Checklist for Investment Consultant Selection

This checklist, which has been adopted from the *Responsible Investment and Ownership Guide* (2013) and the PRI publication *Investment Consultants and ESG: An Asset Owner Guide* (2019), provides some key questions to consider in terms of assessing the ESG capacity of investment consultants in both (A) investment strategy and (B) fund manager selection.

This comprehensive list is intended as a menu for Trustees to choose from according to which areas are most relevant to them.

A. Investment strategy

Fiduciary obligations

- How does the investment consultant take account of ESG issues in the advice that it provides clients?
- What does the consultant understand the asset owner's fiduciary responsibility in relation to ESG to be?
- What are the advantages and disadvantages of an asset owner incorporating ESG issues into an investment process?
- What implications does ESG integration have for the asset owner meeting future liabilities and obligations over an appropriate timeframe?
- What capabilities does the investment consultant have in Responsible Investing?
- Do they have dedicated RI staff?
- What are the consultant's beliefs on RI and ESG risks and opportunities?
- How long has the consultant been evaluating ESG and RI?
- What thought leadership can the consultant offer and what ideas?

Investment principles and beliefs

- Does the investment consultant have a set of its own principles in relation to incorporating ESG considerations into its business practices and advice to clients?
- Does the investment consultant have a structured process it follows to help clients develop their investment principles?
- Can the investment consultant provide one or more examples where a client adopted ESG issues into their investment principles due to the consultant's advice? What were the (dis)advantages or drivers for the client adopting such principles?
- If a specific client ignored the investment consultant's advice in relation to ESG incorporation, what was the key reason for this decision?

Strategy formulation

- Does the investment consultant have a structured process to help clients take account of ESG issues in their investment strategy?

- If the investment consultant provides advice on portfolio construction that incorporates ESG issues, how are these issues integrated into tools and services, such as portfolio modelling and scenario planning?
- How does the consultant assess and measure the ESG impact of the portfolio? And how is this integrated into the investment strategy?
- Can the investment consultant provide one or more examples where clients adopted ESG issues in an investment strategy due to the consultant's advice? What were the (dis)advantages or drivers for the client adopting such a strategy?
- If a specific client ignored the investment consultant's advice in relation to ESG incorporation, what was the key reason for this decision?

Investment policy and governance

- Does the investment consultant have its own policy that mandates ESG considerations into its advice to clients and, if so, how is it integrated into its service offering?
- Does the investment consultant have a structured process or template it follows to help clients develop their investment policies?
- Can the investment consultant provide one or more examples where clients adopted ESG issues in an investment policy due to the consultant's advice? What were the (dis)advantages or drivers for the client adopting such a policy?
- If a specific client ignored the investment consultant advice in relation to ESG incorporation, what was the key reason for this decision?

B. Fund manager selection

Capabilities in fund manager selection

- Does the consultant survey RI practices of asset managers alongside standard metrics? What about manager ratings – is the consultant able to assess the ESG capacity of fund managers?
- How does the investment consultant evaluate an RI fund, i.e. the product?
- What conclusions does the consultant draw and what are the gaps?
- How does the consultant ensure they have up-to-date access to international good practice (including examples of RFPs, management agreements, manager evaluation frameworks, etc.)?
- Has the consultant conducted successful RI mandate searches?
- Does the consultant have off-the-shelf research on RI manager and strategies?

Further detailed questions applicable to the asset manager selection process are detailed in the **Asset Manager Selection Checklist**.