



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

### Steering Committee Meeting Minutes

**Meeting Date** Tuesday, 13 July 2021

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**Meeting Time** 13:00 – 14:30 (1.5hrs) – Virtual

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- Committee Members**
- Alex Quant (AQ) – Investment Consultant, **XPS Group** (*replacing Sarita Gosrani*)
  - Amanda Latham (AL) – Policy and Strategy Lead, **Barnett Waddingham**
  - Annachiara Marcandalli (AM) – Managing Director, **Cambridge Associates**
  - Cai Rees (CR) – Director, **SEI**
  - Chris King (CK) – Investment Consultant, **Buck**
  - Claire Jones (CJ) – Head of Responsible Investment, **LCP**
  - Joanne Holden (JH) – Global Head of Investments Research, **Mercer** (*co-Chair*)
  - 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** (*co-Chair*)
  - Mhairi Gooch (MG) – Director, Solutions, **River & Mercantile**
  - Patrick Race (PR) – Partner, **ISIO**
  - Paul Lee (PL) – Head of Stewardship and Sustainable Investment Strategy, **Redington** (*standing in for Nick Samuels*)
  - Reena Thakkar (RT) – Managing Partner, **Momentum**
  - Simon Jones (SJ) – Head of Responsible Investment, **Hymans Robertson**
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- Apologies**
- Nick Samuels (NS) – Head of Manager Research, **Redington**
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- Workstream Leaders**
- Asset Managers – Alessia Lenders (AL), **Redington**
  - Asset Owners – Edwin Whitehead (EW), **Redington**
  - Communication and Engagement – Tim Manuel (TM), **AON**
  - Impact Investing – Andrew Lilley (AnL), **ISIO**
  - Regulations – Luba Nikulina (LN), **WTW**
  - Stewardship – Amanda Latham (AmL), **Barnett-Waddington**



**The meeting agenda was as follows:**

1. Review actions from the previous SteerCo meeting
2. Discussion of the Net Zero Investment Consultants Initiative (NZICI)
3. Discussion of the Asset Owners workstream guide
4. Discussion of the ESG Metrics Standardisation proposal
5. Updates from the ICSWG workstreams
6. AOB
  - a. Discuss PLSA's proposed RIQM
  - b. Discuss new ICSWG member firms
  - c. Proposed ICSWG members of the RIAG
  - d. Diversity Project update
  - e. ICSWG-UK website

The meeting was chaired by LN who welcomed everyone to the meeting and thanked them for their time and contribution. LN also reminded everyone about the requirements of the Competition Law.

LN welcomed Jo Holden (JH) who has replaced Deb Clarke as co-Chair of the ICSWG and will be chairing the next SteerCo meeting.

**Agenda item 1: Actions from the previous SteerCo meeting**

AM mentioned that the recently formed US ICSWG had already co-ordinated some of their initiatives with the UK ICSWG and intended to do so in the future.

**Action:**

- **AM: to send the SteerCo members more detail about the US ICSWG**

LN updated the SteerCo that all the minutes from the previous SteerCo meetings were published on the ICSWG website. There has been no meaningful feedback from external parties. The group is planning to continue publishing its minutes on its website within one week after each SteerCo meeting with a view to providing transparency on its activities to other industry participants.

LN updated the SteerCo that the definition of an "investment consultant" in the Terms of Reference is very broad for the purposes of deciding which firms qualify to get involved. This definition needs to be updated during the annual review process to ensure it covers those firms whose main investment business in the UK is consulting.

**Action:**

- **MC: to add an annual review of the Terms of Reference to the agenda of the next SteerCo meeting in October**



- **All: to think about sensible changes to the existing Terms of Reference, including the definition of an “investment consultant”**

## **Agenda item 2: Net Zero Investment Consultants Initiative (NZICI)**

LN updated the SteerCo that our collective request for the Investment Consultants Net Zero Initiative to be validated by the Race to Zero platform was submitted to their panel of experts on June 21<sup>st</sup>. We expect feedback in the next few days. In the meantime, the Regulations workstream held the discussion with some members of the US ICSWG to clarify some of the topics with the intention to come up with the joint global version of the commitment text. The Regulations workstream worked on incorporating feedback from the US ICSWG members and is now waiting for the next version from the US ICSWG in the next few days.

Some challenges of getting a consistent commitment from different parts of global businesses were highlighted by some member firms. SJ reminded everyone that this commitment should be open to any investment consulting firm ready to align their services with net zero considerations. Two firms in Australia have confirmed their intention to participate subject to the final version of the commitment text. If members are aware of any other firms that could potentially be interested to participate, they should be raising this opportunity with them.

