# Parking the Performance. Importance of the Non-Financial Environmental, Social and Governance Factors of Responsible Investing. A Quantitative Assessment of Investment Managers & Investors in the Irish Investment Industry.

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## Abstract

Parking the Performance. Importance of the Non-Financial Environmental, Social and Governance Factors of Responsible Investing. A Quantitative assessment of Investment Managers & Investors in the Irish Investment Industry – Terry James

This paper will look at the topic of responsible investing and specifically the application of non-financial factors such as Environmental, Social and Governance within the Irish investment industry. Some see responsible investing as an element to investment that in turn creates profit and greater return than conventional investing. While others see it as a chance to stimulate change and help generate sustainable investment.

As will be shown throughout this dissertation the vast amounts of current literature on the subject of responsible investing focuses mainly on whether or not applying this methodology in the investment decision-making process helps to bring about superior financial returns versus that of its peers which choose not to implement.

It is, therefore, this papers aim to carry out in-depth research into the frequently overlooked non-financial aspect such as Environmental, Social and Governance factors to see if Investment Managers & Investors in the Irish investment industry are willing to adopt these practices or do they threaten the potential to maximise returns and increase monetary wealth for their clients and themselves?.

This paper firstly focuses its attention on the current academic literature on the subject as well as conducting a quantitative online questionnaire with Investment Managers & Investors at the forefront of its adoption and application. From these two approaches, analysis & results are collated that highlight concerns and barriers to full-scale adoption of Responsible Investing within the Irish Investment Industry. This paper then goes onto look at the future of such methodologies as well as recommendations for future research on the subject matter.

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## Introduction

With so much focus surrounding Responsible Investing (RI) being purely based on whether or not investing responsibly brings excess returns over that of traditional funds and portfolios it's important to look at the non-financial factors (Little, 2016). This research paper examines the importance of other factors concerning RI other than financial performance. Using Environmental, Social and Governance (ESG) factors as an example this paper will try to determine the effect of such considerations and their role in influencing societal and environmental and governance considerations that make-up part of the investment management decision making process.

RI has become increasingly more important to Investment Managers & Investors around the world in an age where climate change, sustainability and active ownership (stewardship) have all managed to attract a significant amount of attention in recent years (Zadeh & Serafeim, 2018). As a result of this increased attention, it remains a constant challenge for those in the investment management industry to implement RI in the decision-making process whilst also having to improve their profitability, comply with regulations and become more positive contributors to society (Revelli, 2017).

The aims here are to:

1, Assess previous material on this topic utilizing a literature review to investigate and understand RI in the investment industry and the application of ESG considerations specifically. From the literature review, I plan to ascertain the current views of the investment industry and whether financial performance is its main priority.

2, It is then the aim of this paper to use the knowledge gained from the literature as well as an online questionnaire, evaluating Investment Managers & Investor's views as to the concerns and barriers that may be affecting the adoption of RI and ESG & therefore lack of research surrounding non-financial factors such as ESG.

3, The third step will be to collect and analyse recommendations provided by the literature and online questionnaire to access improvements and amendments Investment Managers and Investors could take into account to help benefit the Investment management industry.

RI is distinguished from ethical, norms-driven investing, as an investment philosophy dating to the 1800s based around moral values, ethical codes or religious beliefs (Brandon and Krueger, 2018) and originally rooted in the negative screening of investments in sensitive sectors, such as slavery-derived goods, alcohol, tobacco, pornography and firearms (also known as “Sin” sectors). Under this approach, ensuring investment was limited to companies that met the Investor’s moral criteria was the focus (Svirydzenka, 2016). RI in more recent years that has now evolved into a holistic approach intended to balance an Investor’s ideals with performance considerations, and typically seeks to achieve a trade-off between social and financial objectives.

As a result of this recent approach, Corporations have started to see an uptake in their shareholders and employees asking specific questions of them concerning their societal role and how they need to put more focus on being positive contributors to society (Bhattacharyya and Cummings, 2015). Is it no longer just about the bottom line for these companies? Or do ESG factors now also play a significant role? These types of questions not previously asked of institutions are now being demanded as to how corporations are helping to make a positive contribution to society (Kyriakou and Belias, 2017) as well as much academic literature emerging around such questions (Griffin and Mahon, 1997; Jones and Wicks, 1999),

RI is commonly viewed as from a three-tiered approach; an investment product; as those who buy and sell shares on stock markets do so based on ESG factors. A fundamental process: of using RI indicators and measures to gauge how well institutions are adhering to their ethical responsibilities and helping companies to improve their ESG records (Friede et al, 2015). And as a critical process; where stakeholders and clients alike help to bring about responsible change in the day to day operations of the companies they invest in from an environmental and sustainable viewpoint. By engaging in RI, Investors take into account environmental, social, governance and ethical issues in the investment process (Scholtens &

Sievanen, 2012; Renneboog et al, 2008). While it has many different guises RI's one common goal is to succeed in value creation.

RI was originally borne out of frustration that not enough was being done from an ethical standpoint of investing. Individuals felt the need to demand change on the effect's individuals and corporations were having on the environment, to attempt to decrease our carbon footprint and to also maintain sustainability across the globe (Przychodzen, 2016).

Like most of the investment industry, much of the focus of RI has unsurprisingly been purely based on financial performance (Klein, 2015) with ample literature also failing victim to focusing on the excess returns that RI funds and portfolios can help bring for its Investors as will be seen later in this paper.

But how well has it done as a driver of change and what is in store for RI looking into the future? Is RI about more than just providing better financial performance than its peer and should other ESG issues such as those pointed out in the below also be taken into account?


Figure 1 - Companies impart social costs and benefits to society
Source: Schroders 2019

## Literature Review

As mentioned previously whilst RI has been studied in depth by many in academia the research has been mainly based around the financial performance aspect (Derwall, Bauer, & Koedijk 2005; Galema, Plantinga, & Scholtens, 2008; Renneboog, Horst, & Zhang. 2008; Edmans, 2011) often ignoring the ESG factors that were at the cornerstone of why these funds and portfolios were conceived originally (Lydenberg, 2002). To gain a clearer picture of the relevance of these past studies, they will be classified into 4 groups: 1, Screening approach; 2, The Rise In Popularity of RI; 3, The Introduction of RI Specific Funds & Portfolios & 4, The importance of RI Post Global Financial Crisis of 2008.

### 1, Screening Approach (Positive & Negative)

A screened approach can be achieved either by investing in a separate investment product or through a segregated account with an Investment Manager able to implement customized screens. Usually, the rationale for using a screened approach will be to align the investment fund/portfolio with an organization's values or its views on stocks that are unacceptable (negative screening) or favoured (positive screening) for ethical or reputational purposes (Schwab, 2015).

Positive - This refers to the exclusion of company's stocks involved in activities or products with a perceived negative impact on society, such as armaments manufacturing, tobacco production, gambling, alcohol and animal testing or companies with poor records of ESG performance regularly referred to as "sin" stocks. Although some exclusion decisions are driven by ethical/moral considerations, (Renneboog et al, 2008), a more financial perspective to exclusions is emerging (de Colle and York, 2009). Some studies, for example (Hong and Kacperczyk, 2009), show that the construction of coal-free and/or fossil-fuel-free portfolios — and more recently, tobacco-free portfolios — will, over the long run, deliver the best investment outcomes, due to shifts in legislative practices and technology but sceptics also note that so-called 'sin' stocks have traditionally outperformed; tobacco, for example, has historically been the best-performing stock market sector (O'Mahony, 2020). Positive screening can be implemented in a range of ways, such as passive overweighting of high-scoring stocks according to some predetermined criteria or as a defined starting point to establish a universe for themed or ESG integrated funds.

Negative - This refers to the inclusion of stocks/bonds based on whether the company has a positive ESG trait, such as a high overall ESG score, belonging to a certain industry sector or displaying other favourable characteristics desirable to the Investor or its beneficiaries. The academic literature as to the ethical issues surrounding negative screening is vague. Some studies suggest that negative screening should be implemented by Investment Managers and demanded by Investor's due to these portfolios having better returns (Hong and Kacperczyk, 2009), others argue this is not the case (Lobe and Walkshausl, 2011) & excluding the so-called "sin" stocks has barely any effect at all (Salaber 2009; Durand, Koh, & Limkriangkrai, 2013; Salaber 2013; Humphrey and Tan, 2014).

Negative screening has traditionally been associated with "ethical" funds, particularly those that offer an RI/ethical version of a mainstream investment strategy. However, even among Investors that do not come from a particular ethical perspective, most would support some element of negative screening; that is, based on generally accepted behavioural and legal norms (Schramade, 2016). For example, a strong normative basis exists for the exclusion of companies involved in the production of cluster bombs or landmines, nuclear weapons, or the use of child labour or modern slavery. As noted, however, negative screening may also be undertaken for financial reasons as a study in 2003 states that there is only slight evidence of negative relationship when it comes to a company's social performance and its financial performance where it's even suggested there is often a positive relationship between the two (Margolis and Walsh, 2003).

Much of the primary literature based around RI is focused on the struggles South Africa faced as part of its apartheid between 1948 and the early 1990s. The South African divestment campaign remains a strong reference point in modern RI literature (Hebb & Louche, 2014, Capelle-Blancard & Monjon, 2012).

One of the first studies to take on new-age RI literature focused on whether or not companies willing to invest responsibly could generate higher returns whilst in tandem being able to generate benefits for Investors that were more geared towards wanting ethical & societal changes (Moskowitz, 1972). Many studies since Moskowitz work on the choosing of socially responsible stocks in 1972 then went on to focus most of their attention on financial performance rather than adding to this theory. This will be looked at further in this paper to determine the need for greater input from a Investment Managers and Investor's standpoint looking into how investing in RI can help bring about other positive benefits other than just financial performance.

## 2, The Rise in Popularity of RI

A major shift was seen in its demand during the mid-1990s and RI started to attract greater interest when sweatshop scandals erupted at public corporations, leading unionised workers to move their pension fund assets away from those organisations (Yan et al 2018, Rivoli, 2003). Where once RI was seen as an optional add on it had now had started to be seen as a required element of any Investment Managers offering, however much of the focus around RI was still based on its investment returns rather than determining its other effects such as Environmental, societal and surrounding governance (Eichholtz, Kok & Quigley, 2016). New studies were starting to be carried out to try and measure the different types of applications of RI and what these can do for the Investor. Such was the research by (Kempf & Osthoff, 2007) that stated that more and more Investment Managers are applying RI screens when building their stock portfolios raising the question of whether these managers can increase the performance of such funds/portfolios by incorporating RI screens into their investment process. This was further developed by others who went onto look at the curvilinear effects these screens had on the financial performance (Chen et al, 2018).

At the forefront of recent developments in RI is an integrated approach to considering ESG factors as part of the investment process (Johnsen 2003; Eccles and Viviers, 2011). Managers adopting this approach are typically traditional fund management companies that have begun to actively take ESG issues and themes into account in their fundamental research, analysis and decision-making processes. Typically, no sector or investment opportunity is automatically excluded from a portfolio with a study in 2012 showing that any impact on financial performance as a result of this is limited and not substantial

(Capelle-Blancard et al, 2012). Integration determines the ESG "traits of security that may not have been taken into account by that security's price but which may affect its desirability" as an investment. (Alternative Investment Management Association, 2020).

The rationale is twofold:

1. Some managers believe Investors do not consider these issues and are often ignored by significant extra-financial factors that may materially impact the value of their holdings, either negatively or positively. A study of 251 portfolio managers in 2008 which had a response rate of 50% to their questionnaire found that a majority of managers believed that Investors were only concerned about financial performance and therefore believed this was their main concern (Van Fraassen, 2008). This study was consistent with another carried out on financial analysts in 1984. The study also used a questionnaire-based survey and found that in 89% of the cases the stocks the analysts were putting forward to the managers were solely based on financial performance rather than there ESG capability's (Chugh and Meador, 1984). Financial analysts often help managers select certain stocks by carrying out in-depth research into these stocks and putting forward a case for stock selection.

2. Companies that do not pay attention to sustainability issues expose themselves to a range of risks, including physical, regulatory, competitive, litigation and reputational risks that will impact their long-term corporate performance (Mercer, 2020) by ignoring these issues, companies will miss out on associated opportunities.

Some Investors utilize ESG indicators purely for risk-management purposes, whereas others consider these indicators fundamental to idea generation and portfolio construction for alpha generation. Some approach ESG integration with a "Top performer" focus, only using assets that display the most positive ESG indicators within their respective sectors. Such integration considerations can typically lead Investors to make buy/ hold/sell or overweight/underweight decisions. Integration is used in several different ways, across all types of assets.

Some well-developed public market examples are found in listed equities, and, often, the private market examples with the greatest level of ESG integration can be found in real estate. Strategies are likely to share the investment characteristics of traditional strategies in the same asset class; typically, should also be expected to display a longer-term outlook to investing and a responsible approach to stewardship (Chartered Financial Analysts Society, 2020). Placing financial considerations as a driver, this approach overcomes any question of whether incorporating ESG is aligned with fiduciary responsibility. Furthermore, significant financial regulators as well as educational bodies, such as the CFA, have clarified their stances and indicated that financially material ESG factors should be considered in investment decision-making. Integration is therefore being embraced by the broadest set of mainstream Investors.

## 3, The Introduction of RI Specific Funds & Portfolios

The majority of literature around RI specific funds tends to focus more on the passive style of investment management while dismissing the relevance of the active approach of these new types of funds which is heavily criticized by Hamilton, Jo, and Statman, (1993). In their literature, they attempt to move past the issues faced during the apartheid and adopt other ethical screening approaches that were being developed in the 1980s. The latter section of their research is primarily focused around the benefit of RI specific funds versus their traditional counterparts i.e. is it still possible to gain financially whilst also doing good? (Hamilton et al., 1993).

The attraction of RI specific funds lies in the availability of options to cater for all types of Investors and for Investment Managers to work on some of which are listed below. Whether it is fossil-free, low carbon, ethical, sustainable, gender-focused or impact-tilted, ESG funds have a wide variety of themes and strategies. (Chasan, 2020).

### *Themed Funds*

The vast majority of themed funds have a sustainability/environmental focus. These funds have proliferated in recent years with studies showing the emergence of sustainability as a key societal and investment trend driving long-term growth and returns (Edwards, Magee and Bassetti 2007, Zhou and Zhu, 2009). Focus funds or activist funds can be seen as themed funds within the governance area. Funds with a social theme can be found in microfinance, urban regeneration, property and social infrastructure projects (these could also be viewed as impact investment approaches). Sustainability-themed funds can be found most often in:

### *Listed Equities*

Many funds in this category may use positive/negative screening, engagement, integration of best in-sector approaches to investment. They may also have quite wide investment universes. As an example, one such equity fund aims to invest exclusively in global companies providing solutions to sustainability challenges in health, waste and public transport. Other, more-focused examples exist in fields such as renewable energy and water.

