Special Report 2009

Responsible Investing and Wealth Management: Opportunities for the future

EIRiS   WealthBriefing   Kleinwort Benson


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Printed by: iPrint, 245a Burlington Road, New Malden, Surrey, KT3 4NE, Tel: +44 (0) 20 8336 0200

EIRIS

EIRIS is a leading global provider of independent research into the environmental, social and governance (ESG) and ethical performance of companies. With over 25 years' experience of conducting research and promoting responsible investment strategies, EIRIS now provides services to more than 100 asset owners and asset managers and major index providers worldwide. Our clients include AXA, KBC, Morgan Stanley, Invesco, Santander, Nomura and the Norwegian and French Government pension funds - Global and the FTSE4Good family of indices. Increasing interest in socially responsible investment (SRI) has seen us expand our range of services for an ever increasing number of clients.

EIRIS' standard research covers more than 3,000 companies in Europe, North America and the Asia Pacific regions. We cover over 100 different areas including environmental policy, systems, reporting and performance, corporate governance, breaches in international norms and conventions, human rights and stakeholder issues. EIRIS has a multinational team with over 50 staff in our offices in London, Boston and Paris. Our global network of research partners further extends our coverage and keeps us abreast of responsible investment issues at the local level. The EIRIS partner network includes organisations in Australia, France, Israel, Germany, Spain and South Korea.

EIRIS offers a range of products and services for Responsible Investors. Developed with direct input from investors, EIRIS tools are designed to be flexible and adaptable and can easily be tailored to suit a wide variety of investment approaches. Our core product, EIRIS Portfolio Manager (EPM), enables investors to quickly and easily query and access the most pertinent data in our extensive database. EPM enables investors to create comparative measures of companies on the issues that they are most concerned or interested in by formulating their own ranking and scoring of companies, and can also be used to screen or rank companies on positive and negative criteria, or as part of a best in class investment approach.

ClearView Financial Media Ltd

ClearView Financial Media Ltd is a London-based specialist financial media company that has a focus on global wealth management issues. Its flagship service is *WealthBriefing*, the world's pre-eminent wealth management online newswire, which is complemented by *Wealth-BriefingAsia* and the US-based *Family Wealth Report*.

Over 20,000 wealth managers from around the world rely on ClearView's daily news alert to keep abreast of their fast-moving industry. The owner-managed company also runs *WealthCareers*, a web-based jobs platform for wealth managers, and *Wealth-Connect,* the social and professional networking site for wealth managers.

ClearView's Breakfast Briefings series - high-level thought leadership events - has been running successfully for several years, with invitation-only briefings in many of the world's major wealth management centres.

The company also publishes in the corporate governance field, with its monthly newsletter *Executive Compensation Briefing* which has become essential reading for compensation and benefits professionals, non-executive directors and their advisors.

ClearView also markets reports and surveys written by third parties on the global wealth management industry.

Foreword

The last year has been a remarkable (and one hopes never to be repeated) period for the financial services sector. We have all been affected in one way or another, and attitudes to Responsible Investment (RI) have shifted in the process. This, the third year of our Wealth Management and RI report, brings both unexpected results and interesting questions.

We have seen more managers attracted to RI due to increased client churn and the need to add value. But also more managers are deciding that with less time or resource it's not for them. The middle ground appears to be shrinking.

To what extent could an element of environmental, social and governance related (ESG) risk mitigation based on responsible investment principles have changed the outcome of the current financial situation? Many commentators feel that a stronger emphasis on governance could have had a material effect on investment decisions, whilst, with the United Nations climate change conference in Copenhagen pending, carbon and climate change remain prominent factors in investors' minds.

The UN PRI (principles for responsible investment) initiative is going from strength to strength with, at the time of publication, some 588 signatories worldwide representing $18 trillion in funds under management. There seems to be a growing awareness that there is a strong business case for the inclusion of RI in the investment process as a vital indicator of shareholder value. Many feel that those not factoring in elements of RI may be neglecting fiduciary duty, and some wealth managers are recognising this and are taking RI on board proactively with clients and offering a considered solution.

With RI becoming more mainstream among wealth managers, education on the various relevant issues and awareness from high net worth clients is growing, and thus there are more elements that can be offered to clients when considering their investment strategies.

I would like to thank Victoria Woodbridge for leading the project, Kleinwort Benson Private Bank for sponsoring the report, *WealthBriefing's* Wendy Spires and Jackie Rampersaud, our expert panel and Chelsea Latham for her project management.

I hope that you find this report useful in deciding how best to approach this important market.

Peter Webster, Executive Director EIRIS

Executive Summary

This is the third year that EIRIS has produced a report on the responsible investing (RI) landscape and the wealth management industry, and the first year that the research and report has been conducted in conjunction with *WealthBriefing* and Kleinwort Benson. The focus of this year's report is to look at high net worth (HNW) individuals and their perception and implementation of RI. There is little doubt that issues such as climate change and child labour are now a part of our social landscape, and we sought to examine the extent to which these and other issues are being addressed in investment portfolios.

The key findings of this year's survey, and prominent themes to emerge from the expert panel discussion and interviews include:

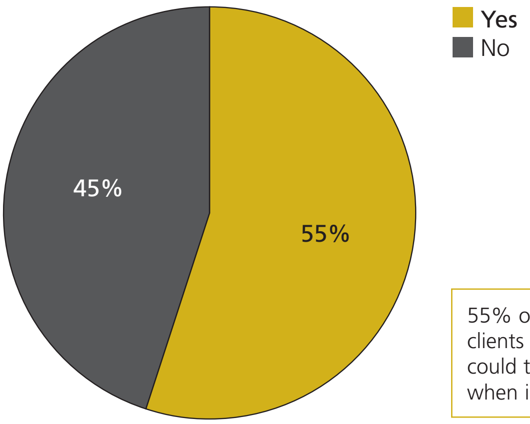
- There is more movement of clients between wealth managers than ever before.
- The relationship element with HNW clients and their managers is rated as substantially more important by managers than their clients.
- HNW individuals are now more aware than ever of various social, environmental and governance related issues and how they might relate to their investments.
- Most of the private client interest in responsible investment is from the entrepreneurial community.
- 55% of wealth managers surveyed said they would not be "very happy" to implement a bespoke RI solution for their clients.
- The main barrier to the implementation of bespoke RI solutions from the wealth managers' perspective is lack of clarity and information on performance.
- The consensus from the expert panel is that the credit crisis has polarised wealth managers, making them either much more or much less likely to facilitate an RI solution for clients than before.
- 55% of wealth managers are more likely this year to look at governance and impending regulatory issues in their clients' portfolios.
- 70% of wealth managers' clients see a clear link between their philanthropic activity and investing in line with their philanthropic goals.
- Many private clients see philanthropic spending as a core expense.
- 90% of wealth managers responding to the survey said that their RI portfolios have performed the same or better than their other portfolios.

Survey Results

For this year's report entitled *Responsible Investing and Wealth Management: Opportunities for the future*, a survey questionnaire was sent out by email to the global readership of *WealthBriefing*. The research was carried out during the summer of 2009.

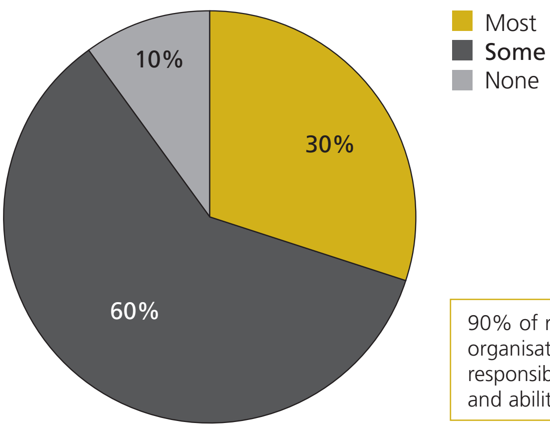
The survey questions focused on a wide range of issues pertaining to the implementation of responsible investment in the high net worth space, generating fascinating insights into the RI-related practices and views of both wealth managers and their clients.

