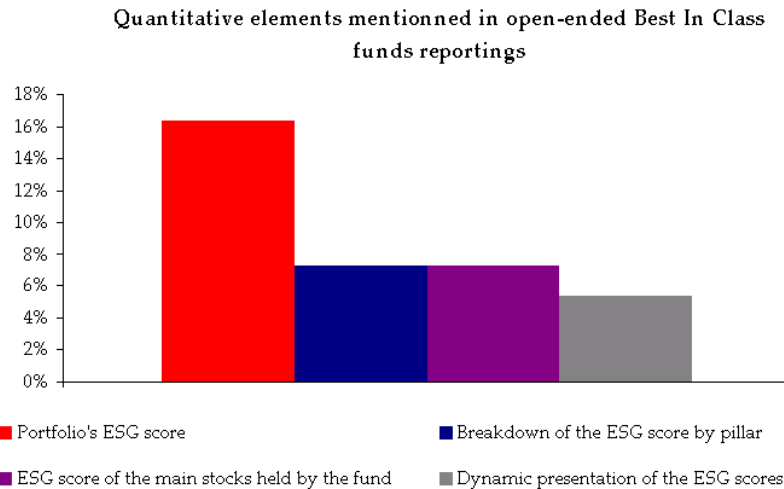
Only **16%** of reports include the ESG score of the fund and the benchmark. The fund's ESG score is generally calculated as the weighted average of the ESG scores of stocks held by the fund and those included in the benchmark.

**5%**  
of BiC funds provide change in the fund's overall ESG score over time

Just **7%** of reports provide the breakdown of the ESG score for the three pillars (Environment, Social, Governance) or their equivalent.

Again, only **7%** give the ESG score of the main stocks held by the fund, those of the main stocks bought or sold during the month or the main over- or under-weightings (for SRI reasons obviously).

**5%** show change in the ESG score of the fund and the benchmark over time.



Source: Altedia IC

**c) Reporting by BiC funds: Management comments relative to SRI**

Here our goal was to look for qualitative elements relative to the sustainable development policies of companies whose shares are held by the fund, either included directly in the overall management comments or set out separately as a specific item.

Qualitative elements are included more often than quantitative elements, no doubt because they do not require the introduction of a specific reporting format.

**However, the numbers set out below are low, in that the impact of the ESG performance of the companies included in Best in Class funds' investment universes is as important, if not more so, than the financial selection.**



Note that British asset management companies, which are very active in terms of corporate engagement, do not include this sort of information in their monthly reporting, but generally publish a very detailed overall report devoted to their shareholder activism.

**25%**  
of BiC funds explain their policies in terms of the buying and selling of shares from an SRI angle

25% of asset management companies include elements relative to their funds' SRI policies in their management comments, mainly by giving the ESG grounds for buying or selling shares, or looking at the sectors and/or companies reviewed by the research team over the month.

Only 7% include elements relative to the exercising of voting rights or their policy of corporate engagement. These are mainly North American asset management companies.

### Specific cases of reporting on dedicated Best in Class funds and management authorities

For this part of our study, we examined reporting by the dedicated Best in Class funds of the 39 asset management companies that replied to our questionnaire. Of these, 17 manage one or more dedicated fund.

As shown by the numbers below, **results for dedicated BiC funds are significantly better than those for mutual BiC funds**. This demonstrates, if there was any need for such a demonstration, asset management companies' capacity to adapt, in a dedicated SRI fund, to client demands. This means that mutual funds are not condemned to provide only a small amount of SRI information in their reporting.

### Quantitative elements reflecting the SRI performance

A large majority (81%) of asset management companies include the ESG score of their funds and benchmarks in their dedicated reporting.

More than half (56%) give the ESG score for each stock held by the fund, setting out the fund's score for each ESG pillar or equivalent.

50% provide change in the fund's ESG score over time.

43% provide a breakdown of the ESG score by sector or geography.

37% go so far as to break down the ESG score in greater detail than the three ESG pillars.

### Qualitative elements relative to SRI management

73% of asset management companies provide elements concerning their corporate engagement.

70% provide the ESG justification for their purchase and sale of shares, and 60% go so far as to provide an SRI comment on each stock held by the fund.