### *Fixed Income*

Green-bond investment can be seen as a thematic and/ or impact investment. The product was created to fund projects with positive environmental benefits with the use of proceeds linked to a specific project or asset. Green-bond funds have emerged as an option for Investors to tap into the growth in this market.

### *Property*

A smaller number of specific sustainability-themed funds are emerging in the property sector as high environmental standards become mainstream in real estate investments, reducing the ability to market specialized funds.

### *Alternatives*

Unlisted equity funds have emerged to capture the investment opportunities associated with a broad sustainability theme. Some of these funds may have a venture-capital focus as new technologies emerge to provide solutions to the global environmental challenges. A recent study (Jagadeesh, Kraussl and Pollet, 2015) showed that infrastructure funds can be sustainability-themed or demonstrate a high level of understanding of ESG trends to satisfy end Investors' needs. Other funds include pure-play funds focused on natural resources, such as sustainable forestry or agriculture.

### *Impact investing*

This type of investing has also become popular in recent years with the term having evolved; however, the Global Impact Investing Network (GIIN) defines impact investments as "investments made into companies, organizations and funds to generate measurable social and environmental impact alongside a financial return." (GIIN, 2020) In the context of investment strategies, impact investing has historically referred to private equity, private debt and other alternatives.

A wide variety of potential approaches exist, but a common "traditional" type of impact fund supports small businesses in emerging or underserved markets, either directly or through loans to intermediaries, such as microfinance institutions. Typically, funds investing directly seek firms based on solutions when it comes to directly addressing ESG issues. Other strategies may focus on environmental or social themes, such as sustainable agricultural development or affordable housing.

As a recent development, several providers of investment products and data have also started to isolate universes of public securities that are linked to positive impacts, such as a company's percentage of revenues that could be considered "green."

Certain funds, like Friends First's Stewardship Ethical fund, The Schroders Global Energy Transition Fund and the Impax Environmental Leaders Fund combine these approaches. The funds all conduct ethical screening and avoids companies with "damaging or unsustainable business practices", while also engaging with less-than-perfect companies on how to improve their ESG practices (O'Mahony, 2020).

Products such as these can also be developed with explicit references to applicable United Nations Sustainable Development Goals (SDGs) that they intend to impact. Measuring the impacts of these investments has become increasingly important as demand from investors to understand the impact created by their investments has increased. The Global Impact Investing Rating System (GIIRS) and IRIS+ system within GIIN are prime examples of the ongoing work in this field, in which a multitude of competing methodologies exist. These observes that investment managers in this space are increasingly self-reporting, as clients request detailed information on the impacts they support (GIIN, 2020).

Sparkes, (2001) states that most literature surrounding RI looks solely at stocks and shares and in turn, leaves behind vital issues such as broader societal issues such as community investing, carbon footprint and climate change. There is a concern that the individual funds show little explicit ethical awareness, as their main objective appears to be to maximise investment returns (Sparkes, 2001).

## 4, The importance of RI Post Global Financial Crisis

Following on from the financial crisis of 2007-2008 literature started to look at RI through the lens of how it could play a role in helping to benefit long term economic activity rather than being solely focused on the investment returns that can be achieved regarding its implementation with some stating that there has been a view that enterprises should undertake some social responsibilities besides benefiting shareholders (Carroll & Shabana, 2010).

Another important outcome of the Global financial crisis was the part played by Investment Managers and their responsibility when it comes to active ownership, and often interchangeably, stewardship is an approach whereby Investors seek to use their positions as Investors — or, lately, also as creditors — to influence the activity or behaviour of investees. The aim is usually to bring a corporation in line with best practice in a particular area, to better understand fundamental business drivers related to ESG issues, and, most commonly, to improve standards of responsible investing. In combination with other responsible investment approaches, stewardship should better align the time horizon and interests of the corporation with that of its long-term Investors.

A study carried out in the Journal of applied corporate finance found that companies that made major investments in the issues such as stewardship experienced both higher growth in profit margins and higher risk-adjusted stock returns than otherwise comparable companies showing that stewardship is an integral part of RI (Kotsantonis, Pinney, Serafeim,

2016). Tools range from using proxy-voting rights and undertaking engagement with companies (through verbal and written communication on specific topics) to collaborative engagement with other shareholders to promote systemic change within a certain sector.
For example, Climate Action 100+ is a multiyear initiative coordinated by global Investors with US$30 trillion in assets under management “to engage with the world’s largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.” (Climate Action 100+, 2020).

Stewardship is exercised differently in each asset class. For listed equities, voting and engagement are typical, whereas, in asset classes where voting rights do not exist (such as fixed income), variations in engagement practices are emerging. These tools are increasingly being pursued to reduce risk and enhance long-term financial value. Studies have shown that companies with good corporate citizenship practices on ESG issues are better-managed overall and therefore more likely to outperform in the long term.

The view that stewardship is needed and legitimate (Financial Reporting Council, 2020) has been strengthened by various instances of high-profile corporate governance failings leading to disastrous investment outcomes. Active Ownership is encouraged by regulators, which see the systemic value of stewardship in protecting and strengthening investments. Engagement can be on any issue the investment community believes will protect or enhance shareholder/ stakeholder value. Topics may include environmental management, labour standards, director remuneration, corruption and bribery. Engagement activity is often supported by specific research and analysis. The ability to engage and/or vote will vary depending on the specific regulatory processes in place in the location of the holdings.

Some studies argue that RI funds are more likely to withstand a considerable impact of a downturn in the economy (Gifford, 2010) and that Investors that favour RI is more likely to stay with their investment provider than their traditional investing counterparts. Therefore, in instances of underperformance concerning investment companies adhering to their regulatory responsibilities RI has become an industry standard to help try to govern such institutions and Investors alike.

Financial misconduct also played a part in leading to political intervention from governments regarding RI. In the UK the ruling labour party at the time instituted RI disclosure requirements for pension assets, in turn, have serious global repercussions (Sparkes, 2003). Other major countries such as Germany, Spain, Portugal, and the Nordics quickly followed suit with the Norwegian Sovereign Wealth Fund (SWF) inclusion of RI resulting in some high-profile divestments from large multinational Investors such as Walmart (Vasudeva, 2013).

By 2018, $12 trillion out of $46.6 trillion (26%) of total assets under professional management in the United States was invested in socially responsible investing (RI) strategies (Forum for Sustainable and Responsible Investment, 2018). This is up from $3.74 trillion invested in 2012 and a total of $639million invested in 1995. (Forum for Sustainable and Responsible Investment, 1995; 2012; 2018).

The United Nations (UN) has also got involved in RI by deciding to back the long-awaited Principles for Responsible Investment (PRI) which has c. 3000 signatory's (As at end December 2019) which is a pledge by companies to adopt six key principles around incorporating ESG into their investment practices. RI is also about aligning Investors with broader objectives for society (PRI, 2018).

## Literature Review Conclusion

A key early development in establishing the legitimacy of RI from an Investment Managers perspective was the "Freshfields report" (2005). This report examined the legal implications of integrating ESG issues into an institutional investment for those with fiduciary duty. The report found that integrating ESG considerations into investment analysis to more reliably predict financial performance is not only permissible but is arguably required. The legal situation continues to evolve on ESG, and key global regulators have, in turn, either regulated and/or provided guidance on the validity of the original Freshfields report. The Pensions Regulator (2019) and Department of Work and Pensions (2018) in the UK, the Department of Labor in the US (2018), the EU Commission (2018) in the EU (with strong support from local regulators like the AMF (2017) in France and the DNB (2016) in the Netherlands) and the APRA (2019) in Australia have all actively weighed in on the dialogue. The PRI has provided global research on the fiduciary duty topics for eight jurisdictions (2016) helping to clarify the issue.

An increasing number of market participants (brokers, managers, consultants, investment banks) are integrating RI and evolving their processes accordingly. United Nations Environment Programme Finance Initiative (2019). As a result, Investment Managers now have greater scope to ensure that ESG risks are being managed and associated opportunities pursued. RI regulation is currently on policymakers' and civil society's agenda worldwide, and the pace of regulatory intervention is increasing. The PRI identified 300 policy instruments in its survey of the 50 largest economies in the world. All instruments supported long-term investment decision-making, including consideration of ESG factors, and more than half were created between 2013 and 2016.

As mentioned the growing body of evidence and supporting documentation is turning the tables on common misconceptions in the industry, namely, that RI restricts the investable universe and therefore must hurt returns (Mercer 2019). Several ESG/sustainability indices from providers such as Financial Times Stock Exchange (FTSE)/Russell (2020), Morgan Stanley Capital International (MSCI) (2020) and Standard & Poor (S&P)/Dow Jones Indices (2020) now have substantial track records and are all helping Investment Managers and Investors alike to analyse how to better include ESG to their portfolios.

Sustainability indices cover a range of potential goals and use. Indices range from a focus on narrow themes (for example, low carbon or climate indices, water, ESG factors, gender equality, etc.) to core allocations, such as broad ESG indices. Indices may seek to attain impact, express values, seek risk/return outperformance or track parent indices while embedding ESG considerations. In construction, screening continues to be the main method, although reweighting companies based on ESG factors has increased in recent years. Performance differs considerably, as is the case for any other index construct; however, at the broadest level, there is evidence that performance compares favourably to unconstrained portfolios.

There is now a significant body of work that Investment Managers need to be aware of that supports the financial benefits of ESG integration and active ownership. Academic and practitioner research now also covers asset classes beyond listed equities. Research into the outcomes by incorporating RI is traditionally focused on screening approaches. Although such research is not directly relevant to the merits of more broadly focused integrated RI approaches, it does provide some insights. It is also notable that much research is carried out at a corporate level, finding links between strong ESG practices and corporate financial performance.

Friede, Busch & Bassen classified the findings of over 2000 primary studies published about ESG and its effect on financial performance, they used vote count studies and meta-analysis and found that 62.3% of cases showed positive effect while 9.2% of these studies proved negative effect, the rest in neutral about the findings, they have also concluded that these findings hold for emerging markets, North America and non-equity securities (Friede, Busch & Bassen, 2015). This would point towards ESG being imperative in any investment decision-making process for these stocks to outperform their peers. It has been found that the highest performing stocks tend to have better ESG ranking compared to the rest of the stocks in the market and this will help active managers in the stock selection process as they would eliminate lower ESG stocks as part of their stock screening process (De and Clayman, 2015).

However, such research is not directly applicable at the portfolio level in all investment situations. As mentioned previously much of the literature surrounding ESG confirms that applying the belief at the company level often results in superior returns than that of its peers (Karau, Michalsin & Tangpong 2004). Including these factors into investment decision-making and portfolios requires manager skill, a clearly defined investment style and consideration of appropriate periods to achieve desired outcomes — as would be the case with any mainstream investment strategy.

Historically, a key barrier to broader implementation of RI was the assumption that it contradicted Investment Managers responsibility, (Schanzenbach & Sitkoff 2020) based on the belief that RI reduced the investable universe, defying a “theoretically optimal” solution (Bel Hadj Ayed, Loeper & Abergel 2019). However, as this paper outlines, that belief does not reflect modern reality. RI implementation methods do not necessarily exclude any stocks from consideration (see: screening approach, the rise in popularity of RI, the introduction of RI specific funds, the importance of RI post-global financial crisis).

From time to time, concerns are still raised regarding the scope of Investment Managers and Investors to embrace RI. These concerns typically arise from a failure to distinguish between ethically driven investing and financially driven integration of ESG issues (Slager & Chapple, 2016). In practice, RI is often simply a more-comprehensive approach to identifying investment risks and opportunities and is therefore aligned with the goals of both Investment Managers & Investors.

As many researchers suggest the literature surrounding RI is predominantly focused around the area of its financial performance (Derwall et al, 2005; Renneboget al., 2008) Little is done to appreciate what others benefit there are of integrating RI into the investment process along with specific portfolios and what impact this can potentially have for society, except for a stream of literature which focuses on the impact of share-holder engagement on corporate social performance (Carleton, Nelson, & Weisbach, 1998). It’s often stated that the proof that RI has with having a positive impact on society is therefore rather weak (Dumas & Michotte, 2014).

However, one of RI's key fundamental design processes and selling points RI has is that it helps to make institutions perform in a more responsible way (Eurosif, 2018), and acknowledges that investments have an impact on society (Dumas & Michotte, 2014). With this in mind, RI tries to gauge just how much of an effect it can have and tries to successfully apply it to societally productive ends while achieving a competitive return (Louche & Lydenberg, 2011).

So far, however, few commentators have scrutinised closely the governance impact of RI (Conley & Williams, 2011); its financial performance and impact garner far greater attention (Richardson, 2008-2013). Most of the research and literature around RI has been borne from a heavy focus on negative screening alone, with many trying to determine what these screening processes mean for financial performance only when applying the ESG and ethical frameworks. In recent times, it is now the Investor that has started to request this approach to satisfy their concerns backed up by a change in regulation surrounding RI implementation.

As stated above studies have now begun to delve deeper into the effects that RI is having concerning social issues such as investment managers accountability (Richardson, 2011) economic viability (Glac 2009) it's cross border applications (Backer 2009) and the effect of Investor's behaviours when adopting RI (Hummels 2012).

In general, little research has been undertaken on the organizational, behavioural, cultural, societal, environmental, and ethical impacts of RI (Hebb & Louche, 2014). This paper will aim to investigate such gaps. It will attempt to answer if the RI application amongst the investment industry can lead to favourable results for both the environment and society as a whole, it will also try to determine if RI can help to inspire a change towards sustainable development.

The question of whether or not RI and ESG can help bring about superior financial performance is one that has been studied in depth (Derwall et al. 2005; Galema et al. 2008; Renneboog et al. 2008; Edmans 2011). And as Capelle-Blancard et al (2012) suggest most of these papers often using the roughly same method and yielding similar results with much of this literature being data-driven often falling victim to the observational bias known as the "streetlight effect". It, therefore, shows focus is mainly centred around financial performance alone and that more research is therefore required because the particular ambitions and objectives of investment managers and investors alike need to focus on addition relationships within RI such as the economic, societal and governance, as well as the assessment of other extra-financial performances. (Galema et al 2008) which is the basis of the aim of this paper.

## Research Question

So why is it that with Responsible investing being such a hot topic and the surge in demand for these types of investment from several different sources the importance of Environmental, societal and governance factors are often overlooked regards to the current literature? Is there barriers or concerns amongst the investment industry that are impeding its mainstream adoption?.

