Fund Manager Transparency and Engagement on Environmental, Social and Governance Issues

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FairPensions

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Executive Summary

This survey ranks the environmental, social and governance (ESG) policies and practices of the largest 20 UK fund managers and finds many of them wanting.

Some fund managers are already aware that engaging with investee companies on ESG issues is crucial for future-proofing companies against anything from the next million-barrel oil-spill to the next Enron. However, all too many are either not considering ESG issues or are not reporting adequately on what they do.

Where there is no transparency, individual investors and pension fund beneficiaries cannot know how the fund managers are responding to the financial risks and ethical concerns associated with issues like climate change and human rights.

These issues are relevant to all of us: the fund managers surveyed invest approximately £7 trillion on behalf of consumers, pension funds, charities and others. Their action - or inaction - affects the health of our investments, our companies, and our economy; as well as the welfare of the earth and its people.

- **From excellence to absence**
  The survey shows that responsible investment practices among top 20 fund managers vary from excellence to apparent absence. Many fund managers, such as State Street, Wellington and Goldman Sachs Asset Management, were not publicly transparent, and provided no evidence of coherent company strategies on ESG issues. At the other end of the scale, fund managers such as F&C, Hermes, Insight and Morley were both transparent and clearly committed to engagement on Responsible Investment, and scored very highly on the survey as a result. This "top four" group is well-placed to take advantage of increasing awareness of and interest in RI among pension funds, retail investors and charities, as well as strengthening their position with existing clients.

- **Fund managers "behind the times" on corporate responsibility**
  The research shows a widespread conflict between parent company statements on Corporate Responsibility, and the investment strategies pursued by their investment management arms. Some companies with well-developed CR and environmental policies, such as Barclays and Scottish Widows, disclosed no investment policies that would bring their investment management activities into line with their overall corporate CR policy, and some fund managers did not publicly acknowledge corporate responsibility as an investment issue at all.

- **Transparency deficit**
  Most fund managers scored very low on transparency, with only a few honourable exceptions. The survey found that the most transparent fund managers were also usually the most engaged with companies on ESG issues, and demonstrated the greatest effectiveness measured in terms of corporate change produced.

- **One year on from the Stern Review, still little action on climate change**
  Nearly a year after the Stern Review, only a handful of the fund managers in the survey disclosed specific policies for dealing with the risks and opportunities of climate change. Stern described climate change as "the greatest example of market failure we have ever seen"[1], stressing that if action was not taken now, then the economic consequences could be devastating. If such a high-profile environmental issue is not being integrated into investment strategies, then it is likely that other (less publicised) ESG issues are also being disregarded.

[1] Stern Review Report on the Economics of Climate Change, October 2006, page 1.

Fund Manager Transparency and Engagement on Environmental, Social and Governance Issues

Fund manager score table:

Fund manager	Transparency score	Engagement/ Integration score	Combined score	%	Rank
F&C Asset Management	14	16	30	100%	**1**
Hermes Pensions Management	9	16	25	83%	**2**
Insight Investment (HBOS)	12	13	25	83%	**2**
Morley Fund Management (Aviva)	10	15	25	83%	**2**
Baillie Gifford	5	12	17	57%	**5**
Standard Life Investments	5	11	16	53%	**6**
UBS Global Asset Management	6	10	16	53%	**6**
Fidelity International	7	8	15	50%	**8**
JPMorgan Asset Management	4	10	14	47%	**9**
Schroder Investments	2	12	14	47%	**9**
Capital International	0	9	9	30%	**11**
M&G Investments*	3	6	9	30%	**11**
Legal & General Investment Management	5	3	8	27%	**13**
AllianceBernstein	2	5	7	23%	**14**
Barclays Global Investors*	3	3	6	20%	**15**
BlackRock Investment Management	0	5	5	17%	**16**
Scottish Widows Investment Partnership (Lloyds TSB)	1	4	5	17%	**16**
Wellington Management International	0	3	3	10%	**18**
Goldman Sachs Asset Management	0	0	0	0%	**19**
State Street Global Advisors*	0	0	0	0%	**19**

* Barclays Global Investors, M&G and State Street did not provide any additional information in response to FairPensions' request.

For information on how the scores were measured, please see Appendix.

