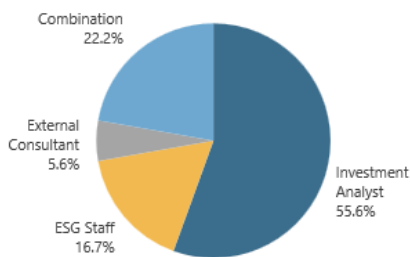


ESG Integration Practices: Research Results – Part 1

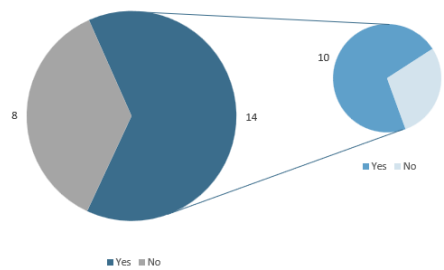
In June 2022 issue of the [Valoris Stewardship Dispatch](#), we highlighted our recently completed [empirical study](#) of ESG integration and stewardship policies and practices of select asset managers. This Part 1 summary of the study’s results focuses on key findings related to how consideration of environmental, social and governance (ESG) factors figures in investment sourcing and decision-making.

Asset managers included in the study demonstrated a variety of practices around integrating ESG considerations in their investment sourcing and decision-making processes. Investment analysts rather than ESG specialists were responsible for the conduct of ESG research on prospective portfolio companies at most asset managers in the study, irrespective of size, asset class or PRI membership. About a quarter of responding managers relied on specialized ESG analysts. While 14 out of 22 asset managers surveyed employ dedicated ESG staff, nonetheless, in 4 of those firms the *investment analysts* lead the ESG data collection and analysis of investment prospects.

Who Leads the ESG Data Collection?