As previously mentioned this dissertation has the below aims -

1. Assess previous material on this topic employing a literature review to investigate and understand RI in the investment industry and the application of ESG considerations specifically. From the literature review, I plan to ascertain the current views of the investment industry and whether financial performance is its main priority.
2. It is then the aim of this paper to use the knowledge gained from the literature as well as an online questionnaire, evaluating Investment Managers & Investor's views as to the concerns and barriers that may be affecting the adoption of RI and ESG & therefore lack of research surrounding non-financial factors such as ESG.
3. The third step will be to collect and analyse recommendations provided by the literature and online questionnaire to access improvements and amendments Investment Managers and Investors could take into account to help benefit the Investment management industry.

These equate into the below research questions

1. **Is financial performance the only priority for investment managers and Investors?.** It clear from the literature review that the financial performance aspect of RI intergreation plays a critical role in the Investment Industry. But is it the only one? It is vital to expand on this research and carry out the online questionnaire to get the views of the participants in the Irish Investment Industry. These findings will be discussed later in the paper.

2. **What are some of the major concerns and barriers of both RI and ESG from those in the investment industry?.**

   Carrying out a literature review on the topic helped to highlight some concerns and barriers the industry is facing with views from many different studies and academics. Particular questions will also be asked as part of the online questionnaire.

3. **Is there a future for RI and ESG factors?.**

   It's clear that much focus has recently been put on integration of RI and ESG. The future of RI and ESG will be touched on as part of the later section of this paper.

An overbearing statement when it comes to RI is that it has a positive impact. However, as seen there is a considerable gap in the literature to quantify this and the ESG factors are simply forgotten about or overlooked (Guenther, 2016). As previously mentioned the majority of literature is based solely upon the financial benefit of excess returns that including RI in the investment process can bring. These questions are intended to be answered to encourage a discussion on RI and ESG factors by researchers and practitioners alike. To answer the above conclusions will be drawn from a review of the literature as well as analysing responses from the online questionnaire.

## Methodology

This chapter will aim to provide some background on the research methodology which shall be used to carry out the specific area of research. A research methodology is a sequential approach used to answer identified problems and achieve research goals (Taylor & Bodgan 1998). The purpose of this research will be an attempt to link the literature and previous studies on RI to the research question as stated above using the methodology below:

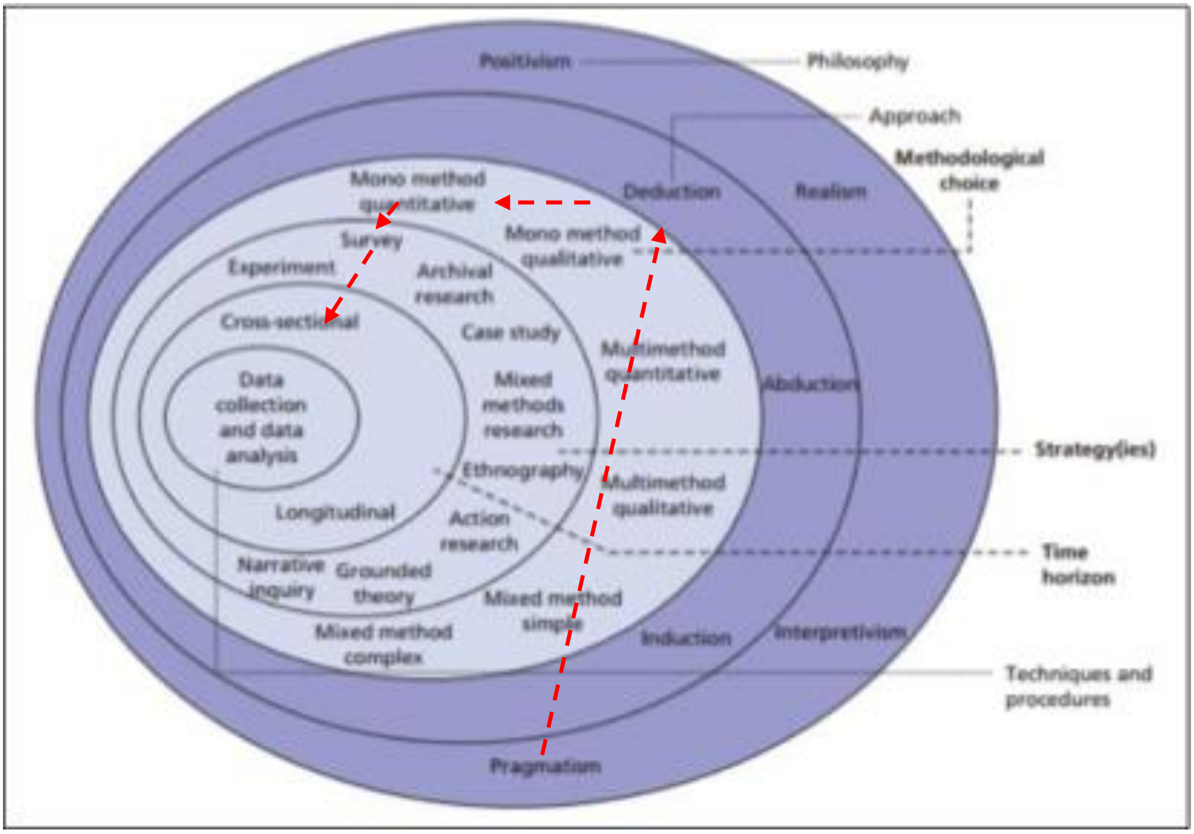



Figure 2 - Research Onion
Source: Saunders et al, 2012

Highlighted in the above research onion shows the route this paper will take from the ontological position of objectivism right through to positivist epistemology and continue throughout the onion.

### Research Paradigm

Saunders et al (2015) state that research is the gaining of knowledge of a topic and drawing out a conclusion, however, a research paradigm goes beyond this and signifies people's beliefs, ideas and assumptions about the world, and the nature of the knowledge (Collis and Hussey 2013). The chosen paradigm, therefore, will inspire the research method and design as well as how the data will be collated, analysed and interpreted as it's these aspects that will lead to the chosen approach according to Saunders et al (2012).

According to Saunders et al (2012), logical understanding will impact one's decided research approach. This will be carried out applied throughout this study. Trying to establish the views of numerous individuals within the Irish Investment Industry helped to determine which method to use in this instance. Saunders et al (2012) mention that it is often the case, that most academics are possibly impacted through their "individual concept of suitable information and the procedure through which it is established".

The epistemology will make-up part of this paper as it is about the gaining of information. It inquires the question of whether the societal world can and must be observed based on similar norms, processes and ethos as the natural sciences. Epistemology means discourse (logos) about science (episteme). Personal epistemology is a term used to identify a person's beliefs regarding the complexity of learning and knowledge, processes of knowing, sources for knowledge, and justification of knowledge claims (Hofer & Sinatra, 2010; Marra & Palmer, 2008).

Another part of this paper is the application of a positivist paradigm that assumes that there is a world, or objective reality, whose scientific methods, have larger or smaller importance which can represent, from the description of certain independent properties. This positivist history of science, universal in scope and embracing Western as well as Eastern civilizations, was driven by its conceptual assumptions to address the question of the historical relationships between science and religion (Asua 2018). The positivist paradigm emphasizes the study of the relationships between variables or phenomena, whose data must be objectively collected and processed, with the support of statistical methods, so that then predictions and causal relationships between the key variables can be extracted. The positivist approach can also be called empirical-analytical and its evidence will be found, using several different tests which involves the sampling of a proportion of individuals. The

epistemological basis is founded is in a combination of two philosophical lines of the 20th century: empiricist logic and logical positivism, its successor.
With its focus on the construction of theories, positivist research - dominant in the management area, underlies the functionalist paradigm.

Objectivists also use surveys, questionnaires, structured interviews and assessment approaches. In contrast, interpretivism does not consider the scientific technique is a suitable method. Despite, research about the societal world and its players needs considering the particular explanation of societal communications. It can be obtained by making a relationship and understanding with one's study.

In the interpretive system, the main theory is that access to a fact (defined or socially made) happens just by social constructions, like language. In this context, the emphasis is directed to the subjects' perceptions and the meaning that the phenomena have for these people, that is, the meanings that people attribute to them. Interpretative data often focus on how the scenario plays out rather than making pre-existing assumptions.

According to Taylor and Bodgan (1998), there are two types of approaches to research. The first is Positivism and the second Interpretivism. This paper will adopt a positivism approach to the area of study. A positivist paradigm, therefore, is that of objectivism and can be predicted (Taylor and Bodgan, 1998). Bryman (2011), explained that objectivism, is a societal term and its descriptions have a reality that is based on societal players. A positivist paradigm will be used here as this paper can benefit from having numerical data as well as availing of an online questionnaire. These data collection tools are used to test the hypotheses of this research (Heath and Tynan, 2010).

## Research Approach

Research is often defined as a systematic approach to collect, analyse and interpret data to ask a question or test a hypothesis (Rezaelan et al 2018). According to Saunders et al, (2012) logical cognitive is where a group of study areas are established by which an assumption is then made. Take the below scenario:

- A student always brings his lucky pen with him to sit his college exams.
- Currently, the student is sitting an end of semester exam.

This is taken for granted that the student will bring his lucky pen with him for the exam. The points are real so the conclusion must be real. But if using an Inductive approach where the conclusion does not essentially follow by the evidence, even if this is clear. Take the below scenario:

- Ten work colleagues always get together to play a 5 a side football match every Saturday morning.
- Today is Saturday.

So, the conclusion is that the work colleagues will play the 5 a side match as per usual. Whilst it's likely that the assumption is correct this may not, however, be the case. It could be that one is sick and cannot make it on the day. Applying proof collected by the research & questionnaire, it's this papers aim to evaluate investment managers & Investors using a deductive approach with the help of the online questionnaire.

## Research Method and Strategy

The research method describes the way of data collection, analysis and writing (Heath & Tynan, 2010). This study will utilize using a questionnaire-based survey model with the sample to test the data. Questionnaires are a key tool for carrying out this type of descriptive study. The statistical analysis approach of recording data will be taken here. In this study, the methodological choice is very simple. It is mono-method quantitative, with the support of an online google forms questionnaire that confirms outcomes gained from research carried out previously. A preliminary copy of a questionnaire was based on a similar study in 2018. Why and How Investors Use ESG Information (Zadeh & Serafeim, 2018). Collis and Hussey (2013) mentioned several different approaches available when carrying out this type of research ranging from standard to extremely complicated.

In the research onion, it shows there are several different approaches, both qualitative and quantitative to decide from but it's the option that is impacted through his "ontological and epistemological knowledge" and the study method chosen upon.

The three questions to be considered are –

1. Is financial performance the only priority for investment managers and Investors?.
2. What are some of the major concerns and barriers of both RI and ESG from those in the investment industry?.
3. Is there a future for RI and ESG factors?.

Some advantages of using an online questionnaire are its low cost. The low cost includes savings which may be spent on travelling from interview to interview to another (if not using zoom), as well as time savings and benefits from not having to spend considerable amounts of time conducting the research and translating into text. In contrast, the questionnaires, and the responses can be sent and delivered in seconds with instant feedback from the participants allowing from immediate data representation through the google forms website. Furthermore, data can be easily viewed electronically and made available in real-time.

To complete the questionnaire, specific industry professionals and individuals that were investing money in Investment funds were targeted. Ireland was used as this is where the author is based and also as little research has been carried out in this region previously. To qualify as an Investment Manager the professional had to work managing assets within a company in Ireland that was a member of the Irish Association of Investment Managers (IAIM). This involved reaching out to professionals in companies such as Aberdeen Standard Investments (ASI), Blackrock Investment Management, Irish Life Investment Managers (ILIM), State Street Global Advisors (SSGA) & Setanta Asset Management. To qualify as an investor the individual had to hold an investment within any of the IAIM companies funds or portfolios. This was achieved by utilising the below methods.

- - Contacting Friends in the Irish Investment Industry.
- - Reaching out to professionals through networking websites such as LinkedIn.

The google docs questionnaire is available at the end of this paper which was sent with all participants and did not require names, address or employer ensuring confidentiality at all times to try and encourage as many as individuals as possible to respond. The questionnaire has a narrow focus by only reaching out to investment managers & Investors as it's these that would have the most valuable insights regarding what is happening in the investment industry at present. It starts with different general questions regarding the individuals themselves.

RI questions are then asked to obtain a sense for the participants' knowledge when it comes to certain investment terms about these methods, how they realise regarding them and if they have any issues about them. After that, it moves onto suitable assessment, earlier obtaining a sense for participant's knowledge, leanings and issues. Then, particular examples of suitable assessment are presented to garner views about them, complete with a question on the faith of the suitable assessing method.

## Time Horizons

Time horizon is the last phase of the study onion. It is with the potential approaches due to being considered in the research. Saunders et al (2012) mentioned that many articles are often based on subsets of populations due to time limitations related to these activities and such research is based on a specific time, whereas research such as longitudinal occurs over considerably longer periods (Saunders et al 2012). This questionnaire research will be collected over three weeks to allow for responses from the sample, the information will then be collated and analysed for another three weeks to include input into SPSS. It was decided to use this cross-sectional approach due to being under immense time pressure which was as a result of working from home and subsequently childminding as well as completing the level 9 MBA course.

## Concerns surrounding ethics

Ethics is hugely important in any study however this is often Ignored by using quantitative research Panter and Sterba (2011). This is rather logical, as quantitative approaches focused to be impartial and distant in their manner. Though, morals must never be overlooked when assessing a matter asking input by individuals. When reviewing the ethical issues of surrounding gathering information for this paper, the ethical element of asking participants to provide general questions about themselves was taken into account and therefore no information bar the responses were saved including participants email address to try and alleviate any issues participants may have had. This was flagged to the participants on the cover page of the online questionnaire which can be seen at the end of this paper.

## Constraints

Time constraint was a major issue in this study. There was plenty of academic literature surrounding the topic of responsible investing and what this means for financial performance. study in existence on the role of investment managers and reasonable investing is beginning to be identified as a considerable technique, one that will have far-approaching effects. This dissertation is the final requirement for a part-time MBA course. There is around a half year to conduct the research module, four of which were taken up with other assignments for different subjects further reducing the time available to carry out this research. As mentioned previously other responsibilities such as dealing with the lifetime event of coronavirus, not having access to the college library, working from home and family all had to be factored into the time available to spend on this paper.

After two rounds of contacting 250 individuals, just 59 replied to the online questionnaire. This may be down to a few factors such as lack of time availability, insufficient consideration of the topic, or even a disinclination to reply because of little individual information required, may have resulted in the low participation. The questionnaire was entirely confidential so therefore it's hard to know the real reason for the low response rate.

## Analysis and Results

As previously mentioned this dissertation has the below aims -

1, Assess previous material on this topic employing a literature review to investigate and understand RI in the investment industry and the application of ESG considerations specifically. From the literature review, I plan to ascertain the current views of the investment industry and whether financial performance is its main priority.