1. Do you promote RI to your existing clients?



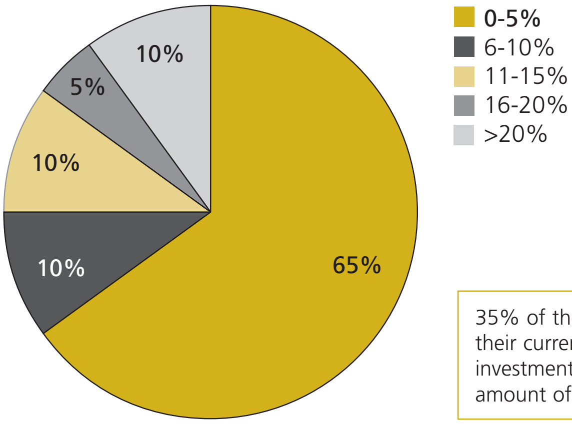
55% of those surveyed said that they promote responsible investment (RI) to clients in some manner. However, it should be borne in mind that promotion could take many forms, perhaps simply mentioning the term "screening" when introducing clients to a company's various investment offerings.

2. In your view, how many managers within your organisation are able to facilitate a client's request for a bespoke socially responsible overlay?



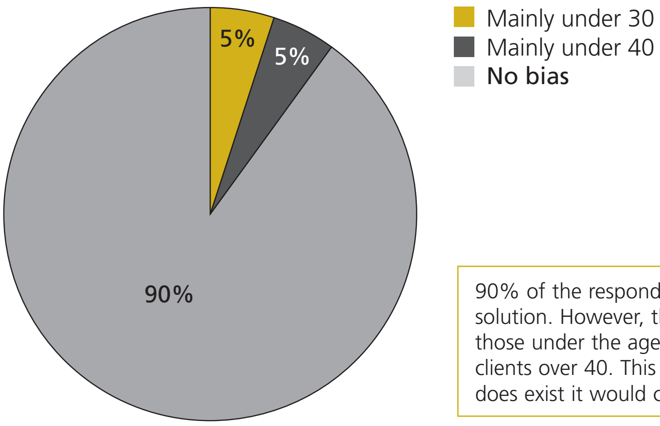
90% of respondents said that most or at least some managers within their organisation are able to facilitate a client's request for a bespoke socially responsible overlay. This shows some confidence in the RI education levels and ability of colleagues.

3. What percentage of your current private client AUM includes an element of socially responsible investment?



35% of those surveyed said that more than a small percentage (0-5%) of their current private client AUM includes an element of socially responsible investment. That this proportion of managers have dedicated such a fair amount of AUM to RI signals a positive trend within the industry.

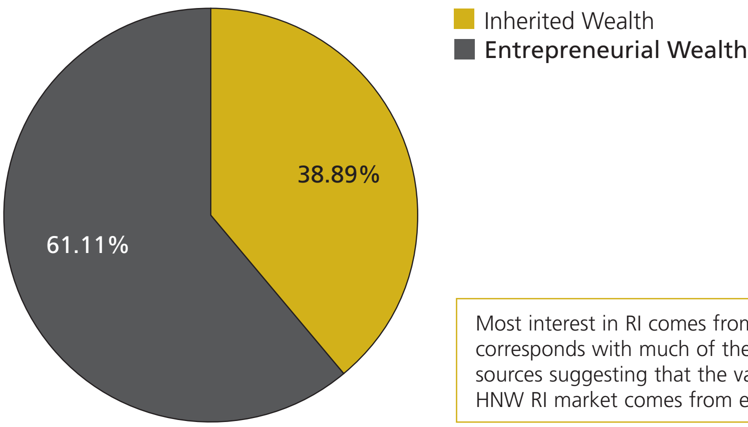
4. Do you see a bias in the age of clients requesting an RI solution?



[0% - *Mainly over 40*]

90% of the respondents see no bias in the age of clients requesting an RI solution. However, the remaining 10% claimed that the bias was all towards those under the age of 40, with none claiming that the bias came from those clients over 40. This suggests that although there is little bias seen, where it does exist it would come from the younger generation.

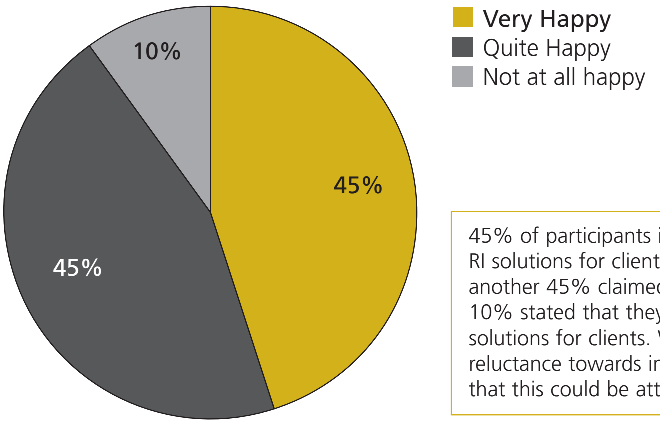
5. Of those clients interested in RI would you say that they are mainly:



Most interest in RI comes from entrepreneurial wealth (61%). This corresponds with much of the information we have received from other sources suggesting that the vast majority of interest and drive behind the HNW RI market comes from entrepreneurs.

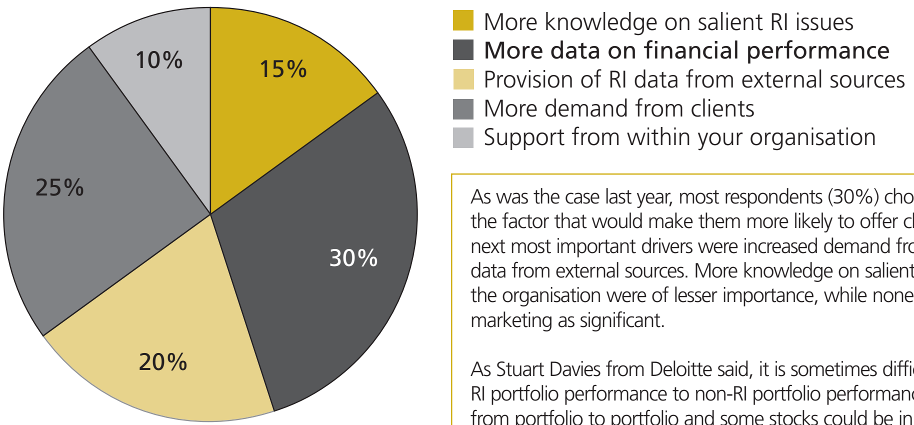
Survey Results continued...

6. How happy would you be to implement a bespoke RI solution for a client/prospect should they ask for one?



45% of participants in the survey would be very happy to implement bespoke RI solutions for clients if they asked for one. Though this seems positive, another 45% claimed that they would only be quite happy and the remaining 10% stated that they wouldn't be at all happy to implement bespoke RI solutions for clients. While this might seem to indicate that there is some reluctance towards implementing bespoke RI solutions, it should be noted that this could be attributable to a wide range of factors.