Key findings on transparency

- **Few fund managers disclose detailed policies on ESG**
  Three-quarters of the 20 fund managers in the survey did not have a publicly available policy document that explained how they dealt with specific ESG issues, such as climate change, human rights or corruption. Only 5 of the 20 fund managers (F&C, Insight, Morley, Legal & General and Standard Life) had a clear and detailed policy on environmental, social and governance issues. Of the remaining 15, 10 fund managers only had detailed policies on corporate governance and not on environmental or social issues (Hermes, Baillie Gifford, UBS, JPMorgan, Fidelity, Schroder, M&G, AllianceBernstein, Barclays Global Investors, and Scottish Widows), while some fund managers had policies so vague that they could not score points, and others disclosed no policy at all.

- **Voluntary voting disclosure has failed to take hold**
  Only 6 of the Top 20 disclosed their aggregate institutional voting records (Barclays Global Investors, F&C, Fidelity, Hermes, Insight, and M&G), with a further 4 providing headline statistics (Morley, JPMorgan, Standard Life and UBS). AllianceBernstein disclosed voting records for specific funds only. This is a very low outcome, and demonstrates that the voluntary approach to voting disclosure has not been successful. This strengthens the argument for the UK government to exercise its reserve power under the Companies Act to make voting disclosure mandatory.

- **Lack of transparency on engagement**
  Although many fund managers were able to provide us with evidence of engagement with companies, only 2 of the Top 20 made detailed public disclosures on their engagement activities (F&C and Insight), while 2 more (Morley and UBS) gave detailed explanations on one or two sample engagements. Several fund managers claimed that public disclosure would harm their ability to engage with investee companies. However, the public disclosure practised by F&C and Insight Investment did not appear to have had any harmful effect on their ability to engage or to influence companies: both were able to produce substantial evidence of success in their engagement activities.

- **The most transparent are usually the most engaged**
  There was a clear correlation between the transparency of fund managers and their ability and achievements on engagement. For example, many of the fund managers that disclosed no public policies on Responsible Investment were also among the fund managers with the lowest scores for engagement. It should be noted that other fund managers with low levels of transparency did improve their scores on engagement by providing information relating to their engagement activities on a confidential basis.

Key findings on engagement

- **Benefits of "integrated" approach not found**
  It is no coincidence that those fund managers employing the highest numbers of specialist personnel dedicated to work on ESG issues are clustered in the top half of the table. Some fund managers argued that all their ESG analysis was fully integrated in the work of their fund managers, and therefore they had no need for a specific ESG team or a central overarching ESG policy. However, in most cases the lack of a dedicated ESG team meant that it was difficult for the fund managers to produce quantitative or qualitative evidence of their engagement activity on ESG issues, or to provide examples of successful engagements. Moreover, since many ESG issues play out over the long term, and most fund managers are incentivised on a very short-term basis, it is unlikely that they will give due priority to ESG issues without central monitoring.

- **Many fund managers now voting globally**
  16 of the 20 fund managers confirmed that they vote all their holdings in the UK at least (Barclays Global Investors, BlackRock, Goldman Sachs Asset Management and State Street did not indicate whether they vote all UK shares), and of the 16 who voted in the UK, 11 also voted all their overseas holdings. This represents positive progress; the voting rights that accompany share ownership are an important asset and it is encouraging to see so many fund managers are exercising them. Nevertheless, it is arguable that voting is most effective when it is part of a wider engagement strategy. While they may be voting, (as noted above), reporting on how they voted is considerably rarer and undermines the accountability of fund managers to their clients and the public.

- **Joint investor initiatives on the rise**
  The survey found that many fund managers are signing up to joint initiatives such as the UN Principles for Responsible Investment (UNPRI) and the Institutional Investors Group on Climate Change (IIGCC), although only 8 of the Top 20 had signed up to UNPRI (Baillie Gifford and Scottish Widows became signatories during the research period of this survey). Joint initiatives allow investors to pool their resources and influence and to share best practice. Although merely signing up to such initiatives is not an end in itself, it is notable that the UNPRI signatories in the survey also tended to score highly on engagement in general.

- **Meetings on ESG issues not a priority for most fund managers**
  The number of meetings on ESG issues per quarter produced another wide divergence of results. Although some fund managers, such as F&C and Hermes, routinely attended far more than 50 meetings per quarter, others had attended only one or two meetings, and others did not record a figure. This suggests that some fund managers could be free-riding on the efforts of others.