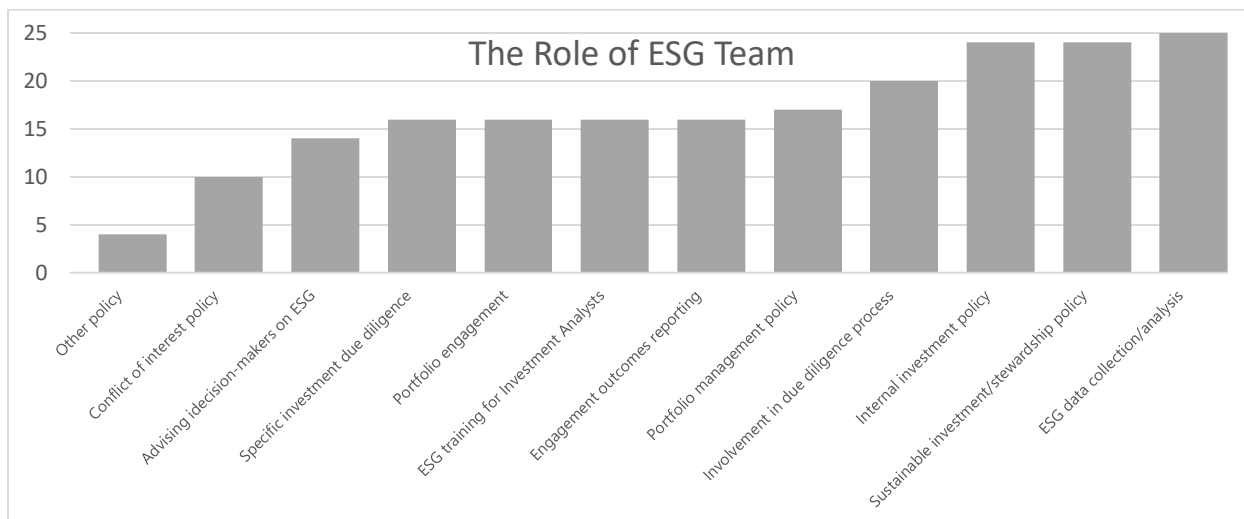


Dedicated ESG staff



The results of our study indicate that more and more asset managers include ESG professionals/analysts in their teams or engage external ESG expertise in the early stages of their investment cycle – 80% of studied asset managers have an in-house or externally-engaged ESG-focused team members. We also observed that the role and responsibilities of ESG staff are expanding, with 80% of surveyed asset managers having a VP or a Director-level staff member overseeing ESG issues. The top 2 reported responsibilities of ESG staff are ESG data collection/analysis and drafting stewardship policies. Other responsibilities include developing internal investment policies integrating ESG, conducting ESG due diligence on investment prospects, providing input on investment decisions, advising the senior management and training investment analysts on relevant ESG matters.

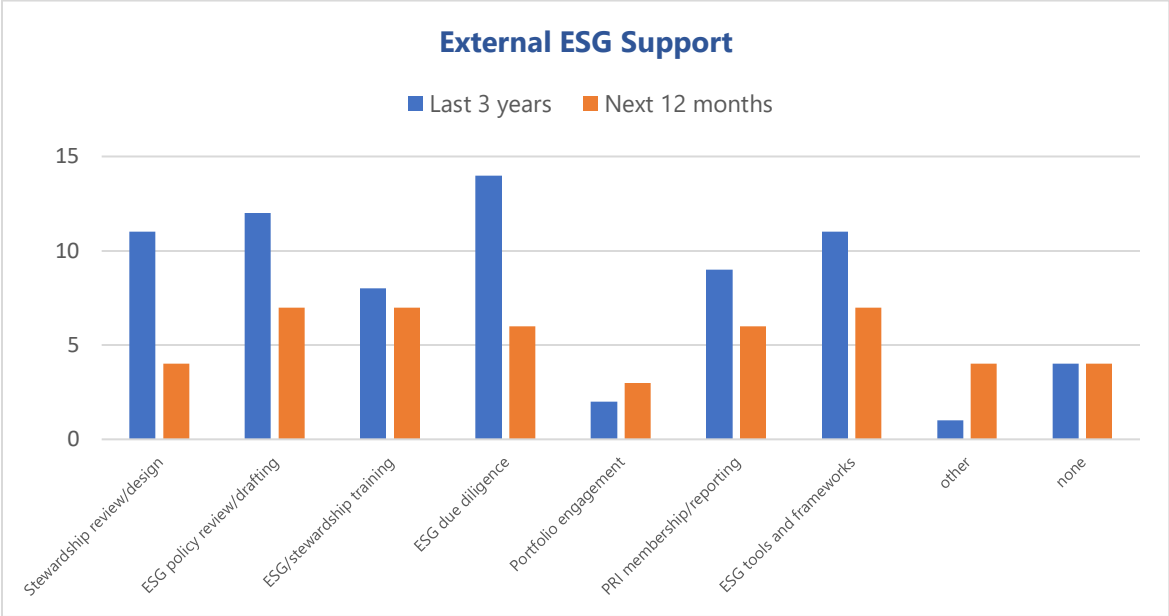
The Role of ESG Team



ESG teams play a significant role not only with specific investment and portfolio operations but also contribute importantly to institutionalization of ESG integration/stewardship policies. Specifically, even though almost all asset managers in the study reported having some form of ESG/stewardship policy in place, the PRI-signatories tended to have more specific, standalone ESG policies, with non-signatories typically reporting having policies integrated into their general investment strategy and approaches.

Finally, two-thirds of interviewed asset managers reported that in the last 3 years they engaged external ESG experts on a variety of topics, including helping them establish ESG integration policies, procedures and tool, indicating growing interest in the topic. Moreover, 7 asset managers indicated their interest in engaging more external support related to:

- ESG investment/portfolio client due diligence - ESG/stewardship policy review/drafting;
- ESG training; and
- ESG tools and frameworks for due diligence, data, and outcomes.



Part 2 coming soon.