

# Case Study: Major European Bank's Manager ESG Investment Approach Monitoring

by digitization-based simplification

## INTRODUCTION

The below case study is based on an ESG investment approach monitoring project conducted by a major European bank (hereinafter referred to as Request Issuer or asset owner). Due to regulatory developments and upcoming reporting requirements, the Request Issuer opted for a sophisticated asset class level semiannual screening, reaching out to both, their contracted asset managers, as well as the peer group.

The following document illustrates briefly how a leading asset owner has optimized their manager screening and monitoring process by simplifying the information sourcing and evaluation with digital tools. It does not reveal any investment decision-making or content-related details and remains anonymized for process-related data protection reasons.

The descriptive case study was enhanced with additional theoretical options and steps to demonstrate the scope of opportunities for other asset owners interested in optimizing the monitoring implementation process.

## AIMS OF THE CASE STUDY

- Demonstrate the approach of a major European bank using investRFP digital technologies to simplify their ESG-focused manager screening and monitoring process
- provide brief insights on Request Issuer's monitoring process method, selected and available options
- illustrate the main simplifying factors and further options available as part of a digitized optimization of the monitoring implementation process on the investRFP platform

## REQUEST ISSUER KEY DETAILS

- Diversified European Financial Group
- Banking, asset management, insurance, leasing
- Operations in 12 countries, 44.000 employees, 17 million customers
- € 220 bn banking, wealth and asset management assets
- Large number of external funds managed by asset managers globally

## AIMS OF THE MONITORING REQUEST

- ESG investing approach screening of the contracted managers on asset class level
- Peer group ESG investing approach screening on asset class level
- Overview of the overall investment ESG status quo and planned developments
- Information sourcing to support further manager selection process
- Preparation for meeting ESG-related regulatory requirements
- ESG-related risk assessment support

## OVERALL REQUEST PROJECT STRUCTURE

- Purpose-based Request type selection: Combining **initial screening** and **semiannual monitoring** models
- **Separate monitoring of the contracted managers' and prospects' ESG approaches**
- **Separate Request issuance per asset class**

### Further options:

- Fund level monitoring
- Investment adviser monitoring
- Three phase Request (RFI, RFP, ongoing Monitoring)
- 3 Step asset class level monitoring based on PRI Manager & Fund Monitoring tools
- Flexible monitoring frequency

## Initial Pre-Monitoring Screening

The Request Issuer performed the initial screening for seven asset classes for the contracted managers and prospects separately, creating 14 Requests. The Request Issuer team are experienced platform users using the platform independently for RFP, RFI, due-diligence and monitoring purposes, however, this time due to the project size the asset owner opted for customer assistance.

### 1. Request Setup

- **Basic criteria and requirements** for the contracted manager supervision and prospect compliance for further participation were agreed upon by the asset owner team and their consultants and further integrated into the digital Request on investRFP. The minimum requirements included participation in one of the scorable

ESG catalogues on investRFP, which are used by asset owners to support their asset manager selection and monitoring process.

➤ **Questionnaire selection**

The Request issuer team opted for combining their own survey with other questions from the investRFP library (including PRI), customizing them according to their specific needs and excluding the obsolete details.

➤ **Recipient selection** was performed as an integral part of the Request by the Issuer team. Seven of the Requests were only made accessible to the asset owners' contracted managers, and another seven to the peer group (1300+) with multiple exclusions of managers (e.g. disqualified before). The only peer group participation restrictions referred to compliance with the basic criteria and requirements determined by the Request Issuer.

➤ **Team member authorization** for accessing the Request and evaluating the manager Responses is the last step prior to the submission.

➤ **Request submission** concluded the Request setup process and initiated an automatic notification of all the recipients selected. The managers invited explicitly (not the peer group) were additionally contacted by the investRFP customer assistance to make sure the responsible team members were well informed. After the submission, the Request issuer opted for activating the integrated message system on investRFP in order to enable the communication documentation, as well as to remain available for manager questions.

**Further options:**

- Recipient selection: addressing an unrestricted peer group with or without exclusions, or inviting selected managers only
- 3 Step asset class level monitoring based on PRI Manager & Fund Monitoring tools offers asset class level questionnaires, which can be specifically selected and customized
- Request issuer might also opt for working alone or with a consultant. This can be determined on Request level.
- If required for reporting or other purposes, the Request issuer can independently access the list of managers notified, as well as explore their participation intentions or rejection reasons based on manager survey.

## 2. Evaluation

- **After the deadline**, each Request Issuer team member evaluated the manager Responses separately using the digital smart comparison, scoring and weighting tools, whereby the average team scores and weightings were automatically calculated and documented. The evaluation of some of the sections was explicitly delegated to particular departments due to expertise specifics, which was also documented as part of the final 'team status'.

The Request Issuer team opted for comparing manager Responses on question level for an optimized overview, utilizing the smart comparison functions. Internal comments were integrated on question level to document the rationale behind the decision-making and identify issues for further engagement with managers.

- **The scorable ESG catalogue participation** was part of the basic requirements and one of the tools used by the Request Issuer team to support the evaluation process. During the manager Response scoring process an individual ranking was automatically created, which was then used to enhance the manager selection and/or evaluation process.
- **After the evaluation phase**, the Request Issuer provided the relevant feedback to the contracted managers based on question level notes, which are an integral part of the digital evaluation tools. The feedback was sent directly from the investRFP platform to both, contracted managers and prospects, however, the Request Issuer opted for peer group restrictions for the next monitoring stage. Per each asset class five to nine prospects were shortlisted for further participation in the next monitoring stage.

