

*Welcome to RI's new tandem report/conference format.*

## **ESG 2.0 2015 – Investment mandates and long-term value creation in the investment chain: The evolving relationship between asset owners and their asset managers**

**Read the exclusive report:** *ASSET OWNER SURVEY 2015: RI Insight – Future Trends in Responsible Investment – How asset owners are upping the ante with their agents.* A unique survey of 51 of the world's biggest asset owners on their relationships with their service providers. See pp 5–9.

**Attend the conference:** *ESG 2015 – Investment mandates and long-term value creation in the investment chain: the evolving relationship between asset owners and their asset managers.* See pp 1–4.

The relationship between asset owners and managers is complex, wide-ranging and rapidly evolving. Asset owners are re-evaluating and optimising relationships with service providers on fees, governance, contracts (IMAs) and client servicing (reporting and monitoring). They are also refining RFP inclusion criteria on the big, increasingly financial environmental and social issues of our time (PRI adherence, climate change, water, pollution, human capital, corporate governance).

There are now just under 1400 signatories to the United Nations-supported Principles for Responsible Investment (PRI), which is discussing the tightening of its six Principles and examining how it might start comparing asset owners and asset managers on their responsible investment commitments.

It is timely, therefore, to hear the latest developments and discuss the implications of this significant development of the 'principal-agent' relationship between pension funds and asset managers.

*ESG 2.0 2015 – Investment mandates and long-term value creation in the investment chain*, is 'that' discussion forum.

The results of the *ASSET OWNER SURVEY 2015: RI Insight - Future Trends in Responsible Investment – How asset owners are upping the ante with their agents* will form the basis for the presentations and debate at this fifth annual conference (formerly titled: ESG in Manager Selection and Monitoring).

### **Why attend ESG 2.0?**

**Networking** – With over 180 Asset Owners, Asset Managers, Trustees and other ESG professionals from across the UK & Europe.

**Conference** – A one day event focusing on how ESG in manager selection and monitoring is progressing, featuring a series of engaging panel sessions, industry leading keynote speakers, and interactive workshops covering Public Equity, Corporate Debt, Private Equity, Infrastructure, Property and Real Estate.

**Receive the survey** – Conference attendees will receive the *ASSET OWNER SURVEY 2015* free of charge.

### **Who should attend?**

- Marketers
- Portfolio Managers
- Consultant Relations
- Client Relations
- Investor Relations
- Institutional Sales
- RFP Team Leaders
- RFP Writers
- Business Development
- Analysts
- Research
- Distribution
- Communications
- Client Services
- Investment Officers
- Trustees

## Morning Plenary Sessions

- 0900–0950** PLENARY 1  
**Time for managers to get real and fully commit to ESG integration**  
Asset owners are making new demands of their asset managers – 78% consider ESG as one of the top 5 issues when choosing an asset manager; 24% place it as a top three priority. Yet asset owners are frustrated by the (lack of) commitment of their managers to ESG issues
- 0950–1040** PLENARY 2  
**Call it collaboration or call it alignment, asset owners are increasingly working together to engage with asset managers**  
Two out of three asset owners expect to work more closely with their peers to collaborate on engagement with asset managers. And they expect their peers to be more influential than any other group of stakeholders when it comes to manager selection.
- 1040–1120** *Refreshment break*
- 1120–1210** PLENARY 3  
**Asset owners as long-term partners, not clients**  
Asset owners are demanding greater access to investment staff and a clearer view of what's under the bonnet of investment products. They want to know exactly how their managers are integrating ESG. It's easy to claim that it's being done, but owners want to understand exactly *how* it's being done.  
Can asset managers work in partnership with their institutional clients?  
What does partnership look like in the eyes of asset owners?
- 1210–1300** PLENARY 4  
**It's still about performance!**  
The asset owners we surveyed emphasised risk and return over reputation and ethics. They want their managers to switch focus to long-term risks and opportunities. This issue is perhaps expressed most starkly when it comes to fossil fuel divestment. Just one respondent cited pressure from activist groups. The vast majority are concerned about investment risk.
- 1300–1400** *Lunch*

## Afternoon Streamed Sessions

**Deep Dive Workshops:** Examining how ESG criteria are specifically being introduced, measured and reported in each of the following asset classes.

