
***A summary of the findings of a survey into:
“Investment beliefs relating to corporate governance
and corporate responsibility”***

**This summary report is based on the full report prepared for the Marathon Club
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Key Findings

This report summarises the results of a survey into ‘Investment beliefs relating to good corporate governance and responsibility’, which was carried out amongst 180 people associated with the members of the Marathon Club.

The survey sought participants’ views about the role and responsibilities of the institutional investment management community, as well as their views on the promotion of good corporate governance, corporate responsibility and integration into the investment management process.

The survey found that 83% of senior investment professionals support the promotion of good corporate governance (CG) and corporate responsibility (CR) in investee companies, although, as the findings showed, there is considerable potential to improve how such a strategy could be pursued¹.

The key highlights of the survey included:

- **Portfolio performance will improve if the investment horizon is lengthened.** Over 30% of respondents believe that the most important way to improve corporate behaviour, performance and ultimately portfolio performance is to lengthen the investment horizon. The next most important factors were: better integration of extra financial information [26%], terms (or duration?) of engagement [16%], collaboration [15%] and withstanding short-term market trends/cycles [12%].
- **Good corporate governance and responsibility add value.** There was a strong belief that the promotion of good CG and CR is an opportunity rather than an obligation. Over 88% [CG] and 80% [CR] of respondents agreed that these policies would help to manage a fund’s investment risks and long-term return prospects² more effectively.
- **Integrating CG and CR into the core investment process is important.** The survey revealed a strong desire to integrate CG and CR factors into buy/sell decisions and core investment processes, with 90% support for CG and 80% for CR. There was significantly less support amongst respondents for using a specialist index [50%] or screening/divestment [50%].
- **Over-emphasis on returns relative to an index impedes CG and CR implementation.** Despite the generally strong support for CG and CR, opinions were divided as to whether or not these factors should be integrated into the way that fund managers are selected and reviewed, with excess returns to an index being the preferred performance metric³. Only 50% of

¹ Good corporate governance (CG) was defined to encompass good management practices and corporate decision-making, with an appropriate board structure and control mechanisms in place to promote this outcome. Good corporate responsibility (CR) was defined as doing business ‘responsibly’, namely considering the impact of a company’s activities on its long-term performance prospects, its stakeholders and the environment in which it operates.

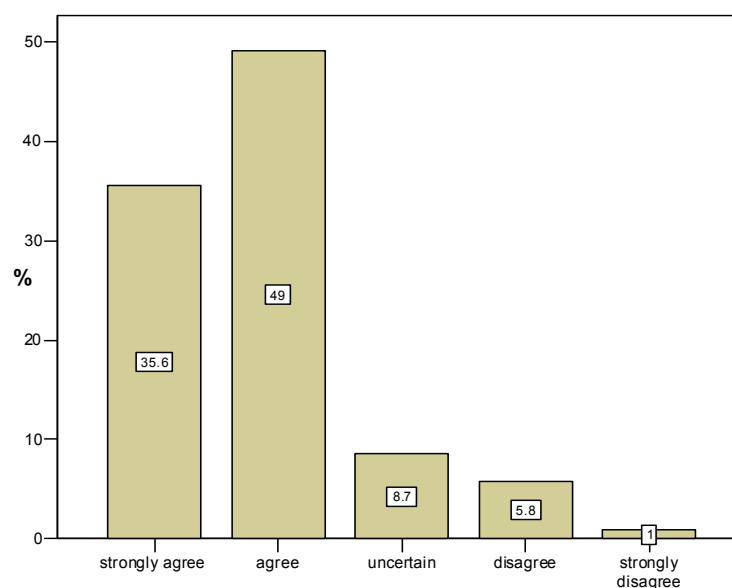
² This was further reflected in the widely held view that the promotion of good governance [83%] and corporate responsibility [77%] is compatible with a fund’s fiduciary obligations.

³ Whilst only 4% of respondents rated actively investing against an index as the most important component of the investment process for achieving long-term returns, over 30% still reportedly believe that excess return to an index is the most important factor when reviewing portfolio performance on a quarterly and annual basis.

respondents believed that CG and CR should be a part of this core review process. This was notably lower than the belief that good governance [88%] and responsible practices [80%] were advantageous.

