Investment Consultants & Responsible Investment Study:

Questionnaire

Responsible Investment is defined as follows:
The integration of environmental, social and governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance. Responsible Investment can be practiced across all asset classes.

Note: a glossary is also available at the end of the questionnaire (for words marked with a *)

I. *General Information*

Q1. What is the name of your firm?

Q2. Please provide us with your name, title and contact email

Q3. Country location of your firm?

Q4. Geographic reach of your firm

- National
- European
- Global

Q5. Please indicate the assets under advisory of your firm *(specify currency)*

Q6. Please indicate how much of your firm's revenue is coming from investment consultancy (in %)

Q7. Please indicate, within your firm, the number of full time equivalent(s) dedicated to investment consultancy

Q8. Please rank by order of importance (in terms of revenue for your firm) your main type of clients:

- Corporate Pension Funds (incl. employees saving plans)
- Foundations & Charities
- High Net Worth Individuals / Family Offices
- Insurance companies & mutuals
- NGOs & religious institutions
- Public Pension Funds or Reserve Funds
- Others *(please specify)*

II. Market Demand

Q9. Have you observed a change in your clients' interest on environmental, social and governance (ESG) matters in the last 12 months?

- More interest
- Less interest
- Same

Q10. Has the recent financial crisis changed their interest?

- More interest
- Less interest
- Same

Q11. Do you think that in the next three years this interest will
- Decrease
- Remain about the same
- Increase

III. Responsible Investment Capacity

Q12. If applicable, what year did your firm begin to propose consulting services related to Responsible Investment to your clients?

Q13. Please indicate, within your firm:
- The percentage of overall investment consultants' time dedicated to Responsible Investment
- The full time equivalent(s) dedicated to Responsible Investment

Q14. Where, in your view, does Responsible Investment fit with regards to your clients needs *(check all that apply)*:
- Mandate design
- Investment strategy
- Investment policy
- Asset allocation strategy
- Other (*please specify*)

Q15. What kind of Responsible Investment strategies does your firm advise on? (*check all that apply*):
- Exercise of voting rights
- Exercise of engagement*
- Exclusion of stocks / bonds in a portfolio
- Integration of ESG factors into mainstream investment analysis*
- Positive selection of stocks / bonds in a portfolio (best-in-class*)
- Positive selection according to sustainable themes (climate change, water, renewable energy, etc.)

Q16. Where do you source your ESG research from? (*check all that apply*)
- Internally
- External ESG research providers (*if so, which ones*)
- Other (*please specify*)

Q17. In practice, how do your promote Responsible Investment with your clients (*check all that apply*)
- Regular agenda item in your meetings with CIO / trustees
- Conference on ESG issues
- Information (newsletter..) regarding market developments in Responsible Investment
- Training sessions
- Other (*please specify*)

IV. Your Approach to Responsible Investment

Q18. Are you a signatory to the UN Principles for Responsible Investment*?
- Yes
- No (*If not, please tell us why*)

Q19. When meeting with your clients, which best describes your approach:
- Systematically and proactively raise the issue of Responsible Investment
- Raise the issue of Responsible Investment only when your clients ask about it
- Refer interested clients to specialist advisers

Q20. Are you aware of the following reports (*check all that apply*)
- CFA Institute report “Environmental, Social and Governance factors at Listed Companies – a manual for investors” published in May 2008?
- UNEP FI report “Fiduciary Responsibility, legal and practical aspects of integrating ESG issues into institutional investment” published in July 2009?

Q21. Do you share the conclusions (mentioned in the appendix) of the following reports (*check all that apply*)?
- CFA Institute report
- UNEP FI report”

Q22. Based on your experience, what do you think is the most powerful motivator for your clients to demand consulting services on Responsible Investment? (*please rank by order of importance*)
- They understand that true fiduciary duty means taking into account all risks, including ESG ones which are typically not in traditional financial analysis
- They want to know how to implement The *Principles for Responsible Investment* (PRI)
- They have some political pressure to act
- They have pressure from beneficiaries to act (mission related / ethical consideration)
- They want to be branded as being responsible asset owners

Q23. In your experience, what do your clients seek the most advices about (*please rank by order of importance*):
- Environment issues
- Social issues
- Governance issues

Q24. How appropriate do you think the following types of RI are with regards to your different clients: (Please tick the box that most applies):

Type of RI	Always Appropriate Unless client decides otherwise.	Depends on the client – If the client does not want it, ICs have no

		role to push it
Exercise of voting rights		
Exercise of engagement*		
Exclusion of stocks / bonds in a portfolio		
Integration of ESG factors into mainstream investment analysis*		
Positive selection of stocks / bonds in a portfolio (best-in-class*)		
Positive selection according to sustainable themes (climate change, water, renewable energy, etc.)		

V. Responsible Investment and Performance

Q25. In your view, please specify how the following Responsible Investment approaches affect performance: *(check all that apply)*

	No impact	Positive impact	Negative impact	Don't know	Is your answer based on experience?
Exercise of voting rights					
Exercise of engagement*					
Exclusion of stocks / bonds in a portfolio					
Integration of ESG analysis into investment decision-making*					
Positive selection of stocks / bonds in a portfolio (best-in-class*)					
Positive selection according to sustainable themes* (climate change, water, renewable energy, etc.)					

