

## **Passives fail to vote ESG**

Pensions Week, 8th June,

Most passive equity managers fail to vote regularly on their assets, according to the Local Authority Pension Fund Forum.

The consultancy RImetrics assessed the environmental, social and governance (ESG) risk management of Legal & General Asset Management, State Street Global Advisors and UBS Asset Management, which are collectively responsible for managing £700bn of passive equity funds globally.

Barclays Global Investors declined to participate.

The research found that managers fail to vote regularly on around 83% of assets and rarely engage with companies worth a total of £350bn.

The research also found that only 11 people oversee the implementation of ESG risk management for £700bn in assets.

RImetrics found managers tend to focus their engagement activities on their largest holdings, leaving small cap stocks rarely engaged.

It found no evidence that £15bn of assets held in more than 1,000 companies in emerging assets are ever engaged, despite “probably higher” levels of ESG risk.

However, the research found managers are willing to discuss these issues with investors who had not asked them to increase resources in the area.

The forum’s chief operating officer David Sellors said: “Following our meetings with the relevant passive managers, they have now received a clear message that their clients and our members take the topic of ESG risk management very seriously.”

Chairman Ian Greenwood said the forum would analyse the information on behalf of its 49 local authority pension fund members and would closely monitor the progress of the passive managers.

RImetrics chief executive Jonathan Horton said: “In today’s world of increasing financial complexity and uncertainty, asset owners and managers need to ensure their investment processes are robust and adapted to manage risk effectively.”