The timing of the initial launch was also discussed. While there were some reasons to try and launch in July, it looks like we are unlikely to be ready. A few member firms need more time to get internal approvals and ensure that they have all required processes in place to be able to deliver on this commitment. The SteerCo agreed to push the initial launch to September around the time of NYC Climate Week.

LN confirmed that PRI agreed to provide their support for NZICI, including the secretariat for quarterly meetings and the platform for reporting. The detail of reporting requirements will have to be worked out. Also, the governance for this newly formed global net zero group of investment consultants will have to be established in partnership with PRI. The question was raised whether it was a requirement to be a PRI signatory to be able to join this net zero commitment.

### **Action:**

- **SJ & All: to think about any other investment consulting firms around the world that could potentially be interested to join NZICI**
- **LN: to continue co-ordinating the net zero launch in September across different stakeholders and keep the SteerCo informed about any meaningful developments**
- **LN: to check with PRI whether they will require NZICI signatories to be PRI signatories**



### **Agenda item 3: Discussion of the Asset Owners workstream guide**

EW presented to the SteerCo the document prepared by the Asset Owners workstream. The purpose of the document is to: help asset owners identify how to progress on their journey towards integrating sustainability into their decision-making; define a set of minimum expectations from investment consultants; and use it as a basis for the investment consulting community to 'level up' colleagues and clients.

The SteerCo members commended the Asset Owner workstream members for preparing such a high-quality document. The "guide of guides" containing links to different useful resources was considered particularly helpful.

Additional feedback included the following items: the tone of the document and whether it should be positioned as a "commitment" or a "guide"; whether the requirements in the "getting going" section are sufficient as a standard for the industry and whether we should also include a "best practice" section; the glossary of terms could be adopted by all investment consultants in the UK to reduce the confusion about different firms potentially assigning different meanings to the same term; the temporary nature of some of the requirements in this document considering how quickly everything changes in this area; and also the intention of keeping the document regularly updated.

EW explained that the purpose of the document was first and foremost to address the needs of those clients and stakeholders who may be new to their sustainability journey and hence may need more support and lower initial requirements. EW confirmed that these requirements were likely to be temporary and if they all get implemented by all clients and the document becomes redundant, the group should consider it as a success of this initiative.

LN asked all the SteerCo members to discuss within their firms whether they would be prepared to adopt this guide and provide more detailed feedback to EW within two weeks. LN also asked EW to co-ordinate the launch of the guide with the Communications workstream and target September for the launch of the guide.

**Action:**

- **All: to socialise the Asset Owners guide within your firms and provide feedback to EW by the end of July**
- **EW: to collect feedback from the SteerCo members, finalise the guide and prepare for the launch in September**

### **Agenda item 4: ESG Metrics Standardisation proposal**

AnL presented the proposal to the SteerCo to agree the "minimum expected" list of ESG metrics that asset managers should be producing. This proposal came about as a result of a client project where two ICSWG member firms worked to enhance ESG reporting. A feasibility survey was carried out which asked asset managers what metrics they could provide, based on EU SFDR Principle Adverse Impact (PAI) indicators



and TCFD recommended metrics. The full initial list of metrics was too long, and the data fill rate by asset managers was too low. Some metrics didn't have data available. Based on the responses and in collaboration with the Asset Managers workstream, AnL came up with the proposed shortlist of metrics to be agreed by the ICSWG.

The SteerCo was generally supportive of the idea of the approved minimum list of metrics to be required from asset managers. The SteerCo's feedback included the following items: whether the shortlist includes a sufficient number of significant metrics, especially in the social and governance categories; whether these metrics could potentially be most helpful in private markets where underlying data is more scarce; whether engagement data should be limited to a smaller number of cases to maximise effectiveness. There was some debate around the possible requirement to show ESG ratings. The SteerCo was comfortable in principle to refer to various ESG rating providers as long as it is not seen as an endorsement of any particular ESG data providers.

LN asked all the SteerCo members to discuss within their firms whether they would be prepared to sign up to this list of minimum ESG data requirements and provide more detailed feedback to AnL within two weeks. LN also asked AnL to co-ordinate external communications around this shortlist with the Communications workstream and target September for the launch. AnL informed the SteerCo that he was going to be away for a couple of months and asked the SteerCo members to send their feedback to Cadi Thomas (CH) who is going to take this initiative forward in AnL's absence.