- **A link exists between job roles and CG and CR views held.** Whilst trustees and investment consultants were as supportive of CR as they were CG, fund managers, fund executives and corporate governance specialists were notably less supportive of CR than CG⁴. And contrary to popular perception, the survey showed that fund managers were more preoccupied with performance relative to an index than trustees⁵.
- **Strong support for collaboration exists amongst the investment community.** In terms of the implementation of CR and CG policies, there was widespread support for collaboration amongst institutional investors, with 85% of respondents agreeing that more could be achieved if institutional investors worked together to encourage good CG and CR (as indicated by the chart below). Respondents also exhibited a marked preference for engagement and voting via a specialist team [70%], over using a specialist index [50%] or screening/divestment [50%].

If institutional investors worked together to encourage CG and CR they would achieve more than on their own



⁴ 100% of the investment consultants and trustees surveyed expressed some support for the promotion of good CG and CR either always or sometimes, whereas fund managers, fund executives and corporate governance specialists expressed 100% support for CG, but 94%, 70% and 71% support respectively for CR.

⁵ The survey found that five times as many fund managers ranked relative performance as the *most* important factor when reviewing portfolio performance compared with those that ranked it as the *least* important factor. This contrasted with the results for trustees, fund executives and investment consultants where the relative rankings were more evenly split. This group generally held that relative returns are the most important factor, but the strength of opinion was less overwhelming than amongst fund managers.

Implications for the investment community

The practical implications of the survey findings include:

- **The meaning of long-term investment needs to be clarified across all investment agents.** The responses to the questionnaire suggest that there is some uncertainty as to what long-term investing means in practice⁶. There is a need to clarify amongst different agents what ‘lengthening the investment horizon’ actually entails (and how it differs from withstanding short-term market trends/cycles), such that it can be more reliably integrated into the investment management and performance evaluation process. This might include reassessing how this goal is defined in a fund’s Statement of Investment Principles (SIP) and/or investment philosophy, process and mandate specifications.
- **Long-term performance metrics need to be better integrated into performance evaluation.** As noted earlier, the survey found an over-reliance on relative returns to an index when it comes to evaluating portfolio performance. This was particularly pronounced amongst fund managers. There is a need to identify and better integrate long-term performance metrics into the fund manager performance review process, shifting the emphasis away from relative returns and towards those factors thought to add value to a portfolio’s long-term performance.
- **Identify better ways to integrate good CG and CR into the core buy/sell decisions of portfolio managers.** A strong preference was expressed towards integrating good CG and CR practises into buy/sell decisions, as opposed to managing against a specialist index, or even utilising a specialist team of analysts, warranting further consideration of issues such as training and investment and performance evaluation processes to achieve this aim.

Issues for further research

The survey findings, particularly those areas where there was greatest dispersion in views or uncertainty, revealed a number of issues where there is scope for further research, including:

- **Use of specialist indices by passive and active managers.** Further consideration is warranted of when/if specialist indices should be used, particularly given that the survey found there is relatively weak support for such indices. A collaborative project with index constructors could prove beneficial.
- **The role that specialist teams play** in implementing a policy of long-term responsible investing and in other relevant engagement activities. For example, in light of the strong preference shown by survey respondents to integrating CR and CG into the buy/sell decision making process, further consideration should be given to how such teams can be better integrated with fund management teams and the core investment process..

⁶ For example, despite ‘lengthening the investment horizon’ being ranked as the most important factor to bolster corporate and portfolio performance, the ability to ‘withstand short-term trends and cycles’, which was included in the same question, was given the lowest ranking. This suggests that respondents either do not think that resisting short term trends/cycles is related to lengthening the investment horizon, or that there may be some inconsistency in beliefs about what short-termism means.

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- **How institutional investors should collaborate to lengthen the investment horizon and to integrate CG and CR into the way that assets are managed.** The apparent strong support for collaboration on certain issues warrants greater clarification as to when it is likely to be most beneficial to help achieve a fund's objectives, and when there might be risks from such activities.
 - **Further research into these issues will be carried out by the Marathon Club in the short to medium term.**

The Findings in Depth

In this section we look at the findings in detail, categorising them under four broad headings, which reflect the tone of responses:

- Strong consensus
- Disparate views
- Contradictions
- Uncertainty

Strong consensus

The findings reported in this category relate to questions where a significant majority of respondents had similar views.