<b>STREAM 1</b> <b>Public Equity</b> 1400–1500  <i>Refreshment break</i> 1500–1540	<b>STREAM 2</b> <b>Private Equity *</b> 1400–1500  <i>Refreshment break</i> 1500–1540	<b>STREAM 3</b> <b>Infrastructure *</b> 1400–1500  <i>Refreshment break</i> 1500–1540	<b>STREAM 4</b> <b>Property *</b> 1400–1500  <i>Refreshment break</i> 1500–1540
<b>STREAM 5</b> <b>Corporate Debt</b> 1540–1640	<b>STREAM 6</b> <b>Private Equity</b> 1540–1640	<b>STREAM 7</b> <b>Infrastructure</b> 1540–1640	<b>STREAM 8</b> <b>Real Estate</b> 1540–1640

\* The Private Equity, Infrastructure and Property streams are formatted as workshops with limited space. We advise booking and reserving as soon as possible to secure your place on these sessions.

1640–1730

PLENARY 5

### Compare & Contrast

Formal comparison of asset managers on ESG integration: how might the UN-supported Principles for Responsible Investment and other bodies compare and contrast implementation and reporting? What could standard indicators for ESG integration (portfolio risks and opportunities) look like? How could they work in the current asset management set up?

The responses to the *ASSET OWNER SURVEY 2015* have determined the focus of our afternoon sessions.

While the majority of new manager mandates will be in listed equity, two-thirds of respondents to the *ASSET OWNER SURVEY 2015* plan to carry out an external manager search in private equity, while almost half are planning infrastructure mandates, and 44% will seek property fund managers.

Q31: **For which asset class is it likely that you will undertake an external manager search to end 2016?**

1.	Listed equity	90%
2.	Private equity	67%
3.	Corporate debt	53%
4.	Infrastructure	49%
5.	Property	44%

When asked in which asset class ESG integration would be a differentiator during manager selection, private equity, infrastructure and property were second only to listed equity.

Q32: **For which asset classes do you think ESG integration will be a differentiator in manager selection?**

1.	Listed equity	90%
2.	Private equity	79%
3.	Infrastructure	77%
4.	Property	71%
5.	Corporate debt	67%

The full results of the *ASSET OWNER SURVEY 2015* will be provided to all conference delegates.

## Delegate Fees

Please note that all delegates will receive a copy of our [ASSET OWNER SURVEY 2015](#) free of charge.

*RI Insight – Future Trends in Responsible Investment – How asset owners are upping the ante with their agents* is a unique 37 page survey of the world's leading responsible investors, focusing on their relationships with their service providers. A hard copy will be mailed to each delegate two weeks before the conference.

### Asset Owners (e.g pension funds)

**free of charge**

Click [here](#) to request your 100% Asset Owner discount code

### RI Subscriber Delegate Fee \*

**£875 + VAT**

Click [here](#) to request your 30% RI Subscriber discount code

\* Delegates must be named subscribers to benefit from the 30% RI Subscriber discount.

### Regular Delegate Fee

**£1,250 + VAT**

*NB: If you subscribe to Responsible Investor before registering you will benefit from the 30% subscriber discount, reducing the cost to £875, a saving of £375 compared to a single subscription priced at £299. Click [here](#) to subscribe to Responsible Investor.*

## Questions about Delegate Fees?

If you have any questions about registration fees please contact:

Simon Wilton                      +44 (0)20 3640 9158                      [simonw@responsible-investor.com](mailto:simonw@responsible-investor.com)

## Methods of Payment

When registering, payment can be made online using a credit card or you can request to pay by invoice. All invoices must be paid in full prior to the date of the event. If you have any questions regarding payment or invoicing please contact the accounts team:

Gabrielle Fox                      +44 (0)20 7709 2093                      [gabrielle@responsible-investor.com](mailto:gabrielle@responsible-investor.com)

Paul Verney                      +44 (0)20 7709 2093                      [paul@responsible-investor.com](mailto:paul@responsible-investor.com)

## Cancellation and Refund Policy

We will refund 100% if cancelled before or on Wednesday 21st October.

We will refund 50% if cancelled before or on Wednesday 4th November.

We will not issue any refunds for cancellations made on or after Thursday 5th November.