2, It is then the aim of this paper to use the knowledge gained from the literature as well as an online questionnaire, evaluating Investment Managers & Investor's views as to the concerns and barriers that may be affecting the adoption of RI and ESG & therefore lack of research surrounding non-financial factors such as ESG.

3, The third step will be to collect and analyse recommendations provided by the literature and online questionnaire to access improvements and amendments Investment Managers and Investors could take into account to help benefit the Investment management industry.

These equate into the below research questions

1. Is financial performance the only priority for investment managers and Investors?.
2. What are some of the major concerns and barriers of both RI and ESG from those in the investment industry?.
3. Is there a future for RI and ESG factors?.

This section will review the responses from the online questionnaire helping to answer some of the points above. Visuals from the google forms as well as data from SPSS software will help paint the picture of the participants' views when it comes to RI and ESG factors.

## Quantitative Online Questionnaire

Quantitative Analysis is the analysis of interpreting the data with numbers. It includes statistical and computational methods of analysis. This analysis is used for measuring and analysing measurable or numeric type data. Quantitative Analysis also measures the number of specific responses in a certain variable. The graphical representation of the variables is discussed below.

The research approach in previous sections above explains how the online questionnaire was made and why. It's was this papers aim to deliberately use certain profession website platforms such as LinkedIn as well as some individual & investment industry based connections to complete the research and gain individual responses. Google forms were used in developing the questionnaire which was divided into four parts –

- General Questions – Basic individual questions to determine simple demographics such as age bracket & highest education obtained etc.
- General Responsible Investing Questions – common questions about participant’s knowledge of responsible investing.
- General ESG Questions – Broad ESG questions to determine the level of understanding amongst the participants.
- Specific ESG Questions – applying particular examples of how ESG might be implemented to observe the viewpoint of the participants.

### General Questions Feedback

Four general questions were asked on the online questionnaire conducted through Google Forms. These four demographic questions included the respondent's age bracket, gender, highest education achieved and whether they were an Investment Manager, Investor or both. A total of 59 participants took part in the questionnaire. The breakdown of these 59 participants is as depicted below.

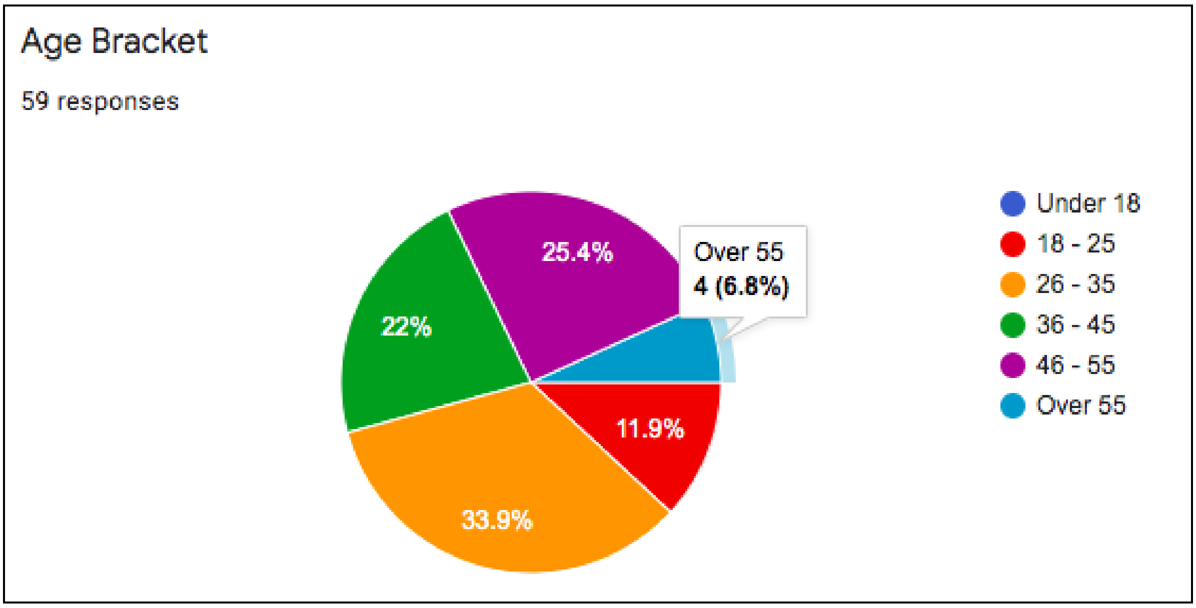



Figure 3 - Participants Age Bracket Responses
Source: Online questionnaire

Fig 3 shows the pie chart for the Google forms online questionnaire describing the number of people in different age brackets. The majority of the participants belong to the 26 to 35 years (33.9%) age bracket followed by the 46 to 55 years (25.4%) and 36 to 45 years (22.0%) respectively. Nobody under 18 participated in the questionnaire, whilst there was only 6.8 % of the participants over 55 years of age.

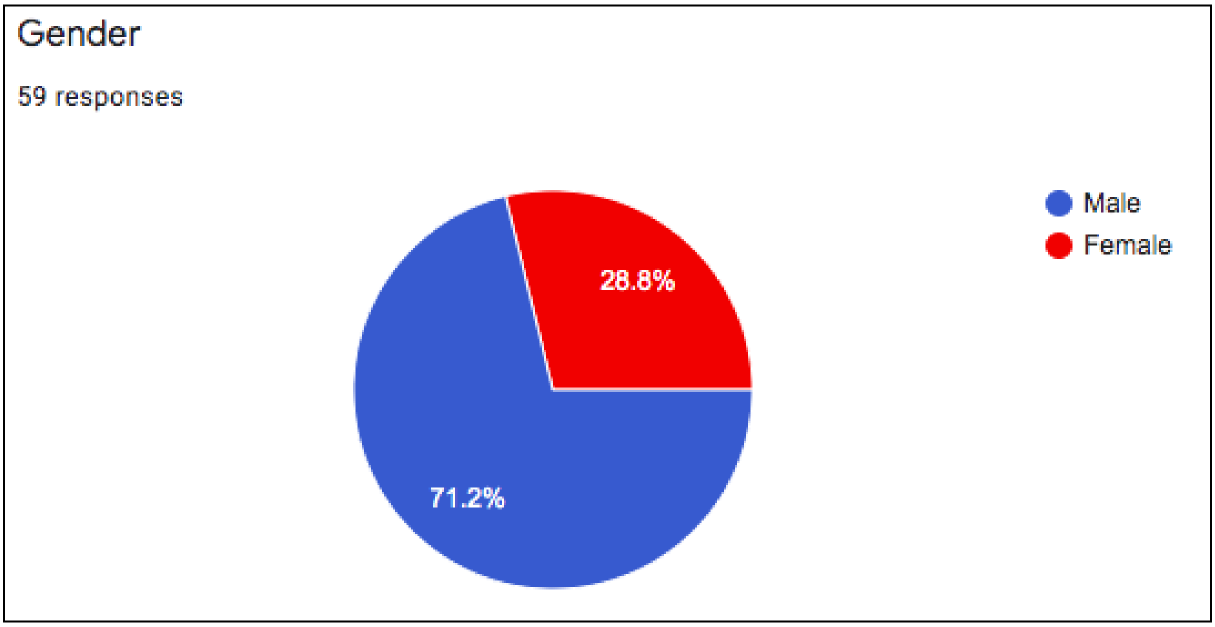


Figure 4 - Participants Gender Responses
Source: Online questionnaire

Fig 4 shows the results for the gender question asked of the participants. 42 (71.2%) of the participants identified themselves as male whilst the remaining 28.8% were female. Out of the 250 of the participants that were asked to complete the questionnaire 44% (110) were female which points towards a low participation rate of the females contacted due to only 17 willing to complete as shown in the above.

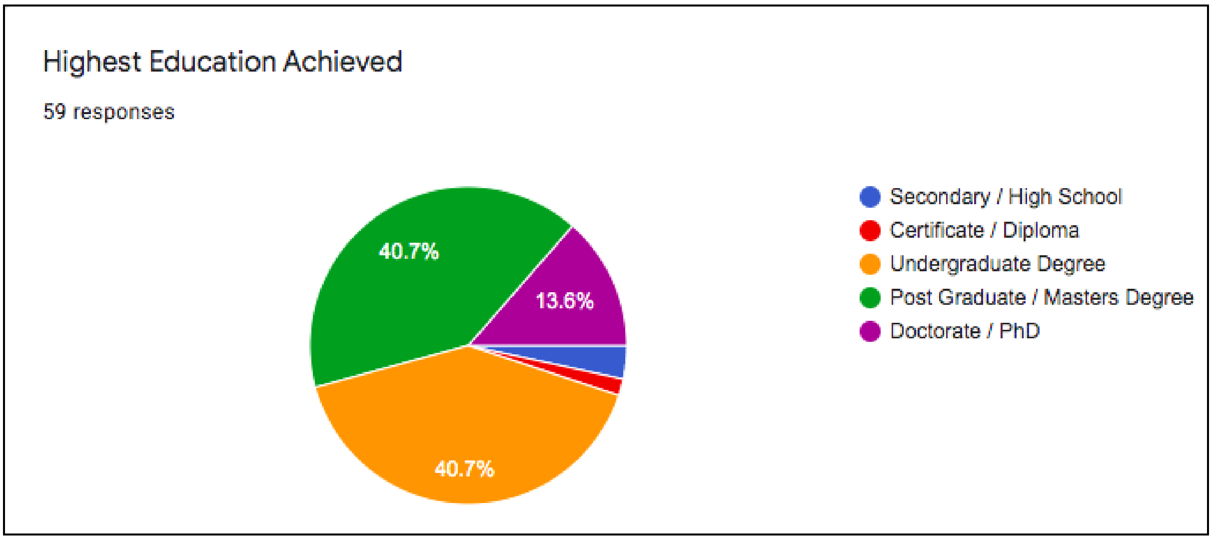


Figure 5 - Participants Highest Education Achieved Responses
Source: Online questionnaire

Fig 5 provides the distribution of the highest education achieved by the participants. An equal number of the participants have a post-graduate or Master's degree or had obtained an undergraduate degree (40.7%) and 8 participants (13.6%) had a doctorate/PhD degree. Moreover, only 1.7% of the participants have attained secondary/high school education while 3.4 % have a diploma or certificates.

This indicates that the highest level of education achieved by participants was mostly undergraduate degree and above which is per the targeting professionals. As a result of this, we can say that most of the people who participated in the questionnaire are well qualified. This is no surprise due to Investment Managers often requiring diploma/degrees/master & PhD in the investment industry to be qualified to manage Investor's money. Further research could lend itself to the looking at the views of individuals in high school or currently at college to determine their views on RI and ESG but this separate to this study.

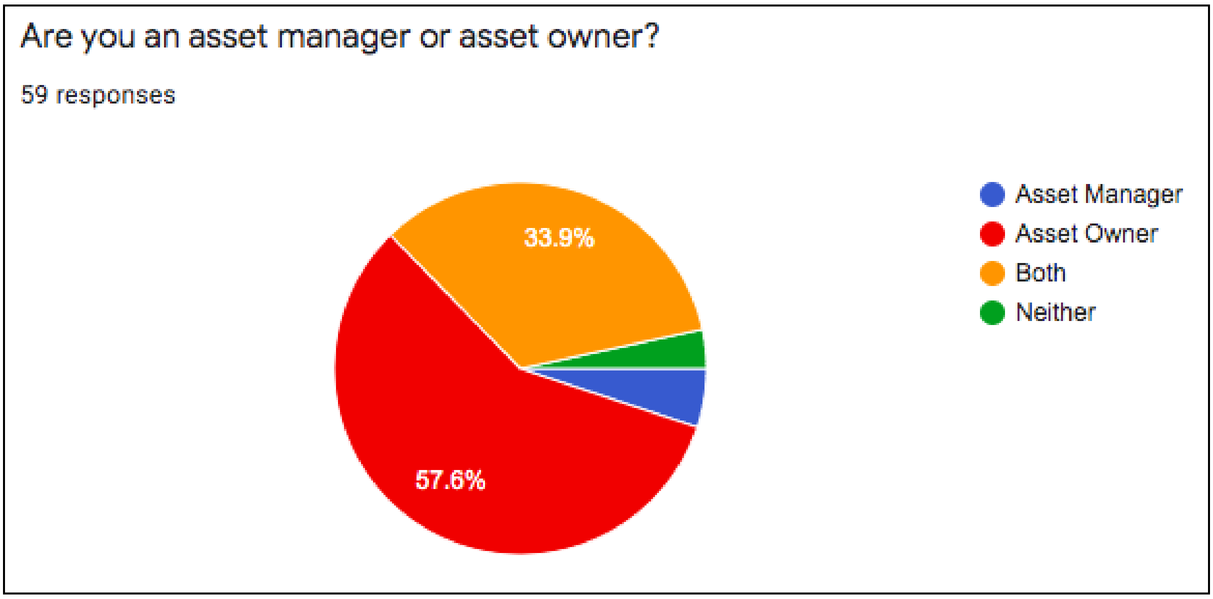


Figure 6 - Participants Investment Manager or Investor Responses
Source: Online questionnaire

Similarly, a question was asked to participants as to whether they were an investment manager or Investor. Approximately 57.6% of participants were Investors and 5.1% of participants were investment managers. However, 33.9% of the participants have both roles to play, that is, they act as an investment manager and Investor at the same time therefore bringing this figure up to 38%.

## General Responsible Investing Questions

This part of the online questionnaire looks at some descriptive questions around the concept of Responsible Investing and how aware participants are of it. Does it cover questions related to the respondent's knowledge level surrounding responsible investing, such as have they heard about it? Are they familiar with different types of responsible investing? Do they welcome responsible for investing? And what are the benefits and main concerns when it comes to responsible investing? The answers to these questions are provided below:

**Have you heard the term Responsible Investing?**

Almost 98.3% of the participants who participated in the questionnaire knew about 'Responsible Investing', This was no surprise due to the sample of individuals chosen for the questionnaire. This is good for the study so that participants can share their views on the topic whether this is positive or negative.