7. What assistance (if any) would make you more likely to offer a bespoke RI solution to your clients?

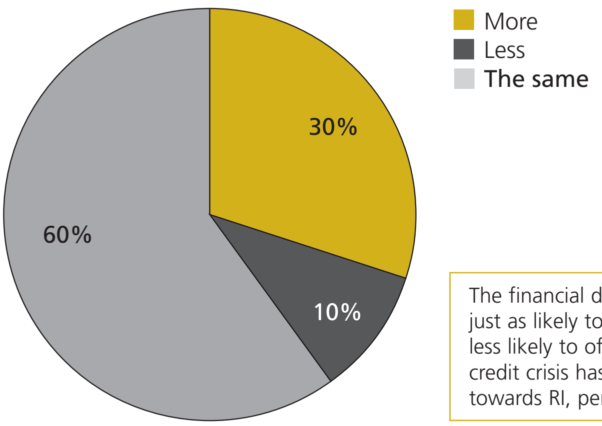


[0% - More available marketing of RI]

As was the case last year, most respondents (30%) chose more data on performance as the factor that would make them more likely to offer clients a bespoke RI solution. The next most important drivers were increased demand from clients and the provision of RI data from external sources. More knowledge on salient RI issues and support from within the organisation were of lesser importance, while none of those surveyed viewed RI marketing as significant.

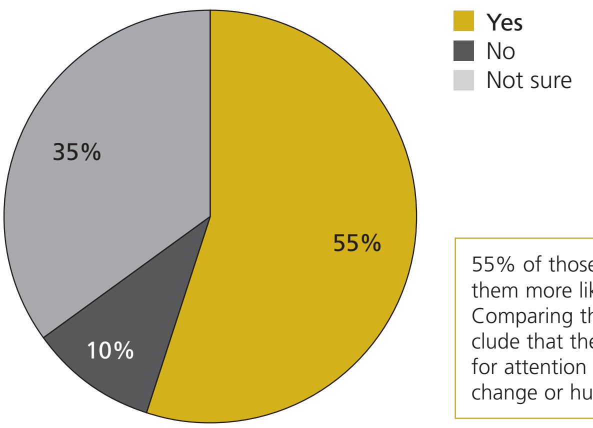
As Stuart Davies from Deloitte said, it is sometimes difficult to properly chart and compare RI portfolio performance to non-RI portfolio performance, mainly because the criteria alter from portfolio to portfolio and some stocks could be in both types of portfolios. Those managers who deal strictly with RI portfolios have confidently stated that their portfolios can perform just as well as unscreened ones (Brigid Benson and Gemma Woodward).

8. Has the current financial situation made you more or less likely to offer an RI overlay to your client portfolios?



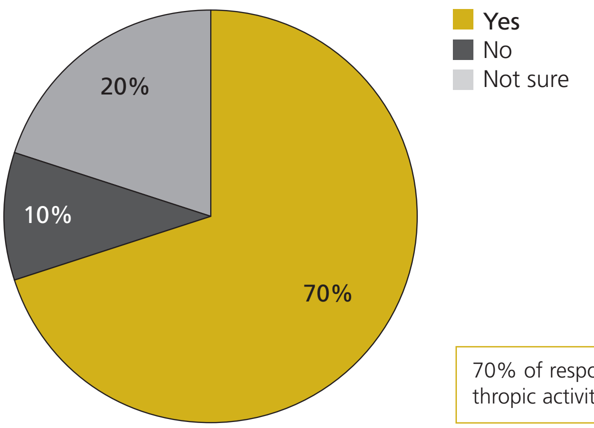
The financial downturn has made 30% of respondents more likely and 60% just as likely to offer RI. Only 10% said that the credit crisis has made them less likely to offer an RI overlay. This is an encouraging sign that if anything the credit crisis has had a positive effect on the view that wealth managers take towards RI, perhaps regarding risk mitigation.

9. Would the current financial situation lead you to be more likely to take governance and impending regulatory issues into account in your clients' portfolios?



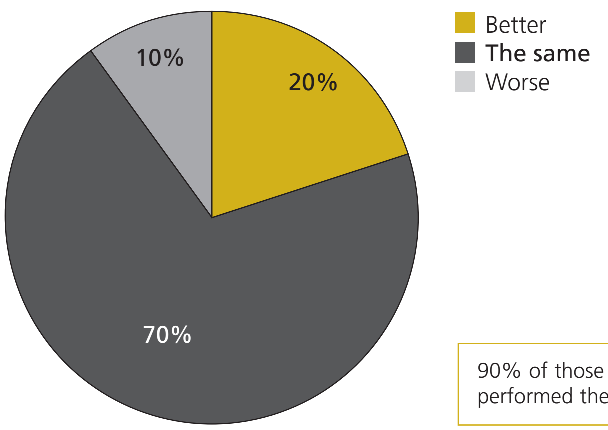
55% of those surveyed said that the current financial situation has made them more likely to take regulatory risk and governance issues into account. Comparing this finding to those from the previous question, one may conclude that the increased willingness to offer RI comes from increased demand for attention to governance and risk above other concerns such as climate change or human rights.

10. Do your clients see a tangible link between their philanthropic activities and investing in line with their philanthropic goals?



70% of respondents said their clients see a tangible link between their philanthropic activities and investing in line with their philanthropic goals.

11. How do you feel that your RI investments have performed over the last year compared to your other portfolios?



90% of those surveyed said that over the last year their RI investments have performed the same or better when compared to their other portfolios.

Analysis

The Financial Crisis and Resulting Interest

One of the most striking points to emerge from this year's expert panel discussion and interviews is that the financial crisis has caused a real polarisation among wealth managers, in that they are either much more likely to implement a responsible investment (RI) solution than before, or much less likely. This is interesting, as Victoria Woodbridge of Experts in Responsible Investment Solutions (EIRIS) explains," it means that, according to this year's research, wealth managers have changed their perceptions since the credit crunch, but in opposite directions to each other."

Some managers are implementing value add solutions for their clients that incorporate RI and investing a lot in the formation of this service. This would include internal training and the formulation of either one product or a bespoke service for their clients, thereby offering a value add, responsible solution and the expertise that goes with it. Others are lagging behind and may feel that the investment in time and money is necessary to create such a service. This is interesting as one could draw a parallel between this and the "short termism" that is so talked about due to the financial crisis. There is no doubt that we all want to retain clients and attract new clients, and the level of our service plays a major part in both client retention and acquisition.

One of the bases of the implementation of RI is that there is a social contract between companies and society: while companies exist to make profit, it is arguably incumbent on them to attempt to assist the wider community in some way as an integral part of their business. Many investors and wealth managers are feeling that to an extent this social contract and unwritten trust has been broken. As Emma Turner, Head of Client Philanthropy at Barclays Wealth, said, the financial crisis has engendered a "raising of the social conscience" because everyone knows someone who has suffered. The effects of the crisis are far-reaching and will be felt for many years to come, not least within the wealth management industry.

According to the Merrill Lynch Capgemini *World Wealth Report 2009*, more than a quarter of high net worth clients withdrew assets from their wealth management firm or left the firm altogether in 2008[1]. Also, according to Ben Goldsmith, one of the founding Partners of WHEB Ventures, one of the first clean technology-focused venture capital firms in Europe, the financial crisis has had the effect of lengthening the time taken by investors to evaluate fund managers, from an average of less than three months before the crisis to up to six months today.

These changes are viewed principally as the result of a loss of trust and confidence in asset managers across the board. According to Ben, at the height of the financial crisis "everyone was hoarding cash, and in no hurry to allocate capital to fund managers without evaluating them more thoroughly than ever." Graham Harvey, Director at Scorpio Partnership, further expanded on this point by explaining that at the moment clients are having a hard time assessing their wealth managers, deciding where to invest, who to trust, and at the same time establishing the difference between the various options in investment managers and institutions.

RI and environmental, social and corporate governance (ESG) screening addresses some of the problem areas that resulted in a loss of faith, such as looking at corporate governance and climate change as a means of assessing risk. Whereas historically RI has been stereotyped as only offering investors gains in a moral sense, it has now become clear that RI may be not just the moral option, but the sensible and safe option as well.