Worldview beliefs [Survey reference Question 7]

- Over 81% of respondents agree or strongly agree that **globalisation** has increased the need for institutional investors to encourage good corporate governance and responsibility in investee companies.
- Over 83% of respondents agree or strongly agree that institutional investors are large and **powerful owners** of corporate equity and have a responsibility to members/society to encourage good corporate governance and responsibility in investee companies.
- Two thirds of respondents agree or strongly agree that many investors of institutional assets place too much weight on **short-term** considerations when making investment decisions.
- Around 85% of respondents agree or strongly agree that if institutional investors **collaborated** to encourage good CG and CR in investee companies they would achieve more than they can do on their own.

Corporate governance [Survey reference Questions 8 – 10]

- Over two thirds of respondents believe that institutional investors should encourage good **corporate governance** in investee companies *all the time* and 32% believe this is necessary *some of the time*.
- Over 88% of respondents agree or strongly agree that encouraging good CG will help to better manage **investment risks** and bolster long-term shareholder value and **investment returns**.
- One third of respondents strongly agree that encouraging good CG is compatible with **fiduciary obligations**, whilst an additional 50% agree with this statement.
 - When this was analysed by job function it was shown that fund managers and consultants strongly agree with this proposition, whilst fund executives and trustees predominantly tended to agree (rather than strongly agree).

Corporate responsibility [Survey reference Questions 11 – 13]

- Over 50% of respondents believe that good **corporate responsibility** in investee companies should *always* be encouraged, whilst 38% believe that it should be encouraged *sometimes*.

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- Around 80% of respondents believe that encouraging good CR will help to better manage **investment risks** and bolster long-term shareholder value and **investment returns**.
 - Around 20% of respondents strongly agree that encouraging good CR is compatible with **fiduciary obligations**, whilst an additional 57% agree with this statement.
 - When this data was analysed by job function it showed that fewer fund/portfolio managers and consultants agree with this statement than when asked about CG, with more of their responses falling into the ‘uncertain’ and ‘disagree’ categories. In contrast, executives’ and trustees’ views tended to stay the same as they were for CG, with a slight increase in the number of uncertainties.

Motivation for pursuing good CG and CR [Survey reference Questions 9 and 12]

- Almost half of respondents believe that the most important reason for **encouraging good CG** is because it will be beneficial for the fund in the long term. Around 30% of respondents believe that demand from government and beneficiaries are the most important reasons for pursuing good CG.
- Around half of respondents also believe that the most important reason for **encouraging good CR** is because it will be beneficial for the fund in the long term, whilst 18% of respondents believe that demand from government is the most important reason.

Integration into investment process [Survey reference Questions 17 – 19]

- Whilst the majority of respondents reportedly support the promotion of good CG and CR practises and believe that these should be integrated into the investment process all the time, when asked whether these factors should be formally integrated into the **selection and evaluation of fund managers**, it was predominantly fund executives and trustees who believe it should *always* be part of the formal review process, whilst fund/portfolio managers and consultants predominantly believe that this is necessary only *sometimes*.
- Over 90% of respondents either strongly agree or agree that active managers should integrate *corporate governance* analysis into their **buy/sell decisions**, with over 80% strongly agreeing or agreeing that *corporate responsibility* should be integrated.
 - There is a preference amongst respondents towards integration of good CG/CR practises into buy/sell decisions and the core process (for active managers), more so than employing a specialist stand-alone team and/or using a specialist index. This question did not ask respondents to comment on whether they thought that a specialist team could help in the process to achieve integration into buy/sell decisions. For this reason, the link between a specialist team and integrating CG/CR into the core process may warrant further study, as suggested earlier.
- For actively managed funds, almost 60% of respondents believe that a **specialist team** of analysts should be employed to research, vote and engage with companies on relevant CG and CR issues. This figure was noticeably higher for passive funds at over 70%.

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- Over three quarters of respondents agree or strongly agree that fund managers should **collaborate** in the pursuit of good corporate governance and responsibility in investee companies [78% for active and 80% for passive funds].

