



Summary of the 3rd Global Asset Owners' Forum

The 3rd Global Asset Owners' Forum was convened by GPIF on November 17th, 2017 in Tokyo. The asset owners represented at the Forum included:

- GPIF* - Japan
- CalPERS* - USA
- CalSTRS* - USA
- World Bank - USA (Japan representative)
- APG - The Netherlands (Hong Kong representative)
- USS - UK
- ERAFP - France
- HESTA - Australia
- GIC - Singapore

* Three asset owners are organizers of the Forum.

1) ESG Integration – Each fund described how they deal with and integrate ESG in their portfolio

Of the Funds present, four fully integrate ESG. Others have integrated it into one or more of the public asset classes; several fixed income and others equity. Two funds use external managers and they have asked those firms to integrate ESG into their investment portfolios and discussed using ESG factors in their Fixed Income credit analysis.

The World Bank present there was a detailed discussion of the new research collaboration with GPIF, the current focus is on Green Bond's pricing, etc.

2) ESG Measurement – Question to the group: Who issues an ESG report on their total Portfolio?

Three Funds have measured the carbon footprint of their equity portfolio. In France it is now required by law. The group discussed the lack of consistency of the methodology among major Index Vendors. Also the group discussed transparency in issues such as their governance, conflicts of interest, fees, etc. One fund shared that they switched Index Vendors and they generated different numbers without any ability to reconcile the difference.

The group agreed there is a need to measure the Carbon Footprint of the benchmark / Index, to give

you a measurement point. One Fund has publicly stated their goal is to reduce their Carbon footprint by 25% by 2020.

3) Collaboration on Engagement

Several members of the Forum had met the day before with Japanese Corporations. They found the collaboration on the engagement very helpful. They also discussed that they need to find a way to share the collaboration efforts and team up more easily.

There was a discussion about the lack of consistency in words and actions of some of major asset managers. The group discussed hosting a face to face engagement with them later this year.

4) Collaborative Litigation Network

The group discussed the need to create a better collaborative Litigation network; to team up on Lawsuits in different geographic regions. The group discussed the different rules and legal standards for shareholder lawsuits across the globe. It was suggested that each member be responsible for their respective home country. They could share which lawyers they use and invite Global Forum members to join the lawsuit.

5) Asset Management Fees – MiFid II

There was lots of discussion on fee disclosure and fee structures. The group discussed MIFID II and possible implications. Several jurisdictions now have new rules and laws on fee disclosure. Several Funds discussed incentive fees and achieving a better ‘alignment of interest. There was a debate about how to get the Investment Manager to put more skin in the game and potentially build in a claw-back feature into the fee formula. Everyone agreed Asset Manager’ fees and costs are critical to the Funds.

6) Engagement Of Index Providers

The group discussed and generally agreed that major Index Vendors to be more transparent in their consultation. There was wide agreement that the Index Vendors are very influential. They in essence decide what global investors own. They need to improve and explain their process of governance and decision making much more clearly. The industry of the Index Vendors has significant power and they need to communicate. Several members offered to engage with them.

The attendees at the Forum unanimously agreed to release a summary of discussions on the Chatham House Rule basis.

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