This report is based upon research carried out in the summer of 2009. Along with a survey questionnaire distributed to the global readership of *WealthBriefing*, EIRIS and *WealthBriefing* convened an expert panel of twelve industry practitioners and conducted five high-level interviews. The results of the survey are published on pages 5-8.

It has been noted that in the past year the number of high net worth (HNW) individuals living in the UK has declined by 26.3% from the previous year, to a size smaller than that of the 2005 HNW population[2]. This decline is greater than those seen in other European countries, Germany and France in particular. The latest Merrill Lynch Capgemini report also found that in 2008 "global equity-market capitalisation plummeted nearly 50%, dropping below 1999 levels."[3] These are startling examples of how the recent financial crisis has hugely altered the demographics of funds under management and created more movement of clients among wealth managers, who must therefore react appropriately in order to retain their client base.

[1] Merrill Lynch Capgemini *World Wealth Report* 2009 (June 2009), p.20
[2] Merrill Lynch Capgemini *World Wealth Report* 2009, p. 2, [3] Ibid, p.9

HNW individuals have been forced to examine their investment portfolios and asset managers more closely, and make hard decisions on who to deal with and whether to stay with their current manager or invest elsewhere. As a result many HNW individuals have changed their current investment strategy in search of greater returns, or more stability; at the very least they are looking to mitigate risk as much as possible. Some have recognised a well-documented need to focus investments on long-term goals, not just short-term returns. This change in focus has led many investors to ask questions about sustainable investment, and what it could do for their portfolio. This year's research suggests it is imperative that wealth managers recognise this interest from their clients, match it with relevant products and service, and cultivate it further.

In an economy where there is constant uncertainty, the term "sustainable" can be very meaningful and attractive. Although in volume terms UK GDP has fallen over the last five consecutive quarters (declining by as much as 2.4% in the first quarter of this year)[4] it is expected, in time, to recover. Like any serious wound, there will be scars that serve to remind us of past mistakes and risks that were taken, perhaps unnecessarily. Investors will be reminded for many years to come of the funds lost through risky investments. When thousands of individuals began losing their homes because of improperly managed finances questions started being asked. The situation only worsened when tens of thousands more began losing their jobs, pension funds, children's college funds and insurance, as well. These states of affair have led to a public outcry for greater transparency within the corporate world, especially in the finance sector, and some high net worth investors have reacted by investing more of their capital in more sustainable, socially responsible funds.

RI & Performance Issues: No need to apologise

A large proportion of last year's report, *Wealth Managers and SRI: Progress and Challenges in 2008*, was dedicated to the idea that responsible investments can perform just as well as unscreened ones. After speaking with our expert panel of twelve industry luminaries this year we found last year's conclusions still valid. In the words of Brigid Benson of The Gaeia Partnership, "reasonable income can still be derived from portfolios and the ethically screened portfolios can produce just as good an income as conventional ones, absolutely."

When asked at our specially-convened roundtable panel discussion the experts agreed unanimously that RI does not perform worse than non-screened portfolios over the long term. Brigid continued to explain that "an actively managed, ethically screened portfolio can perform just as well as conventional ones and we have not had a single client change their strategy, because they haven't needed to." This has been reinforced throughout the financial crisis as many screened funds have outperformed the non-screened ones. This is not to say however that a client would have not lost money if they had invested entirely in ethically screened portfolios, but it is arguable that an RI-led approach could have mitigated losses to some extent.

Another panel expert, Gemma Woodward, Director of Investment Management at Newton Investment Management, said: "You can't think that RI would have saved you, I think it's more about looking for sustainable investment returns, which you should be looking for whether you are RI or not." Sustainable investments, which can be achieved through RI, make a vigorous attempt at this by using such tools as ESG screening to ensure that the companies clients have invested their money in will make decisions in the greater interest of stakeholders.

Since the beginning of RI its advocates have had to defend and apologise for any shortcomings in investment performance. There has been, for example, a long-held perceived concern from independent financial advisors that there is a conflict between ethical wishes and investment needs. This conflict has been based on several misconceptions, the first being that RI centres on negative screening and that this approach is too restrictive. Our research suggests though that it is more the case that RI represents an entire spectrum of investment and screening options which can be catered to match any of the client's ethical or investment needs.

The second prevailing misinterpretation is that RI is exclusively about morals and "doing the right thing", but our research suggests that this is simply not the case. Encouragingly, the credit crisis seems to have raised awareness within the wealth management industry that RI isn't necessarily about being the right thing to do, but

[4] Office for National Statistics *UK output, income and expenditure 2nd quarter 2009* (August 2009), p. 1

Analysis continued...

being the safe and astute thing to do. As My-Linh Ngo, Associate Director, SRI Research, at Henderson Global Investors, explained, some of the current economic problems are the result of too much short-term speculation, rather than long-term investment.

Similarly, another panelist, Emma Howard Boyd, Head of Socially Responsible Investment (SRI) and a Director at Jupiter Asset Management, suggests that the broader investment community had perhaps ignored a whole range of issues that, in retrospect, they wished they had listened to, such as the signals being given to them from SRI analysts. In her view much of the underlying information within the market was ignored, the sort of information that would been picked up on if proper research and analysis had been carried out before investments were made. She went on to say that it is this level of investigation that has allowed many of the ethically screened portfolios to outperform unscreened ones in the past several quarters.

But this is not to imply that financial analysis is insignificant; typical analysis generates a good sense of a company and its performance, and is a quick and easy clue to as to whether an investment is viable or not. The suggestion is, instead, that ethical screening should be complementary to financial analysis. We heard from many of the experts we spoke to during our research that ESG screening adds valuable information on the company's interaction with stakeholders, painting a comprehensive portrait of the company. They said that an understanding of how the company interacts with suppliers, its governance and environmental policies, its board of directors, employees, the community and other stakeholders will allow the investors to judge more accurately how well run the company is. As My-Linh continued to elaborate, "A well-run company with happy stakeholders minimises risk and maximises opportunity in the long term."

Recently, Bank Sarasin & Co. in Basel took the unusual step of moving all their HNW clients into their sustainable investment approach.

"There are numerous reasons why we took the decision systematically to integrate environmental, social and governance issues into the management of all Swiss private banking mandates by standard. Let me just mention three of them:

1. With 20 years of experience we are able to tell from our daily work that investing *sustainably does* not automatically imply a lower return. Rather, the opposite is true.
2. The financial crisis gave us additional proof that sustainability can also reduce risks. There were, for example, no defaults at all in any of the sustainably managed portfolios due to our broader focus.
3. We simply listen to our clients. And we could observe in the last few years that their interest in ESG investments increased substantially - a finding in line with last year's study conducted by Eurosif."

Erol Bilecen, Director, Head Client Services, Bank Sarasin & Co.

It could be argued that one of the causes of the current credit crisis is the push for greater short-term returns, and there is perhaps a corresponding feeling that integrity has been lost in the drive for immediate gains. This could result in a shift towards just the opposite approach: long-term investment goals that can be sustained and maintained through troublesome times. The importance of this change in mindset has been agreed upon by most of those who are involved in the RI community, including those on our expert panel.

Changing attitudes are certainly to be welcomed, but as Alexia Zavos, Associate Fund Manager, SRI & Governance, at Cazenove Capital Management, emphasised during the panel discussion, this change must be holistically applied throughout the industry. She said: "I know that a lot of investors are saying they want to be more long term in their thinking because they have seen the impacts of short-termism, however asset managers are still often judged on their shorter-term performance. If that changes it will make a big difference."

