HOW TO BE A RESPONSIBLE PENSION FUND:

A manual on how to evaluate your fund managers for pension funds who have a commitment to corporate governance and or responsible investing

USS

UNIVERSITIES
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1 The challenge of implementation

Pension funds are significant owners of companies through fund manager or life company intermediaries. The actions they take, or do not take, have a significant impact on how companies are run.

Pension fund awareness of the importance of good governance and responsible behaviour by their investee companies has been raised in recent times through the Myners report and with the Introduction of the Institutional Shareholders' Committee[1] principles on shareholder activism. In addition, the majority of the UK pension funds have made a commitment within their Statement of Investment Principles, that they will take account of social, environmental and ethical factors in their engagement with companies and in investment decision making. Trustees accept that corporate governance is a trustee issue. (A Hewlett, Bacon & Woodrow survey[2] found that disagreement with the proposition that corporate governance is a trustee issue fell from 44% to zero over the last year).

Shortcomings are evident, however, in the way in which the awareness of responsible ownership by trustees is translated into action in the investment system. Examples include voting behaviour, which can be basically box-ticking, the perceived lack of demand for responsible investment and the under-appreciation of the value of good governance and responsibility in the investment process.

These points are illustrated in the following survey results:

- more people are prepared to vote against senior management but at the same time, an increasing number of funds see corporate governance as a box ticking exercise and are simply prepared to vote in line with all proposals;[2]

- fund managers appear, on balance, persuaded as to the merit of Socially Responsible Investment (SRI) but they will only take it beyond its niche position when there is sufficient client demand;[3]

- fund managers thought that pension fund trustees had little real interest SRI from a performance or moral perspective but were primarily interested in protecting their own reputations and deflecting criticism.[3]

There is a high degree of consensus that intangibles offer an insight into future share value which is at least as important as backward looking financial reports. Corporate governance and corporate responsibility performance can be powerful indicators for the value of intangible assets within a company. However, the nature of mandates and benchmarks in the investment system is such that this area of work gets much less attention than it deserves.

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[1] The ISC consists of all major financial trade associations, including the Investment Managers' Association, the Association of British Insurers, the National Association of Pension Funds and the Association of Investment Trust Companies, and thus represents virtually all UK institutional investors

[2] *Corporate Governance Survey 2002 results,* Hewitt, Bacon & Woodrow, November 2002

[3] *Socially Responsible Investment Survey 2002,* Deloitte & Touche 2002

Bridging the implementation gap requires action on many fronts including rethinking mandates and performance system for fund managers, training for trustees (so that they can be more informed clients), and gearing up by fund managers (so that they can deliver against their contractual commitments).

This manual addresses a third factor – how pension funds can best monitor what their fund managers are doing. In so doing, pension funds will be the catalyst for mutual learning about good practice and thus bring this aspect of investment into the standard total quality approach.

The model used here has been developed by Universities Superannuation Scheme (USS) Ltd, the third largest pension scheme in the UK with assets of £15 billion (as of March 2003) and over 180,000 members.

USS's directors have made a clear commitment to encourage good practice standards in both corporate governance and corporate responsibility, because of their judgement that this will, in the long-term, serve the financial and other interests of its members. Hence this model is suited to that commitment.

In USS's case, the model was implemented by in-house staff but other funds could ask their investment consultants to gear up to do this work as part of their manager research and supervision or subcontract this work to specialist third parties.

2 Why has USS made this work public?

Having undertaken this work for its own benefit, USS has concluded that progress in this field will remain sub-optimal until a greater number of clients show informed interest. As several of USS's fund managers indicated, this was the first time that they had ever been asked detailed questions about their work in the area.

In sharing this methodology, USS hopes to be able to learn from the experience of other pension funds and their service providers, in order to improve its own understanding and performance.

The model has been shared freely and we hope this sets a precedent for creating a community of fellow practitioners. If this is of interest, please contact either Terry Raby, USS's Internal Audit Manager (0151 478 7095 / terry.raby@usshq.co.uk) or Raj Thamotheram, USS's Senior Advisor on Responsible Investment (020 7972 6397 / rthamotheram@uss.co.uk).

3 Responsible ownership in a nutshell

Responsible owners require certain behaviours from their investment managers – without these behaviours pension funds have no way of knowing whether their commitment to responsible ownership is being taken seriously or side-lined.

These behaviours include:-

- Managers engaging with investee companies on matters of corporate governance and corporate responsibility to encourage good practice standards; and

- Managers taking into account these issues as a normal part of investment decision making.