- **Many fund managers requested changes; a few were able to show results**
  Almost half of the fund managers could show evidence of over 50 requests for change made to companies over the past year. However, only a handful of fund managers (F&C, Hermes, Insight, Morley and Schroders) were also able to demonstrate substantial evidence that changes had actually been achieved. These changes included fuller company disclosure on ESG issues, changes to company board structures, improved environmental practices or greater consideration for consumer health. Others (Baillie Gifford, UBS and Legal & General) provided one or two specific instances of success, earning partial credit. However, the majority of the fund managers either did not mention results, or used such vague terms that we could not award points. Unless fund managers measure and report on the results of their engagement activities, it will be difficult to shake off the common suspicion that RI policies are merely PR exercises – the fund management industry's equivalent of 'greenwash'.

The importance of Responsible Investment

Environmental, social and governance (ESG) issues can have significant consequences for companies, communities, the environment and the UK economy as a whole. Like anyone else, investors have a responsibility to those who may be affected by their actions. In particular, they have a moral and financial duty to ensure that the companies they own are behaving responsibly on ESG issues. Responsible Investment (RI) involves giving due regard to ESG issues in the investment process, in recognition that there are likely to be both moral and financial implications to disregarding them. RI seeks to increase understanding of companies' true value, and to grow this value by ensuring that proper attention is given to the risks and rewards associated with ESG issues. Far from being a tangential issue, there is good reason to believe that paying attention to ESG issues is a fiduciary duty. A Freshfields Bruckhaus Deringer legal opinion for the United Nations Environment Program Finance Initiative stated:

"Decision-makers are required to have regard (at some level) to ESG considerations in every decision they make. This is because there is a body of credible evidence demonstrating that such considerations often have a role to play in the proper analysis of investment value. As such they cannot be ignored, because doing so may result in investments being given an inappropriate value"[2]

RI has been gaining increased prominence in recent years, with one of the more significant events being the establishment of the United Nations Principles for Responsible Investment (UNPRI), which aims to bring together asset owners and managers worldwide to promote and share best practice in RI. Many fund managers offer specialist retail or institutional Socially Responsible Investment (SRI) funds on a collective or bespoke basis. These are usually run independently of their mainstream holdings, and often screen out investment in sectors such as tobacco, arms or nuclear power. However, the risks associated with ESG issues are just as pertinent for mainstream funds, and having specialist and bespoke funds for some clients does not mean that mainstream holdings are immune. For the majority of fund managers, the findings suggest there is little genuine integration of ESG issues into their mainstream investment processes when it comes to amelioration of those issues, which implies a failure in risk management procedures.

Responsible investors understand that in the longer term, ESG issues can create or destroy value for the company. At an individual company level, issues such as child labour, discrimination, toxic spills or pollution can have devastating consequences for a company's value, leaving it vulnerable to litigation and operational and reputational losses. For example, according to the Financial Times, between March 2005 - when an explosion in the company's Texas City oil refinery killed 15 people - and June 2006, BP's "stock has underperformed the world oil and gas sector by 10.7 per cent"[3]. It can also trigger a legislative backlash, such as the introduction of new gambling laws in the US, which led to huge losses for shareholders of online gambling companies. To remain informed about such potential problems, investors must look to sometimes unconventional information sources, such as union and NGO activity or regulatory trends[4]. At the same time, environmental and social issues offer opportunities for companies to stay ahead of regulatory or consumer concerns: e.g. through emissions trading or developing clean technologies. The findings of our survey and others suggest that most fund managers do not appear to take proper account of such information.

One of the aims of this report was to probe under the surface of fund managers' public statements, to find out whether their level of activity and involvement in ESG issues matched their public commitment. The findings indicate that there is some credibility to scepticism surrounding Corporate Responsibility and Responsible Investment, with critics within both the NGO and business communities[5] suggesting that it may have become merely a PR exercise for some big businesses. Indeed, the ranking clearly demonstrates that there is a wide gulf between rhetoric and activity. Many fund managers had public Responsible Investment policies declaring that they took into consideration any issues that might affect company value; but only a handful of fund managers could point to evidence that they had successfully engaged with companies on ESG issues that they believed were relevant to the value of the company.

