PRESENTER: Sustainable investing: what is it, how does it work and how do you integrate it into an existing investment process? To discuss that, I'm joined by an analyst, a fund manager and by a pension scheme. So let's meet our panel. They are: Christopher Greenwald, Head of Sustainability Investing Research at RobecoSAM; Elizabeth Fernando, Head of Equities, USS Investment Management; and Edith Siermann, CIO for Fixed Income at Robeco. Well, Christopher, why, if you're picking a fund manager, should you look to see whether they do sustainable investing? CHRISTOPHER GREENWALD: Well from our perspective it's ultimately about making better investment decisions. So it's ultimately about identifying long-term risks and opportunities, and incorporating them into the investment process, and therefore attaining better long-term returns. PRESENTER: So for you it's almost another source of potential alpha. CHRISTOPHER GREENWALD: Yes, absolutely. I mean we have a bit of a unique history in that we were founded in 1995 as an asset manager focused solely on sustainable investing. But as an asset manager, as we all know you fail or succeed based on your ability to deliver competitive returns to clients. So the link between sustainability and business success and then over time ultimately financial success through better outperformance has been at the foundation for how we've conducted all of our strategies from the beginning. PRESENTER: And you're from RobecoSAM, Edith is from Robeco, what's the connection and what's the difference between the organisations? CHRISTOPHER GREENWALD: Well Robeco bought a controlling interest in SAM - Sustainable Asset Management - in 2006 as part of its long-term strategy of commitment to responsible investment. And over time we've grown closer as the integration of sustainability in Robeco has matured, and two years ago we changed our name to RobecoSAM as part of that, and really to emphasise the closer relationship between RobecoSAM and Robeco, and also as really to underscore the seriousness by which sustainability is integrated into Robeco more generally. PRESENTER: Now, Elizabeth Fernando, you're head of equities for a university's superannuation scheme, how do you use sustainable responsible investing in your portfolios? ELIZABETH FERNANDO: You know, we use it to try and make sure that we're genuinely looking at the long-term perspective time horizon. Because we think if you bring in sustainability, bring in environmental governance factors, you're more likely to get sustainable returns from the businesses you're investing in, and our pension liabilities stretch over 100 years. So we try and bring it in to make sure we're capturing that longevity factor that is important to us. PRESENTER: There's a lot of talk that fund managers are increasingly short term; do you find that having this sustainability input means that you are a longer term holder of equities than you were in the past? ELIZABETH FERNANDO: I don't think we're longer term than we used to be; we've always been quite long term. We've always made sure that we reward our fund managers over longer periods, which I think is really important if you want them to be taking a longer term view. So our incentive plan uses rolling five year periods to compensate; we don't reward over a single year. And although we've had variations over the years, we've always had an emphasis on the five year return. PRESENTER: Now, Edith, you're Head of Fixed Income at Robeco. Sustainable investing is known mainly for equity investors, how does it fit into the fixed interest space? EDITH SIERMANN: Yes, that's true. We think it's a perfect fit with fixed income. As Chris already mentioned, we see it as additional information that gives us a better view on companies or countries, and with that we think that also applies to credit, for example, or to countries. Of course on the credit side you would look primarily to the downside risk, and we think incorporating ESG risks gives us a much better view on the company as a whole. And if you don't do it you miss out on part of the information. PRESENTER: And is there anything driving this apart from the fact it's giving you as a fund manager more information that potentially you can use in your investments? EDITH SIERMANN: Yes, that's the main driver. But of course our clients also demand it from us. Our clients also see it's important to do it, and yes we think in the long run it will be a hygiene factor for the sectors. PRESENTER: And Elizabeth Fernando, how much is this being driven by the members of your pension scheme? I suppose, I'm trying to get a little bit here at what the difference is between ethical investing perhaps and sustainable investing. ELIZABETH FERNANDO: Yes, our members have had a pretty big impact on us, and it was a campaign group called Ethics USS who wanted us to divest from various sectors that actually led us to set up our RI team quite a few years ago now. We very clearly draw the distinction between ethical investing and responsible investing under trust law, under what we're required to do as a pension fund. We're required to maximise returns from our investments; we can't invest purely on ethical or moral grounds. But we do believe that we should be trying to improve standards overall in the market, and we do think that by engaging with companies we can try and encourage better behaviours and better longer term returns so that they do behave in a way that is better for society