Disparate views

Here we consider questions and issues where there was some disparity in responses given:

- Almost 40% of respondents believe that **free-riding** undermines the potential success of good CG and CR whilst over 30% believe this is not the case, with the remainder being uncertain as to whether free-riding is a problem or not. [Reference question 7, sub-question 6 of the survey]
- Around 35% of respondents disagree and 18% strongly disagree that active managers should **screen/divest** using specific CG and CR criteria. Whilst 29% agree with the statement, no respondents strongly agree and more than 17% are uncertain. [Reference question 18, sub-question 1 of the survey]
- Half of the respondents disagree or strongly disagree [50%] that *active* investors should manage against a **specialist index** that incorporates CG and CR, such as the DJ Sustainability or FTSE4Good indices. Almost a third of respondents are uncertain, whilst 18% agree or strongly agree with the statement. [Reference question 18, sub-question 5 of the survey]
- Almost 40% of respondents were uncertain as to whether *passive* investors should select a specialist index that incorporates CG and CR. Over a third of respondents disagree or strongly disagree, whilst a quarter either agree or strongly agree with the statement. [Reference question 19, sub-question 2 of the survey]
 - The weak support for specialty indices is consistent with the reported reluctance to screen/divest, as such indices might be seen as removing some of the flexibility for managers in terms of sector and stock selection. There may also be some concern that by using a specialist index, pension funds would be seen to be putting CG and CR issues first and may therefore be perceived as being specialist funds rather than mainstream investors.

Contradictions

Here we summarise the questions and issues where there were some contradictions within the responses given:

- Just under half of respondents believe that the most important component of the investment process for **achieving long-term returns** is asset allocation. Absolute return investing received almost 20% of respondents' votes as being the most important factor, followed by passive investing [17%] and engagement [12%], whilst less than 4% believe that actively investing against an index is the most important factor. [Reference question 14 of the survey]
 - Despite the weak support for actively investing against an index, a subsequent question on the most important factor when **reviewing portfolio performance** on a quarterly and annual basis ranked excess returns above a benchmark as the most important [with over 30% of respondents ranking this as the most important]. The survey findings suggest that there may be a discrepancy between what factors agents

believe will help to achieve long-term performance and the criteria upon which portfolio performance is actually being monitored. [Reference question 16 of the survey]

- Most notable is the drop in support for assessment against absolute returns when it comes to reviewing portfolio performance, even though absolute returns gained strong support for achieving long-term returns in the preceding question.
- Further analysis of the survey data on this issue found that fund managers had a much higher proportion of respondents that rated excess returns above an index as the most important factor in reviewing portfolio performance. Contrary to popular perception, this survey suggests that fund managers rather than trustees and consultants are more preoccupied with relative performance.
 - This suggests a need to re-evaluate the performance review process that predominantly over-emphasises relative returns and encourages fund managers to do the same.
- Over 30% of respondents believe that the most important way to improve corporate behaviour, performance and ultimately portfolio performance is to **lengthen the investment horizon**. The next most important factors were better integration of extra financial information [26%], engagement [16%], collaboration [15%] and withstanding short-term market trends/cycles [12%]. [Reference question 15 of the survey]
 - Despite ‘lengthening the investment horizon’ being ranked as the most important factor to bolster corporate and portfolio performance, the ability to ‘withstand short-term trends and cycles’, which was included in the question, was given the lowest ranking. This suggests either that respondents do not think that resisting short term trends/cycles is related to lengthening the investment horizon, or that there may be some inconsistency in beliefs about what short-termism means.
- The lower level of support for having a specialist team undertaking **research, voting and engagement activities** (in contrast to integration into the core buy/sell decision) might seem to be at odds with the fact that support for engagement is (relatively) high. For example, 16% of respondents believe that engagement is the most important way to improve corporate behaviour, performance and ultimately portfolio performance.
 - There may be a need to clarify whether different agents believe that engagement is an inevitable consequence of integrating these factors into the investment process and if so, to what extent this belief relates to the reality of how a fund is actually being managed.