Regulatory Risk and Corporate Governance: A changing perception

Risk and Holistic Risk Management

The current economic crisis has underlined the importance of sustainable investment versus maximising short-term returns across the investment community. The fault lines run deep and private investors are looking at the mistakes that have been made by their investment advisors and answers to them. As Emma Howard Boyd from Jupiter Asset Management said, "people are looking at what went wrong and what risks were building up in the portfolios. Following the fallout from the economic crisis there is pressure on asset managers to think about the way that funds are run in a broader context, and this is coming from clients."

Many HNW individuals have reacted by holding individual wealth managers and their organisations accountable, in the belief that there was too much risk and too little concern for risk mitigation. This year's research suggests that in the future it is likely these individuals will be more proactive in choosing and assessing both manager and portfolio. This is demonstrated by the recent increase in movement between wealth managers illustrated in the Merrill Lynch Capgemini *World Wealth Report 2009*. Although there has been a significant increase in demand for greater attention to risk and governance, and this will permanently alter the landscape of investing, industry experts such as My-Linh Ngo of Henderson Global Investors believe that as the RI movement grows and matures, issues such as climate change will manifest themselves as imperative to the investment process in the long term.

Indeed, it would seem that climate change is already a central concern for many investors. As Howard Pearce, Head of the UK Environment Agency's Environmental Finance and Pension Fund said: "The purpose of our pension fund is to provide retirement benefits to our current and future fund members. We believe taking into account financially material environmental risks and opportunities is entirely consistent with our fiduciary duty to look after their best long-term financial interests. We would be in breach of this duty were we to ignore the economic and financial affects of climate change on our investment strategy."

What is considered "ethical" is dynamic and manifests subtle changes in line with changes in the public consciousness and views of society. This past year governance and risk have been of vast importance, and for the past several years climate change and labour standards have been primary concerns. It might be expected then that society's ethical foci will continue to shift over the years as further issues are brought to light, either through the media, the publication of reports or the emergence of international crises.

The huge market losses of the last year have forced many investors into defensive positions, fearful of further losses. A bad taste has been left in the mouths of many and insecurities over the slightest risk are high. Investors have directed their funds away from stocks and equities and towards more passive investment options such as bonds and government-backed funds. This has created yet another way for wealth managers to introduce RI into their conversations with clients.

According to this year's survey results, the current financial situation has made only 30% of those surveyed more likely to offer RI. Although this proportion is perhaps smaller than might be expected, a subsequent survey question asked if the current financial situation has made people more likely to take regulatory risk issues (for example, governance related regulation, current and pending) into greater account: 55% of respondents answered yes. The RI and ESG screening processes are, as previously set out, a way to assess and manage issues such as regulatory risk within a portfolio. These tools could make a portfolio less risky without bringing in a "socially responsible" overlay, going to show how versatile RI can be.

Our research suggests RI is increasingly gaining currency as a means of mitigating risk, and lower levels of risk that screened portfolios can offer are now more valuable to investors than ever before. Wealth managers are also increasingly conscious that they can use the research and screening carried out as part of RI with all of their clients, not just the ones who would like to implement bespoke solutions and screen based on moral grounds.

Ruth Murphy, Director of Investment Management (Charities Business Development) at Newton Investment Management said, "There are more people who may climb on board in a prolific way with RI analysis and assessment actually walking through the door called risk and not the philosophical one." Ruth additionally stressed the importance of looking at what RI could do for the individual on a risk basis rather than a philosophical one. "It's not just about the philosophical points of RI. It's actually a necessity as part of the risk assessment of the company when looking for a sustainable stock," she said. This is similar to the standpoint of My-Linh Ngo of Henderson Global Investors, who highlighted the importance of looking at RI on a "prudent and smart" basis in addition to a strictly moral one.

Analysis continued...

The importance of addressing corporate abuses has been high on the agenda for several years now, beginning with the WorldCom and Enron scandals in the US, and continuing through to today with the collapse and near collapse of major financial institutions around the globe. When the attendees of the panel discussion were asked what the principal outcomes of the credit crisis were in terms of what the public hold to be important, board structure, accountability, governance and remuneration dominated the responses.

As more private investors suffer financially because of corporate breakdowns and scandals, mainly within the financial sector, there is a stronger push closely to scrutinise the compensation and remuneration packages of executives who hold accountability within the organisations. It is not necessarily the figures that are irking so many investors, but the concept of rewards being given for what most view as failure. There is a greater demand for an alignment between the results achieved and the compensation paid. This is one of many ways in which the financial and corporate worlds must act if they want to regain much of the trust that has been lost in the past year. As mentioned previously, trust has been lost and a great deal of the dissatisfaction has been taken out on wealth managers; in order for clients to be retained, or indeed regained, demonstrable changes must be made.

RI and ESG screening are tools which address potentially risky situations. By closely reporting on the interaction between the company and all the stakeholders surrounding it, ESG research allows for investors and wealth managers to make more educated decisions on whether they believe the companies are working within their or their clients' boundaries. These boundaries can be grounded in risk, morals, or both. The research enables the managers to make decisions and take control of their investments by increasing confidence and knowledge about what they have invested in.

Government Action and Reaction

With an increase in globalisation it is difficult for any country to turn a blind eye to some of the major changes taking place in the world. Most governments have been left with little choice but to intervene in an attempt to lessen the effects of the crises in which we find ourselves, even, in some cases, saving the banking sector as a whole. Two of the most prominent issues stem from the economic and environmental crises. The two have become increasingly intertwined over the past few years as more information has appeared on the importance of climate change.

The report emerging from the highly influential Stern Review[5] stated that, “if we don't act, the overall costs and risks of climate change will be equivalent to losing at least 5% of global GDP each year, now and forever. If a wider range of risks and impacts is taken into account, the estimates of damage could rise to 20% of GDP or more.” Statistics such as these are difficult to overlook, especially when they predict an economic crisis over and above the one we are currently battling. Moreover, the Stern Review estimates that the costs of action, such as reducing greenhouse gas emissions, can be limited to around 1% of global GDP each year.

It is important to recognise that if these problems are addressed comprehensively the world will not only be heading off disaster, but enabling increased future prosperity. There are numerous economic growth opportunities in greater environmental protection and awareness, thus turning what could be a hugely detrimental economic impact into a wealth of opportunities. Emma Howard Boyd from Jupiter Asset Management comments: "Climate change is an area where private clients do not necessarily enter into the space from an ethical or moral perspective but more from an opportunistic one."

With organisations such as the G8 and the UN addressing topics like climate change, the energy crisis and responsible investment, it is difficult not to be convinced of the huge potential that these areas have. Major financial institutions are recognising this potential and following the trend, with high profile organisations leading the way. More importantly, companies will be forced to react as governments continue to address issues and create international policies. Correspondingly, there is a trend towards new entrants into the wealth management sector having encountered issues such as RI and climate change during their studies. Significantly, with this knowledge comes recognition that it won't just be the stereotypical, staunchly philosophical and ethical investor looking to get involved in RI.

During our research we have seen that changing attitudes towards RI could mean a revolution in client demographics is on the horizon, with the

[5] *The Economics of Climate Change: The Stern Review*, Summary of Conclusions, p.1

dividing line being blurred between philosophical ethical investors and those more focused on returns. Caroline Jarvis, Aspirant Private Banker at Kleinwort Benson, foresees that in future those investors chasing returns will think, "well, government is backing this up, big names are backing this, there's going to be huge growth in this area and we'll make a lot of money, oh, and by the way, I'm doing something good!" This realisation has already taken the market by storm. There are, for example, many government-backed funds stemming from various wider social programmes such as delivering vaccines to developing countries. These funds can offer guaranteed returns of reasonable percentages, which is a far more attractive prospect at the moment than a potential for greater returns, with a commensurately increased potential for losses.