and that they take consideration of the impact they're having on those around them. PRESENTER: Well, Christopher, are you seeing a rise in this sense that if you're the asset owner you have perhaps a greater sense of responsibility than perhaps people thought about ten, twenty, thirty years ago? CHRISTOPHER GREENWALD: Yes, absolutely. I mean it's certainly a growing interest among pension funds to think about long-term investment strategies. And I think with the rise of sustainability as an issue for companies, it's also driven an interest for how sustainable information that's being increasingly reported by companies can be incorporated into investment strategies. PRESENTER: So how do you go about incorporating, let's called it ESG for want of a better phrase, how do you go about incorporating that into a mainstream investment process? CHRISTOPHER GREENWALD: Well I think it's important that it is part and parcel of the financial analysis of companies. So it really needs to impact the discounted cash flow models of companies, and therefore impact the fair values that portfolio manager is orienting his or her strategy around. And we see the greatest value of sustainability in providing more informed views about what the long-term assumptions and models should be. Generally financial analysts are quite good at forecasting the next one to three years in their models based on what companies are telling them, based on the company strategy, the product mix, etc. Where they have difficulty is how to fill in the models from years three onwards. And this is where oftentimes analysts will rely on 10-year historical averages or averages across a cycle to fill in those future assumptions in the model. The issue, however, is that even though those years after year three are discounted in the model, there's many more years after year three than from your one to year three, and so most of the value of the firm is actually being derived from these future years and the assumptions of the model. So we think that sustainability can play a key role in having better informed views of what those assumptions should be. PRESENTER: And, Edith, where do you sit your sustainability analysts in relation to all of those fund managers and analysts you've got in your fixed income team? EDITH SIERMANN: It's basically one job. So we don't make a separation between financial analysts and sustainability analysts; it's one analyst that should capture both. And that's indeed what they do. Of course compared to the equity side we don't integrate it in a discount model. We integrate it in the company analysis that we do, where we look at the company strategy, the positioning, the financial analysis, etc., and ESG is a part of it, that is part of the analysis. PRESENTER: Do you have an example of just where that ESG analysis really helped you with a credit? EDITH SIERMANN: Yes, for example, at the moment when you look at financials, it's extremely important to look at the governance structure and to understand the governance structure. So by having for example our engagement specialist specialised in governance and our SI research team in Zurich, yes, we make a very clear analysis of governance structures in the financial sector. And in that way we can better understand how to compare different banks or other financial institutions to each other. PRESENTER: And, Elizabeth, where do you sit your responsible - I was going to say responsible analysts but I think I mean sustainability analysts? ELIZABETH FERNANDO: Yes, so we have a responsible investment team who report to me, although they work across all the asset classes that USS invests in. So they work with our external managers as well as our private market team. So they look at private equity, infrastructure, so the whole gamut. I differ slightly to Chris in that I think it's quite difficult to integrate some ESG factors into models effectively, because the time horizons are so long, and some of these things are quite binary, that to capture them accurately is really challenging. So we try and make sure that we are giving our fund managers enough information that they invest with their eyes wide open. So we have meetings about quarterly with the portfolio managers where we show them reports of how their portfolio compares on environmental, corporate governance, carbon exposure compared to their benchmarks so that they can see the outliers. We don't force them to divest, we don't force them to take action as a result of those meetings, but we do expect them to take it into consideration as to whether it is actually something they were aware of and was in their thinking when they decided to invest. So we're probably a little bit, we're less on the financial motivation side, we're more on the let's try and make sure we capture financial and non-financial factors and invest with our eyes wide open when we go into positions. PRESENTER: Well, Christopher, just picking up on that point about long termism, when you look back through the attribution analysis, what's the batting average for the sustainability team in picking out the prospects for a company, say from years three to ten rather than one to three? CHRISTOPHER GREENWALD: Well certainly over the long term we see quite positive results from the incorporation of sustainability into the financial analysis and doing backtesting over the long term. It's important, however, to control for some of the correlating factors when it comes to sustainability