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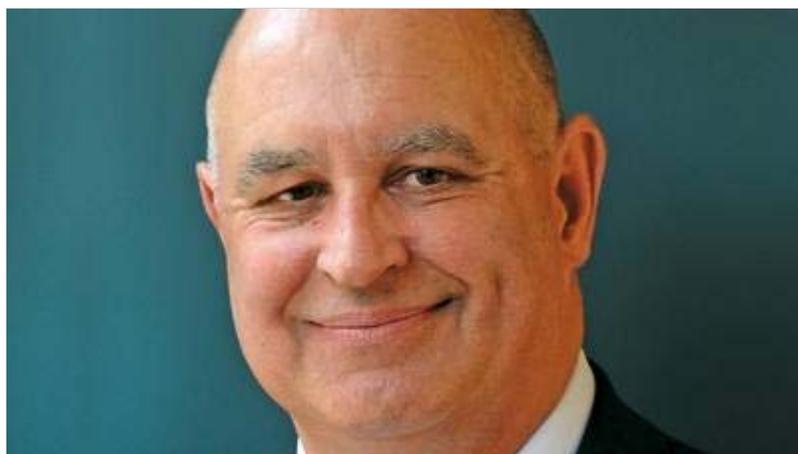
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More managers adding ESG positions to meet demand

By: [James Comtois](#)

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Keith S. Macomber sees client demand as a big reason for the uptick in ESG staffing.

Associates LLC.

While ESG has been prevalent in Europe for about 20 years, it's taken longer to catch on in the U.S., Mr. Macomber said. But with institutional clients demanding it more, money managers want to provide strong ESG offerings. As a result, managers, a number of which believe in the goals, are adding resources, he said.

"We've seen that inflection point in the last couple of years," Mr. Macomber added. "It's become mainstream."

Another executive recruiter also said she's seen a recent uptick in the creation of ESG-focused jobs.

"We've seen so much activity this year," said Laura K. Pollock, founding partner at Third Street Partners in New York. "And it's not just managers going outside for talent; a lot are turning internally for these positions."

Recruiters and other industry observers contacted by *Pensions & Investments* didn't have hard data on the number of positions being added to support ESG or socially responsible investing. But *P&I's* own data shows that 15 firms created jobs focused on ESG or sustainable investing so far this year as of May 15, vs. 13 in all of 2018.

"This was largely a French phenomenon when I joined Natixis in 2017," said Jean Raby, CEO of Natixis Investment Managers, Paris, which announced in February the appointment of Harald Walkate as head of corporate social responsibility and environmental, social and governance. "It's become more widespread in Europe and in the U.S."

Natixis IM created Mr. Walkate's role "to define what we stand for as an organization" and also because the firm was "seeing an accelerated interest from clients" in ESG, Mr. Raby said.

"There's a public narrative now that has put an increased pressure on asset managers to take a stance on this issue," Mr. Raby added.

Money managers increasingly are creating positions for ESG and sustainable investing specialists, driven in large part by growing client demand.

A few examples of firms appointing executives in newly created environmental, social and governance-focused roles in May alone include Allianz Global Investors GmbH naming Beatrix Anton-Groenemeyer as chief sustainability officer; Cindy Rose named head of responsible capitalism at Majedie Asset Management Ltd. effective Aug. 27; and Brunno Maradei taking the role of global head of ESG at Aegon Asset Management.

"There's been an increase in ESG hiring in the last year or so," said Keith S. Macomber, a New York-based partner at executive recruiting firm Capitus

The reason for the slow adoption in the U.S. centers around a great deal of confusion about ESG — what it means and what it does.

"There's still confusion regarding the terminology and what ESG entails," said Gordon J. Ceresino, vice chairman of Federated Investors Inc. and president of Federated International Management Ltd. "It's still inefficient and still very fragmented. In the U.S., it's still in the first inning."

Mr. Ceresino said that a lot of the confusion stems from knowing if ESG adds value. Plus, there are some asset owners who immediately think about "the socially responsible investing movement from the 1980s and '90s, which never took off."

"Investors are going: 'I'm not touching this until I understand this,'" he added. He said managers must educate asset owners on ESG benefits and how it can generate superior risk-adjusted returns.

Federated Investors, which agreed in April 2018 to acquire a majority stake in Hermes Investment Management, is currently seeking a director of responsible investing to mirror what Hermes has been doing for years.

For nearly three decades, Hermes has factored ESG into its research for all of its investment strategies.

"If we can bring in this knowledge into Federated's investment strategies, we can provide risk-adjusted returns," Mr. Ceresino said.

Sources also agreed that, as fiduciaries, asset owners' primary responsibility is to generate returns, not to make the world a better place.

"By and large, pension investors have been cautious about (ESG), given their fiduciary responsibilities. Foundations and endowments are way further along in expressing ESG views," said Jim Callahan, president of Callan LLC, San Francisco.

What's changing, he said, is that asset owners are recognizing that "certain good ESG practices may lead to better returns."

"It's becoming much more of a front-burner issue for institutional investors across all types," Mr. Callahan added.

Callan announced in February that it appointed Anna West to the newly created position of ESG practice leadership. Ms. West was previously senior vice president, co-manager of the published research group at the investment consulting firm.

The role was created because the firm was seeing more demand and an increased need for ESG research from its clients, and the time seemed right to formalize the role to accommodate client demand, Mr. Callahan said.

Third Street Partners' Ms. Pollock said that there are a lot of interpretations as to what ESG is and a lot of money managers figuring out how they want to be in the space.

"Do they want to have dedicated funds? Do they want to incorporate ESG into their research methodology? Do they want to incorporate ESG into their mission statement?" Ms. Pollock said. "It's a question mark because there are investors that don't care about ESG, and does that limit you as a manager?"

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