As Emma Howard Boyd from Jupiter explains: "People are starting to think that, as well as delivering something worthwhile, for example vaccinations in the developing world, responsible investment can also deliver good returns over the longer term. Ethical investment is seen as an area of thriving growth and opportunity. It is not viewed as just a small niche industry anymore, but a global one and this has meant that far more investors are aware of the potential benefits. Wealth managers need to identify the clients who may be interested in this area of investing as a risk mitigation vehicle, and implement a considered solution. This would result in high levels of business being generated for the industry."

Supply and Demand Imbalances

Our expert panel discussion and this year's survey have pointed to a supply/demand imbalance, corresponding to the fact that demand for an RI solution from HNW individuals has historically not been met adequately. As Stuart Davies, Director in Investment and Pension Consulting at Deloitte, put it, "they [clients] are seeing that going all out for returns doesn't necessarily result in what they expected and so maybe they're going to free up their ethical/RI wishes within the portfolio." As RI has grown exponentially in size over the last few years, and there is growing awareness around issues such as climate change and initiatives such as the UN Principles for Responsible Investment, our research suggests that wealth managers have barely caught up to increasingly sophisticated and motivated demand. In last year's report Stuart had said that there were no more than two or three managers who could cope with a wholly bespoke RI overlay of a substantial size, and when asked if that number had changed this year his response was no.

Stuart continued to say that "those that are not able to cope with the demand will be left behind or will miss out on opportunities." He said that the big investment houses are unlikely to spend any money on new projects because of the last twelve months. Arguably almost all of these houses did something wrong in the eyes of clients, and there's very little to differentiate one from the other, but enhanced service provision - such as RI capabilities - could prove to be the differentiator that firms seek. This has been demonstrated many times over, including in the *World Wealth Report 2009*, which concluded that the availability of product and investment options was ranked as very important by 55% of clients, but only 27% of advisors[6]. This seems to illustrate a wide gulf between what clients want and what wealth managers *think* clients want. The report warns however that although firms need to be client-focused, attention must also be given to the tools and support mechanisms financial advisors need, particularly with regards communications from the firm and client reporting[7].

When a HNW individual wants to find an advisor or asset manager they're looking for someone who is able to advise them on all levels. There is a relatively small group of firms who can deal with such clients. But these wealth managers do not always offer an ethical or philanthropic outlook, and that is where the needs aren't being met. We suggest RI is an investment approach with a whole range of options, subtleties and approaches, and that it is clearly being overlooked more than it should be by the majority of wealth managers.

The problem of miscommunication between wealth managers and their clients is key. Clients often feel unable accurately to communicate RI-based concerns regarding their portfolios, and wealth managers are sometimes nervous about starting the "ethical" conversation. In last year's report we found that 71% of wealth managers had asked clients if they were interested in incorporating RI into their investment portfolios, but 67% of wealth managers said that they did not regularly promote RI. This indicated a disparity between what wealth managers were asking their clients and what they were promoting in terms of RI. Thus, if clients are not sufficiently voicing their

[6] *Merrill Lynch Capgemini World Wealth Report 2009, p.23*
[7] *Ibid, p.20*

Analysis continued...

RI needs managers will be less likely to provide the range of services that clients may require. Louise Stevens, Portfolio Manager at Kleinwort Benson, crystallised this point by explaining that, "it's our job as professionals to be more proactive in the education of the private clients."

It is of immense importance for wealth managers to gain a deep level of understanding of their clients' goals and motivations and cater for these directly to add value to their client offering. Understanding client aims fully would make it easier for the wealth manager to suggest how to achieve them, and the tools that are required. As Emma Howard Boyd from Jupiter Asset Management explains, "We have to understand what clients want and give them the most appropriate product or strategy to meet their needs. In addition, we need to recognise how to excel in service provision as this strengthens the client/manager relationship and therefore increases client retention. This is a vital issue in a challenging economic environment."

When we asked what type of assistance would be the greatest help in offering a bespoke RI solution to clients, wealth managers' top two concerns have remained the same over the past two years: more data on financial issues and greater demand from clients. The first problem is one that can easily be solved. There is a plethora of public information regarding RI performance and its ability to perform just as well as any unscreened portfolio. Although performance data was the most prominent problem according to those surveyed, 90% of wealth managers responded that RI investments have performed the same or better compared to other portfolios.

As for the second question, there is demand, but the problem - as shown in both this and last years' reports - is that there is a vast disconnect between those on the supply and demand sides in this instance. This disconnect is mostly the result of a communication barrier: clients are unsure of how to express their interest in RI and ESG risk mitigation in a way that will engender implementation from their wealth manager, and wealth managers are not appropriately asking the question, if indeed they are asking the ethical question at all.

In the last quarter of 2008 there was much anecdotal evidence surrounding client service not being delivered to an adequate standard to HNW individuals. Clients weren't satisfied and were so concerned that they wanted to talk to their manager about what was going on, but too many managers couldn't or wouldn't talk to their clients about it. Some were responsive and proactive though, and this has made a big difference to the overall relationship.

One of the primary barriers between service provision and client demand is that of semantics. The old-style term "ethical investment" implies negative screening only and therefore limitations on clients' investment universe. This has historically not been popular with managers and sometimes not with clients. RI has progressed radically in recent years to include positive and negative elements, risk mitigation and best of sector approaches. Managers seem to need more education on the implementation of RI and the plethora of options therein.

Successful and creative implementation can be seen as enhancing investment options and not as being restrictive in terms of the investment universe. It is of paramount importance that managers and HNW individuals alike are able to grasp the potential and subtleties of incorporating RI, and bolt this onto the current investment process. We suggest that wealth managers could take the lead in this by proactively offering RI solutions to enhance their product offering and create a bespoke, proactive investment solution. If the wealth manager is in effect representing the HNW investor, and is more able to assist HNW individuals in making investments which reflect their values, they are providing a more holistic investment solution and allowing their clients to align all aspects of their investments with their objectives - financial, philanthropic and as relating to their risk mitigation/RI objectives.

This is not to say that the weight of education and plethora of different implementation options must be taken on solely by the wealth manager, as it is equally important for clients to be educated. As Gemma Woodward of Newton Investment Management pointed out, "we can only do so much, the client's involvement is key - they need to be involved in the process to define the policy best suited to their organisation." Graham Harvey of Scorpio Partnership suggests one possible solution (that has already been successfully implemented by some managers) is to hold comprehensive and concise client education seminars. This not only educates the client on the investment options that the wealth management firm can offer them, but it also increases interaction - thus improving the retention of relationships and providing an opportunity for managers. The financial crisis has affected many clients who are increasingly keen on gaining more knowledge and understanding of their investments.

The Interplay with Philanthropy and Ultra High Net Worth/Family Office Clients

"Philanthropy is likely to become more deeply embedded in the heart of companies as the world seeks to find a more sustainable form of commerce" - Emma Turner, Barclays Wealth

The Changing of Demographics and The Nature of Philanthropy

Philanthropy frequently plays a major role in the investment strategy of the HNW individual. It has become increasingly important for HNW and ultra HNW individuals to actively give and involve themselves in charitable or philanthropic activities. According to the Barclays Wealth report entitled *Tomorrow's Philanthropist*, women tend to donate more of their wealth to charity than men[8] and the youngest generation of affluence (ages 18-34) feels the most responsibility to share their wealth[9]. Strikingly, 59% of this generation said that global charitable causes were important to them, compared, for example, to just 16% of respondents aged 55 to 64[10]. The 18-34 age group additionally believed more strongly that "the role of the HNW individual will become more important as the state is constrained,"[11] and that "climate change is reaching a point of no return"[12].