In assessing a manager as a responsible investor therefore we are assessing to what extent engagement occurs and to what extent these issues are integrated into investment decisions.

In addition, because leadership and culture are critical factors in how investment management takes place, we need to also assess how well leadership and culture at the manager permits and encourages responsible investment.

4 A criteria-based evaluation approach

This model focuses on four areas, and within each area, focuses on (generally) 10 key criteria

The four areas are:

(A) & (B) **Engagement on corporate governance & corporate responsibility**

The criteria for governance and responsibility engagement are nearly identical – they are treated separately as the two kinds of engagement are often supported by different specialist staff and the degree of interest in the two aspects is often quite different.

The sub–headings of engagement are :-

Organisation – which includes policy on and prioritisation of engagements.

Effectiveness of engagement – which includes assessment of assertiveness, of collaboration with other investors, setting engagement objectives and evaluating outcomes and depth & persistence of engagement.

Scope of engagement – we have divided this into UK and non-UK securities. Clearly other divisions are possible, depending on the priorities of the scheme concerned.

Resources available to support engagements – this includes research resources and the number and quality of specialist staff.

(C) **Integration**

If considerations of good governance and corporate responsibility can add value then we should expect to see these considerations evidenced in normal investment processes - for example, in the construction of approved lists of equities, if these are used. The questions are designed to elicit observable behaviours and also the capacity to make decisions taking into account these criteria.

(D) **Leadership and culture**

The questions are designed to elicit the attitude of leadership to these issues and to look for evidence in how the organisation presents itself to outsiders and in how it is structured to enable these issues to come to the fore.

5 Why use a criteria-based approach?

In developing our evaluation approach, we were particularly mindful of two factors:

- The need to minimise the opportunity for disagreement on how well each criterion is met,
- The benefits of developing a system which encourages continuous improvement by allowing the comparison of current status with other periods for the same manager and also with other managers.

The particular criteria we have selected are based not only on our own experience of what is needed to make this development a success but also that of many peers who are also setting good practice standards. Of course there can be different means to the same ends and if fund managers can demonstrate this in practice, those undertaking the evaluation should always be open to these innovations and bring them into the model.

6 The assurance cycle – some practical implications

The pattern of assurance and reassurance in this area is the same as for any other aspect of investment oversight by the trustees, or indeed oversight of any other outsourced activity.

The basic pattern is:-

- First review
- Ongoing reporting by the manager to the trustees
- Follow-up review
- Ongoing reporting by the manager to the trustees

From time to time the first, in depth, review may be repeated.

This work can be done by in-house staff, investment consultants or a specialist third party.[4] USS adopted the in-house route and found it useful to have a two-person team. This ensured that at any one time, one person was always listening to what fund managers were saying (or not saying) and that the role of "challenging questioner" could be moved around. It also made it possible to field a team which had dual expertise – i.e. in fund manager research & audit and responsible investment.

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USS has discussed this need with some potential service providers. The general feedback was that, at present, pension fund interest in quality assurance services relating to fund manager performance on corporate governance or corporate responsibility was too small to warrant new product development. This is in marked contrast to the field of alternative investment, where in less than a period of less than a year there has been an explosion of pension fund interest with the result that service providers are offering a range of assurance services. Given the learning in corporate governance that should have happened after the crash in the stock market, it is difficult to dismiss the UK Government's view that only regulation will stimulate greater pension fund interest. HMG's review of Myners is due at the end 2003. One way to hold off unhelpful regulation would be for the 10 biggest pension funds in the UK to agree that they would not use fund managers who could not provide credible quality assurance on this area of fiduciary responsibility. This would create immediate market demand.

Where the statement of investment principles does commit the fund to responsible investment, then assessment of candidate managers' responsibility credentials will form an essential part of beauty parade evaluations. With a relatively new development, shortfalls from the ideal, sometimes significant, will inevitably be encountered. In that case, managers should disclose their improvement plans as part of the evaluation. Managers who are unable to envisage compliance with the statement will naturally be excluded from selection.

6.1 The first or in-depth review

The first review is structured around an on site visit to the manager which can last up to a day.

There are three phases:-

(a) Pre-visit preparation,
(b) Visit and
(c) Report.

(a) Pre-visit preparation

The value of the exercise will be greatly enhanced through thorough preparation.