factors. Such as market cap and size, because larger companies tend to report more information than smaller companies. Also geography, European companies tend to be more transparent on sustainability issues than American or Asian companies. Also the way sustainability is reported in different sectors varies widely. So it's important to control for these factors when doing backtesting, but when we make those controls we can see a quite positive signal both in terms of the ability to generate outperformance, but also to reduce risk. And so by doing it carefully and systematically we do see a clear signal. I would say though, going back to the whole point about integration, that it's a bit of a question of the success of the research process overall. And so if sustainability is really done in a systematic and fundamental way across all of the positions and throughout the research process, it changes the type of conversations that we're able to have with clients. So it's no longer about does ESG lead to outperformance, yes or no; in the same way that it would be strange to ask the question does financial data lead to outperformance, yes or no. It becomes more a conversation about what's the quality of the research process, what are you doing, how are you finding opportunities, what are the names that you're identifying that differ from other strategies. And so by doing it in a more fundamental and systematic way into the financial analysis process, it allows the conversations with our clients to be at a higher level of sophistication when it comes to sustainability integration. PRESENTER: I'd like to pick up on that point again, but just before I do Elizabeth, where do ESG analysts come from? I mean there's obviously a very important role but are you looking for the same skill set when you employ someone as an ESG analyst as you would be for a financial analyst? ELIZABETH FERNANDO: They do need to be experts in their field. But they don't need to be campaigners. And it is a really difficult type of individual to find, because they need to be interested in these topics but they need to be able to talk to fund managers. And fund managers talk a different language often. So we've had reasonable success finding people from some of our service providers. We've had some success with people who used to be pure fund managers, and they want to broaden what they're doing. But it is a really difficult line to walk, because you need expertise but you don't want them to be superficial. So it's a real challenge. PRESENTER: It's a real sort of compound skillset that you need to find there. Edith, I suppose we talked a little bit about how you set up the team, how you integrate the team, but obviously then you have to go out and see potential investments. What's your take on this argument about if you see a company you don't like you should get out of it or you should work with it to make it a better company? What's your take on that? EDITH SIERMANN: Preferably the latter. Because from an investment point of view of course if a company improves that's a very good opportunity to invest in that company. And that's how we see it. If you get out of a company, yes you have no reason to talk to the company any more, and you don't profit from the improvements the company is making. And actually that's also what we see in practice. Many companies are very open to talk to us when we engage them or when our analysts talk to them. And are very keen to hear from us what kind of improvements we're looking for and yes how they could improve. And we also organise peer group sessions with companies out of the same sector that share common practices and ideas and new developments so that they can improve each other. And in that way we think we service two goals. On the one hand yes we know which companies to invest in, which are improving best, and on the other hand of course you have a secondary effect that yes you raise the bar for companies as a whole. PRESENTER: But do you think your role's changing with that approach; you're becoming to a degree a business angel, an adviser rather than perhaps a pure investor? EDITH SIERMANN: We want to stay an investor, but it's true that companies like to approach us and ask those questions. And of course we are pleased when they do so, because it shows that we're doing a good job and that we're asking the right questions. But yes we want to keep doing it for the purpose for improving our investment returns. And therefore it's also important to always yes look for the financial material topics, and not in general try to improve things. PRESENTER: Are you ever able to quantify what your influence is? And I put it very crudely when you look back at an investment and how it's done, and say well that little bit of it, that was our influence, that's what we've added to the party? EDITH SIERMANN: That's very tough. Because of course when you talk to a company there are other factors that play a role. So it's very difficult to make, on the total performance to allocate a part of that to a certain talk or certain improvement. However if we engage, we set very clear targets for ourselves. So it's not just a talk with a cup of coffee, we set very clear targets on what we want to achieve, and they have to prove that they achieved what we wanted. And we also check in the market whether there's evidence that they've changed a certain policy, changed a certain behaviour. So in that way we can quantify in a