



12 March 2013

## **New research shines light on welcome ‘Responsible Engagement’ activity of major investors**

sriServices has surveyed a selection of leading fund managers to gather information on ‘Responsible Engagement’ and other longer term investment ownership and stewardship activities which apply to their mainstream investment assets.

The responses demonstrated significant levels of activity which if recognised by financial advisers would help enhance client’s perceptions of financial services. The findings are published to coincide with a new UKSIF investor initiative ‘Ownership Day’, 12 March 2013.

The survey relates to investment assets held in regular equity, fixed interest and property funds which are not promoted as SRI themed or ethical investments.

Responses were received from; **F&C Asset Management, Jupiter Asset Management, Kames Capital, Legal and General Investment Management, Scottish Widows Investment Partners and Standard Life Investments.** All demonstrated high levels of commitment to responsible investment ownership, with strategies characterised by active dialogue with investee companies and comprehensive shareholder voting policies.

### **Key findings:**

Assets covered by responsible engagement strategies:

- All six fund managers engage across all of their UK and European Equity assets and their Fixed Interest assets
- 5/6 managers go further and engage across *all* of their (Global) Equity assets and *all* of their (Global) Fixed Interest holdings
- Two managers also engage across all of their Property assets

Issues fund managers ‘engage on’, or put differently, ‘aim to encourage better business standards or behaviors in’:

- All six fund managers regularly engage on corporate governance and directors remuneration related issues. Three do so across all of their assets to which engagement applies, the remaining three focus on major holdings

- All six also engage on issues related to the 'mitigation of and/or adaptation to climate change' as well as 'environmental best practice' although most focus key holdings
- All six fund managers engage across all or most of their relevant (engagement) holdings with regard to 'human rights and labour standards' issues

Reasons for carrying out responsible engagement:

- All six fund managers use dialogue and engagement to help minimise ESG (Environmental, Social and Governance) risks for the benefit of their investors
- All consider ESG issues and engagement research findings alongside conventional financial analysis processes when relevant
- All believe investors have a major role to play in encouraging companies to address ESG risks
- All except one consider 'responsible engagement' to be a major attribute of their business

The research, whilst potentially game changing in the way SRI and investment ownership are viewed by financial advisers, also indicates room for improvement. Although all have dedicated in-house expertise to deal with issues of this kind - only two respondents confirmed that the managers of individual funds were 'regularly and actively involved in ESG related company engagement'. The other four did however all indicate that their fund managers were 'sometimes involved'. None indicated that their ESG and engagement research findings were fully integrated into *all* of their investment processes.

Responses varied with regard to the promotion of engagement activity. Most make information available externally, although some focus on communicating such information to major clients or investors.

Julia Dreblow, founder of sriServices commented:

"I am delighted by the depth and breadth of activity this survey has highlighted but I would love to see fund managers make more of the great work they do in this area.

I appreciate that this is not always easy as they are often considering complex, long term and sometimes sensitive issues. I am however sure that many better informed clients would like to hear more about what goes on behind the scenes as so many of these issues are both important and high profile.

There are so many negative messages about financial services that positive messages like these could be really valuable to advisers - many of whom are probably unaware that responsible engagement is a legitimate SRI style and a sensible option for lots of clients."

Data gathered from this research is used to update the Fund EcoMarket SRI adviser database tool as used by PanaceaAdviser and Rayner Spencer Mills.

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## Notes to Editors:

- Adviser support site: [www.sriServices.co.uk](http://www.sriServices.co.uk)
- Fund EcoMarket SRI database tool (for advisers): [www.FundEcoMarket.co.uk](http://www.FundEcoMarket.co.uk) ,  
<http://panacea.fundecomarket.co.uk/>
- Client microsite: <http://stylefinder.fundecomarket.co.uk/>
- Follow [@JuliaDreblow](https://twitter.com/JuliaDreblow) on Twitter

**Who is sriServices?** sriServices is a recently formed company set up by **Julia Dreblow**. Its purpose is to help financial advisers to offer SRI to their clients more easily and more often through the provision of a unique range of tools and support. Julia's has specialised in this area for approaching 20 years, previous held positions include SRI marketing manager and SRI development manager at Friends Provident. Whilst there she also served as a director of UKSIF and chair of their retail sub-committee. She was also on the inaugural advisory board for National Ethical investment Week.

**What is Fund EcoMarket?** An SRI (Sustainable and Responsible Investment) fund database tool for financial advisers, which lists SRI investment options according to their SRI Style, product and asset type. It includes a unique SRI fact finding tool, which is also available via a client microsite.

**About the respondents:** These companies were selected because they are popular with advisers and known to be active in this area.

**Other:** This was the second sriServices 'Responsible Engagement' survey. Similar research was carried out in late 2011 for the launch of Fund EcoMarket. With regard to the issues fund managers engage on, some respondents may address issues in addition to those listed above, respondents were selecting from a range of options in this research. Responsible Engagement strategies are commonly used as an SRI Style (or 'method') in the institutional investment and pensions markets where ESG risks and opportunities are often better understood. Responsible engagement activity of this kind is likely to be consistent with the principles set out in the Kay Review of Equities (2012).

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