## 6. Reporting by thematic funds

---

For this report, we opted to study reporting by Best in Class funds and thematic funds separately, as it is legitimate to have different expectations in terms of SRI information depending on the type of fund. More specifically, management processes used for thematic funds are generally easier for investors to grasp than those of Best in Class funds.

For this part of the report, we studied public reporting by the SRI funds of 70 asset management companies. Among these 70 asset management companies, 37 had a thematic offering. For the 39 asset management companies that participated in our study, documents attached to their response were also studied.

Only six of the asset management companies we questioned said they had dedicated SRI thematic funds. This is why we did not devote a specific chapter to reporting by dedicated thematic funds, as this type of fund is still fairly undeveloped.

Three factors were used in this part of the study:

- a) Reminder of the management goal and the SRI nature of the fund
- b) Quantitative elements
- c) Management comments relative to SRI

### a) Reporting by thematic funds: Reminder of the management goal and the SRI nature of the fund

Even though asset management companies do not consistently consider thematic funds to be “sustainable and responsible” investments, they are keen to underscore the potential impact of investment in their thematic products on sustainable development.

Surprisingly, only 40% of those asset management companies that have the merit of going all the way in terms of SRI by applying extra-financial filters to their thematic investments actually draw attention to the existence of such filters in their reporting.

**40%**  
of thematic funds  
including an ESG  
filter mention this in  
their reporting

90% of asset management companies cite their funds’ various themes or sub-themes, such as water, renewable energy, healthcare, etc.

81% draw a parallel between funds’ themes and potential beneficial impact on the environment and the quality of life.

40% of asset management companies that apply extra-financial filters to their thematic funds cite the existence of such filters in their reporting.

### b) Reporting by thematic funds: Quantitative elements

It is difficult to gauge the level of risk attached to this type of investment, as investors are sometimes unaware of the fund’s breakdown, either by theme or by sector, and do not have access to the fund’s valuation.

Moreover, the pedagogical value of these documents is cruelly lacking: while the companies in which these funds invest are often small- and midcaps that are working on innovative technologies and are often not well enough known by investors, only 17% of fund management companies provide word on the theme represented by the main stocks held by their funds.

**30%**  
of fund managers  
provide their funds  
breakdown by  
theme in their  
reporting

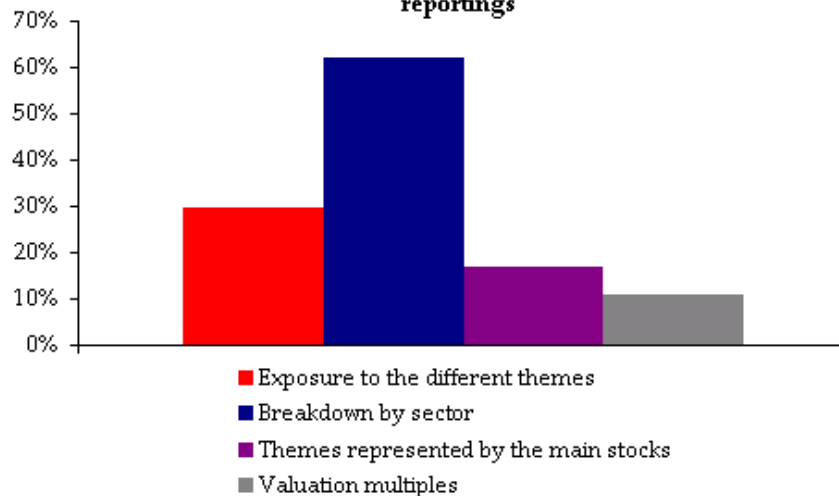
**30%** of fund managers cite exposure to the different themes or sub-themes in which the fund invests.

**62%** provide the breakdown by sector, based on a standard classification, such as the Dow Jones or the MSCI.

Only **17%** of fund managers cite the theme represented by the main stocks held by their funds.

**11%** mention valuation multiples, such as Price to Earnings or Price to Book ratios.

**Quantitative elements mentioned in thematic funds reportings**



Source: Altedia IC

**c) Reporting by thematic funds: Management comments relative to SRI**

Qualitative elements, such as management comments, often contain little in the way of information on SRI. This means that **investors are unable to familiarise themselves with the issues in the sectors in which they invest or with the sustainable-development benefits of the technologies and services offered by companies within these sectors.**

**32%**  
of fund managers provide a clear explanation of their choice of sector and/or stocks

32% of fund managers include financial elements relative to the sectors and/or stocks in which they invest in their management comments.