Uncertainty

The following points highlight the areas where respondents express a relatively high level of uncertainty regarding some of the issues raised. Interestingly their concerns relate more to the questions on investment process, rather than to investment beliefs. The areas that may warrant further consideration/clarification include:

- **Specialist index** – Almost a third of respondents are uncertain as to whether active managers should use a specialist index, whilst closer to 40% are uncertain whether passive managers should use such an index. [Reference questions 18 and 19 of the survey]

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- As noted earlier in this report, there appears not only to be a significant divergence in views when it comes to the use of specialist indices, but also a high level of uncertainty as to their relative merit.
 - When analysed by job function, most categories reported a high level of uncertainty, with 40% of trustees uncertain, 35% of portfolio managers and fund executives and 25% of CG specialists. The only category with a low level of uncertainty was investment consultants, with almost all consultants believing that a specialist index should *not* be used.
 - The high level of uncertainty and strong view held by consultants on the use of specialist indices may warrant further attention to clarify some of the issues such as the impact on performance, relative flexibility/rigidity, the diversification effects as well as the effect on perceptions about the focus of the pension fund (mainstream versus specialist manager).
 - **Specialist team of analysts** – For active managers, nearly 20% of respondents are uncertain as to whether a specialist team of analysts are required to assist in implementing a CG/CR policy. The level of uncertainty was lower for passive managers, with only 12% being uncertain, and the majority supporting specialist activities. [Reference questions 18 and 19 of the survey]
 - When analysed by job function, it was found that the highest proportion of uncertainty (as a % of total responses) was reported by consultants [44%], followed by portfolio managers [17%] and trustees [13%]. A significant majority of trustees and executives were in agreement or strong agreement with the proposition that a specialist team of analysts are required, whilst portfolio manager views were more disparate across agreement, disagreement and uncertainty.
 - Uncertainty regarding the use of a specialist team might be related to how such a team fits within a fund's core investment team and process. Preliminary analysis⁷ found that the two-team approach to good CG and CR may not always support the true integration of CG and CR into the buy/sell decision, particularly when the role and responsibilities of the core investment and specialist teams are not well integrated.
 - The options for integrating two teams (such as how to integrate good CG and CR into buy/sell decisions and engagement activities into the core investment process) may warrant further consideration to clarify the role and responsibilities and inter relationships between different team members in the investment management process.
 - **Collaboration** – Whilst there was generally widespread support for collaboration amongst respondents, there was also a reasonably high percentage [19%] that were uncertain as to whether pension funds should collaborate because they are competing for excess returns. [Reference question 7, sub-question 8 of the survey]
 - When analysed by job function, it was found that portfolio managers and trustees reported the highest level of uncertainty on this question

⁷ This analysis was conducted as part of a Phase 1 report prepared for the Marathon Club as a precursor to the questionnaire.

(with approximately a quarter of respondents in these categories falling into the uncertain category), with around 10% of fund executives and no consultants reporting to be uncertain. Indeed, almost all consultants were strongly of the view that collaboration is viable.

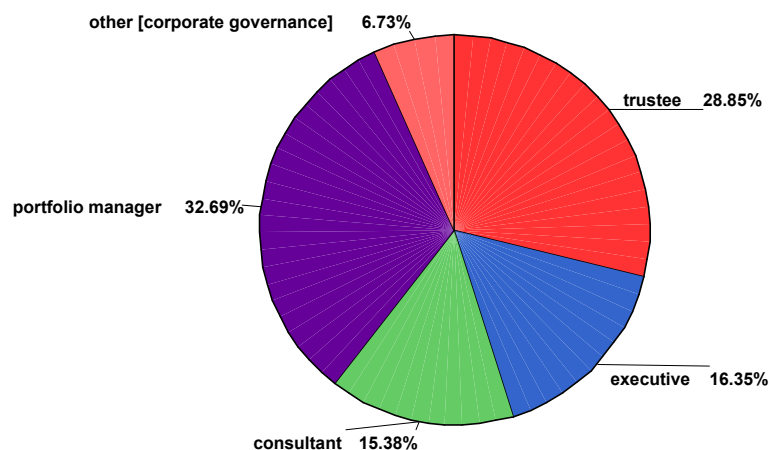
- It may be beneficial to consider addressing the issue of collaboration amongst investment agents to address these uncertainties and identify when collaboration is likely be most advantageous and when it is likely not to be.

Survey participants

The questionnaire targeted high-end decision makers in the mainstream investment management community and compared the views of the different agents involved. The response rate was around 60%, with 104 responses used in the final analysis.

