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In The UK, Who is Fiddling While Rome Burns?

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UK Asset Manager Responsible Investment Ranking 2015

Asset Manager	Rank	Score (Max 143)
Threadneedle Asset Management	1	126
Aviva Investors	2	121
Jupiter Asset Management	3	120
Hermes Investment Management	4	110.5
Legal & General Investment Management	5	106.5
TOP 5		
Standard Life Investments	6	103
F&C Investments	7	102.5
Kames Capital	8	100
Baillie Gifford & Co	9	96.5
Schroders Investment Management	10	95.5
Royal London Asset Management	11	95
State Street Global Advisors	12	93.5
BlackRock	13	91.5
Henderson Global Investors	13	91.5
Newton Investment Management	15	91
AllianceBernstein	16	89.5
Investec Asset Management	17	87.5
HSBC Global Asset Management	18	84.5
Capital International	19	78
Artemis Investment Management	20	74.5
JP Morgan Asset Management	21	73
AXA Investment Managers	22	71.5
Fidelity Worldwide Investments	23	67.5
Invesco Perpetual	24	63.5
First State Investments *	25	40
Aberdeen Asset Management *	26	37
Goldman Sachs Asset Management *	27	31
Morgan Stanley Investment Management *	28	30
BOTTOM 5		
UBS Global Asset Management *	29	29
M&G Investment Management *	30	28
Santander Asset Management *	31	18
J O Hambro Capital Management *	32	15
Wellington Management *	33	12

(*) Asset manager did not respond to the survey

The transparency and Responsible Investment practices of the 33 largest asset managers in the UK has been examined in the 2015 Responsible Investment Performance of UK Asset Managers survey. These firms control £13.8 trillion of assets between them. What we read is that some of the UK's biggest asset managers continue to fail in adherence to vital principles of responsible investing. The ShareAction report scores each firm from a total of 143 points, and then ranks them.

It is important to note, having used publically available information as well as a survey, of which twenty four firms completed, it was found that all thirty three firms are signed up to the Financial Reporting Council UK Stewardship Code, and, bar two (Artemis Investment Management and Santander Asset Management), all are signatories of the UNs PRI (Principles of Responsible Investment).

Yet, this report shows us that less than half (42%) of fund management firms disclose policies on how they incorporate environmental and social considerations into the investment process. Notwithstanding, environmental and social considerations are a major source of risk.

This begs questions such as: are asset managers investing for the long-term? Does signing up to the UNs Principles of Responsible Investment (PRI) and the UKs Financial Reporting Council – The UK Stewardship Code actually mean that investment processes are changing in practice? Is such a poor turnout on ESG reflective of the fact that the 'Code' only makes the most fleeting of references to environmental and social issues, buried in Principle 4?

A meagre 17% of survey respondents said they would be willing to attend a company AGM to engage on an environmental issue

Indeed, the 'Code' should require robust disclosure on environmental social and governance considerations and should be integrated into processes for monitoring and engaging with investee companies. For, just a meagre 17% of survey respondents said they would be willing to attend a company AGM to engage on an environmental issue: 29% for workforce issues such as pay, safety or labour relations, and just 13% for wider social issues. This strongly suggests a paradox between asset management behaviour and their continuing ability to produce long-term risk adjusted returns. A further example shows, only a miserly 13% of survey respondents were able to disclose a clear strategy for managing the risks associated with stranded carbon assets. The Bank of England announced an inquiry into this very topic in October 2014.

Furthermore, let us not forget, company behaviour and its exposure to risk is increasingly important to the public since many more people, possibly over twelve million by 2018 (Pensions Policy Institute (July2014) "How will automatic enrolment affect pension saving?") will be regularly contributing to defined contribution pension schemes: the final pension pot will depend largely on the level of contributions and the net investment returns achieved by asset managers. Individuals are therefore reliant on the asset management industry to deliver well, risk adjusted, healthy outcomes over the long-term. I suggest £13.8 trillion is a lot of power to influence company behaviour and mitigate risk in the short, medium and long term.

However, it must be said, 83% of respondents did say they do now consider ESG factors in their analysis of fixed income portfolios with 38% of respondents saying the proportion of assets managed subject to ESG considerations has grown over the past three years.

Yet, it does appear, short-termism is still a major problem in the UK. This attitude suggests risks are being stored in future pension savings pots of the people for whom the asset managers are supposedly serving. This further suggests, that some asset managers are fiddling while they watch Rome burn. Recent experience speaks it is not they who will be the ones who burn.

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