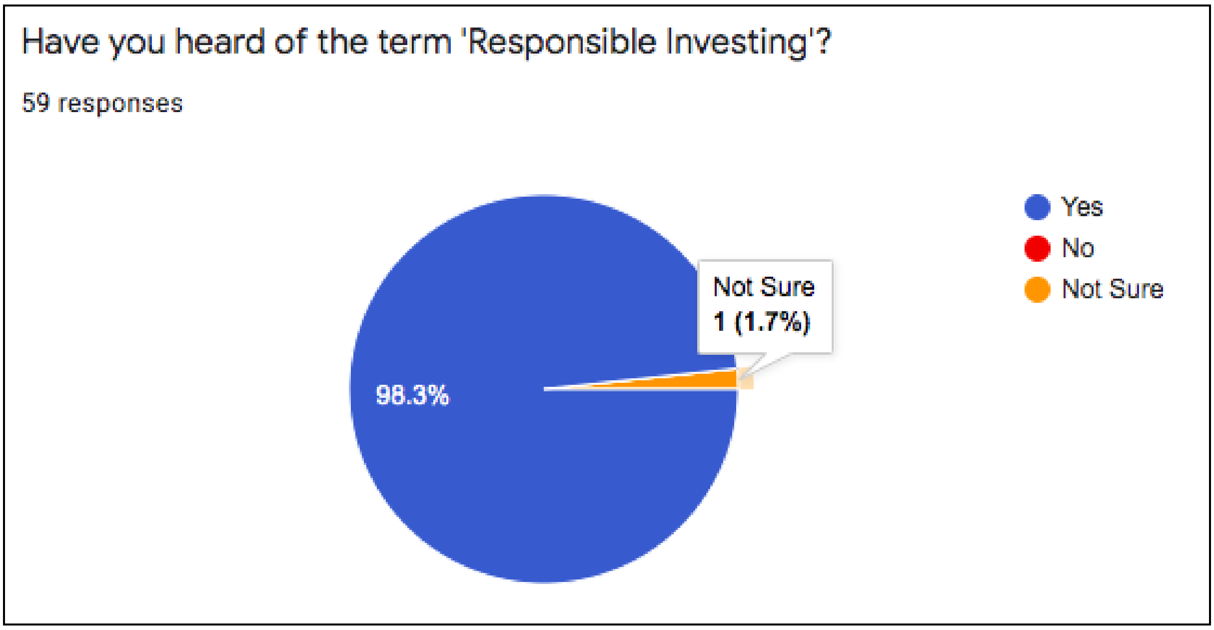



Figure 7 - Participants Responsible Investing Knowledge Responses
Source: Online questionnaire

It was important to then determine the correlation between age bracket, gender, highest education achieved, Investment manager, Investor or both and if familiar with RI. It is important to know what type of relationship these variables have. Pearson correlation analysis was applied using IBM statistics application package SPSS. The correlation value lies between -1 and 1. The value close to -1 shows a strong negative linear relationship while the value close to 1 shows a positive linear relationship between variables. Similarly, the correlation value close to 0 shows a weak relationship. The output generated from SPSS for Pearson correlation is analysis is given in Fig 8 below.

| | | Age Bracket | Gender | Education | Asset Manager / Owner | Have you heard of the term 'Responsible Investing'? |
|---|---|---|---|---|---|---|
| Age Bracket | Pearson Correlation | 1 | .093 | -.232 | .398* | .094 |
| | Sig. (2-tailed) | | .485 | .077 | .002 | .481 |
| | N | 59 | 59 | 59 | 59 | 59 |
| Gender | Pearson Correlation | .093 | 1 | .143 | .003 | -.084 |
| | Sig. (2-tailed) | .485 | | .280 | .982 | .529 |
| | N | 59 | 59 | 59 | 59 | 59 |
| Education | Pearson Correlation | -.232 | .143 | 1 | -.187 | -.146 |
| | Sig. (2-tailed) | .077 | .280 | | .157 | .268 |
| | N | 59 | 59 | 59 | 59 | 59 |
| Asset Manager / Owner | Pearson Correlation | .398* | .003 | -.187 | 1 | .074 |
| | Sig. (2-tailed) | .002 | .981 | .157 | | .577 |
| | N | 59 | 59 | 59 | 59 | 59 |
| Have you heard of the term 'Responsible Investing'? | Pearson Correlation | .094 | -.084 | -.146 | .074 | 1 |
| | Sig. (2-tailed) | .481 | .529 | .268 | .577 | |
| | N | 59 | 59 | 59 | 59 | 59 |

Figure 8 - SPSS Results
Source: Online questionnaire & SPSS

Pearson correlation (or bivariate correlation) is a statistic that is used to measure the linear correlation between the two variables. It has a value between -1 and +1. The results than either has a positive or negative correlation depending on the outcome. However, if the value is 0 indicates there is no correlation between the two variables. The statistics values, for age bracket and gender in the above, have high correlation whereas the other two variables show that there is no correlation (or very weak correlation) between the demographic variables (education, investment manager or Investor) when it comes to the responsible investing.

The knowledge surrounding commonly used terms concerning the responsible investing was then asked of the participants. Fig 9 shows the results below:

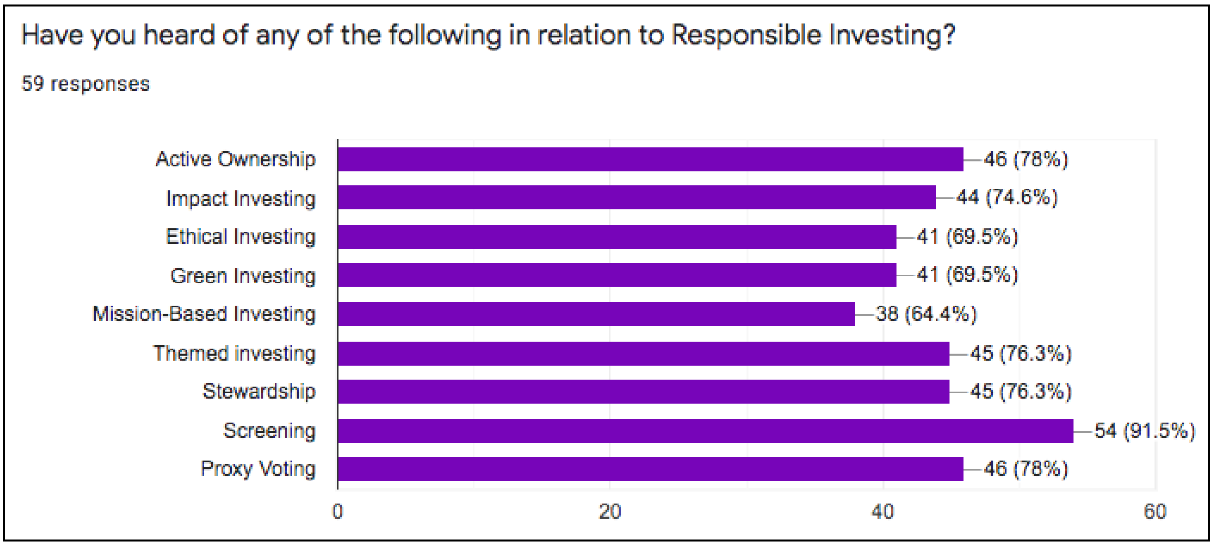



Figure 9 - Specific Responsible Investing Knowledge Responses
Source: Online questionnaire

The results show a high percentage of the participants were extremely familiar with the terms and concepts associated with RI. Screening scored highest with 54 (91.5%) of participants being aware of this followed by Active Ownership and proxy voting as can be seen from the above. The least aware was mission-based investing with 38 (64.4%) of participants being aware of this term. This is not uncommon to see as mission-based investing is commonly referred to as impact investing (although there are differences) which scored a lot higher on the results. The fact screening and proxy voting scored higher than the rest aren't surprising considering the participants involved but what was surprising is the relatively low selection of proxy voting which has been involved in the investment industry for some time, the low selection of this term may be that participants were unaware of how this contributes to RI  rather than the term itself.

**Do you Welcome Responsible Investing?**

The next question was concerning whether or not the Investment Managers or Investors welcomed responsible investing or not. As discussed in the literature review from time to time, concerns are raised regarding the scope of Investment Managers and Investors to embrace RI. These concerns typically arise from a failure to distinguish between ethically driven investing and financially driven integration of ESG issues (Slager & Chapple, 2016). It would, therefore, be interesting to determine if this sample of the population carried on this trend. Participants had to rate the question from 1 to 5 (1 = Not at All & 5 = Completely). The responses are shown below. About three-quarters (74.6%) of the participants indicated that they were completely welcoming towards RI. On the other hand, only one of the participants (2.0%) felt they not at all interested in welcoming RI. Ten Participants (16.9%) did choose 4 and to not welcome RI completely which could mean they are either unsure whether to fully adopt or maybe that they have some reservations around fully adopting the process.

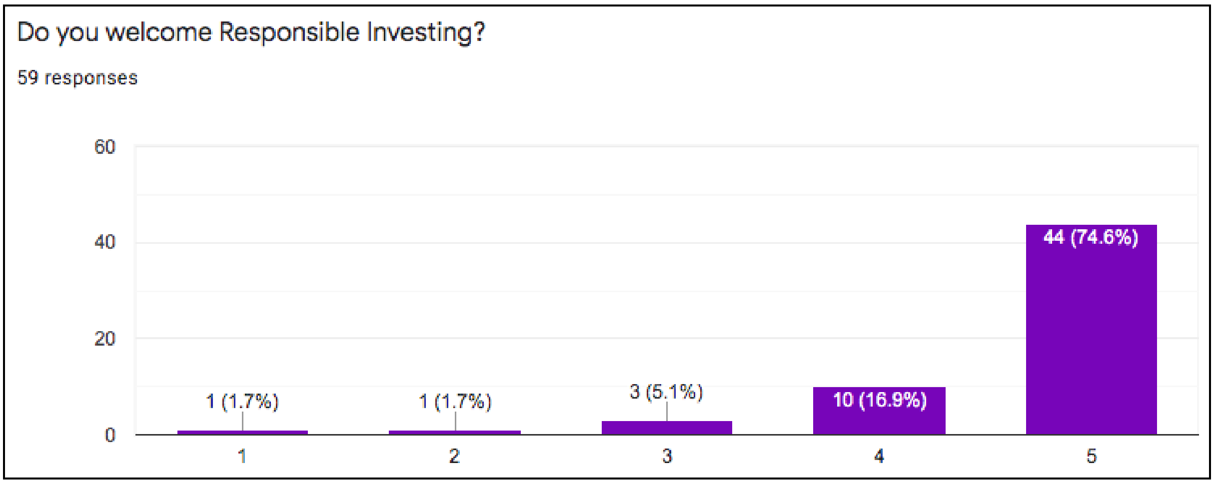


Figure 10 - Openness to Responsible Investing Responses
Source: Online questionnaire. 1 = Not at all 5 = Completely

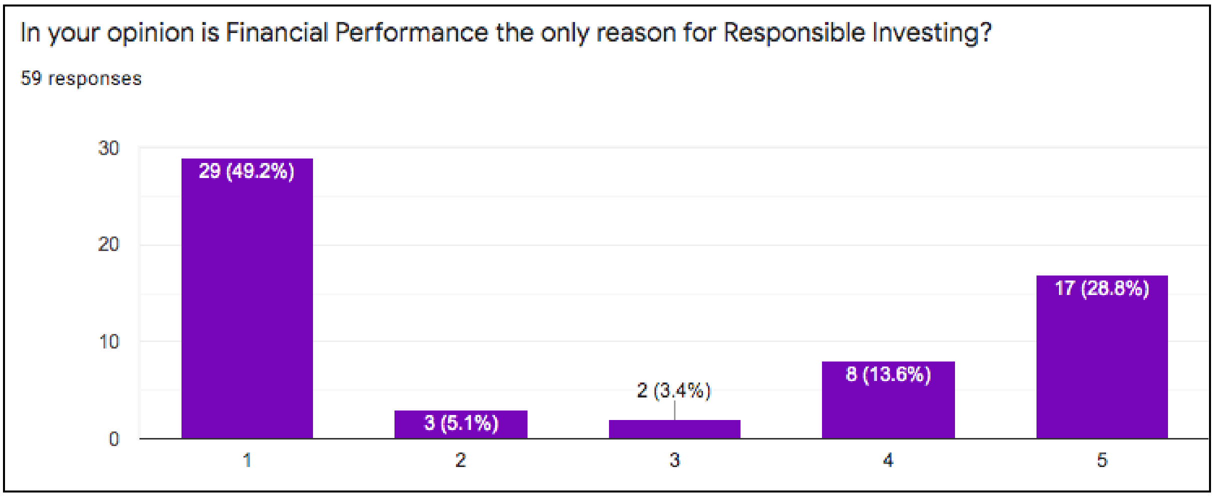


Figure 11 - The opinion of Responsible Investing Responses
Source: Online questionnaire. 1 = Not at all 5 = Completely

**Is Financial Performance the only reason for Responsible Investing?**

Participants were also asked whether the financial performance was the only reason for responsible investing or not. Like most of the investment industry, much of the focus of RI has unsurprisingly been purely based on financial performance (Klein, 2015). Figure 11 shows that 49.2% of participants do not agree with the statement that financial performance is the only reason for responsible investing. However, 28.8% completely agree that financial performance is the only reason for responsible investing. Further analysis was required to try and determine which gender were suggesting that Financial performance was the only reason for RI, this data was input into SPSS which produced the following results.

| | Welcome RI | RI only for Financial Performance? |
|---|---|---|
| Female | 4.53 | 2.29 |
| Male | 4.63 | 2.88 |

This above clearly shows that whilst both genders show almost similar corresponding figures for welcoming RI there is a remarkable difference in the opinion of male versus female when it comes to whether or not RI is for financial performance only. The above shows that Females are more inclined to disagree with the statement whereas Males lean more towards the statement being correct. It was then decided to break these results down further to try and determine if a particular cohort of participants felt more strongly about the statement.

| | Welcome RI | RI only for Financial Performance |
|---|---|---|
| Investment Manager | 4.67 | 3.33 |
| Investor | 4.58 | 2.61 |

The above output is a result of inputting more data into SPSS concerning whether the participant is an Investment Manager or Investor. The results show a clear indication that

Investment Managers may believe that RI is just another method to help them achieve superior financial returns, in any case, this would warrant future studies into the discrepancies between Managers and Investors to determine the different views here.

**What Benefits and Concerns do you envisage from Responsible Investing?**

Participants were then asked what benefits they envisage from RI. Fig 12 provides the responses.