# INSIGHT

[www.responsible-investor.com](http://www.responsible-investor.com)

## ASSET OWNER SURVEY 2015

# Future trends in responsible investment

*How asset owners are upping the ante with their agents*

**A unique survey and in-depth research project from Responsible Investor covering:**

- 51 of the world's biggest asset owners
- \$2.9 trillion AUM
- 13 countries globally
- EMEA 64%; Americas 24%; AsiaPac 12%

**There is an urgent need for asset owners to better understand the demands of asset owners.**

**Access is key – asset owners want to engage with asset managers' investment staff.**

*78% of asset owners surveyed consider ESG management as one of the top 5 issues when choosing an asset manager; 24% place it as a top three priority*

### Who should be reading this report?

- **Your senior strategic leaders** – the C-suite – responsible investing and ESG need buy-in at the highest level
- **Portfolio managers** – your clients want to speak to them!
- **Project and change managers** responsible for client-facing initiatives – they have to understand what is driving investor demand
- **Heads of sales and marketing and client relationship** – understanding the rationale behind changing client behaviour is crucial to winning and retaining mandates
- **Legal and compliance, trading and operations** – clients are now making complicated, legally binding requests on ESG issues and including them in IMAs
- **RFP and reporting teams** – this information needs to be front and centre when explaining and presenting your core competencies

## CRUCIAL TO BUSINESS DEVELOPMENT

### PERCEPTION THAT MANAGERS ARE FAILING TO RESPOND TO CLIENT DEMANDS

- Incorporation of long-term ESG considerations is becoming a clear proxy for the principal/agent relationship between asset owners and their managers.
- Asset owners want their managers to switch focus to long-term risks and opportunities.
- Almost half of respondents outsource the majority of their assets to third-party managers.
- But 20% are considering managing more assets in house while only 6% plan to outsource more.
- There is an urgent need for asset managers to better understand the demands of asset owners.

### COMMITMENT TO ESG | ACCESS TO INVESTMENT STAFF | ENGAGING WITH MANAGERS

- Asset owners are frustrated by the commitment of their managers to ESG issues.
- It's about investment performance!
- Access is key; ESG understanding by portfolio managers is paramount; owners want to engage with investment staff!
- Asset owners want to know exactly how managers are integrating ESG.
- The vast majority expect to increase monitoring and engagement with external managers.

### NEW CONCERNS ARE MAKING SERIOUS HEADWAY

- Fossil fuel divestment: the majority are considering or have decided to divest.
- Collective engagement: asset owners will collaborate when engaging with managers.

### ESG IS BEING LOOKED AT ACROSS ASSET CLASSES

- Private equity, infrastructure and real estate cited most frequently after listed equity and corporate credit.

#### EXTRACT

*“Conceiving, designing and implementing a responsible investment programme are not often described explicitly as an exercise in change management. Yet that is what they are; communication is therefore central.*

*Patient, repeated communication of the organisation’s fundamental objectives in pursuing RI is essential.*

*This needs to be framed in terms that are recognisable to portfolio managers and analysts, both internal and external – long-term value creation, relevance to understanding economic and social megatrends, mitigating risk, identifying investment opportunities, active ownership etc.*

*This communication is most effective if it is led from the top of the organisation. If senior leaders do not make it clear that RI is an organisational priority, other staff, and outsiders, will draw obvious conclusions.”*

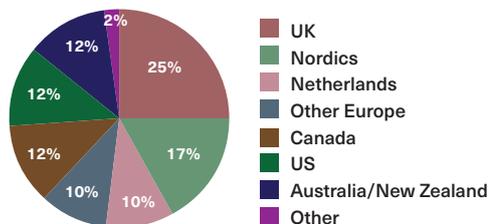
Asset owners and RI – Reconnecting with the fundamentals An inflection point. Rob Lake, Independent Responsible Investment Advisor, Rob Lake Advisors Ltd

# THE UNIVERSE

Responsible Investor surveyed a universe of 51 pension fund asset owners. The universe is geographically diversified [Q5]. They collectively manage a total of \$2.9 trillion in assets under management. In terms of size, they range from < \$0.5bn to > \$500bn. Around half are mid-sized pension funds, with the remaining half split equally between large and smaller funds.