The younger generation was also proven to be taking the reins when driving the corporate world and the philanthropic world together, with 38% agreeing that capitalism seems to be flawed[13]. This would seem to indicate a greater interest in pressuring commerce away from profit, and closer to social and cultural promotion. Emma Turner of Barclays Wealth points out that the younger generation are more discerning and demanding of their philanthropic journey, looking to solve rather than just support, giving way to more opportunities for alignment. With this major change of view in the younger generation it is clear that the world will be looking forward to more socially responsible thinking in both business and investment. This suggests that a strong desire for social change has begun at both ends of the social and wealth spectrum, and will soon coincide.

Since the onset of the global recession it is natural to believe that charitable giving and philanthropic behaviour would be slowed down and held over for more profitable times. This has proven to not be the case though, as philanthropic giving has not declined nearly as much as could have been expected. *Tomorrow's Philanthropist* shows that of all things to be given up at the onset of an economic contraction, educational fees and charitable giving were the last to suffer cuts[14]. The average cutback on charitable giving from HNW individuals was found to be only 2-3%, which is much smaller than the more excessive shrinkages equities and capital have seen (upwards of 20%). As Emma Turner points out, many of these HNW givers "consider philanthropy a core expense" and are unwilling to make cuts even when funds are tight. A prevailing view is that now that the world is suffering financially more than it has in generations it is vital to continue giving to those in greater need.

Over the next ten years, as philanthropic activity is expected to rise, the most popular categories of involvement are expected to be health/medical, children, and environmental[15]. This involvement is now seen to be more of a symbiotic relationship, givers do not want to give and walk away. They want to see results planned out in front of them. There is therefore a need for financial planning within the charities as the newer generations of donors are expecting to have a clear idea of what their contributions are achieving.

Alignment: Personal Mission Statement

As a HNW individual, one's name is sometimes recognisable on a greater regional, if not international, level. Just as a corporation must safeguard the goodwill in its name and brand image, the importance of effectively representing the ethics of the individual is absolutely necessary to future image. This makes it crucial for philanthropists to be involved with the "right" organisations, ranging from where they buy clothing to the organisations they donate to. Correspondingly, in terms of their investments, it is important for the HNW individual to know what they own and exactly who or what they are

[8] Barclays Wealth *Tomorrow's Philanthropist* (July 2009), p.8,
[9] Ibid, p.6, [10] Ibid, p.24, [11] Ibid, p.16, [12] Ibid, p28, [13] Ibid, p.28, [14] Ibid, p.13, [15] Ibid, p.15

Analysis continued...

supporting. This is where RI can again present a solution by ensuring that clients' investments activities support rather than undermine their philanthropic aims.

The trend towards the integration of philanthropic activity and wealth management has been well noted. Furthermore, as a Scorpio Partnership report on the philanthropic activities of the ultra HNW[16] individuals found, there tends to be a correlation between levels of giving and the degree to which philanthropy is integrated with clients' overall wealth management plans. The report found that those families that did consider philanthropy core to their wealth management contribute over 10% of their annual net worth to philanthropy, compared to an average 5% contribution among the group surveyed.

High-level philanthropists are more integrated, according to Emma Turner of Barclays Wealth, as their investment and giving process is more planned and thought out, with the emphasis on engagement and impact. Furthermore, the more they engage the more such philanthropists are concerned with aligning their investments to their charitable giving through RI. Our research suggests that it is important for wealth managers to bring together these needs from their clients in order to best serve them. Philanthropists who want to align connections between their business skills and charity are becoming much more prevalent and charities need to be more aware of what HNW individuals want from them in return, said Emma. Wealth managers should take up the reins and make sure that the connections are being made to improve the efficiency and effectiveness of investable funds.

Many private clients believe that it is morally important for the wealthy to give back to causes that they hold dear. Gemma Woodward of Newton Investment Management explained that HNW philanthropists “have no other duties but to themselves and their conscience, and future generations.” In these situations it is vital that clients' investments align with their philanthropic stance, or at the very least do not fly in the face of them.

Many private clients feel that if you are making more returns by not screening your investments at all, then any negative impacts that your investments may cause can be redressed by the charitable donations they make. This is strictly a moral decision that will differ from individual to individual, but it is the job of the wealth manager to understand the goals and objectives of the client and be able to offer the client an aligned, screened portfolio. Although the financial impact of charitable giving may be thought to outweigh the negative impact of unscreened investments, one cannot be certain whether the intrinsic, philosophical impact has been compensated for or not. Many of the experts we interviewed pointed out that by investing in companies that are not screened investors could be complicit in many controversial areas (such as deforestation, human rights abuses, weapons usage and child labour) while perhaps trying to combat the harm of the same area in philanthropic work.

Conclusion

This year's report seems to suggest that there is now a consensus that an intelligent RI overlay should not be any less likely than other investments to perform well. Our research also indicates that RI can be implemented as much to mitigate risk as to incorporate any specific convictions that a client may have. And although many clients and wealth managers may not understand the RI implementation options thoroughly, there are many advisors with the expertise to help them through the maze. This process is being spearheaded by organisations such as the UN, governments and large, more forward-thinking financial institutions.

This report underlines that HNW individuals should not be underestimated. They are looking for “value add” now more than ever and are fully aware that RI plays a central role in the risk/return analysis for their portfolios. But the question still remains as to what extent the wealth management sector is able and willing to facilitate this; for UK wealth managers to handle growing demand from clients and increased client interest in RI.

In conclusion, we can be confident that the future of RI is exciting and that funds under management in the private asset management sector are set to grow exponentially. There are solid foundations for the implementation of RI strategies in the UK, and we can foresee that this will continue in the future.

[16] Scorpio Partnership (engaged by New Philanthropy Capital, WiSE, and the Bertelsmann Stiftung) *Philanthropy amongst ultra high net worth individuals and family offices in Europe: The United Kingdom, Switzerland and Germany* (June 2007), p.27

Expert Panel

Brigid Benson - The GÆIA Partnership

Brigid set up The GÆIA Partnership in 1993, having been an IFA since 1989, always specialising in ethical and environmental funds.

With more than 20 years as a human rights campaigner and environmental activist, Brigid is still actively involved in campaigning, fundraising and volunteering for charities. Brigid is a founder member and former Board Director of UKSIF, and has contributed in recent years to several EU consultations.

Stuart Davies - Deloitte

Stuart is a Director in Investment and Pension Consulting at Deloitte. He has more than 20 years' experience of providing investment and financial planning advice for wealthy individuals, families, trusts and other organisations.

Stuart specialises in long term strategic financial planning, investment and performance consulting, and international financial planning. His work includes detailed risk analysis for client portfolios, objective setting, portfolio benchmarking, manager search and assessment and ongoing performance monitoring. He advises a large number of wealthy individuals, trusts and other organisations in the UK and overseas.

Ad Van Den Ouweland - Robeco

Mr. Van Den Ouweland is Chief Investment Officer at Robeco Private Equity. He is a co-author of the EVCA Reporting Guidelines (2000) and EVCA Valuation Guidelines (2001). Mr. Van den Ouweland Chaired the CFA Institute Investment Performance Council (IPC) Private Equity and Venture Capital Subcommittee that has developed the Global Investment Performance Standards (GIPS) private equity reporting and valuation guidelines. He received an M.A. in Business Economics from Tilburg University complemented with the Dutch VBA Financial Professionals program. He is a Board Member of the Dutch Financial Professionals Association (VBA).

Ben Goldsmith - WHEB Ventures

Ben Goldsmith is recognised as a leading clean technology investor and a pioneer in the sector. Ben has 8 years' clean technology investment experience and during this time Ben has built an extensive and value-adding global network of contacts. After spending several years leading a group of private investors backing clean technology businesses at an early stage of their development, he co-founded WHEB Ventures with Rob Wylie and Kim Heyworth. Ben sits on the board of companies both on behalf of WHEB Ventures and within the WHEB group of companies, which includes Ruston WHEB (www.rustonwheb.com) alongside WHEB Ventures. Ben is also actively involved in environmental philanthropy through the JMG Foundation which funds campaigning and advocacy work around a small number of key environmental issues. In 2003, he founded the Environmental Funders' Network (www.greenfunders.org) which now brings together more than 80 grant-making organisations with a combined annual budget of more than $80m.