certain way what the improvement is. We check also the performance, but we are aware that other factors play a role in yes the development and the performance of a company. PRESENTER: And, Elizabeth, for you, what's your take if you see a company that's got potential but is struggling a bit? Do you think divest from it or don't get involved, or get in and help it be a better company? ELIZABETH FERNANDO: We very rarely invest purely to make something better. So we don't view ourselves as being activist investors in the classic sense of that word. Where we are invested in a company and we think they could be doing better, then we will engage with them on a whole range of topics. It might be governance, it might be remuneration, it might be their environmental social policies, but we would I think almost never get involved purely because we thought it was a failing company and we wanted to turn it around. PRESENTER: If you're in a company that not everything's perfect from your point of view, is there a danger of you engage with them quietly that not least your members think you're part of the establishment and going native, rather than perhaps fighting as hard as you can do? ELIZABETH FERNANDO: Yes, that is an issue. We don't think that you generally get the best responses by standing on a soapbox or being on the front page of The FT shouting at companies before you've had a conversation with them behind closed doors. We'd prefer to talk behind closed doors where we can, and then we reserve the right to up the ante if you like if we don't get the responses we like. But at the moment we're getting a lot of letters from our members on carbon and climate change. We were actually one of the very first funds to get involved in climate change. We helped set up some of the organisations which are now leading the charge on climate change from an investment point of view. But our members don't recognise that always, because they look at some of our large shareholdings and being a UK company with a high exposure to the UK equity market, oil companies feature quite highly at the top of our biggest holdings lists. But we have been active there, and we do have ongoing dialogues about stranded assets, making sure companies are investing wisely. But yes it is difficult to prove if you're being below the radar. PRESENTER: Well I have to say having had a look at your website, pretty much all the votes and your views on policy of companies are on the USS website. ELIZABETH FERNANDO: This is true. People don't always choose to go there and read them though, so I'm not sure how one solves that. PRESENTER: Well, Christopher, just on this point of engagement, if you do have, you are investing in companies and key votes don't go your way, what's the point at which you do think you've just got to walk away from this business? CHRISTOPHER GREENWALD: Well I would say on the engagement issue we approach it somewhat differently through the research in that we're not doing any kind of naming and shaming. It's never been part of the background or philosophy behind our sustainability research. It's always been about promoting the best companies as best practice examples to move the industry forward and to drive further investments into sustainability, both from the investor side but also within companies themselves. And so our engagement process is really a kind of give and take with corporates directly through the corporate sustainability assessment, where they give us examples of best practice that we can then use into our assessments that other companies can learn from. But we also challenge the companies and push them a bit to think further about what's the next stage of sustainable investment and development in the next five to ten years. How can they derive greater business value from their sustainability strategy? And then the companies in turn use that to get greater buy-in from management, and to then increase their own and improve their own sustainability performance. PRESENTER: How easy is it to trust the numbers that come out of these companies? I mean it's not that long ago that very publicly Volkswagen went from being a fabulous company in some ways when it came to fuel efficiency, to not quite so good. CHRISTOPHER GREENWALD: Well that's true and it's still an evolving data field. I mean you've got really an explosion over the past 20 years of going from about 50 companies in 1995 that were issuing environmental and social reports of some kind, to now over 5,000 that are issuing sustainability reports. And so the data is still evolving. But we find that if you ask the right questions, and if you ask the companies to explain and provide not only supporting evidence but to explain their policies and assess them, you can get a sense of how deep they are and how comprehensive they are, and how trustworthy ultimately they are. PRESENTER: And how do you work out how seriously they're taking it? Because you put a lot of this together, I mean you have a book you put out every year, you've just done one actually I think, it came out at Davos last month. Do you ever worry companies are thinking I'll get myself in that, that's an easy piece of PR, but I don't really need to deliver? CHRISTOPHER GREENWALD: Well what companies tell us is the main reason that they participate in the assessment is to improve their own sustainability performance. So the majority of companies are not actually listed in the Yearbook or in the index, and yet they