- The majority of respondents represented mainly actively managed funds or more active than passive funds [70%] and had over 10 years' work experience [80%], with the majority having a finance/economics or business/management background.
- The profile of respondents was heavily weighted towards high-end decision makers in the investment management chain (with 60.5% of respondents representing trustees, fund executives and investment consultants combined), as indicated by the chart below:

Job Function (as % total respondents)



Copy of Questionnaire

Background

- This questionnaire is part of a two-phase project commissioned by the Marathon Club.
- The data will be used to produce research reports that study investment beliefs about the promotion of good corporate governance and corporate responsibility in investee companies through the way in which institutional assets are managed.
- The study targets the decision makers pertinent to the investment management process including pension fund trustees, pension fund executives, investment consultants and fund managers.
- The estimated time to complete this questionnaire is 20 minutes.

Terminology

There are many possible interpretations of what “good corporate governance and corporate responsibility” mean. For the purposes of this questionnaire, they will be broadly defined as follows:

- Good corporate governance (CG) = good CG is defined to encompass good management practices and corporate decision-making, with an appropriate board structure and control mechanisms in place to promote this outcome.
- Good corporate responsibility (CR) = is about doing business ‘responsibly.’ That is, considering the impact of company activities on its long-term performance prospects, its stakeholders and the environment in which it operates.

Section 1: Introductory questions

1. Please state the name of the pension fund that you represent / advise:

2. Please indicate whether you intend to complete this questionnaire with responses that reflect:
 - a). Your own personal view
 - b). The house view of the institution that you represent / advise
 - c). Uncertain
3. Please circle one of the following that best describes your job function:
 - a). Pension fund trustee
 - b). Pension fund executive
 - c). Investment consultant/advisor
 - d). Fund/portfolio manager
 - e). Other (please specify) _____
4. Please circle one of the following to indicate the extent to which the investment institution that you represent/advise has adopted a passive or active investment strategy:
 - a). Mainly passive
 - b). Mainly active
 - c). More passive than active
 - d). More active than passive
 - e). Roughly equal active and passive
5. Please circle one of the following to indicate approximately how many years you have worked in the investment management (or related) industry:
 - a). 0 to 5 years
 - b). 5 to 10 years
 - c). 10 to 20 years
 - d). More than 20 years
6. Please indicate which of the following best describes your training/education background:
 - a). Finance/Economics
 - b). Business/Management
 - c). Natural science/Developmental studies
 - d). Arts/History/Law
 - e). Other (please specify) _____

Section 2: Worldview beliefs

7. The following table provides a set of statements related to the wider context in which institutional investors might encourage good corporate governance (CG) and corporate responsibility (CR) in investee companies. Please indicate to what extent you agree or disagree with each statement.

(For each question place a tick in the appropriate column)

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Globalisation has changed the investment environment and increased the need for institutional investors to encourage good CG and CR in investee companies					
Institutional investors are large and powerful owners of corporate equity and have a responsibility to members/society to help promote good CG and CR					
Many investors of institutional assets place too much weight on short-term considerations and under weight long-term fundamentals when making their investment decisions					
If institutional investors worked together to encourage good CG and CR in investee companies they would achieve more than what they could do on their own					
The role of institutional investors is to maximise financial returns, not to save the world					
It is the role of government and not institutional investors to ensure that corporations behave appropriately					
When other investors free-ride off efforts to promote good CG and CR it undermines the potential success of such activities					
Pension funds are competing for excess returns in the market, hence collaboration is not a viable tool for influencing corporate conduct					

Section 3: Corporate governance

8. Do you think that institutional investors *should* encourage good corporate governance in investee companies? Please circle one of the following:
- a). No, never [Please go to Question 10]
 - b). Yes, sometimes
 - c). Yes, always
 - d). Uncertain
 - e). Other (please specify) _____
9. *Why* do you think that good corporate governance in investee companies should be encouraged? Please rank the following in order of importance from 1–5: (5=most important):
- ___ It would be beneficial for the fund in the long-term
 - ___ It is increasingly being demanded by beneficiaries
 - ___ It is increasingly being demanded by the government (through regulatory changes)
 - ___ It would be consistent with the principles of the company underlying/connected to the fund
 - ___ It would help the market to function more efficiently and improve economic, corporate and portfolio performance
10. The following table provides a set of statements related to institutional investors' promotion of good corporate governance in investee companies. Please indicate to what extent you agree or disagree with each statement.
- (For each question place a tick in the appropriate column)