(i) Obtain written documentation

Some questions can be answered in advance of the visit, purely from the written documentation provided. In addition finding out as much as possible about the manager will help to put questions in context. For example, an outline of the normal investment process is crucial in assessing to what extent these issues are a part of that process.

Helpful documentation is listed in Annex A under the relevant questions. (Invite the manager to provide any other additional documentation which he or she thinks pertinent).

(ii) Arrange to see appropriate people

We suggest:-

- a fund manager and an analyst familiar with these issues (however, these should be mainstream managers/analysts, rather than staff specialising in ethical funds)
- a senior executive
- staff who specialise in corporate governance and corporate responsibility or the managers responsible for these issues

(iii) What questions to ask

The questions which you will need to have answered are by and large ordered in the way you would expect – for example, all of the questions under the heading 'Engagement on Corporate Governance Performance' can appropriately be addressed to the governance specialists. There are some questions which it is appropriate to ask from more than one point of view – for example fund managers and governance specialists might have different ideas as to how the specialists fit into the investment process.

Depending on the helpfulness of the written material you receive, you may wish to focus the discussion on some subset of the questions. To facilitate comparison between managers and from year to year it will be necessary to cover all of the questions by one means or another.

(iv) Use specific cases wherever possible as framework for discussions

At any time there are a number of extant high profile issues which it will have been necessary for the manager to take a position on. Working on a specific example is very helpful in assessing the effectiveness of, for example, the manager's engagement efforts with respect to the company concerned. The manager will then also ensure that the fund manager, analyst or specialist analyst concerned can be available to discuss the case. Having a range of examples allows the discussion to by-pass ideological debates or safe generalities. For this approach to add value, however, we found it critical to be as informed about these cases as the interviewees. This was achieved by reading financial and specialist media coverage and also talking to a few fund managers who we knew to have focused on these cases.

(v) Refer to the statement of investment principles or management agreement as the authority for the review

(vi) Provide the questions to the manager in advance of the visit

The interviewees' time is valuable - if questions are provided, client relations will smooth the path to ensuring questions can be answered – this is important in making the visit effective. Of course some of the questions simply cannot be answered without looking back into files and refreshing one's memories.

(vii) Obtain a time tabled agenda for the day, including the names and backgrounds of the interviewees

In some cases, we requested more time with senior executives and mainstream analysts.

(b) During the visit

Client relations will organise interviewees to be available in accordance with the agenda. Client relations will also listen to the kinds of questions which clients ask and try to steer the business in a way which satisfies clients- the interest taken by client relations should therefore be welcomed. Client relations may also seek to position replies from their colleagues to meet what clients are assumed to want to hear. This is understandable but unhelpful. When this did happen, we found that both client services and specialist staff did respond to our need to hear direct from the particular interviewee.

If acceptable to the manager, it is a good idea to record what are complex discussions – in this way one can concentrate on the question and pursue it further if appropriate. Transcription of the interviews does however then require a typing resource and you need to be certain of the recording quality. Confidentiality issues also need to be addressed at the outset and we found it useful to offer to switch off the recorder when particularly sensitive issues were being discussed.

(c) The evaluation scoring system and the report

After the visit, the evaluators need to review their notes and come to their assessment of scores. The scoring system has been designed to differentiate between leaders, laggards and those in-between ("mid range movers") at the time of the review. As fund managers as a whole improve performance in this area will be desirable to refine the scoring accordingly. We found it useful for the two members of the evaluation team to do their scoring initially by themselves and them compare. On most issues, we agreed closely but on the points where we disagreed, it was very useful to explore why. In some cases, this was because one of us had remembered some information from the documents or other managers.

Along with the actual score, the manager is provided with written feedback in the form of bullet points. Here is an example – feedback is the final section

B1) Does the fund manager have a policy which explains its approach to the corporate social responsibility performance of investee companies?

<u>Overview</u>
We are ideally looking for:

- *A convincing rationale for engaging on these issues*
- *A policy which is clear, comprehensive and based on credible standards*
- *Reference to collaboration*
- *Reference to escalation of effort if there is not an appropriate corporate response*

Thus:
0 = none of the above
1 = 1 of the above
2 = 2 of the above
3 = 3 or 4 of the above

<u>Manager = 2</u>

- *An accessible and specific policy*
- *Quite comprehensive*
- *Indicates escalation and use*
- *Policy partly based on standards such as the Universal Declaration of Human Rights*

The manager is supplied with copy of the draft assessment. This is to enable any misunderstandings to be corrected; in addition, if improvement is the goal then it is helpful to precisely delineate the reasoning behind the conclusion reached.