VI. ESG Evaluation Process

(*check all that apply*)	Yes, routinely for governance issues	Yes, routinely for environmental & social issues	Only for specific RI mandates	No
Q26. When launching a Request for Proposal (RFPs) on behalf of your clients, do you include questions on Responsible Investment?				
Q27. Do you evaluate an asset manager's abilities to incorporate ESG factors as part of your overall assessment of investment managers?				
Q28. Do you investigate the proxy voting and engagement record of asset managers concerning ESG issues?				

Q29. If you evaluate competence in Responsible Investment, what criteria do you use? *(check all that apply)*:

- Research capacity on ESG issues and publications
- Staff experience
- Signatory and/or member in responsible investor networks
- Existence of ESG integration* policy
- Extent to which ESG competence apply to all asset classes, including alternatives
- Evidence of systematic consideration of material ESG issues in investment decisions (stock / sector weighting, etc.)
- Quality of reporting
- Others (please specify)

VII. Existing framework and incentives

Q30. Based on your experience, what prevents fund managers from doing more Responsible Investment? *(please rank in order of importance)*

- Lack of knowledge and understanding / worldviews of staff
- Incentive structure for individual portfolio managers
- Incentive structure for business development staff
- Lack of explicit client demand
- Concerns over legal / performance issues
- Research / resources constraints

- Too short a timeframe for review and evaluation of manager financial performance
- Tracking error limits or index-referenced mandates
- Lack of explicit extra fees for doing “extra” work
- Others *(please specify)*

Q31. What do consultants need (tools, initiatives, etc.) to encourage the uptake of Responsible Investment?

Q32. Do you have comments to add?

Q33. Eurosif would like to list the names of firms participating in the survey in an appendix of the report. Do you give Eurosif permission to list your firm’s name as a participant of the study?

- Yes
- No

Glossary:

Best-in-Class:
Approach where the leading companies with regards to ESG criteria from each individual sector or industry group are identified and included in the portfolio.

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

ESG:
Environmental, social and governance

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

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

Positive selection:
The selection, within a given investment universe, of stocks of companies that perform best against a defined set of ESG criteria. This may include Best-in-class or SRI Theme funds for instance.

Principles for Responsible Investment:
There is a growing view among investment professionals that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios. Investors fulfilling their fiduciary (or equivalent) duty therefore need to give appropriate consideration to these issues. The Principles for Responsible Investment provide a framework to do so. The Principles are voluntary and aspirational. They are not prescriptive, but instead provide a menu of possible actions for incorporating ESG issues into mainstream investment decision-making and ownership practices

Responsible Investment:
The integration of environmental, social and governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance. Responsible Investment can be practiced across all asset classes.

SRI:
A generic term covering responsible investments, sustainable investments, ethical investments and any other investment process that combines investors' financial objectives with their concerns about environmental, social and governance (ESG) issues.

Theme funds:

Thematic funds may focus on sectors such as Water, Renewable energy, etc or issues such as the transition to sustainable development and a low carbon economy.

Some conclusions of the CFA Institute report "Environmental, Social and Governance factors at Listed Companies – a manual for investors" published in May 2008:
"Successful investing is dependent on one's ability to discern the factors that influence the market's valuation of a Company and then judge the accuracy of that valuation. Analysts are generally well versed in using financial metrics to understand those drivers of corporate value and lend skilled interpretation to what is often highly detailed accounting data. In recent years, however, nonfinancial factors—including environmental, social, and governance (ESG) factors—have figured ever more prominently in the value of corporations. For example, at Companies such as Enron Corporation, WorldCom, and Parmalat, corporate scandals, and in some instances outright fraud, have rendered financial data untrustworthy and brought corporate governance issues to the forefront of Investor consideration. Similarly, increased sensitivity to the potential implications of climate change has sparked interest in the investment consequences of Companies' strategic positioning to address this environmental concern …ESG factors represent a broad set of intrinsic concerns that may ultimately affect valuation of equity, fixed-income, real estate, and infrastructure investments."

Key highlights of the UNEP FI report "Fiduciary Responsibility, legal and practical aspects of integrating ESG issues into institutional investment":

- *The global economy has now reached the point where ESG issues are a critical consideration for all institutional investors and their agents.*
- *Investment consultants and asset managers have a duty to proactively raise ESG issues within their advice and services to institutional investors.*
- *ESG issues must be embedded in the legal contracts between institutional investors and their asset managers to hold asset managers to account, and that ESG issues should be included in periodic reporting by asset managers. Equally, the performance of asset managers should be assessed on a longer-term basis and linked to long-term incentives.*
- *Institutional investors will increasingly come to understand the financial materiality of ESG issues and the systemic risk they pose, and the profound long-term costs of unsustainable development and the consequent impacts on the long-term value of their investment portfolios.*
- *Institutional investors will increasingly apply pressure to their asset managers to develop robust investment strategies that integrate ESG issues into financial analysis, and to engage with companies in order to encourage more responsible and sustainable business practices.*
- *Policymakers should ensure prudential regulatory frameworks that enable greater transparency and disclosure from institutional investors and their agents on the integration of ESG issues into their investment process—as well as from companies on their performance on ESG issues.*
- *Civil society institutions should collectively bolster their understanding of capital markets such that they can play a full role in ensuring that capital markets are sustainable and delivering responsible ownership practices.*
- *Market incentives that reward long-term investment must be made to help create responsible and sustainable capital markets that would help identify future challenges in the financial system, reduce the chances of further crises and help avert a "Natural Resources Crisis"—and accelerate the transformational process to a green, inclusive and sustainable global economy.*