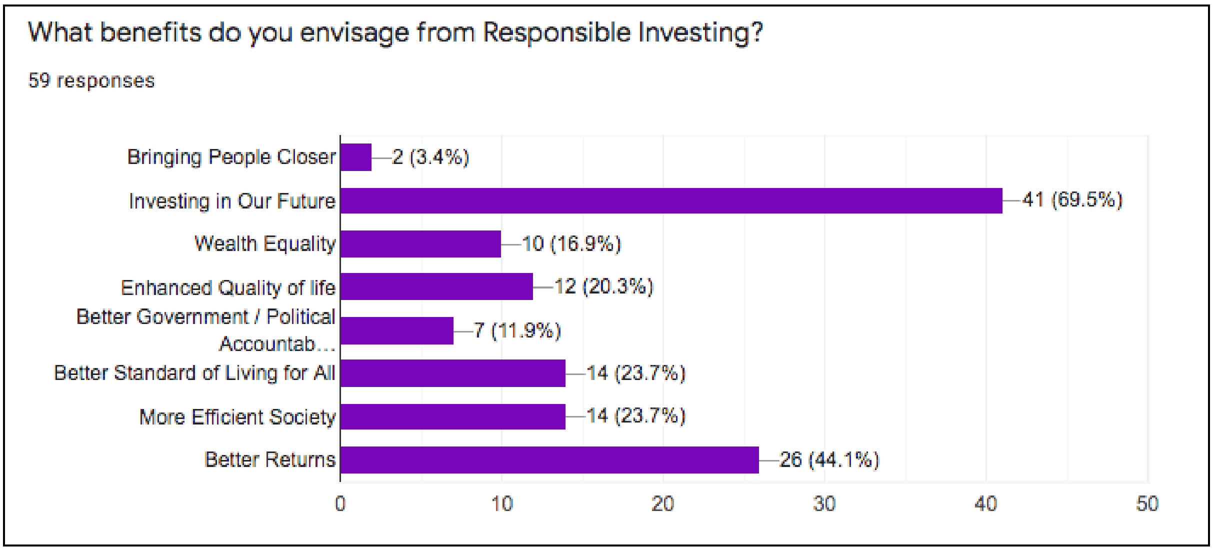



Figure 12 - Benefits of Responsible Investing Responses
Source: Online questionnaire

The participants largely believe (69.5%) that the primary benefit resulting from RI is that this is investing in their future but also that it can produce better returns over the period (44.1%). This may again be as a result of the Investment Managers rather than the Investors. One of the very first studies on benefits for Investors were more geared towards wanting ethical & societal changes (Moskowitz, 1972) which would correspond with the above Fig if it's was mainly investors. Other benefits that participants believe RI will improve their quality of life as a result of more efficient society and a better standard of living for all.

Fig 13 shows that one of the main concerns for the participants when it comes to RI is financial performance, followed by public opinion concerns and increased disclosure. Reputational and Consumer Pressure Score lowest on the chart.

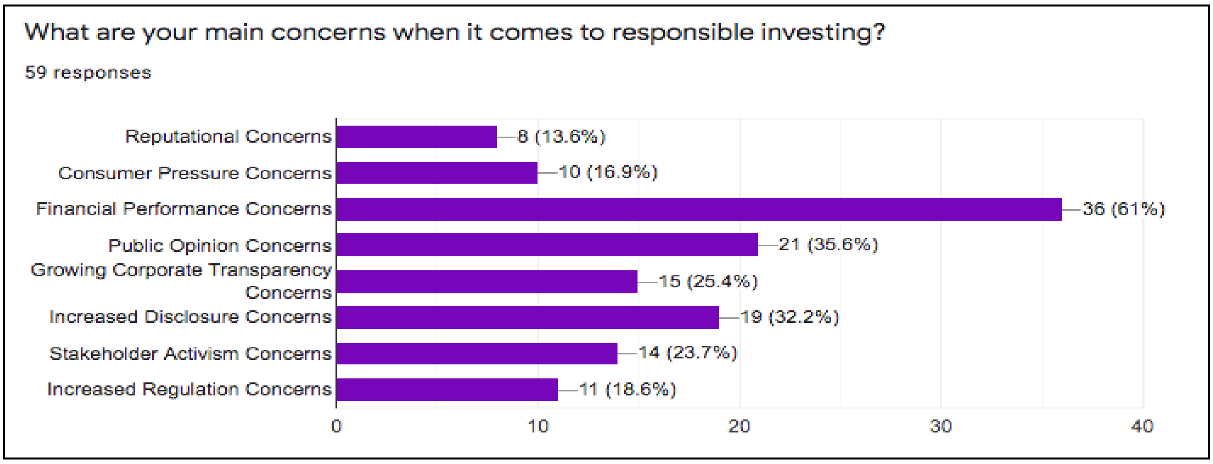



Figure 13 - Concerns of Responsible Investing Responses
Source: Online questionnaire

These results on the topic of RI show that whilst Investment Managers and Investors both welcome RI they have still have their concerns around if they can still generate their returns. This corresponds with the research carried out in the Literature Review by Johnsen 2003; Eccles and Viviers, 2011) along with the concern that the individual funds show little explicit ethical awareness, as their main objective appears to be to maximise investment returns (Sparkes, 2001).

## Environmental, Social and Governance Questions

After covering RI in much detail, it was important to discuss ESG as part of the online questionnaire. Fig 14 below shows the familiarity level amongst the participants.

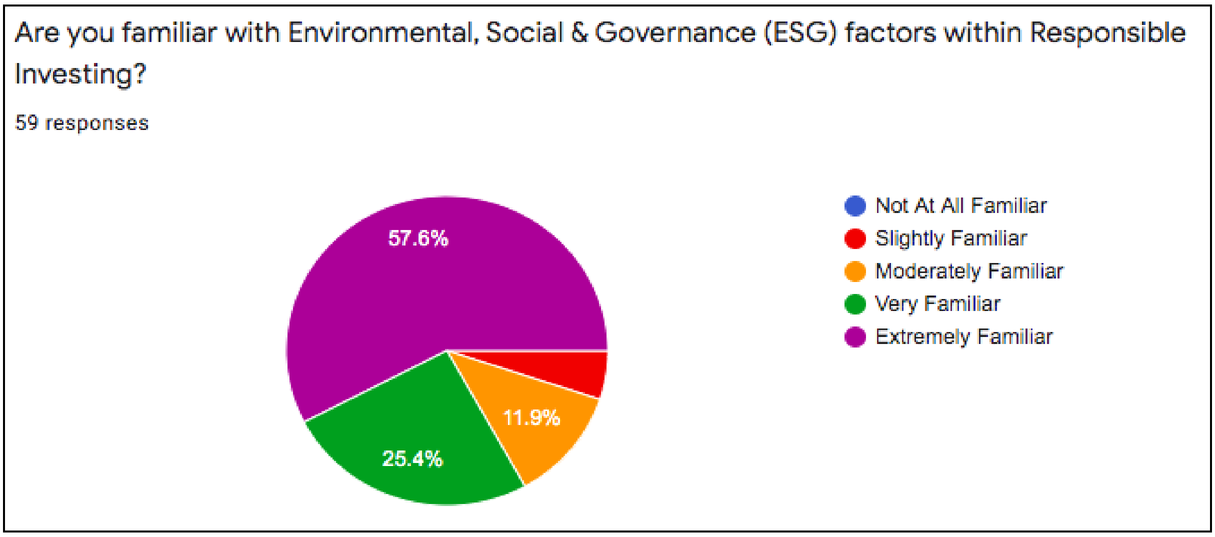



Figure 14 - Familiarity with ESG Responses
Source: Online questionnaire

As we can see the extremely familiar section refers to 57.6% of participants responses, followed by 25.4% in very familiar and 11.9% in moderately familiar with no participants being unaware of ESG. This is not a shock concerning the study as many participants were selected due to them working in the industry where RI and ESG are currently hot topics as mentioned previously.

When asked what benefits of investing in ESG factors were most important to the participants, we get the following responses as given in Fig 15. A high percentage of responses selected Board Structure (62.7%) and Remuneration (61%) as benefits that were important to the participants. Upon further analysis, it was discovered that all 17 Females choose both these selections which indicate the companies that they work for may still be lagging in the way of having equal numbers of Females on the board or equal pay across genders. This is another area of study that could be considered. Climate change was also a popular choice amongst the participants with 50.8% with the lowest being waste and pollution with 15.5%.

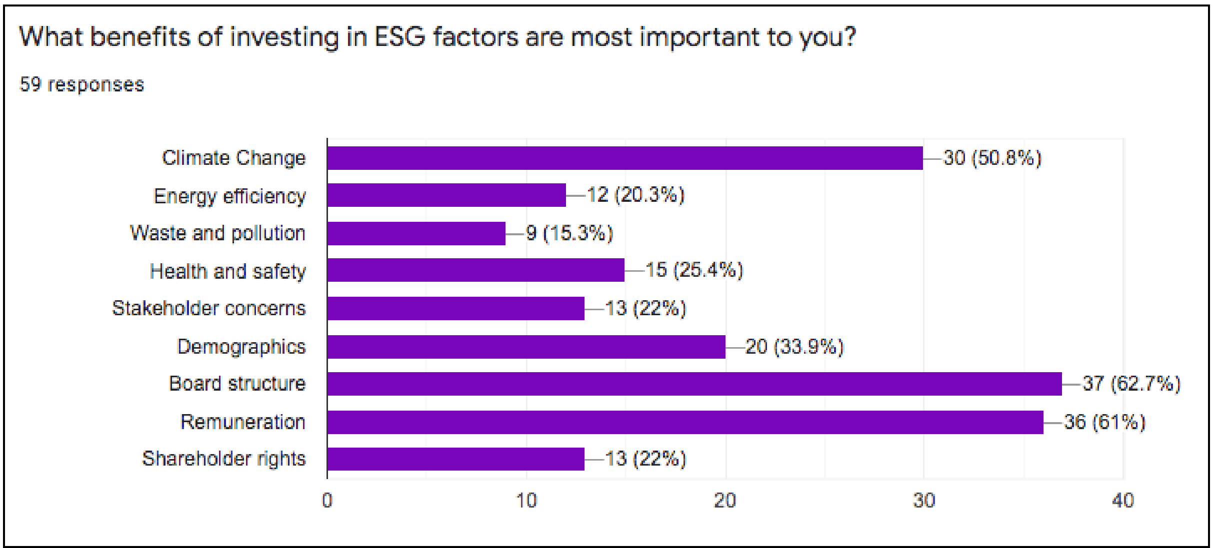



Figure 15 - Benefits of ESG Responses
Source: Online questionnaire

Similarly, participants were also asked about the potential barriers of ESG. In response to this question, the following figure presents the results.

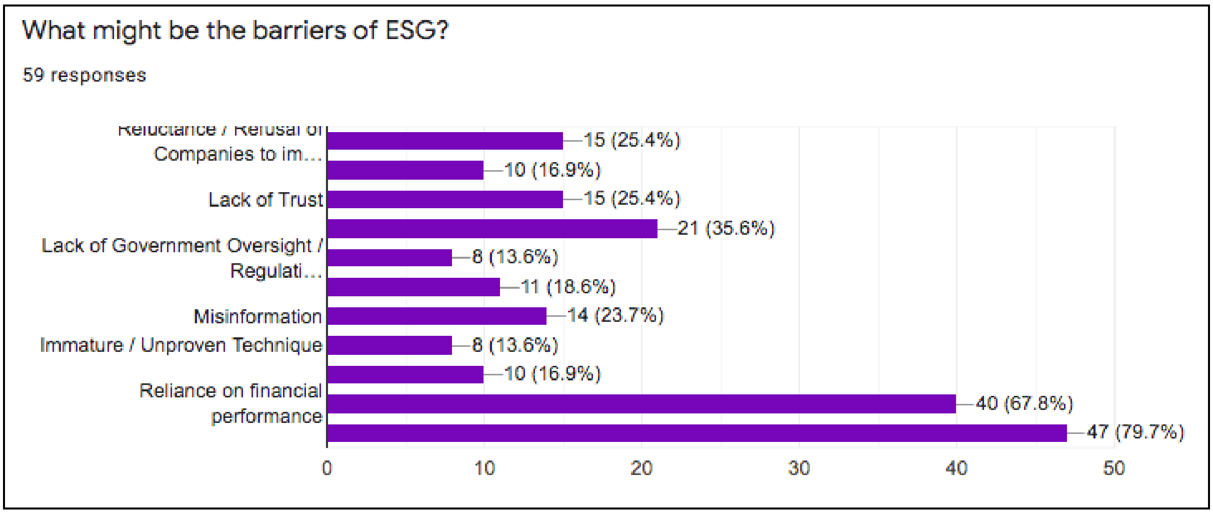



Figure 16 - Barriers of ESG Responses
Source: Online questionnaire

A high percentage of participants responded with the two answers that involved financial performance in the questionnaire. The first barrier of "Reliance on Financial Performance" received 40 selections 67.8% and the "Expectation of Superior Returns" barrier received 47 selections (79.7%). Again this shows that whilst Investment Managers and Investors are open to RI there is still some considerable concerns as to whether or not they will still receive the financial returns that the participants are used to. Trust and lack of oversight all scored low on the results.

Lastly in the questions surrounding ESG in general, was that of impact, participants were asked to opt their opinion or point of view about responsible investing in terms of the impact on ESG factors. Fig 17 shows that participants believe that RI impact on ESG factors is completely positive (66.1%), positive (15.2%), natural (16.9%) and negative (1.7%). There is not a single respondent who termed that the responsible investing impact on ESG factors is completely negative. This indicates that responsible investing has a positive impact on the Environmental, social and governance factors. As seen previously a result of this increased attention on the impact of ESG remains a constant challenge for those in the investment management industry to implement RI in the decision-making process whilst also having to improve their profitability, comply with regulations and become more positive contributors to society (Revelli, 2017).

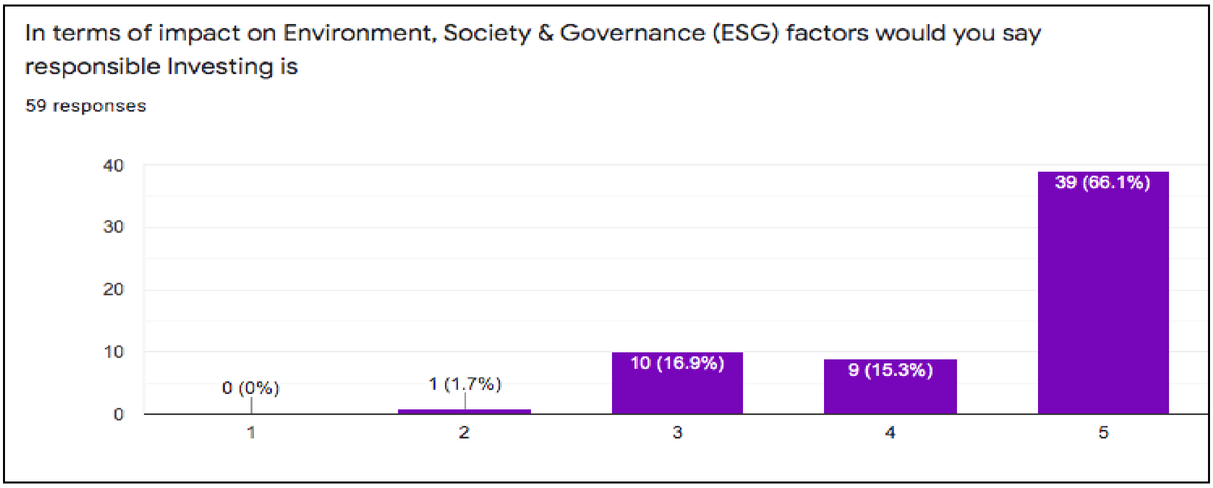



Figure 17 - Impact of ESG Responses
Source: Online questionnaire

## Review of Specific ESG Questions

After the general questions surrounding ESG further questions were asked of participants to try and gauge their views on the potential of ESG. Several different scenarios were provided and participants were asked to give an opinion as to if they thought the statement was either 1 (Very Bad) or 5 (Very Good).

