



DISCUSSION:
“RESPONSIBLE INSTITUTIONAL INVESTING AROUND THE WORLD”
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SUMMARY

- **Explores a combination of three data sources:**

- (i) PRI survey, (ii) FactSet holdings, (iii) ESG scores.

Refinitiv, MSCI IVA, Sustainalytics, RepRisk*

- **Finds:**

- Average PRI signatory is **big** in AUM and **outside** the US.

- PRI signatories attract **higher investor flows** than non-PRI institutions.

Controlling for past returns, past flows, and portfolio characteristics

- PRI signatories have better ESG portfolio-level scores (“footprints”), **except** for US-domiciled ones.

Investor stewardship codes, BP’s Deepwater Horizon oil spill

- US investors **partially implementing** ESG strategies exhibit worse ESG footprints than uncommitted investors.

Interpreted as **greenwashing**.

- Responsible investing does not improve returns, but **mitigates the risk**.

Varying Sample : From 36 PRI signatories in 2006 to 684 PRI signatories in 2017. PRI survey data starts in 2013.

COMMENTS

1. Attracting higher investor flows

- Free-riding in activism/engagements:
 - In [Brav, Dasgupta, Mathews \(2019\)](#)'s model, “wolf-pack members” are incentivized to overcome the free-rider problem through their reputational concerns about attracting investment flows.
 - [Dimson, Karakaş, Li \(WP-2020\)](#) argue that reputational concerns on attracting fund flows play a more important and apparent role in E&S engagements.
- Do institutions join PRI to attract higher investor flows, or do investors reward the “sincerely” ESG-conscious institutions?
- Are there diminishing (ESG) returns to higher investor flows?

COMMENTS

2. PRI signatories “walk the (ESG) talk”, except in the US

- [Dimson, Karakaş, Li \(WP-2020\)](#) find that “Big Three” (Blackrock, Vanguard, and State Street) have never participated in PRI engagements.
- Perhaps PRI is **not deemed** as significant for (some of the) US institutions as it for the non-US institutions?
- What about **other (partner) networks**?
 - Asia Investor Group on Climate Change (AIGCC), [Ceres](#), Investor Group on Climate Change (IGCC), and Institutional Investors Group on Climate Change (IIGCC).
- Could the paper **identify** the “gen/phenotype” of the **greenwashers**?
 - Partially-implemented ESG strategies, reputation, clientele.

COMMENTS

3. Extent of ESG Incorporation by PRI Signatories

- Not very clear:
 - **Whether** “Full/Partial ESG incorporation” are measured accurately, and their effects are significantly different from each other (footnote 34).
 - **Why** and **How** such a partition of the sample matter.
- Table 6: Effect of partial (full) ESG incorporation is negative (positive) for US (non-US) PRI signatories, compared to uncommitted institutions.
 - Different **worlds/benchmarks/bars** for US vs. non-US institutions?
 - Authors interpret US results as possibly reflecting greenwashing. However, this could potentially/partially be due to a **mismatch** to benchmark firms and/or PRI’s **not being recognized** as that critical in the US.

COMMENTS

4. PRI survey

- The reporting could be **biased/truncated**.
- Further, there are **other associations** that these firms are involved with.
- More **discussion/robustness** on these points might be helpful.
 - If feasible, perhaps focusing only the subsample of institutions solely working with PRI (i.e., no own work and/or other collaborations) might be fruitful.

MINOR QUESTIONS

- Are the following statements conflicting?
 - **Page 8:** *“Investors should sign the PRI at the highest level of the group.”*
 - **Footnote 17:** *“Our matching of the PRI with the FactSet investor universe occasionally leads to a double match. This can happen when both the parent and the entity sign the PRI independently.”*

- Is the following statement correct?
 - **Page 11:** *“An average positive ESG score between the three data providers therefore indicates higher confidence and agreement that the ESG performance of the evaluated company was indeed positive and vice versa.”*