



COMPLYING WITH YOUR FIDUCIARY DUTY: A GLOBAL ROADMAP FOR ESG INTEGRATION

On 19 March 2015, PRI and UNEP FI convened an investor roundtable to examine how prevailing definitions and interpretations of fiduciary duty affect UK investors' approach to the integration of environmental, social and governance (ESG) issues into their investment processes.

The speakers included Nick Robins (Co-Director, UNEP Inquiry into the Design of a Sustainable Financial System), Paul Watchman (Honorary Professor, School of Law, University of Glasgow), Jessica Ground (Global Head of Stewardship, Schroders), Paul Clements-Hunt (Founder, The Blended Capital Group) and Mark Mansley (Chief Investment Officer, Environment Agency Pension Fund).

The themes that emerged from the discussion included:

- The UK investment landscape has changed hugely over the past 10 years. A significant number of mainstream fund managers now integrate ESG issues into their investment processes in a meaningful, credible way. The consequence is that the argument that investors should take account of ESG issues in their investment processes is now seen as relatively uncontroversial.
- The UK Law Commission's review of fiduciary duty was very clear that asset owners must take account of their members' (or beneficiaries') views. This means that asset owners need to establish processes that enable them to engage effectively with their members. This is, however, an area that remains relatively underdeveloped. Many pension funds struggle with practical questions such as how they can actually reach beneficiaries (with large funds having many hundreds of thousands of beneficiaries) and how they can reconcile the frequently divergent views of these beneficiaries on social responsibility.
- While court decisions and legislation are important delivering systemic change will require that attention is paid to cultures within the investment industry. To deliver this change requires that attention is paid to training, behaviours, expectations, professional ethics and transparency across the entire investment industry.
- There is a pressing need to meaningfully differentiate between those organisations that do a good job of ESG integration and those that do not. There is also a need to ensure that those that do a good job in this area are recognised and appropriately awarded.
- Education and training of trustees is needed to equip asset owners, and their consultants, with the resources and knowledge to hold investment managers to account on ESG integration.

The roundtable formed part of PRI and the UNEP Inquiry's project on [fiduciary duty and ESG integration](#). The project will examine the barriers to ESG integration in eight countries – Australia, Brazil, Canada, Germany, Japan, South Africa, UK, and USA – and will propose practical actions for institutional investors and policy-makers to address these barriers. For further information or to contribute to the project, please contact Will Martindale (Head of Policy, PRI) at will.martindale@unpri.org or Elodie Feller (Investment Commission Co-ordinator, UNEPFI) at elodie.feller@unep.org.