(d) The formal follow-up

The chairman of the trustees' investment committee is the custodian of the Statement of Investment Principles. It may therefore be appropriate for the results to be fed back to the manager by him or her.

USS has its own active internal investment manager - we found it useful to brief the chief investment officer for the internal manager on the methodology and results. Results were then fed back to the managers by the chief investment officer.

The manager should be invited to comment on its plans for the future in the light of the report and the scene set for future visits – possibly concentrating on a particular aspect.

6.2 Ongoing reporting by the manager

The reporting on responsible investment should take place as part and parcel of normal investment reporting and for the same reasons – that is to ensure that investment activity is continuing in the same way as envisaged at appointment or at the last significant review.

It should be noted that engagement with companies can be most effective if conducted in private – this means that managers will rightly not divulge specifics or sometimes whether discussions are taking place at all while an engagement is in progress. Where fund managers indicate that this is important, pension fund clients should diarise to review the work after the engagement has been completed so make sure that confidentiality is not used as a cloak for inaction.

With these caveats in mind we suggest that reporting can include:-

- Engagement strategy for the forthcoming period
- Details of particularly important/complex engagements, including their objectives, steps taken, meeting notes and engagement outcomes (even if outcomes are less than anticipated)
- Instances where governance or responsibility issues were particularly relevant to investment decisions
- The voting record for the past period
- Significant changes in resources devoted to responsible investment including changes in specialist staff
- Significant changes in methods.

Annexes

Annex A sets out useful documentation . We suggest this is requested from the manager and evaluated prior to the interviews.

Annex B explains the rationale for each question – that is, why the question has been asked.

Annex A

HELPFUL DOCUMENTATION

Aside from any regular reports on this area of work, we also found it useful to ask for the following in advance of our interviews:

ENGAGEMENT ON CORPORATE GOVERNANCE PERFORMANCE	
Organisation	
A1) Does the manager have a policy which explains its approach to the corporate governance performance of investee companies?	Policy statements
A2) Does the manager prioritise its corporate governance work in a systematic way?	Prioritisation method/process
Effectiveness	
A3) Is the manager willing to engage assertively with management on strategically important issues?	
A4) Does the manager collaborate with other fund managers in this area?	
A5) Does the manager set engagement objectives and evaluate success?	Internal documents or material for distribution to clients which illustrate objective setting and post engagement evaluation.
A6) Is the depth and persistence of engagement appropriate to the fund size?	Policy on escalation of engagements when objectives are not met.

Scope	
A7) How much of the manager's UK portfolio is covered?	Policy on coverage and on how specialist resources are allocated (to products, geographical areas etc)
A8) How much of the manager's non-UK portfolio is covered?	Policy on non-UK companies
Resources	
A9) Does the manager have corporate governance specialists in-house?	Brief CVs of specialists and details of their reporting lines.
A10) Does the manager have access to quality corporate governance research?	Details of bought in research. Examples of in-house analysis/company profiles.

ENGAGEMENT ON CORPORATE RESPONSIBILTY	
Organisation	
B1) Does the fund manager have a policy which explains its approach to the corporate responsibility performance of investee companies?	Policy statements
B2) Does the manager prioritise its corporate responsibility work in a systematic way?	Prioritisation method/process
Effectiveness	
B3) Is the manager willing to engage assertively with management on strategically important issues?	
B4) Does the manager collaborate with other fund managers in this area?	
B5) Does the manager set engagement objectives and evaluate success?	Internal documents or material for distribution to clients which illustrate objective setting and post engagement evaluation.
B6) Is the depth and persistence of engagement appropriate to the fund size/approach?	Policy on escalation of engagements when objectives are not met.

Scope	
B7) How much of the manager's UK portfolio is covered?	Policy on coverage and on how specialist resources are allocated (to products, geographical areas etc)
B8) How much of the manager's non-UK portfolio is covered?	Policy on non-UK companies
Resources	
B9) Does the manager have a corporate responsibility specialist in-house?	Brief CVs of specialists and details of their reporting lines.
B10) Do the manager's corporate responsibility staff have access to quality corporate social responsibility research?	Details of bought in research. Examples of in-house analysis/company profiles.