[2] "A Legal Framework for the Integration of Environmental, Social and Governance Issues into Institutional Investment", Freshfields Bruckhaus Deringer report for the UN EPFI, October 2005
[3] "More Fuel for Anti-BP Sentiment", Financial Times, 30 June 2006
[4] Regulators had been criticising poor safety standards at the BP refinery prior to the accident
[5] See for example George Soros's keynote address to the EABIS Colloquium 2006, http://www.eabis.org/csrplatform/colloquium/2006/2006programme/2006panel2/

How the fund managers performed

The ranking can be divided into four groups:

Leaders

The first tier is the easiest to distinguish: it consists of the four highest-ranked fund managers: F&C, Hermes, Insight and Morley. There is a clear gap between this group and the group below.

The main factors distinguishing this high-scoring group were the degree of transparency they displayed, but also the extent to which engagement activities were recorded and evaluated – for example, Hermes had its engagement success independently evaluated by the London Business School. Therefore, these fund managers were easily able to provide both information on their engagement activity (where it was not already available on the website) and evidence that they had achieved specific changes in company behaviour. These changes included fuller company disclosure on ESG issues, changes to company board structures, improved environmental practices or greater consideration for consumer health. The only fund manager outside the top four to demonstrate such rigorous measurement of the effectiveness of its engagement activities was Schroder Investments, which despite a low transparency score showed evidence of serious commitment to measuring its success.

The high scores achieved by these four fund managers are a very positive sign. They show that the fund managers have a robust approach to managing and ameliorating the financial risks associated with ESG issues, and are willing to be open with their clients and the public. They also show that these fund managers take their responsibilities seriously, not only to their investors, but also to society as a whole. Consequently, these fund managers are well-placed to take advantage of increasing awareness of and interest in RI among pension funds, retail investors and charities, as well as strengthening their position with existing clients.

Second tier

The fund managers from fifth to ninth position were able to give some evidence of transparency and commitment to engagement on ESG issues, albeit not to the same extent that the top four did. The main area on which these fund managers lost points was on transparency.

Several of the fund managers in this second tier, such as UBS and JPMorgan, could provide evidence of solid engagement on corporate governance, but little or no activity focussing on environmental or social issues. This trend has been noted in other studies[6]. The importance attached to governance issues is welcome, but management of environmental and social issues is an extension of good governance, since it involves appropriate risk management. The risks associated with environmental and social problems can be as damaging to a company's value over the long term as governance issues, and should therefore be given an equally high priority. Climate change is a pertinent example. The recent Stern Report on the economic impact of climate change estimated that if no action on climate change, there is a risk of the global economy shrinking by between 5-20%, whereas "the costs of action – reducing greenhouse gas emissions to avoid the worst impacts of climate change – can be limited to around 1% of global GDP each year"[7]. Should such losses occur, they would especially be borne by investors – it is therefore these same investors who should be taking a proactive role to move companies towards lower emissions, but as previously stated, few fund managers in the report displayed clear or cohesive policies in this regard.

Third tier

From eleventh place downwards there is greater variety. Certain fund managers in this group lost points due to their lack of transparency, although in private they were able to show some evidence of engagement activities on corporate governance issues. Others show signs that they are beginning to take responsible investment seriously, but still have some way to go.

[6] See for example page 12 of the UNPRI Report on Progress 2007, http://www.unpri.org/report07/index.php

[7] Stern Review Report on the Economics of Climate Change, October 2006, Summary of Conclusions, page vi

Bottom tier
For the lowest-ranked fund managers, meanwhile, the survey was unable to find evidence of any coherent strategy on, or activity relating to, ESG issues in their investment processes.

The need for ESG specialists
One argument advanced by several fund managers was that they had no need for a dedicated ESG team, since ESG issues were routinely integrated into the work of their entire investment management workforce. However, the survey found no evidence that this approach was proving effective, as in most cases the lack of a central ESG team meant that there was no data accessible to this survey. It may be that these fund managers have indeed succeeded in fully integrating ESG issues into their investment decisions; however, with no centralised monitoring or logging of ESG engagement, proof of effective engagement and consequently reduced portfolio risk will be difficult to demonstrate. Furthermore, without a central policy the fund manager will struggle to convey a coherent message on ESG to the companies it invests in, with one fund manager perhaps voicing concerns on an issue, while another working for the same company pursues a potentially conflicting strategy.