### Environmental Scenarios

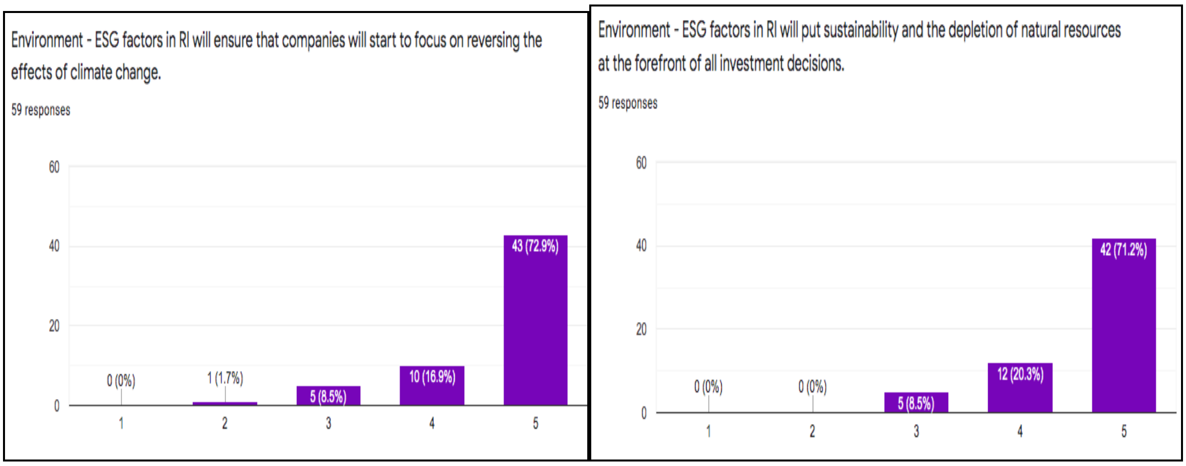



Figure 18 - ESG Environmental Responses
Source: Online questionnaire

### Social Scenarios

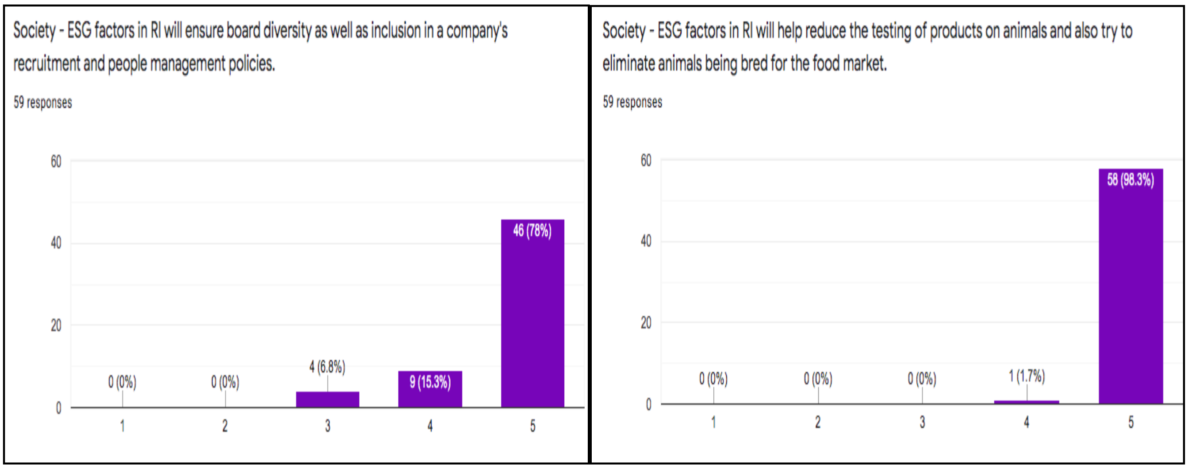
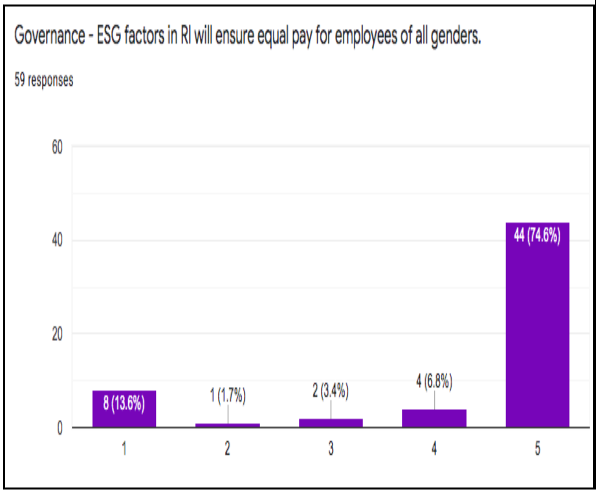



Figure 19 - ESG Social Responses
Source: Online questionnaire

Governance Scenarios



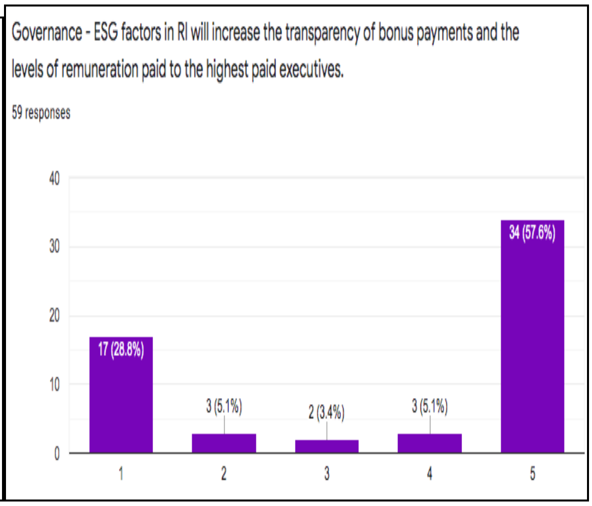




Figure 20 - ESG Governance Responses
Source: Online questionnaire

On the question of climate change, 72.9% participant answered that ESG factors in RI will ensure that companies will start to focus on reversing the effects of climate change. Other responses can also be seen in Fig 18 above. Also, 71.2% of participants are in favour that ESG factors in RI will deplete natural resources.

The participants were also asked about whether ESG will ensure board diversity and reduce the testing of products on animals or not. The responses are shown in Fig 19 & 20 above. A total of 78% of participants are in favour of ESG ensuring board diversity and an extremely high 98.3% being in favour of ESG helping to reduce testing on animals.

Similarly, the participants were asked about if ESG were to ensure equal pay for employees of both genders and will ESG could help to increase the transparency of bonus payments or not. The responses show that 74.6% of participants responded that they would be in favour of ESG ensuring equal pay for both Males and Females. The number of participants that were in favour of increased transparency of bonus payments was considerably down compared to the rest of the answers at 57.6%. This along with the other responses will now be analysed in more detail.

SPSS was again used to show the descriptive statistics of the data which is shown below. From the table, we can note the mean, standard deviation and other attributes of data.

| | Climate Change | Sustainability | Board Diversity | Animal Testing | Equal Pay | Increased Transparency |
|---|---|---|---|---|---|---|
| Mean | 4.61 | 4.63 | 4.71 | 4.98 | 4.27 | 3.58 |
| Std. Deviation | 0.72 | 0.64 | 0.59 | 0.13 | 1.42 | 1.81 |

All scenarios other than increased transparency managed to obtain a mean score of above 4 indicating a consensus across both Investment Managers and Investors that would like to see ESG provide an increased contribution across each of the other factors. Increased transparency when looked into in more detail (in the table below) shows that those participants that rated this as 'very bad' on the scale are mostly made up of Male Investment Managers where increased transparency into bonus payments and remuneration may lead to conflict or salary caps being introduced as has been seen with high profile bankers in the UK post-Global Financial Crisis – This is outside the scope of this paper but will be made as a recommendation to perhaps warrant future studies on the topic. The Standard deviation on the equal pay scenario is also concerning as this also shows a high percentage of males choose to score this option as very bad perhaps worried that this will somehow affect their pay? Again, while this is something that will be noted as part of the findings and summarised in the conclusion as a future area of research but this pay issue is outside the scope of this paper.

| | | Q1 Climate Change | Q2 Sustainability | Q3 Board Diversity | Q4 Animal Testing | Q5 Equal Pay | Q6 Increased Transparency |
|---|---|---|---|---|---|---|---|
| Age | 18-25 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| | 26-35 | 4.60 | 4.70 | 4.75 | 5.00 | 4.55 | 4.10 |
| | 36-45 | 4.54 | 4.54 | 4.54 | 4.92 | 4.15 | 3.77 |
| | 46-55 | 4.53 | 4.53 | 4.67 | 5.00 | 3.67 | 2.40 |
| | Over 55 | 4.50 | 4.25 | 4.75 | 5.00 | 3.55 | 2.25 |
| | | | | | | | |
| Gender | Male | 4.67 | 4.67 | 4.67 | 4.98 | 3.50 | 3.60 |
| | Female | 4.47 | 4.53 | 4.82 | 5.00 | 4.82 | 3.53 |
| | | | | | | | |
| Education | Secondary / High School | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| | Certificate / Diploma | 3.00 | 3.00 | 3.00 | 5.00 | 3.00 | 3.00 |
| | Undergraduate Degree | 4.67 | 4.67 | 4.67 | 5.00 | 4.17 | 3.83 |
| | Post Grad / Masters | 4.75 | 4.71 | 4.83 | 5.00 | 4.38 | 3.58 |
| | Doctorate / PhD | 4.50 | 4.38 | 4.63 | 4.88 | 4.25 | 2.50 |
| | | | | | | | |
| Status | Investment Manager | 4.33 | 4.33 | 4.33 | 5.00 | 2.33 | 2.33 |
| | Investor | 4.65 | 4.76 | 4.79 | 5.00 | 4.71 | 4.24 |
| | Both | 4.55 | 4.40 | 4.60 | 4.95 | 3.75 | 2.50 |

| | |
|---|---|
| (red) | Concerning - Warrants Further Research |
| (yellow) | Average Results |
| (blue) | Positive Results |

Using SPSS to produce the above table it's important to look at additional outcomes from the online questionnaire. As can be seen above there were some extremely positive results when evaluating RI and ESG factors received back from the 59 participants. Nearly all (58) participants selected that this would be 'very good' to achieve with the remaining participant selecting 'good'. One male participant chose neutral for all scenarios (bar animal testing) this was the same Male that had previously chosen 'Maybe' to the question of 'Have you heard of the term RI?'. Some other key areas in red that warrant further research is mainly centred around the issues as discussed previously. There was also a worrying trend in the Equal pay category were from 18-25 participants were very supportive but as the population sample aged the support for this decreased. We can also see a large disparity between the Male and Female support within the Irish Investment Industry. All of which may warrant further studies.

Finally, the participants were asked will they be willing to forego financial returns to positively contributing to non-financial ESG factors. 67.80 % of participants said s to the question while 28.81 % of participants are not in favour of this.

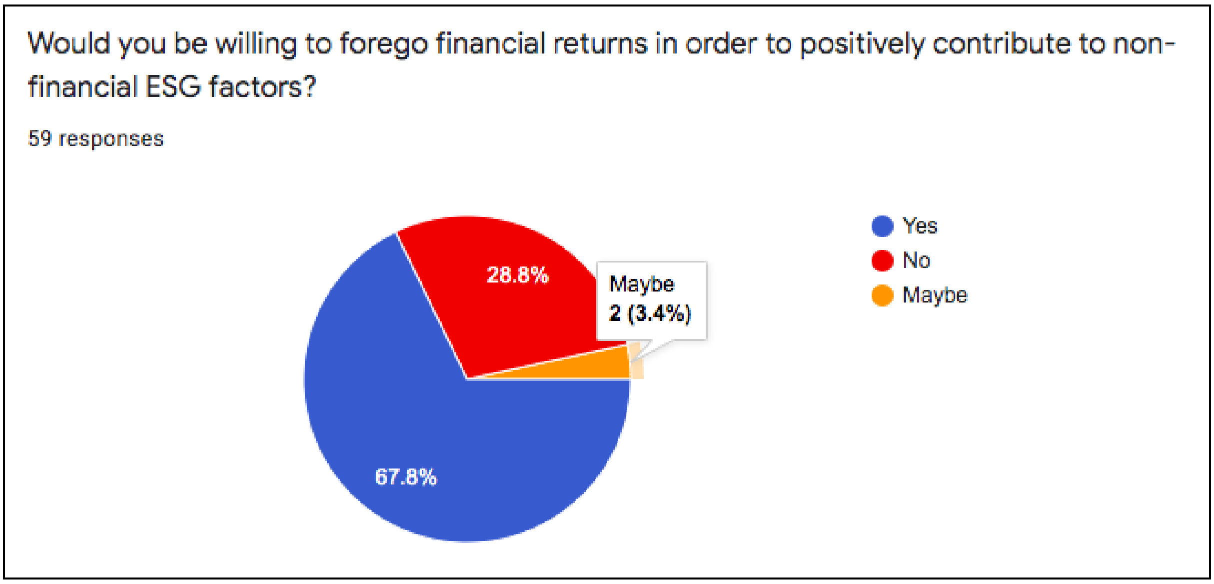



Figure 21 - Forego Returns Responses
Source: Online questionnaire

The above shows that when asked, Investment Managers made up the bulk of the 'No' category when it came to be willing to forego some financial returns to positively contribute to non-financials ESG factors.

Using SPSS software and applying from the above data produces the below output

| | | Would you be willing to forego? |
|---|---|---|
| Age Bracket | 18-25 | 1.14 |
| | 26-35 | 1.20 |
| | 36-45 | 1.31 |
| | 46-55 | 1.60 |
| | Over 55 | 1.75 |
| | | |
| Gender | Male | 1.38 |
| | Female | 1.29 |
| | | |
| Education | Secondary / High School | 1.00 |
| | Certificate / Diploma | 3.00 |
| | Undergraduate Degree | 1.17 |
| | Post Grad / Masters | 1.38 |
| | Doctorate / PhD | 1.75 |
| | | |
| Status | Investment Manager | 2.00 |
| | Investor | 1.12 |
| | Both | 1.70 |

We can see that as the age increases participants are less likely to be willing to forego any financial return. The correlation between Male and Female is negligent. Similar to age (Apart from one Maybe) the higher the education achieved the less likely you are to forego some financial performance. However, this may overlap with age as it is to be expected that the older the participant is the more likely there are to have gained higher academic awards. As we can also see from the above No Investment Manager is willing to forego financial return to positively contribute to non-financial ESG factors. This may be as a result of managing funds and portfolios where this simply wouldn't be allowed or even frowned upon.