INTEGRATION INTO INVESTMENT DECISION MAKING	Outline of the normal investment process.
C1) Is investment-relevant research available to fund managers/analysts on demand?	Example of company profile
C2) Are corporate governance specialists integrated into key investment decision-making processes?	
C3) Are corporate responsibility specialists integrated into key investment decision-making processes?	
C4) Are there fund managers and analysts who are informed about and champion this development (so that it is part of mainstream fund management activity)?	
C5) Are staffing budgets for recruiting and retaining corporate governance/corporate responsibility specialists appropriate?	Approx staffing budgets as a percentage of front office budgets
C6) Have broker analysts and investment strategy advisors been asked to adapt their services to include these issues?	Letters to or outputs from broker analysts & investment strategy advisors which illustrate incorporation into the services supplied. & details of how commission is decided in relation to this function
C7) Are the corporate governance & corporate responsibility aspects of investment decision-making (e.g. engagement, analysis of material non-financial issues, etc) protected from potential conflicts of interest? (That is, are interests of beneficial members of the scheme put first?)	Policy statements which set out how conflicts are to be dealt with.
C8) Do mainstream fund managers/analysts get the training they need to be competent in corporate governance and corporate social responsibility issues?	Training record/event schedule

C9) Do corporate governance/corporate responsibility analysts get training they need to be competent in corporate social responsibility/corporate	Training record/event

governance issues (esp. the ones in which they do not have specialist experience) and also fund management/general fiduciary responsibility issues?	
LEADERSHIP, CULTURE, HUMAN CAPITAL STRATEGY AND MANAGEMENT SYSTEMS	
D1) What is the attitude of top leadership to corporate governance?	Any policy statement or public address which illustrates this.
D2) What is the attitude of top leadership to corporate responsibility?	Any policy statement or public address which illustrates this.
D3) Do the corporate governance/corporate social responsibility specialists have an appropriate reporting relationship to top leadership and each other?	Organisation chart and reporting lines
D4) Is there an appropriate internal assurance/learning process to ensure the development stays on track?	Details of the evaluation, if available.
D5) Is this development integrated into the overall product and therefore the marketing division's selling proposition?	General marketing materials and material for specialist clients.
D6) What is the scope of the reporting to clients?	Examples of client reporting.
D7) Is this development reflected in the appraisal, reward and career progress decisions made by management?	
D8) Does the fund manager walk this corporate governance and corporate responsibility talk in the way it runs its own business?	The Manager's own CG/CR report

Annex B

EXPLANATION OF QUESTIONS

Brief notes explaining the rationale for the various questions are set out below.

ENGAGEMENT ON CORPORATE GOVERNANCE PERFORMANCE	
Organisation	
A1) Does the manager have a policy which explains its approach to the corporate governance performance of investee companies?	Policy statements provide evidence that the issues have been thought about, an indication of the quality of the thinking and increase the likelihood that issues will be dealt with in a systematic way.
A2) Does the manager prioritise its corporate governance work in a systematic way?	The purpose of prioritisation is to ensure that limited resources are applied in the most effective way.
Effectiveness	
A3) Is the manager willing to engage assertively with management on strategically important issues?	Change requires assertiveness. Managers will be able to explain how they meet the challenge of resistant managements.
A4) Does the manager collaborate with other fund managers in this area?	Collaboration can improve the depth of analysis, the likelihood of successful engagement (through weight of holdings) and the sharing of burdens.

A5) Does the manager set engagement objectives and evaluate success?	This is good practice for the effectiveness of most endeavours.
A6) Is the depth and persistence of engagement appropriate to the fund size?	Larger managers should be able to do more.
Scope	
A7) How much of the manager's UK portfolio is covered?	Too thin a coverage will compromise the effectiveness of the engagements. However, it is not desirable to select on the basis of size alone.
A8) How much of the manager's non-UK portfolio is covered?	The manager should have a rationale for the application of effort between UK and non-UK companies.

Resources	
A9) Does the manager have corporate governance specialists in-house?	Specialists resources (typically corporate governance and corporate responsibility analysts) are needed to give some assurance of a consistent approach (& therefore assurance that the process is working) and because mainstream fund managers and analysts will need analytical support. Some issues are necessarily time consuming (e.g. directors remuneration) & often cannot reasonably be dealt with otherwise.
A10) Does the manager have access to quality corporate governance research?	Bought in research can leverage the contribution of the in-house specialists.