It is perhaps not surprising that this report uncovered such low overall levels of engagement activity - most fund manager incentives are short term in nature, whereas ESG issues tend to have an impact over the long term. It is easy for the long-term to get forgotten, in the rush to meet this quarter's targets; and this is another instance in which the presence of a dedicated ESG team can help to maintain focus on the long term.

Joint initiatives
The number of fund managers signing up to joint investor initiatives is increasing: even during the period of this survey, Scottish Widows and Baillie Gifford became new signatories to the UNPRI. Of the fund managers in this survey, 8 of the 20 are signatories to the UNPRI, 6 are members of the Institutional Investors Group on Climate change (IIGCC[8]), and only one fund manager (Hermes) has joined the Enhanced Analytics Initiative (EAI[9]) (although a few other fund managers were able to demonstrate an equivalent level of spending on broker ESG research). Joint initiatives such as these are important, since they allow investors to spread the burdens of engagement and to combine their voting power and influence to increase pressure on companies and policymakers, as well as sharing best practice among themselves.

The survey found a strong correlation between membership of the UNPRI and a high score on engagement, with all but one of the PRI signatories in the survey scoring at least 50% (the exception being Scottish Widows). It should be noted that several of the fund managers involved have only recently signed up to the UNPRI, which is a relatively new initiative. It might be expected that these fund managers will integrate the Principles into their investment process more fully over time.

[8] IIGCC is a forum for collaboration between pension funds and other institutional investors on issues related to climate change.
[9] EAI is an international collaboration aimed at encouraging better investment research, especially taking the effects of extra-financial issues on long-term investment into account.

Conclusions

It is clear from the findings of this report that while some fund managers such as F&C are forging ahead in recognising broader societal responsibilities, most fund managers appear to be lagging far behind. In terms of transparency issues such as disclosure of voting records and policies on ESG issues, they are even failing to meet the best practice codes set up by their own industry, such as the Institutional Shareholder's Committee statement of principles[10]. Such failures have relevance beyond their obvious ethical implications. It is clear that many issues, beginning as social concerns with little short-term financial relevance, often grow to serious financial risks, especially when social concerns translate into legislation on issues such as carbon emissions and gambling, or create legal and operational problems. There can be no clearer indicator of the importance of transparency than the severe systemic repercussions currently emanating from the credit crunch, brought about in large part by the absence of transparency translating into a widespread loss of confidence. Consumer trust, once lost, is not easily regained. In the same way that the problems with Northern Rock have reduced confidence in the entire UK banking system, the investment industry could find itself equally vulnerable to financial turmoil if ethical failures of even one major player were to lead to reputational damage. The findings of this report indicate that this risk is very real, and the investment industry urgently needs to reappraise its attitude to transparency and public accountability, as well as the responsible use of share voting powers.

Key to a transformation of attitude will be changing the incentive structures by which pension funds and other asset owners reward fund managers. Currently, these incentives are skewed towards short term performance targets which take no account of risks such as climate change which are only likely to be felt over the medium to long term. Such a significant change of attitude is difficult and takes time to achieve. This fund manager ranking is the first in an annual benchmarking process that, it is hoped, will catalyse increases in transparency and thereby lead to real engagement with companies on ESG issues to ensure full and final accountability to wider society, on whose behalf assets are ultimately managed.

For a copy of the report with full details of the individual fund manager scores, please send an e-mail to info@fairpensions.org.uk or call Ben Watson on 020 7403 7800.

Price £500

[10] see http://institutionalshareholderscommittee.org.uk

Appendix

Methodology

The 20 fund managers in the survey represent the UK's 20 biggest managers of UK pension fund assets and other UK assets, based on the Hymans Robertson Market Briefing Survey 2006, and the 2006 Investment Management Association survey[11]. (See table 1). These include not only the fund managers responsible for most of the UK's occupational pension funds, but also fund managers who provide individual pension plans – something that an increasing number of people in the UK are invested in – and manage the assets underpinning many insurance products. The fund managers in this survey manage around £7 trillion globally.

FairPensions looked at the public websites of the top 20 fund managers, and also invited the fund managers to provide any additional information on their RI policies and activities that did not appear on their websites, including client engagement reports, voting records or policies, and previous responses to other surveys such as the UN PRI. 17 of the 20 fund managers chose to provide such information. Barclays Global Investors, M&G Investments and State Street were the three fund managers that did not provide any additional information. The information collected was assessed to create a benchmark for transparency and engagement on ESG issues.