participate in order to learn from the assessment, learn from their sector peers and to make progress. So that's one of the most rewarding things about the research process in interacting with companies is to give them advice about how they can make their own improvements over time and how they can actually make sustainability more material and ultimately more relevant for the business. PRESENTER: And I do want to move on, just before I do that book you put out, does that mean you cover every sector across the globe, companies from every sector, or are there certain sectors that you exclude because you just don't think they're sustainable full stop? CHRISTOPHER GREENWALD: No, we've always been sector neutral with regard to the research. So we cover all GICS sectors and we have 59 different industries that we will assess based on the companies' applicability for the particular industry group on sustainability issues. It's always been about best in class and improving companies across all sectors. Sometimes companies in the most challenging sectors can have the greatest marginal impact to their improvements. So an IT company which may look attractive from an impact perspective, reducing CO2 emissions by 10% doesn't make that much of a difference. An oil and gas company doing it can make quite a big difference in terms of the environmental impact. So sometimes in the most challenging sectors the marginal improvements of companies actually make the biggest difference for society. So we think it's important to be sector neutral, and to try to drive the best companies forward across all sectors and industries. PRESENTER: Now, Edith, one of the things if you're running debt funds is you don't have votes in the same way that equity managers do. How do you bring your influence to bear? EDITH SIERMANN: Yes, that's the one big difference of course with equities. But also on the equity side, and it holds for the fixed income side as well, it's not just about voting. If there's something controversial on the agenda, we will approach the company way before the AGM takes place and discuss our view or opinion with the company. So of course voting is powerful, but we would argue that engaging with the company before things show up on the agenda is also very powerful. And yes it's not the case that companies make a difference whether you are an equity holder or a bond holder, they have to finance themselves. And yes they want to have equity investors, but they also need bond investors. So we don't feel we need to explain that we approach them from a bond perspective. They're very happy to also hear from the bond side what our main concerns are or what we would like to see or hear. PRESENTER: So the bottom line is the better the company the cheaper it can borrow at, and that's what they respond to. EDITH SIERMANN: I'm not sure. Yes of course if a company performs well and has sustainability incorporated in it strategy etc. and doing well, yes then the spread will be narrower than if they don't, that's true. PRESENTER: We talked a lot about engagement with companies, but I wanted to just go back to the process of researching. When you are looking at, and you were mentioning even looking at a country level sustainability works, what are some of the insights you get at country level from using the sustainability approach that you wouldn't get from traditional analysis? EDITH SIERMAN: Well of course if you look at a country, and particularly of course if you look at the emerging markets, the performance of a country is of course about its budget deficit, inflation, etc. But in those countries it's very clear that political risks, social risks, corruption can have a big influence on the development of the country. It's not so that before sustainability was introduced no one would look at those factors. But I think the big difference now is that we look at it in a very consistent way. We actually have very good variables, data that we follow on a day-to-day basis, and in that way early signals that things are changing can be much better captured than before in a very consistent way. So what we look at is of course the ESG level of countries, but also very much look at the improvements or deteriorations in the variables that we follow, to have early warnings or early signals that we should buy or sell a country, or be worried about certain developments that are not captured by just looking at inflation or GDP. PRESENTER: And are these factors equally weighted across countries, or would you look at certain factors and say well that's much more important looking at Russia than it is looking at the United States for example? EDITH SIERMANN: We look at the same factors, but of course we look at same factors for every country, but of course you see different outcomes for different countries and therefore in the score itself. But that said the level itself is often not so much important; it's more important to look at the changes and how countries compare to each other. PRESENTER: And finally on this, if you've taken that view at the national level, do you then take a little bit of that view and apply it to individual credits underneath? EDITH SIERMANN: Yes as well. So, credits, especially in countries that are less developed, the country ESG indicator also plays a role in that credit analysis. PRESENTER: Elizabeth, ultimately though it must come down to does it generate better returns. For you, what's the proof that it does generate better