Expert Panel continued...

Stephen Harris - ClearView Financial Media Ltd

Stephen is Managing Director of ClearView Financial Media Ltd. He has been a financial journalist and publisher for 20 years having previously had senior roles at Tolley Publishing, Thomson Financial and CTA Financial Publishing.

Stephen has also worked as a hedge fund manager and as a wealth management head hunter. He has spoken at numerous conferences and has commented on wealth management issues on BBC News.

Graham Harvey - Scorpio Partnership

Graham leads assignments across the global wealth management industry at Scorpio Partnership. In 2009 he was voted the youngest rising star of the European wealth management industry by eFinancial News and Dow Jones. He has covered a range of international assignments in business strategy, market entry, benchmarking, competitor analysis, proposition developments and philanthropy. His most recent assignments have focused on the development of green-field propositions in the UK, Switzerland, Europe and the Gulf. His views on the industry have been in the Financial Times, Professional Wealth Management, Bloomberg, The Wall Street Journal Europe, The Times, Hedge Funds Review and Reuters TV. He is also a board member of Family Bhive, an online initiative for UHNWs and their advisors. Graham developed economic models for the British Government before joining Scorpio. He lived in the Netherlands, Austria and Belgium and graduated from University College London, Universiteit van Amsterdam and Oxford University before returning to London.

Emma Howard Boyd - Jupiter Asset Management

Emma has been actively involved in socially responsible investment (SRI) since joining Jupiter Asset Management in 1994. As Head of SRI & Governance, Emma has overall responsibility for the management and development of Jupiter's Sustainable Investment business. She is also responsible for Jupiter's corporate governance and engagement services for institutional clients and Jupiter's retail funds. Emma has recently been appointed an independent non-executive director of the Environment Agency, is a former Chair of UKSIF, the sustainable investment and finance association, and was a member of the UK Government's Commission on Environmental Markets and Economic Performance, which reported in November 2007. She is a faculty member of the Cambridge Programme for Sustainable Leadership and a director of the Triodos Renewable Energy Fund.

Guy McGlashan - Kleinwort Benson

Guy joined Kleinwort Benson in 2003 and is currently responsible for the range of products and services which the bank offers its private clients. Prior to joining Kleinwort Benson he spent five years with Hawkpoint Partners advising on mergers and acquisitions in the financial services sector. This followed a two year stint in Zurich with UBS Investment Banking.

His early career was spent with Deloitte & Touche in Cape Town, South Africa, where he qualified as a Chartered Accountant, before moving into the firm's Management Consulting division.

Ruth Murphy - Newton Investment Management

Ruth joined Newton in 1999 and is a Director of Investment Management (Charities Business Development) responsible for the marketing and business development of Newton's charity business. Her career began in the voluntary sector in 1982, working for SCOPE for 9 years.

In 1991 she joined Charities Aid Foundation (CAF) as Executive Director of Charity Services, managing CAF's investment, banking and administration services for charities. Ruth is a Committee member of the Charity Investors' Group and a trustee of several charities.

My-Linh Ngo - Henderson Global Investors

My-Linh has been active in the Sustainable & Responsible Investment (SRI) industry for nine years, focusing primarily on research & engagement, but also increasingly on communications activities. At Henderson she leads on SRI analysis & engagement with companies and other stakeholders for sectors such as healthcare, retail and support services, as well as on a range of issues including employee relations and human rights, health and environmental management. Committees and boards she participates in include the GlaxoSmithKline stakeholder panel on environment, health & safety and the Access to Medicines Index Advisory Committee. My-Linh is a non-executive board director of UKSIF, the UK SRI trade association, and is an advisory board member for National Ethical Investment Week, a national campaign co-ordinated by UKSIF to promote SRI in the UK.

Gilbert Rizk - Kleinwort Benson

Gilbert joined Kleinwort Benson as a Team Leader in London Private Wealth Management in January 2008. He has over 25 years experience in Wealth Management servicing ultra-high net worth individuals, charities, asset managers and small to medium sized financial institutions. He spent 10 years at Merrill Lynch and 5 years at UBS Wealth Management. He currently heads Kleinwort Benson's Charities Team. He holds a B.A. (Hons.) in History.

Emma Turner - Barclays Wealth

Emma Turner is a Director at Barclays Wealth with responsibility for Client Philanthropy, focused on designing, developing and delivering a programme to engage, educate and support high net worth clients in their philanthropic journey.

Emma joined the UK & Ireland Private Bank team at Barclays Wealth in 2008 after eleven years at Goldman Sachs where she was Executive Director of the Charitable Services Group in EMEA and Asia. She had previously spent ten years as Fundraiser and Marketing Manager for a major London charity.

Emma sits on the board of two private family foundations (UK and USA) and one charity which is operational in Antigua.

Expert Panel continued...

Peter Webster - EIRIS

Peter is the Executive Director of EIRIS. EIRIS is a non-profit organisation specializing in environmental, social and governance research on almost 3,000 publicly listed companies in Europe, North America and the Asia-Pacific region. Their clients range from those who use their research for stock selection or exclusion, to pension funds and other institutional investors applying an engagement or responsible investment (RI) overlay. Peter has been Executive Director since the formation of EIRIS in 1983. He is responsible for the strategic development of EIRIS and divides his time between management and development issues and external affairs. A regular conference speaker, Peter also acts as a client adviser on ethical investment strategies. Peter is Treasurer of the UK Social Investment Forum. He holds a BA in Mathematics from the University of Oxford, and an MBA from the Open University.

Gemma Woodward - Newton Investment Management

Gemma joined Newton in 2002. She is a Director of Investment Management responsible for managing charity and specialist institutional portfolios, particularly those that employ an ethical/SRI mandate. Additionally, Gemma shares responsibility for hedge fund investment within Newton and is part of the management team of the Newton Phoenix Funds. After graduating from Durham University with a degree in history in 1994, Gemma joined Lloyds TSB Private Banking and moved to Henderson Private Asset Management which was subsequently acquired by Newton. Gemma is a Fellow of the Securities Institute and a trustee of a health-based charity.

Victoria Woodbridge - EIRIS

Victoria is Senior Client Relationship Manager at EIRIS dealing with Wealth Managers, High Net Worth Individuals, Charities and Religious Organisations. Victoria manages a number of key accounts and helps to facilitate a bespoke RI overlay for clients. This incorporates reflecting ESG "values" in portfolios and providing an overlay of best in sector, screening, sustainable approaches and risk mitigation. She has been with EIRIS for 6 years.

Alexia Zavos - Cazenove Capital Management

Alexia joined Cazenove Capital in September 2006. She focuses on the Social, Environmental and Ethical research process across Europe, ethical restriction implementation and Private Client SRI marketing. She joined from J M Finn where she was a Private Client Fund Manager Assistant. Alexia has also worked at ISIS (now F&C) and HSBC. Alexia graduated from Edinburgh University with an MA in Geography. She has seven years of investment experience and is a Member of the Securities Institute (diploma).

Terminology

We are mainly using the term Responsible Investment (RI) for the purpose of this report. There are various other terminologies that are in currency including:

- Ethical Investment
- Socially Responsible Investment
- Ethical Investment
- Environmental Social and Governance risk mitigation

We are taking RI to mean any investments that have an element of social, governance or ethical screening (positive and/or negative), best of sector or risk mitigation incorporated into the investment approach.

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