The survey was exclusively concerned with buy-side/investment management side policies. Therefore, if the fund manager integrated ESG issues into sell-side valuations (for example Goldman Sachs) but there was no evidence of integration into buy-side investment processes, no points were awarded.

In the Transparency section of the report, marks were given only for items that were publicly available on the fund manager's website. Therefore, if the fund manager had a RI policy but did not disclose it on the website, no marks could be scored on Question 1. If a policy was disclosed, but did not meet the specificity criterion, no points were awarded, and if the policy gave specifics on corporate governance issues, but gave no details of environmental or social issues, then only one point was awarded.

Partial scores were awarded if, for example, the fund manager disclosed RI information, but this information was not on the public area of the website. In some cases, RI information is disclosed only to institutional investors, and not accessible to other investors. Likewise, partial scores were awarded if the fund manager included RI information under Corporate Responsibility or Corporate Social Responsibility (CR or CSR), since the average user is likely to expect CR to refer to the company's own policies, rather than its policy regarding the companies it invests in.

If the fund manager did not disclose their full voting record, but did publish an analysis of their voting figures, with details on abstentions and votes against management, one point was awarded under Question 2.

In the Engagement/Integration section of the report, the scores were based both on the fund manager's public website and on any information provided by the fund manager. Therefore, in those cases where fund managers chose not to provide additional information, the scores are based only on the information from their public website, and therefore may not reflect the full extent of the fund manager's engagement activities. All 20 fund managers were contacted by letter, telephone and e-mail, and every effort was made to ensure that all were offered the opportunity to provide further information if they wished to do so.

Points were not scored on Question 6 for managers whose only role was managing dedicated SRI funds, since this audit was not intended to measure the level of RI engagement in specialist SRI funds, but the extent to which ESG issues were incorporated into the organisation and its decision-making process as a whole.

The scores were based on the most recent information available. Therefore, for those fund managers who report annually on RI, the data is for 2006. For fund managers who report quarterly on RI, the data is for Q1 or Q2 of 2007. This clearly makes a difference in questions such as Question 9, on the number of meetings attended in the last quarter, since Q2 is voting season and many fund managers attended fewer meetings than usual. In order to give a fairer analysis in such cases, the number of meetings per quarter was averaged over the year. For those fund managers who report annually, the number of meetings reported for 2006 as a whole was divided by 4.

[11] The survey began several weeks before the publication of the 2007 IMA survey, therefore the 2006 figures were used.

For Question 10, a vote against management was considered a de facto request for change, and therefore those fund managers whose voting records were publicly disclosed or who provided information to us on their voting record received credit for any such votes. However, it should be noted that simply voting against management is not an end in itself; in most cases, a vote against management should be accompanied by engagement with the company to explain the reasons for doing so, and to press for change.

Table 1: How the Top 20 were selected

(In order to ensure consistency, the figures in Table 1 were taken from the 2006 P&I/Watson Wyatt World 500, since more recent figures were not available for all fund managers.)

Fund manager	Global assets under management **($ million)**	10 largest managers of UK institutional pension fund assets[i]		Largest managers of assets managed in UK[ii]
		Private sector	Public sector	
AllianceBernstein[1]	1,260,202	✓	✓	
Baillie Gifford	72,579		✓	
Barclays Global Investors	1,513,043	✓	✓	✓
BlackRock (Merrill Lynch)[2]	996,000	✓		
Capital International	1,165,754	✓	✓	
F&C Asset Management[3]	224,914			✓
Fidelity International[3]	1,421,903			✓
Goldman Sachs Asset Management	532,000		✓	
Hermes Pensions Management[4]	105,885	✓		
Insight Investment[5]	173,801	✓		✓
JPMorgan Asset Management	847,369			✓
Legal & General Investment Management[4]	350,790	✓	✓	✓
M&G Investments	402,667			✓
Morley Fund Management[5]	545,339			✓
Schroder Investments	210,959	✓	✓	
Scottish Widows Investment Partnership[5]	208,217			✓
Standard Life Investments	204,023		✓	✓
State Street Global Advisors	1,441,058	✓		✓
UBS Global Asset Management	2,016,000	✓	✓	
Wellington Management International	520,693		✓	
TOTAL	$14,213,196			