**Q5**

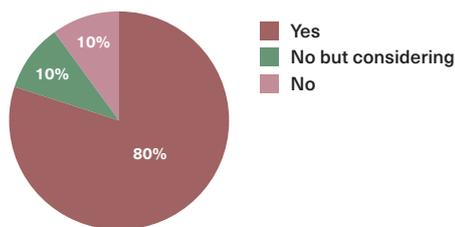
**Geographical distribution of respondents**



**Q7/8**

**PRI signatory**

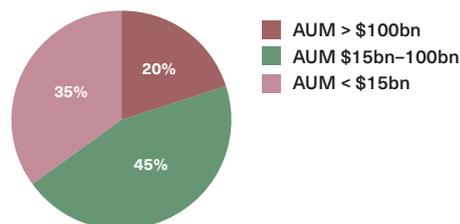
Total respondents to survey 51 Total respondents to question 51



**Q9**

**Assets under management end 2013**

Total AUM \$2,961.5bn Average AUM per respondent \$58.1bn



**Q3**

**Job Title**

- Advisor Responsible Investment
- CIO
- CIO
- Co Head Responsible Investment
- Deputy Managing Director
- Deputy Managing Director
- Director, Capital Deployment
- Director, Socially Responsible Investing
- Environment Specialist, Responsible Investing
- ESG Manager
- ESG Manager
- Extrafinancial Risks Manager
- General Manager
- Global Chief Investment Officer
- Head of Communications
- Head of Corporate Governance
- Head of ESG
- Head of ESG Integration Alternatives
- Head of Finance
- Head of RI
- Head of RI
- Head of Sustainability
- Head of Sustainable Investments
- Investment Adviser
- Investment Manager
- Investment Manager – ESG
- Investment Officer
- Investment Officer
- Manager
- Manager, Responsible Investing
- Manager, Responsible Investment
- Manager, Shareholder Engagement
- Managing Director, Sustainable Investment Strategies
- Member of the Supervisory Fund
- Pension Officer
- Portfolio Manager
- Portfolio Manager Equities
- Portfolio Manager SRI
- Research Analyst (Ethics)
- Responsible Investment Analyst
- Responsible Investment Officer
- Responsible Investment Officer
- Responsible Investment Officer
- RI Project Director
- Senior Advisor
- Senior Director of Shareholder Advocacy
- Senior Manager Asset Management
- Senior Officer, Investment Programs & Governance
- Senior RI Analyst
- Senior RI Investment Analyst
- Vice Chair

**Q4**

**Name of Fund**

**Funds agreeing to publish their name:**

- AustralianSuper, HESTA, Christian Super, Local Government Super, Batirente, OPTTrust, CAAT Pension Plan, BC Investment Management, PKA A/S, Caixabank Plan de Pensiones de Empleados, Ilmarinen, ERAFP, CDC, National Pensions Reserve Fund of Ireland, Pensioenfonds Zorg en Welzijn, APG Asset Management, Pensioenfonds Vervoer, New Zealand Superannuation Fund, AP6, Länsförsäkringar AB, AP6, AP4, AP1, Unilever Pension Funds, The Joseph Rowntree Charitable Trust, USS, North East Scotland Pension Fund, BTPS, Pension Protection Fund, NEST, Strathclyde Pension Fund, Environment Agency Pension Fund, Merseyside Pension Fund, The Pensions Trust, Polden-Puckham Charitable Foundation, CalSTRS, Christian Brothers Investment Services, Heron Foundation, Wespeth Funds Trust, State Board of Administration (SBA) of Florida, Government Employees Pension Fund of South Africa

## CONTENTS

The Asset Owner Survey 2015 is published by Response Global Media Limited, publishers of Responsible Investor ([www.responsible-investor.com](http://www.responsible-investor.com)) and ESG Magazine ([www.esg-magazine.com](http://www.esg-magazine.com)).

### Authors of the main report:

Mark Nicholls, Hugh Wheelan, Tom Rotherham-Winqvist

### With contributions and advice from:

Rob Lake, Rodrigo Amandi, Howard Pearce, Danyelle Guyatt, Simon Wong

2	<b>Overview</b>
5	Analysis: Asset owners and responsible investment – reconnecting with the fundamentals
9	Analysis: Increasing asset owner sophistication will drive asset managers to develop more tailored ESG products
13	<b>Survey Section 1: Demographic data</b>
14	<b>Survey Section 2: Approach to RI/ESG integration</b>
	Risk-return vs reputation-ethics
	The role of the PRI
	<i>Highlighting three key themes in investment risk</i>
	1. Stakeholders
	2. Fossil fuels
	3. Reporting
24	<b>Survey Section 3: Mandates and manager selection</b>
	<i>Highlighting three key themes in mandates and manager selection</i>
	1. Role of ESG staff in manager selection
	2. Active vs passive
	3. Asset classes
27	<b>Survey Section 4: Manager oversight and engagement</b>
29	<b>Full list of questions and answers</b>

# QUESTIONS

## Section 1: Demographic data

Q1/2

Name

Q3

Job Title

Q4

Name of Fund

Q5

Geographic distribution of respondents

Q6

Type of fund

Q7/8

PRI signatory

Q15

Does your fund currently take account of ESG factors in its investment management processes:

Q16

In the next two years, which type of risk will be the most important focus for your fund?

