



## Investment Consultants Sustainability Working Group (“the Group”)

### Steering Committee Meeting Minutes

**Meeting Date** Friday, 09 October 2020

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**Meeting Time** 14:00 GMT (2hrs) – Virtual

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**Committee Members**

- Amanda Latham (AL) – Policy and Strategy Lead, **Barnett Waddingham**
- Annachiara Marcandalli (AM) – Managing Director, **Cambridge Associates**
- Caoimhe Bain (CB) – Responsible Investment Consultant, **Hymans Robertson** (*standing in for Simon Jones*)
- Chris King (CK) – Investment Consultant, **Buck**
- Claire Jones (CJ) – Head of Responsible Investment, **LCP**
- Deb Clarke (DC) – Global Head of Investment Research, **Mercer**
- Jana Holt (JH) – Global Director, **SEIC** (*standing in for Cai Rees*)
- Joanne Job (JJ) – Managing Director, Head of Research, **MJ Hudson**
- John Belgrove (JB) – Senior Partner, Director of Forward Thinking, **Aon**
- Kathryn Saklatvala (KS) – Head of Investment Content, **bfinance**
- Keith Guthrie (KG) – Deputy Chief Investment Officer, **Cardano**
- Luba Nikulina (LN) – Global Head of Research, **WTW**
- Nick Samuels (NS) – Head of Manager Research, **Redington**
- Patrick Race (PR) – Partner, **ISIO**
- Punil Chaubal (PC) – Associate Director, **River and Mercantile**
- Reena Thakkar (RT) – Managing Partner, **Momentum**
- Sarita Gosrani (SG) – Head of ESG Research, **XPS Pension Group**

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**Apologies**

- Cai Rees (CR) – Director, **SEI**
- Simon Jones (SJ) – Head of Responsible Investment, **Hymans Robertson**

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**Workstream Leaders**

- Asset Managers – Alessia Lenders (AL) – **Redington**
- Asset Owners – Kimberley Fisher – **Barnett-Waddington**
- Innovation – Andrew Lilley (AnL), **ISIO**
- Regulations – Luba Nikulina, **WTW**
- Reporting – Tim Manuel (TM) - **AON**
- Stewardship – Amanda Latham, **Barnett-Waddington**



**The meeting agenda was as follows:**

1. Welcome and introduction to the new members of the ICSWG
2. Approval of the Terms of Reference for the ICSWG
3. Update on the ICSWG's interactions with PLSA
4. Updates from the Workstreams
5. Prioritisation of various initiatives and activities
6. Discussion of how we publicise our work
7. AOB
  - The Tobacco-Free Finance pledge
  - Interactions with the CRIN (Charities Responsible Investment Network)
  - Interactions with asset managers and other industry participants – a number of asset managers have reached out proactively with offers of support / resources
  - IFRS Foundation: consultation paper on sustainability reporting

**Agenda item 1: Welcome and introduction to the new members of the ICSWG**

The meeting was chaired by Luba Nikulina from WTW who commenced the meeting with welcoming the five new members to the steering committee, taking the number of participating firms to 17. One previously participating firm had to reluctantly withdraw from the group due to the firm not providing Investment Consulting services. The five new firms are:

- bfinance
- Buck
- Momentum
- River & Mercantile
- XPS Pensions

LN welcomed all attendees and especially the new members.

There was discussion around other participants. JB mentioned that he had received an approach from XX requesting to be part of the Group. The sense from the Group is that firstly the number of participants is already sizeable and the preference is to keep the Group focused. Secondly, the Group should remain restricted to participants providing investment consulting services, with the focus of the Group's members on advising asset owners. As XX does not provide investment consulting services, the decision was they were not suitable for this group.

**Agenda item 2: Approval of the Terms of Reference for the ICSWG**

The Terms of Reference were distributed to the Steering Committee ahead of the meeting and LN invited comments from all attendees.



DC referred to item 4.3: “Subject to the agreement of the Steering Committee, any member of the Steering Committee and any Workstream Lead may make comments to the press on behalf of the Group.” and requested insertion of “with prior agreement”.

JB asked from whom this prior agreement would come and the need for seeking guidance when approached to comment. LN commented on the desire for the member firms to be visible as part of the Group and comment on the Group’s activities but the need for caution when making public statements when the need arises to take a position on behalf of the Group. In this instance, the Steering Committee needs to be informed and member firms can decide to opt out.

**Action:**

- ***Change the relevant paragraph to incorporate the approved change, approve and review again in a year’s time: LN***

**Agenda item 3: Update on the ICSWG’s interactions with PLSA**

CJ discussed the PLSA’s work on the Implementation Statements that resulted in two outputs: 1) the implementation statement guidance for trustees where there is currently a knowledge gap; 2) the vote reporting template. LN asked what actions are required to show our support.