According to the terms, the investRFP platform remained uninvolved in any decision-making or consulting processes and solely provided technical platform-related assistance by request, as well as manager notification support to make sure the responsible investment team members were well informed on the monitoring Request and deadlines.

### Further options:

- Some asset owners do not directly join the evaluation team on investRFP and assign it to their fiduciary advisers instead. The automatic documentation of the process allows advisers to demonstrate and explain the process and the rationale behind the decision-making conveniently.
- The utilization of the scorable ESG catalogues in the evaluation phase is optional. There are catalogues available on the following topics: Net Zero, Diversity & Inclusion, Active Ownership & Voting, Climate-Related Risks and Opportunities, ESG Research & Information Sourcing, ESG & RI Integration in asset management (PRI).

- Team members authorized to access the Request are not automatically obliged to co-evaluate the Responses and might opt for scoring only some of the questions or none at all. The ‘team status’ feature provides a detailed scoring overview by each team member, which the average score is based on.
- For future investment consideration and comparison reasons, some asset owners decide to keep on monitoring an unrestricted peer group additionally to their contracted managers, however, all participants have to comply with the basic requirements determined by the Request Issuer to participate.

## Ongoing Semiannual Monitoring

### 1. Request Setup

- **The next monitoring Request** was issued six months after the initial pre-monitoring screening.

Request Issuer duplicated each of the fourteen Requests with a single mouse click (seven asset class level Requests for both contracted managers and prospects) and customized some of the questions adding additional tables for a more efficient data analysis. The team also adapted the manager Response length restrictions on question level to improve the comparability and increase efficiency on both sides.

- **Recipient selection** was based on the contracted manager list, as well as the prospect shortlist of the initial pre-monitoring screening.
- **Team member authorization** was also adapted, inviting the compliance team members to evaluate the relevant data provided by managers for a simplified risk assessment support.

### 2. Evaluation

- After the Request submission and the deadline, a very similar evaluation phase to the one of the initial pre-monitoring screening followed.
- An annual screening of an unrestricted peer group (with the relevant exclusions and basic criteria compatibility requirements) was brought to consideration for further monitory Request planning in order to enable an ongoing overview of the peer group.
- The Request issuer opted for leaving the message system activated in order to enable a full communication documentation on Request level.

- The documentation reports of both Requests were downloaded and additionally stored internally within the bank data storage system.

**Further options:**

- Request duplication as part of the monitoring Request setup (after the initial screening) is not mandatory and a new questionnaire can be integrated instead. However, since the duplication of the Request is carried out by a single mouse click and the questionnaire is easily customizable online, most asset owners opt for this method.
- Monitoring Requests do not require any prospect shortlisting and can optionally remain open to the peer group for regular participation if compliant with the basic criteria and minimum requirements determined by the asset owner.
- Request Issuers can optionally deactivate the message system completely and only use the communication methods of their preference.
- The automatic documentation enables various report options and data overviews.
- Evaluation team members can be invited and excluded at any stage of the process.

# SUMMARY

The Request Issuer represents a major European bank that optimized its manager monitoring by digitizing it on the investRFP platform. This brief case study illustrates the main steps of the process, methods selected by the Request Issuer, as well as further theoretical options and opportunities.

The Request Issuer opted for a semiannual monitoring model with an initial pre-monitoring screening on asset class level, enabling participation to both, their contracted managers and prospects. Seven asset classes were screened, whereby separate Requests were issued for both groups, resulting in fourteen Requests. The questionnaires used were based on best practice templates from the investRFP library, which were then directly integrated into the Requests, customized online by the Issuer and enhanced with further specific requirements and questions.

The evaluation process was carried out by several team members with full documentation of the individual and team average scoring. The Request Issuer also used question and section level weightings, as well as scorable ESG catalogues as an additional information source for further manager selection considerations. The team opted for shortlisting of prospects, which were then invited to participate in the next stage. In order to keep an overview of a wider peer group, an annual unrestricted manager universe participation (with explicit manager exclusions and obligatory basic requirement compliance) was considered.

In the next stage of the semiannual monitoring six months later all Requests were duplicated and adapted accordingly. The team was joined by colleagues from other departments to benefit from additional risk management expertise in the evaluation process.

Once the evaluation was completed, the Request Issuer received the required documentation report for complementary internal information storing. The information sourced on investRFP remains accessible (online) to the Request Issuer and could optionally be removed from the system on request.

The investRFP platform solely digitized the monitoring process, providing assistance on request and managing the manager notification confirmations. The platform was not involved in any decision-making or investment consulting at any stage of the process.

\* \* \* \* \*

*Disclaimer: This document represents marketing information and was issued by e-fundresearch.com Data GmbH, Universitätsring 10, 1010 Vienna, Austria. Registered Office: Vienna, Registration number: FN 193289z, Commercial Court of Vienna. Please refer for more information on terms and conditions as well as the privacy policy on [www.investRFP.com](http://www.investRFP.com) and [www.e-funddata.com](http://www.e-funddata.com). The information in this document does not constitute investment advice and should not be considered as a recommendation to purchase or sell any particular security. investRFP.com is a digital information service provided by e-fundresearch.com Data GmbH. investRFP.com is not responsible for any content provided and exchanged by users on the investRFP.com platform or through other communication channels. Vienna/Austria, 2022*

## Contact

**e-fundresearch.com Data GmbH**  
Universitätsring 10, 1010 Wien, Austria  
T +43 1 5333444 10  
[support@investRFP.com](mailto:support@investRFP.com)

**Registration: [www.investRFP.com/signup](http://www.investRFP.com/signup)**  
Further information available on  
**Asset Manager & Fund Selection,**  
**Due Diligence and ESG Screening.**