Q17

In the next two years, which of these stakeholders will be most influential in promoting change in your approach to ESG?

Q9

Assets under management

Q10

What percentage of your AUM is related to defined benefit pensions?

Q11

What percentage of your AUM is managed by external managers?

Q12

In the next two years, do you expect to change how much you use external managers?

Q13/14

Can we mention your name?

## Section 2: Approach to RI/ESG Integration

Q15

Does your fund currently take account of ESG factors in its investment management processes

Q16

In the next two years, which type of risk will be the most important focus for your fund?

Q17

In the next two years, which of these stakeholders will be most influential in promoting change in your approach to ESG?

Q18

In which of the following stakeholder relationships is there the biggest mis-alignment between expectations or beliefs on ESG?

Q19

In the next two years, what will be the highest priority goals of your RI programme?

Q20

In the next 2 years will you consider divesting from fossil fuels?

Q21

If you are considering divesting, what would be the most likely reason your fund may consider divesting from fossil fuels?

Q22

In the next two years, where would you most like to see an improvement in how ESG factors are addressed?

Q23

What do you think is changing/evolving more quickly: your approach to ESG expectations or your managers' approach to ESG?

Q24

In the next two years, how big a priority will ESG be in manager selection?

Q25

What percentage of your external managers do you believe are integrating adequately the ESG factors that are most important to you?

Q26

What percentage of your external managers send you regular reports (i.e. quarterly or annually) that explicitly address the ESG factors that are most important to you?

Q27

What would most improve the quality of ESG reporting that you get from external managers?

Q28

Which of the following is the strongest indicator of an external manager's commitment to ESG integration?

Q29

In the next two years, do you expect your fund's ESG-related budget to increase?

Q30

What do you expect will be your biggest challenge in ESG integration in the next two years? (OER)

## Section 3: Mandates & manager selection

Q31

For which asset classes is it likely that you will undertake an external manager search in the next two years?

Q32

For which asset classes do think that ESG integration will be a differentiator in your manager selection in the next two years?

Q33

When selecting managers in asset classes where ESG will be a differentiator, what weight do you expect to put on ESG factors in manager selection decisions?

Q34

For which of the following do you include ESG questions in tenders?

Q35

For which of the following do you generally include ESG-specific terms in the IMA?

Q36

Do you hold domestic (home country) managers to a different expectations on ESG?

Q37

In the next two years, which factors will most determine whether ESG should be considered in manager selection?

Q38

Which of the following are likely to be the most important ESG-related criteria for managers of active investment strategies?

Q39

Which of the following are likely to be the most important ESG-related criteria for managers of passive investment strategies?

Q40

In the next two years, which Investment Management Agreement (IMA) terms will you seek to change as a highest priority?

Q41

What role do staff with responsibility for ESG have in manager selection?

Q42

In the next two years, how will the role of the ESG staff in manager selection change?

Q43

In the next two years, will it matter more/less that an external manager is a PRI signatory?

Q44

In the next two years, do you expect to ask managers for their PRI assessment score to use in manager selection or oversight?

## Section 4: Manager oversight & engagement

Q45

In the next two years, do you expect to increase/decrease your monitoring and engagement of external managers' approach to ESG?

Q46

In the next two years, which of the following do you expect will provide you with the best insights into your managers' approach to ESG?

Q47

In the next two years, do you expect to collaborate more/less with other asset owners on manager engagement?

Q48

Of the following, which do you expect to spend the most time discussing with your managers (top three)?

Q49

In the next two years, which of the following will be most likely to damage your relationship with a manager (top three)?

Q50

In the next two years, will any of the following stakeholders have more influence on your perceptions of managers than they currently do?

Q51

In the next two years, for which asset class do you think you will spend most time engaging with managers on ESG (top three)?

Q52

Which of your current external managers has most impressed you with their approach to ESG integration?