ENGAGEMENT ON CORPORATE RESPONSIBILTY	
Organisation	
B1) Does the fund manager have a policy which explains its approach to the corporate responsibility performance of investee companies?	Policy statements provide evidence that the issues have been thought about, an indication of the quality of the thinking and increase the likelihood that issues will be dealt with in a systematic way.
B2) Does the manager prioritise its corporate responsibility work in a systematic way?	The purpose of prioritisation is to ensure that limited resources are applied in the most effective way.
Effectiveness	
B3) Is the manager willing to engage assertively with management on strategically important issues?	Change requires assertiveness. Managers will be able to explain how they meet the challenge of resistant managements.
B4) Does the manager collaborate with other fund managers in this area?	Collaboration can improve the depth of analysis, the likelihood of successful engagement (through weight of holdings) and the sharing of burdens.
B5) Does the manager set engagement objectives and evaluate success?	This is good practice for the effectiveness of most endeavours.
B6) Is the depth and persistence of engagement appropriate to the fund size/approach?	Larger managers should be able to do more.
Scope	
B7) How much of the manager's UK portfolio is	Too thin a coverage will

covered?	compromise the effectiveness of the engagements. However, it is not desirable to select on the basis of size alone.
B8) How much of the manager’s non-UK portfolio is covered?	The manager should have a rationale for the application of effort between UK and non-UK companies.

Resources	
B9) Does the manager have a corporate responsibility specialist in-house?	Specialists resources (typically corporate governance and corporate responsibility analysts) are needed to give some assurance of a consistent approach (& therefore assurance that the process is working) and because mainstream fund managers and analysts will need analytical support. Some issues are necessarily time consuming (e.g. directors remuneration) & often cannot reasonably be dealt with otherwise.
B10) Do the manager's corporate responsibility staff have access to quality corporate social responsibility research?	Bought in research can leverage the contribution of the in-house specialists.

INTEGRATION INTO INVESTMENT DECISION MAKING	
C1) Is investment-relevant research available to fund managers/analysts on demand?	Ready availability enhances the likelihood of use.
C2) Are corporate governance specialists integrated into key investment decision-making processes?	Examples include the contribution by specialists to stock and sector debates.
C3) Are corporate responsibility specialists integrated into key investment decision-making processes?	Examples include contribution by specialists to stock and sector debates.
C4) Are there fund managers and analysts who are informed about and champion this development (so that it is part of mainstream fund management activity)?	New thinking must have in-house champions if it is to thrive.
C5) Are staffing budgets for recruiting and retaining corporate governance/corporate responsibility specialists appropriate?	Budgets are an indicator of commitment and the likely quality and effectiveness of the resource.
C6) Have broker analysts and investment strategy advisors been asked to adapt their services to include these issues?	This is an indicator of commitment as well as being useful in its own right.
C7) Are the corporate governance & corporate responsibility aspects of investment decision-making (e.g. engagement, analysis of material non-financial issues, etc) protected from potential conflicts of interest? (That is, are interests of beneficial members of the scheme put first?)	Recognising the possibility of conflict of interest in advance makes day to day engagement less likely to be timid as well as helping to ensure that beneficiaries come first in any individual situation.
C8) Do mainstream fund managers/analysts get the training they need to be competent in corporate governance and corporate social responsibility issues?	Training is a pre-requisite of effectiveness.

C9) Do corporate governance/corporate responsibility analysts get training they need to be competent in corporate social responsibility/corporate governance issues (esp. the ones in which they do not have specialist experience) and also fund management/general fiduciary responsibility issues?	This is necessary for effective communication.

LEADERSHIP, CULTURE, HUMAN CAPITAL STRATEGY AND MANAGEMENT SYSTEMS	
D1) What is the attitude of top leadership to corporate governance?	Leadership is a pre-requisite of acceptance.
D2) What is the attitude of top leadership to corporate responsibility?	Leadership is a pre-requisite of acceptance.
D3) Do the corporate governance/corporate social responsibility specialists have an appropriate reporting relationship to top leadership and each other?	Reporting to a senior level is necessary if the specialists are to be effective.
D4) Is there an appropriate internal assurance/learning process to ensure the development stays on track?	A formal review of progress in this developing area is likely to beneficial.
D5) Is this development integrated into the overall product and therefore the marketing division's selling proposition?	Marketing can be a powerful driver of progress.
D6) What is the scope of the reporting to clients?	Reporting is an important driver of progress.
D7) Is this development reflected in the appraisal, reward and career progress decisions made by management?	This is an indicator of effectiveness.
D8) Does the fund manager walk this corporate governance and corporate responsibility talk in the way it runs its own business?	This is an indicator of belief in the importance of these issues.