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Encouraging good corporate governance in investee companies will help to better manage investment <i>risks</i>					
Encouraging good corporate governance in investee companies will help to bolster long-term shareholder value and <i>investment returns</i>					
Encouraging good corporate governance in investee companies is compatible with <i>fiduciary obligations</i>					

Section 4: Corporate responsibility

11. Do you think that institutional investors *should* encourage good corporate responsibility in investee companies? Please circle one of the following:
- a). No, never [Please go to Question 13]
 - b). Yes, sometimes
 - c). Yes, always
 - d). Uncertain
 - e). Other (please specify) _____
12. *Why* do you think that good corporate responsibility in investee companies should be encouraged? Please rank the following in order of importance from 1–5: (5=most important):
- ___ It would be beneficial for the fund in the long-term
 - ___ It is increasingly being demanded by beneficiaries
 - ___ It is increasingly being demanded by the government (through regulatory changes)
 - ___ It would be consistent with the principles of the company underlying/connected to the fund
 - ___ It would help the market to function more efficiently and improve economic, corporate and portfolio performance
13. The following table provides a set of statements related to institutional investors' promotion of good corporate responsibility in investee companies. Please indicate to what extent you agree or disagree with each statement.
- (For each question place a tick in the appropriate column)

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Encouraging good corporate responsibility in investee companies will help to better manage investment <i>risks</i>					
Encouraging good corporate responsibility in investee companies will help to bolster long-term shareholder value and <i>investment returns</i>					
Encouraging good corporate responsibility in investee companies is compatible with <i>fiduciary obligations</i>					

Section 5: Investment process

14. Which of the following do you think are most important for institutional investors to fulfil their long-term objectives and fiduciary obligations? Please rank in order of importance from 1–5:

(5=most important)

- ☐ Asset allocation
- ☐ Actively investing against an index
- ☐ Passively investing in an index
- ☐ Absolute return investing
- ☐ Engagement

15. What do you think would help to improve corporate behaviour and performance and, ultimately portfolio performance? Please rank the following in order of importance from 1–5:

(5=most important)

- ☐ Lengthen the investment horizon
- ☐ Better integration of extra-financial and intangible information into decisions
- ☐ Be more willing to withstand short-term market trends and cycles
- ☐ Engage with companies on wider issues relating to CG and CR
- ☐ Collaborate with other institutional investors on wider issues relating to CG and CR

16. In your opinion, what are the most important factors when reviewing a pension fund's performance on a quarterly and annual basis? Please rank the following in order of importance from 1–5:

(5=most important)

- ☐ Excess returns above a specified index/benchmark
- ☐ Minimise tracking error relative to an index/benchmark
- ☐ Absolute portfolio returns
- ☐ Adherence to investment process and guidelines
- ☐ Engagement with investee companies and the outcome

17. Please circle one of the following to indicate whether you think the appointment and ongoing performance of fund managers should include a formal assessment of their process for encouraging good CG and CR in investee companies:

- a). No, never
- b). Yes, sometimes
- c). Yes, always
- d). Uncertain
- e). Other (please specify) _____

18. The following table provides a set of statements related to *active* investment institutions and the integration of good CG and CR into the investment process. Please indicate to what extent you agree or disagree with each statement.

(For each question place a tick in the appropriate column)

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Fund managers should screen and divest from companies/sectors on the basis of specified CG and CR criteria					
Fund managers should integrate <i>corporate governance</i> analysis into their buy/sell decisions					
Fund managers should integrate <i>corporate responsibility</i> analysis into their buy/sell decisions					
A specialist team of analysts should be employed to research, vote and engage with companies on relevant CG and CR issues					
An index should be selected that integrates these considerations (e.g. DJ Sustainability Index, FTSE 4 Good)					
Fund managers should collaborate on CG and CR issues					

19. The following table provides a set of statements related to *passive* investment institutions and the integration of good CG and CR into the investment process. Please indicate to what extent you agree or disagree with each statement.

(For each question place a tick in the appropriate column)

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
A specialist team of analysts should be employed to research, vote and engage with companies on relevant CG and CR issues					
An index should be selected that integrates these considerations (e.g. DJ Sustainability Index, FTSE 4 Good)					
Fund managers should collaborate on CG and CR issues					