[i] Taken from the 2007 Hymans Robertson Market Briefing Survey
[ii] Based on IMA 2006 Asset Management Survey and FairPensions' analysis
[1] This is the global figure for AXA, which is part-owner of AllianceBernstein
[2] This is the combined figure for BlackRock and Merrill Lynch, since Merrill Lynch Fund Managers has since merged with BlackRock.
[3] F&C and Fidelity do not feature in the 2007 IMA report; however, much of the research had already been carried out before publication of the 2007 report.
[4] Hermes recently announced that its passive clients will be given the opportunity to receive index tracking services from Legal & General Investment Management
[5] These are the global figures for the fund managers' parent company (Insight = HBOS; Morley = Aviva; Scottish Widows = Lloyds TSB)

The Survey

FairPensions
2007 UK Fund manager Responsible Investment Ranking
Ranking criteria

Transparency

The Transparency section of this ranking is designed to measure the levels of disclosure and openness shown by UK fund managers in relation to Responsible Investment. The information for this section was gathered and verified independently from the fund manager's public website.

		Points	
1	Does the fund manager publicly (1 point) disclose a clear policy (2) on how Environmental, Social and Governance (ESG) issues are incorporated in all of its equity investment activities (i.e. not just for "SRI" funds)?	2	☐
2	Does the fund manager publicly disclose its voting record for its investment holdings, at least annually?		
	• Only for specific retail or certain client funds	1	☐
	• For all aggregated holdings (3 points)	2	☐
3	Does the fund manager publicly disclose its engagement activities, at least annually? (4)		
	• Detailed explanations are provided for a sample engagements	1	☐
	• Full listing of companies and reasons for engagement	2	☐
4	Does the fund manager publicly disclose its investment holdings?		
	• Retail funds only	1	☐
	• All aggregated funds	2	☐
5	Is the fund manager's website(s) clear and accessible on ESG issues, and is this information prominently featured and easily available?		
	• RI or ESG is a *home* page menu item	3	☐
	• RI Policy is an RI-page menu item	1	☐
	• Voting disclosure is an RI-page menu item	1	☐
	• Shareholder engagement activities are an RI-page menu item	1	☐
Maximum transparency		**14**	

Footnotes:

(1 point) Public disclosure is defined as being shown on the main website of the fund manager (in the case of predominantly retail fund managers, this will be the retail fund website)

(2) A clear policy states specific issues of ESG concern that the manager aims to deal with (e.g. climate change), and also states exactly how the fund manager plans to address them

(3 points) In the case of aggregated holdings where the fund manager does not have voting authority, it is sufficient to disclose all of the fund manager voting recommendations to its clients

(4) A set of detailed engagement examples, plus a full list of all companies engaged with, is required for full credit

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Engagement/Integration

The Engagement/Integration section of this ranking is designed to measure the extent to which UK fund managers engage with companies on ESG issues, and the extent to which ESG issues are integrated into the fund managers' mainstream business. Again, the information for this section was gathered and verified independently from the fund manager's public website. However, fund managers were also invited to provide any information that was not available on their public websites, such as voting data or client engagement reports, and this information was taken into account.

		Points	
6	How many people (FTE) are exclusively dedicated to analysis and engagement on ESG issues (excluding dedicated SRI fund managers)?		
	• 1-3 people	1	☐
	• 4-6 people	2	☐
	• 7 or more people	3	☐
7	Across which geographical areas does the fund manager actively vote *all* its shares?		
	• UK	1	☐
	• Ex UK	1	☐
8	Is the fund manager a member of any of the following initiatives?		
	• UNPRI	1	☐
	• IIGCC	1	☐
	• EAI or evidence of equivalent spending on ESG research	1	☐
9	How many company meetings on ESG issues did the fund manager attend during the last quarter?		
	• 10-20 meetings	1	☐
	• 20-50 meetings	2	☐
	• 50 or more	3	☐
10	Evidence [5] the manager is seeking specific changes in ESG corporate behaviour		
	• 10-20 changes requested	1	☐
	• 20-50 changes requested	2	☐
	• 50 or more changes requested	3	☐
11	Evidence [5] the manager has achieved specific changes in ESG corporate behaviour		
	• Some limited evidence of success	1	☐
	• Substantial evidence of success	2	☐
Maximum engagement		**16**	
Maximum total score		**30**	

Footnotes:

(5) Evidence can include internal reports or ESG benchmarks