Only 16% provide specific information concerning a single company, technology or service, describing how they contribute to sustainable development.

## 7. SRI research carried out by asset management companies

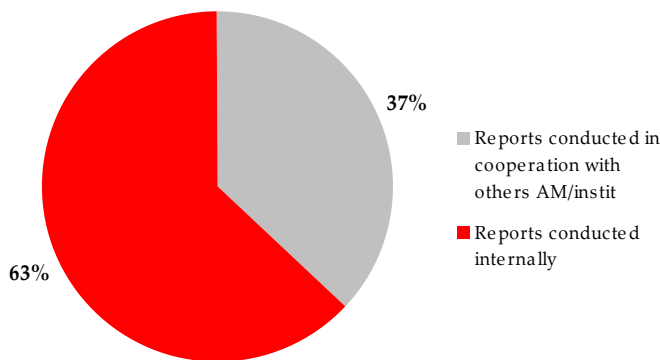
This part of our study is based on replies to our questionnaire by the 39 asset management companies. We did not take into account company or sector analyses carried out as part of the normal fund management process.

Only 20 of these 39 asset management companies issued one or more SRI report in the previous two years.

**These 20 asset management companies issued a total of 149 reports during this period.** Note that one of them issued no fewer than 45 reports, or 30% of the total!

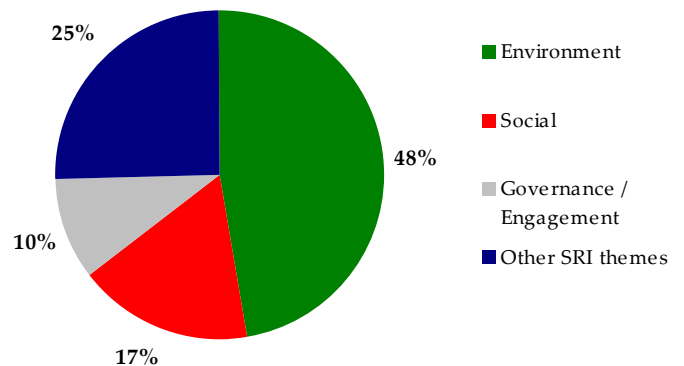
**The five most active asset management companies accounted for 72% of total reports.** This shows that few asset management companies are active in this area, but that a handful stands out for their very real commitment and their in-depth work studying SRI issues.

Reports conducted in cooperation or internally



Source: Altedia IC

Themes of the reports



Source: Altedia IC

## Appendix: list of asset management companies that replied to our questionnaire

Alcyone Finance  
Aviva Investors  
AXA Investment Managers  
Bank Sarasin & Cie  
BFT Gestion  
BlackRock  
BNP Paribas AM  
DB Advisors  
Dexia AM  
Ecofi Investissements  
Edmond de Rothschild AM  
Erste Sparinvest – VINIS  
F&C Management Ltd  
Fédéral Finance  
Federis Gestion d'Actifs  
Financière de Champlain  
First State Investments  
Henderson Global Investors  
HSBC Global AM  
Hunter Hall Investment Management Ltd  
ING IM, Insight Investments  
Inter Expansion – Ionis  
KBC AM  
Lazard Frères Gestion  
LODH Gestion  
MACIF Gestion  
Palatine Asset Management  
Petercam  
Phitrust Active Investors  
Pictet AM  
Pioneer Investments  
Raymond James AM International  
SAM (Robeco group)  
Sarasin Asset Management  
Schroders Investment Management  
Société Générale AM  
UBS Global AM  
Vontobel Asset Management



*This non-contractual document is provided for information purposes only.*

*Altedia IC assists its clients solely within the framework of their overall investment policies or their fund management arrangements. Neither this document nor assistance by Altedia IC can be interpreted or used as an offer or recommendation to acquire securities, share in funds or to implement investment strategies.*

*Investments and investors' decisions are made under their sole responsibility, after consultation with their portfolio management company and after having taken due note of the fund's prospectus and information documents. This document is intended solely for its initial recipient. It is strictly confidential. Any use of this document in any other way, including its modification and publication, in full or in part, outside the company for which it is intended is prohibited except with the express authorisation of Altedia Investment Consulting.*