returns, because that's what your mandate is about? ELIZABETH FERNANDO: Yes, that's true, and it is really difficult proving that financial returns are better as a result of our engagement than they were without. I can think of some examples where as a result of our engagement or collective engagement things have got better. For example when Daniel Vasella, the former Chairman of, or CEO and Chairman of Novartis, wished to stop being CEO and become Chairman, he was going to be retained on a really very large remuneration package for someone in that role. We engaged extensively with Novartis about that, and they did after a bit of backwards and forwards, they did reduce the payments that he was receiving in his capacity as Chairman. And for that, that was a very clear case of success, and it meant that more money was being retained in the business to be invested productively in R&D that would drive future earnings, rather than being directed to someone who as chief exec was a very successful man. But to continue paying that for a Chairman role was really not appropriate. PRESENTER: And from your point of view, Christopher, what's the proof for you that this can produce higher returns for investors? CHRISTOPHER GREENWALD: Well certainly the backtesting is a positive signal that we've found. And we've seen that it can be, if treated carefully and by uncorrelating it with other factors, sustainability can serve as a factor that can be incorporated into an investment strategy like other factors such as value and momentum that's uncorrelated. I think from our experience it helps all of the analysts involved in conversations around companies to arrive at a better well-rounded view of the company situation. And actually working together with both fixed income and equity analysts together, also with the sustainability analysts through a dialogue, allows all three to attain a better view of what the company's worth, because ultimately in reality you don't have a fixed income version of the company, an equity version of the company and a sustainability version of the company, of one company. So by bringing together a conversation with the analysts to share views - fixed income, equity and sustainability - we're all able to learn from each other, and all able to get a better picture of what is going on in the company strategy, and a better idea of what the company is actually worth. What the long-term opportunities are, as well as the long-term risks. PRESENTER: Now Robeco SAM has been going for over 20 years. So when you get a crunch point like the financial crisis how did that sustainability outlook allow you to negotiate it better than your peers? CHRISTOPHER GREENWALD: Well I think it would be disingenuous to say that you could just from a sustainability perspective have predicted the financial crisis. But what we have seen since the financial crisis is that as a result of that experience it served to really strengthen and underscore the importance of sustainability research and long-term factors beyond just the financials. So if anything it's really helped the responsible investment movement in terms of greater interest from asset owners, increases in assets. Because it's made I think a wider number of investors recognise the importance of thinking about long-term factors, and thinking about the quality of companies' management as part of their investment analysis. PRESENTER: But surely, I mean people in charge of financial institutions that didn't have a background in finance, wouldn't that be a, which is certainly the UK was an issue with some of the banks, wouldn't that be the sort of thing that would have appeared as part of this sustainable research? CHRISTOPHER GREENWALD: Yes, it is true that if you look at the evidence the areas of, or the time periods of outperformance seem to be those where markets are most challenged. So in terms of the positive impact that sustainability has had on the performance, we see the greatest impact following tech bubbles burst in 2000 and 2001, and also during the financial crisis. So when all boats are rising in a relatively benign economic environment, it's difficult to distinguish well managed from poorly managed companies. But you see those differences really played out when companies are more fundamentally challenged through a crisis like the credit crisis that we had in 2008, 2009. PRESENTER: And, Edith, as you look at it have the costs of putting sustainability analysts in place, has that increased the cost overall of fund management to your clients? EDITH SIERMANN: No, not to our clients. We see it as part of our job to incorporate it. So we haven't increased or transferred the cost to our clients; we keep that for ourselves. But of course with incorporating sustainability we use more resources than we did before. We need more data, more people. PRESENTER: So are you saying that you've got more resource in the round on investments now, or you've channelled more of your existing resource into sustainability? EDITH SIERMANN: We have more resources, but also looking at the existing resources they, yes, spend more time on analysing sustainability than they did before. So the total effort with regards to sustainability has increased very significantly. PRESENTER: And just in the round how do you, with all of this data that's coming out, and there's always more and more data, how do you, obviously there's a danger that you get just more and more people measuring things, and