**Action:**

- **All: to socialise the list of minimum expected ESG metrics within your firms and provide feedback to Cadi Thomas (CH) by the end of July**
- **CH: to collect feedback from the SteerCo members, finalise the shortlist, co-ordinate with the Communications workstream and prepare for the launch in September**

**Agenda item 5: Updates from the workstreams**

**1. Asset Managers (Alessia Lenders presented)**

ALL updated the SteerCo that the Asset Managers workstream continued its work on formulating positive indicators and best practice for asset managers' reporting alongside the six categories identified initially by the workstream. Feedback is currently being gathered from asset managers and the expectation is that this work will be finished by the end of July. The Asset Managers workstream also co-ordinated the ICSWG's collective response to the CFA Institute's consultation on ESG reporting.

**2. Asset Owners and Impact Investing**

The deliverables from the Asset Owners and Impact Investing workstreams were covered under the previous agenda items. AnL informed the SteerCo that he was going to be away for a few months and Mark Jeavons (MJ) is going to oversee the Impact Investing workstream in the meantime.



### 3. **Communication and Engagement** (*Tim Manuel presented*)

TM provided an update that the Communications workstream continued its work on trying to resolve GDPR issues and create a mailing list for the ICSWG website to be able to send regular updates to all interested parties. The workstream also worked on the principles for effective communication for the ICSWG and assigned a designated person for every other workstream to ensure that they are all well supported in their initiatives from a communications perspective.

### 4. **Stewardship** (*Amanda Latham presented*)

AmL provided an update that the Stewardship workstream continued its work on the engagement reporting template for asset managers. The workstream also kicked off the development of the stewardship competency framework for investment consultants. These two initiatives are expected to be ready for launch in September while there are a number of other longer-term initiatives that the workstream will be moving towards over time.

### 5. **Regulations** (*Luba Nikulina presented*)

LN mentioned that the Regulations workstream was mostly busy with the net zero commitment. There was not enough capacity to be able to provide a collective response to DWP's consultation on social factors, though several member firms provided their individual responses. The workstream is also working on the collective response to the Law Commission consultation to cover issues with the definition of fiduciary duty and stewardship as it currently stands in the UK law. The ICSWG collective response is expected to be done in partnership with the IFoA.

## **Agenda item 6: AOB**

### 1. **PLSA's proposed RIQM**

The SteerCo discussed the PLSA's consultation on the establishment of the Responsible Investment Quality Mark (RIQM). The group felt there would be little value for clients in this initiative and decided to provide a collective response based on this feedback. AL shared that the Regulations workstream already shared some comments with the PLSA but was probably less directive about whether this initiative would be helpful or not for the industry and its clients.

#### **Action:**

- ***SJ: to prepare a draft collective response to the PLSA's consultation on the establishment of RIQM***

### 2. **Approval of new ICSWG member firms**

LN shared with the SteerCo that two additional investment consulting firms had expressed interest in joining the group and after the initial discussion with them, LN felt comfortable that their main investment business in the UK was consulting. The SteerCo agreed to accept these two additional members into the



group under the condition that they were able to provide adequate resources to the group in line with the Terms of Reference.

**Action:**

- **LN: to co-ordinate the addition of the two new members to ICSWG**

**3. Proposed ICSWG representatives of the RIAG**

EW shared with the group that LGPS had asked the ICSWG to provide two representatives to its Responsible Investment Advisory Group (RIAG) who can speak for the investment consulting industry at their meetings but also provide feedback back to the ICSWG on what could potentially be helpful from LGPS's perspective. It was agreed that this feedback would become an ongoing agenda item.

**Action:**

- **MC: to add feedback from LGPS RIAG as a standing agenda item to SteerCo meetings**

**4. Diversity Project update**

LN shared with the SteerCo that the recently established investment consultants' sub-group of the Diversity Project was working closely on harmonising diversity data requests from different consultants and linking with their colleagues in the US to ensure global consistency. SJ added that the asset owner group was also progressing its work on streamlining different diversity data requests.

**5. ICSWG-UK website**

LN shared with the SteerCo that the US ICSWG had asked the UK ICSWG to change the name of its website to [www.icswg-uk.org](http://www.icswg-uk.org) to avoid confusion between the US and UK websites. The SteerCo felt comfortable with the change.

**Action:**

- **LN: to co-ordinate the change of the website address**

The meeting was concluded. The next Steering Committee meeting is scheduled in three months.