**Action:**

- ***Each member firm to use the template and provide feedback back to the PLSA: All***

AnL made a comment about the need to also monitor asset managers’ engagement activities in addition to voting. AL noted that the stewardship workstream had been working on the engagement template which is currently with approximately 12 managers for review. AL will revert to the Group with their feedback. DC asked if any guidance has been forthcoming from the regulator to which AL responded no.

There was discussion around challenges being faced by stakeholders around transparency provided by asset managers. The Group agreed that full transparency is required as a point of principle. However, it was also agreed to avoid calling out specific manager names within this Group at this stage.

**Agenda item 4: Updates from each of the six workstreams**

LN referred to the importance of each workstream setting out and keeping to their priorities and for the Steering Committee to help co-ordinate and avoid overlapping priorities. It is understandable that some overlapping was to a degree inevitable, especially in the formative stages. LN commented that as we work through the priorities of the different workstreams, we will be able to establish and agree the best way to approach.

**1. Asset managers workstream (Alessia Lenders presented)**

Activities related to sustainability recognised as a challenge for managers; No standardisation; Managers finding it hard to prioritise where best utilise their resources; the workstream has suggested a list of 5 priorities



to serve as a guide for asset managers (Climate Change; Stewardship, Culture & Diversity; Reporting; Industry collaboration); a press-release is suggested for the 5 priorities, although there was some pushback to wait until we have some answers / actions to address the priorities.

There was discussion around suitable time horizons, with there being both short- and long-term projects and priorities.

There was agreement within the Group that although reporting is being done by the asset managers, it is important that something is done with this information; We cannot be satisfied with just the reporting aspect. Need to avoid a tick-the-box process by managers; The Group seeks to challenge the managers and push the objectives further.

KS commented that more standardisation in the types of things that investors are looking for from managers (via the Group) could be helpful, and clearly is wanted by managers who struggle with the diversity of requests in this area. However, where we facilitate standardisation, we open the door to greenwashing. E.g. if strong corporate governance is defined by metrics X, Y and Z, we can expect managers to dedicate resources to delivering X, Y and Z but not pursuing excellence in other areas. The diversity of questions that come in from consultants at present – while obviously somewhat onerous for managers – do also make it harder for managers to do cookie-cutter box-ticking on this subject.

Output from the workstream was expected to be based on press releases but there was some pushback that a press release could only be useful when we have something concrete to say.

## 2. **Asset owners workstream** (Kimberly Fisher presented)

The work stream has chosen to focus on smaller clients; Less research being done here; Focus to be on what they need; Discussion has been around the barriers these clients are facing.

Quick win: a list of data and information clients should expect to see from their investment consultant and their asset manager.

It was suggested that a “glossary of terms” and seeking guidance around where it is most suitable to access these definitions would be beneficial.

## 3. **Innovation workstream** (Andrew Lilley presented)

Focus was on two aspects:

1. Highlighting the benefits of climate impact investing
2. Challenges of taking impact investing to clients

Discussion followed on assessing best way to consult with clients; exploring any research angles and commonalities around forward-looking strategies.

Challenges noted were dealing with misconceptions and myths; the aim is to dispel these myths.



There was a discussion about the availability of track records to support the case for sustainable investing. Views differed between those who thought something more concrete would be helpful and those who thought that it is futile to look for track records for something that didn't exist in the past. It was agreed that this area deserved to be addressed and the position would be developed during the prioritisation of activities.

#### 4. **Regulations workstream** (Luba Nikulina presented)

Noted the workstream's quick win, being the delivery of the response to the DWP on the TCFD consultation, has been completed. LN congratulated the Group of the quick turnaround of the response.

Commented on the medium-term project which deals with the minimum requirements and best practice on climate competencies for investment consultants which could help asset owners better evaluate various providers.

LN commented on the importance of relationships with key stakeholders and other workstreams; Objective is for early next year to be ready for more focused dialogue with various regulatory bodies.

#### 5. **Reporting workstream** (Tim Manuel presented)

Focused is on two sub-themes: Being efficient and effective. Objective is to help stakeholders tell the right story.

Look to produce standardised definitions in relation to responsible investment. Achieve consistent and member friendly guidance and definitions in relation to responsible investing that can be widely adopted by Trustees and consultancies.

Partner with an organisation such as Make My Money Matter to work towards communications that are useful and provide relevant and consistent information.

#### 6. **Stewardship workstream** (Amanda Latham presented)

AL updated the committee on the quick wins to-date. The engagement template is being developed by the workstream and was discussed earlier in the meeting. Red line voting and split voting is being addressed, with a report coming out during October.