then measuring the people that measure the things, how do you keep on top of that as a head of department? EDITH SIERMANN: It's a very good question, because indeed the data availability has increased tremendously over the last few years, many data providers, many data points, so it's crucial to really see what is financial material, so what is material for investments? So you have to filter that out, and make sure you only focus on those topics or developments within a sector, within a company that really matter, because otherwise you're spending your time on things that don't matter for us as an investor. So that is indeed very crucial. PRESENTER: Now we've got about five minutes left so I wanted to move on to just a couple of issues perhaps around sustainability. Elizabeth, we're hearing a lot at the moment that things like sugar is, say sugar is the next tobacco, I don't want to make it sound too flip about it, but when you see that and this issue around things like processed food and the costs of it, how does that affect your thinking as an fund manager on what you need to talk about the companies you're already invested in, what you need to think about just in terms of at a sector level on how you position yourself? ELIZABETH FERNANDO: I think it's a really interesting emerging theme. It's not something our members have particularly picked up on as yet. I shall look forward to a flood of emails and letters over the coming weeks as that comes to the fore. It is something we have talked to particularly the food manufacturers about for a long time, making sure that they are being very clear on their labelling, for example. Making sure that they are where possible reducing salt in foods and that kind of thing. I mean my personal view is that there's a certain amount of personal responsibility that has to be taken into account here, and I think putting it all onto the companies is perhaps controversially not entirely fair. I think individuals need to be given the information so that they can take the right choices. I'm not generally in favour - and again this is a personal view - not generally in favour of things like sugar taxes, because I think they lead to distortions in the market, and typically that doesn't lead to the outcome we originally intended. But it is something that, making sure that people have the right information on which to take well-informed decisions is really important. PRESENTER: But would you look at, let's say just the sector in the round, would you then say actually there's a risk here that government might say well for every pound they make in profits it's costing us £3, the taxpayer £3 in healthcare. I'm making the figures up. Sooner or later they're just going to get, some politician is going to jump on that and there's going to be a tax consequence essentially for a form of fly tipping. ELIZABETH FERNANDO: It does become a risk factor that has to be built into your model. Whether governments will go down that route, because some of the governments who have gone down the tax route have turned around and come back the other way again, because it hasn't been successful. So I don't think it's a given everyone will head the same direction, but it certainly becomes a risk in your model, and you need to understand how the company would react and what the consequences to the company and its valuation would be if that scenario was to arise. PRESENTER: And, Christopher, how are you looking at that as an issue when you look at the food industry, how do you factor things like that into your models? CHRISTOPHER GREENWALD: Well it's certainly something that we would look at. We tend to think about the long-term trends in the industry towards healthier products, looking at the extent to which that's growing as part of the company's portfolio, as well as policies and initiatives to reduce products that might have harmful impacts on clients. And so how well is it positioned? Is the company, vis-à-vis this long-term trend towards healthier eating and healthier products, is one of the key things we would look at in analysing food companies. PRESENTER: Now we're pretty much out of time, so I'm going to ask you each for a last thought. Edith, I'll come to you first if I may. ESG research, why should you as a pension scheme think seriously about it if you haven't got it? EDITH SIERMANN: It's important to get a better understanding of today's challenges for the entities we invest in. PRESENTER: Elizabeth Fernando. ELIZABETH FERNANDO: I would agree with Edith. I think this is about ensuring that you get sustainable returns aligned with the horizon over which you need returns to support your obligations to your members. PRESENTER: Christopher, final thought from you. CHRISTOPHER GREENWALD: We think it's ultimately about being able to make better long-term investment decisions. And we see it as a unique opportunity to develop investment strategies that have not been developed previously in order to serve a wider number of asset owners who are interested in seeing asset managers pursue more long-term strategies. So it's really changing the way investors use information, trying to innovate the way we think about modelling companies and therefore doing better over the long term, seeking opportunities and also reducing risk. PRESENTER: We have to leave it there. Christopher Greenwald, Elizabeth Fernando, Edith Siermann, thank you very much. And thank you for watching. From all of us here goodbye for now.