## Conclusion & Recommendations

In was the position of this research, to identify the importance of non-financial ESG factors, throughout a thorough review of relevant academic literature along with the google docs questionnaire which was carried out. The questionnaire was following on from the approach and questions applied and comprehensive research of the results was assessed. To complete this study, it is necessary to evaluate RI and ESG factors against the aims set out at the start of this paper. This part will then present some suggestions for further study in this field.

The aim here was to:

1, Assess previous material on this topic employing a literature review to investigate and understand RI in the investment industry and the application of ESG considerations specifically. From the literature review, I plan to ascertain the current views of the investment industry and whether financial performance is its main priority.

- These were covered by the review of the literature in this paper and the online questionnaire. Questions were put to individuals in the Irish investment industry which discussed key terms surrounding RI & ESG usage, benefits and awareness.

2, It is then the aim of this paper to use the knowledge gained from the literature as well as an online questionnaire, evaluating Investment Managers & Investor's views as to the concerns and barriers that may be affecting the adoption of RI and ESG & therefore lack of research surrounding non-financial factors such as ESG.

- The questionnaire results were key to fulfilling this aim. As mentioned previously Responsible Investing and ESG factors have been around for some time as discussed in the literature review. Many of the participants were also aware of the subjects having worked or invested in the industry which helped with the understanding of the questionnaire. Investment Managers and Investors were extremely clear concerning the barriers and concerns that they have when it comes to RI & ESG with most showing a willingness to adopt but with reservations surrounding financial performance concerns and with Male Investment Managers, in particular, having concerns around transparency around bonuses, remuneration and equal pay.

3, The third step will be to collect and analyse recommendations provided by the literature and online questionnaire to access improvements and amendments Investment Managers and Investors could take into account to help benefit the Investment management industry.

- This purpose was explained previously & also discussed in potential future research opportunities. All aims stated at the outset of this paper were obtained in their entirety. Three research questions as a result of these were –

1. Is financial performance the only priority for investment managers and Investors?
2. What are some of the major concerns and barriers of both RI and ESG from those in the investment industry?
3. Is there a future for RI and ESG factors?

These will now be covered in more detail. Q1 and Q2 show findings from the literature review and questionnaire whilst Q3 shows recommendations.

## Q1 – Is financial performance the only priority for investment managers and investors?

In the Literature review, a comprehensive assessment of this question was made also benefitting from the results of the online questionnaire. As mentioned previously Kotsantonis et al (2016) found that companies that made major investments in ESG issues experienced both higher growth in profit margins and higher risk-adjusted stock returns than otherwise comparable companies, therefore it's concerning to see that 17 participants of the online questionnaire (28.5%) were of the view that RI is purely based on financial returns. Sparkes, (2001) in the literature review also states that most literature surrounding RI looks solely at stocks and shares and in turn, leaves behind vital issues such as broader societal issues such as community investing, carbon footprint and climate change.

The questionnaire also shows there is a willingness for both Investment Managers and Investors to adopt RI and ESG as was seen when asked what benefits they envisaged –

Nearly 70% of the participants could see that adopting these methodologies could help to 'invest in our future' however there is a clear reluctance (across investment management participants in this study) to fully adopt this into every decision-making process which is important to study further in any future research but with studies such as Dimson and Karakas (2015): Khan and Serafeim (2016) proving that over 92% of investment managers in the United States admit to using ESG data only because it's financially material to financial performance the full-scale adoption to RI has a long way to go before it wants to implement this as a driver for change to help the Environmental, Social and Governance factors.

The final question (Would you forego Financial Performance for non-financial ESG benefits?) of the online survey was specifically asked to target whether this was a top priority for the participants and as the results show whilst there is encouragement that investors in the Irish Industry do not see financial performance as the only priority there is still some way to go before Investment Managers start to think the same.

With the help of the questionnaire and the literature review question, 1 was answered in its entirety.

### Q2 - What are some of the major concerns and barriers of both RI and ESG from those in the investment industry?.

The literature review & questionnaire also performed a major role in forming a conclusion here. The questionnaire showed many were aware of the potential concerns and barriers that face the within responsible investing and ESG which was no surprise considering the individuals that were asked to take part. Taking into account what was discussed in the literature review mentioned from the research carried out by Zadeh and Serafeim (2018) concerning the barriers that they had found from their research into 652 participants made up of CEO, Chief Investment Officer (CIO), fund manager, portfolio manager, or investment analyst. From analysing the online questionnaire as part of this research similar barriers were flagged as impediments to ESG Integration. However, the Zadeh and Serafeim (2018) study did throw up two significant differences to the responses that were received as part of this papers research which will be discussed in detail below.

1. Zadeh and Serafeim (2018) had a considerably high percentage of their participants (44.8%) reply that the lack of comparability across firms was a major barrier to ESG implementation in their businesses. The online questionnaire as used in this paper showed the number to be over 50% less at 18.6. One reason for this significant reduction could be partially down to their study took part in 2018 in which time there has been much focus on bringing ESG reporting u to the level that its traditional counterparts benefit from.
2. The Zadeh and Serafeim (2018) study also showed that there was a significant difference between how each region viewed ESG data. They along with research carried out by Lopatta Buchholz & Kaspereit, (2016) state that US investors approach ESG data with a certain level of caution and tend to be more concerned about the reliability of the data whereas investors in Europe tend to be more casual about the data taking it at face value. The reason behind this would make for some interesting further research.

It was therefore determined that with having carried out the literature review and asking the specific questions surrounding the concerns and barriers of RI and ESG within the online questionnaire question 2 was also answered in its entirety.

### Q3 – Is there a future for RI and ESG factors?.

Much of the research surrounding RI and ESG factors within the process speak very favourably of this style of investment approach (Grewal, Hauptmann & Serafeim, 2017). However, there is a growing discontent (amongst investment managers especially) that are frustrated with the difficultly in being able to comprise consistent and reliable data (Lim and Tsutsui, 2012). Many companies believe that their way of reporting on ESG is the far superior to anyone else’s which leads to not being able to compare like for like as different countries may place different emphasis on different factors. A major ESG issue in India such as fair trade might be worlds apart from the solar energy Americans need to power their electric cars.

As discussed Dumas & Michotte, (2014) suggest non-financial performance is often overlooked by its counterparts as the investment industry is more focused on financial returns but others are showing that the tide is changing and with millennials being more inquisitive around responsible investment it's important for investment companies to catch up. Quilter (2020).

However many other studies have also commented on the need for improvements in ESG measurement. Concerns with the trustworthiness of ESG data are well-founded (Busch, Bauer & Orlitzky, 2016). Several researchers point out that currently available data often lack reliability and validity (Griffin & Mahon, 1997: Mattingly & Berman, 2006: Orlitzky, 2013: Orlitzky & Swanson, 2012: Rowley & Berman, 2000: Vogel, 2005).

The reporting tends to be more localized and it’s harder to define, especially when you compare to environmental issues where the carbon footprint provides for a well-understood, comparable metric. Marsh (2020). To be successful ESG data needs to be measurable, quantifiable and accountable otherwise it runs the risk of being implemented into a managers fund or portfolio as a nice to have rather than a need to have.

This paper has shown on numerous occasions that throughout the literature review that RI and ESG do have a very bright future partly due to its meteoric rises in investment as shown in the literature review as well as being bound to take centre stage in 2020 if it wasn’t for Covid-19. That coupled with recent trends as shown in Fig and Irish Investment Managers and Investors willingness to adopt the approach (albeit with some slight concerns) of RI into their decision making, but as mentioned previously To be a true success RI and ESG need to be faster and more agile to an industry that doesn’t wait around for anyone or anything.


Figure 22 - Growth of ESG Investing by Money Managers 2005 – 2018
Source: US-SIF Foundation

## Possible Further Studies

As stated throughout the dissertation there were many interesting outcomes throughout this research. These are listed below.

1. Questionnaire Results – The online survey provided the best insight into individuals in the Irish Investment Industry. Some of the responses especially surrounding the ESG factors such as equal pay across genders as well as increasing the transparency around bonuses and remuneration structures. It would be interesting to follow this research on to try and gauge if this was specifically to do with ESG or if there was some legacy mindset amongst some males in the Irish Investment Industry
2. Another possible area of study to build upon this paper would be to focus on the financial performance concerns of the investment managers and investors. Each question that mentioned financial performance as an option delivered a high level of participants selecting this as a concern. Investment managers and Investors have some hesitation towards implementing ESG fully so further research of the topic would be sure to offer up some more interesting results.
3. Fiduciary responsibility was also touched on slightly throughout this dissertation. As RI and ESG become even more mainstream questions will start to be asked of Investment Firms, Consultants, Providers, Brokers and intermediately will need to show what they are doing for their clients. This paper would serve as a great springboard into addition research in this area with fiduciary duty and responsibility touched on in the literature review and also have a template online questionnaire which could be used to determine the importance of RI and ESG factors from a fiduciary point of view.

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# Appendix

## Environment, Social and Governance (ESG) factors within Responsible investing

Hi! Thank you for participating in my survey.

This is an anonymous survey being conducted in support of a Masters of Business Administration (MBA) thesis undertaken at the National College of Ireland (NCI).

This survey concerns understanding the non-financial Environment, Society and Governance (ESG) factors within Responsible investing.

If you have any questions, comments or concerns, please feel free to reach out to me at:
x18144365@student.ncirl.ie

I would love to hear from you! Thanks
Terry James

### General Questions

All responses will remain anonymous, only to be used as part of a NCI MBA Dissertation on the titled topic.

Age Range *

- ◯ Under 18
- ◯ 18 - 25
- ◯ 26 - 35
- ◯ 36 - 45
- ◯ 46 - 55
- ◯ Over 55

Gender *

- ◯ Male
- ◯ Female
- ◯ Other: ______

Highest Education Achieved *

- ◯ Secondary / High School
- ◯ Certificate / Diploma
- ◯ Undergraduate Degree
- ◯ Post Graduate / Masters Degree
- ◯ Doctorate / PhD

Are you an asset manager or asset owner? *

- ◯ Asset Manager
- ◯ Asset Owner
- ◯ Both
- ◯ Neither

## General Responsible Investing Questions

Have you heard the term Responsible Investing? *

- ◯ Yes
- ◯ No
- ◯ Not Sure

Have you heard of any of the following in relation to Responsible Investing? *

- ☐ Active Ownership
- ☐ Impact Investing
- ☐ Ethical Investing
- ☐ Green Investing
- ☐ Mission-Based Investing
- ☐ Themed investing
- ☐ Stewardship
- ☐ Screening
- ☐ Proxy Voting
- ☐ Other: ____________

Do you welcome Responsible Investing? *

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Not at all | ○ | ○ | ○ | ○ | ○ | Completely |

In your opinion is Financial Performance the only reason for Responsible Investing *

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Not at all | ○ | ○ | ○ | ○ | ○ | Completely |

What benefits do you envisage from Responsible Investing? *

- ☐ Bringing People Closer
- ☐ Investing in Our Future
- ☐ Wealth Equality
- ☐ Enhanced Quality of life
- ☐ Better Government / Political Accountability
- ☐ Better Standard of Living for All
- ☐ More Efficient Society
- ☐ Better Returns
- ☐ Other: ____________

What are your main concerns when it comes to responsible investing? *

- [ ] Reputational Concerns
- [ ] Consumer Pressure Concerns
- [ ] Financial Performance Concerns
- [ ] Public Opinion Concerns
- [ ] Growing Corporate Transparency Concerns
- [ ] Increased Disclosure Concerns
- [ ] Stakeholder Activism Concerns
- [ ] Increased Regulation Concerns
- [ ] Other:

## General Environment, Society & Governance (ESG) Questions

Are you familiar with Environment, Society & Governance (ESG) factors within Responsible Investing *

- ○ Not At All Familiar
- ○ Slightly Familiar
- ○ Moderately Familiar
- ○ Very Familiar
- ○ Extremely Familiar

What benefits of investing in ESG factors are most important to you? *

- [ ] Climate Change
- [ ] Energy efficiency
- [ ] Waste and pollution
- [ ] Health and safety
- [ ] Stakeholder concerns
- [ ] Demographics
- [ ] Board structure
- [ ] Remuneration
- [ ] Shareholder rights
- [ ] Other:

What might be the barriers of ESG? *

- [ ] Immature / Unproven Technique
- [ ] Lack of Cooperation between industrys
- [ ] Reluctance / Refusal of Companies to implement
- [ ] Lack of compatibility within investment products
- [ ] Expectation of superior returns
- [ ] Misinformation
- [ ] Reliance on financial performance
- [ ] Lack of Trust
- [ ] Lack of Clarity on Return on Investment
- [ ] Corruption
- [ ] Lack of Government Oversight / Regulation
- [ ] Other: ______

In terms of impact on Environment, Society & Governance (ESG) factors would you say responsible Investing is *

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Completely Negative | ○ | ○ | ○ | ○ | ○ | Completley Positive |

## Specific ESG Questions

Using specific examples of how ESG can be used, the remaining questions are designed to understand how your view of ESG changes for better or worse, the more you know what it could potentially achieve.

Environment - ESG factors in RI will ensure that companies will start to focus on reversing the effects of climate change. *

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Very Bad | ○ | ○ | ○ | ○ | ○ | Very Good |

Environment - ESG factors in RI will put sustainability and the depletion of natural resources at the forefront of all investment decisions. *

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Very Bad | ○ | ○ | ○ | ○ | ○ | Very Good |

Society - ESG factors in RI will ensure board diversity as well as inclusion in a company's recruitment and people management policies. *

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Very Bad | ○ | ○ | ○ | ○ | ○ | Very Good |

Society - ESG factors in RI will help reduce the testing of products on animals and also try to eliminate animals being bred for the food market. *

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Very Bad | ○ | ○ | ○ | ○ | ○ | Very Good |

Governance - ESG factors in RI will ensure equal pay for employees of all genders. *

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Very Bad | ○ | ○ | ○ | ○ | ○ | Very Good |

Governance - ESG factors in RI will increase the transparency of bonus payments and the levels of remuneration paid to the highest paid executives. *

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Very Bad | ◯ | ◯ | ◯ | ◯ | ◯ | Very Good |

Would you be willing to forego financial returns in order to positively contributing to non-financial ESG factors? *

- ◯ Yes
- ◯ No
- ◯ Maybe
- ◯ Other: ____