Reference was made to the use of guest speakers for the workstream (eg Claudia Chapman from the FRC); Invitation to others who want to be part of the discussion.

Focus on service standards; Asset owner engagements; Potential market failures to keep an eye on.

### **Agenda item 5: Prioritisation of various initiatives and activities**

DC kicked off the discussion with the reference to the Group's collective commitments and the need to deliver tangible outcomes that are also valuable for the industry as a whole and our clients in particular.



Asset managers are seeking help from the Group. The Group needs to establish what information is needed and thereafter what is being done with this information; How can we make an impact and a difference.

DC suggested setting up a template containing the list of commitments that each respective workstream is working on. Acknowledging the likelihood of overlaps between workstreams, the template will help identify and manage these overlaps. DC suggested another option, whereby we identify what asset managers are required to deliver and to focus on what inputs they require to ensure delivery. There was agreement around listing the priorities and ensuring structure.

AM commented that the preference is to not start with the regulation but to rather keep the net wide; Regulation is more likely to follow, rather than lead. LN commented that she agrees with AM but that incumbent upon us to ensure we help asset managers do a better job than they are currently doing.

**Actions:**

- ***Establish a template containing list of commitments (key priorities) each workstream working on: DC & LN***
- ***Decide how to help asset managers standardise and better prioritise information requirements to ensure they can deliver efficiently and effectively: DC & LN***

AL added that we need to be seeking to complement other working groups. DC emphasised the need to avoid workstreams duplicity. AL added that keeping workstreams small is beneficial to achieving the objectives.

KS commented that strong ESG integration looks different across various asset classes; If we adopt templates then would they have appropriate variables to reflect this? ESG integration is at a different stage in different asset classes; if not framed appropriately, managers in asset classes where ESG is less mature may simply form the view that the expectations are for other managers in other asset classes and do not apply to them. Where we do specifically mean to apply statements to all managers, we should very clearly state “asset managers in all asset classes” so that it is clear.

DC suggested we produce a suitably worded template; Avoid re-inventing the wheel; Focus on the output required to ensure it is beneficial; Thereafter extract one or two items from each of the workstreams; be guided by what good practice looks like. LN commented on the importance and need for the various workstreams to be talking to each other.

**Action:**

- ***Draft a suitably worded list of priorities representing the most important priorities of the workstreams (one or two from each seemed to be the consensus): DC & LN***

## **Agenda item 6: Discussion of how we publicise our work**

DC commented on the importance of assessing whether it will lead to better outcomes.

There was discussion around the most suitable manner to publicise the work of the Group. The website is needed to publicise our work. AL referred to an outside contact currently completing her Master’s degree who



has offered some of her time to help develop this website and is available pro-bono. If appointed, she will need access to some of the Group's members to help develop suitable ideas.

RT suggested inclusion of columns for Impact and Timeframes in the Group's template (template of priorities referred to above).

**Action:**

- ***Come up with volunteers to provide help to the development of the Group's website: All to consider if they can volunteer and reach out to AL***

**Agenda item 7: AOB**

LN introduced discussion on AOB items.

**1. Tobacco-Free Finance Pledge**

The Group discussed the Pledge. There was general support of the Pledge but not all the members were in a position to commit to it publicly, so we are not able to support it as a group. However, it was useful to raise it with the Group and those members that are in a position to support it individually should consider making a commitment.

**2. Interactions with the CRIN (Charities Responsible Investment Network)**

This organisation represents some of our client stakeholders. It has reached out to learn more about the Group and is also ready to share the outcomes of their work on interactions between charities and investment consultants in sustainable investing. The idea of a roundtable was suggested to discuss the outcomes.

**Action:**

- ***Share the outcomes of the CRIN's research and organise a roundtable in due course: LN***

**3. IFRS Consultation**

LN comments on the current confusion between various reporting standards and the IFRS' desire to better co-ordinate across various standard providers and asked whether there is any appetite to do anything. LN shared UK clients' preference for principle- rather than metrics-based standards. There was little awareness of this consultation among the Group's members, so LN commented that she would get back to the Group if anything suitable and noteworthy comes through.

Amanda updated on the City of London event. Anyone can register for the event; Amanda will provide feedback to the Steering Group.

LN referred to the work of the Stewardship and Stakeholder Working Groups of the Asset Management Taskforce that is due to publish the report to promote stewardship standards in the UK investment industry. The report will commend the creation of the ICSWG but will also encourage investment consultants in the UK to sign up to the Stewardship Code.



*The meeting was concluded. The next Steering Committee meeting will be in a quarter's time.*