



## **Funds failed fiduciary duty over subprime crisis**

By Kalpana Fitzpatrick - 29th February 2008

Pension funds across the globe have failed their fiduciary duty for not identifying the subprime crisis early enough, according to experts.

Graham Sinclair, project manager for the Principles for Responsible Investments – a United Nations facilitated investor initiative promoting environmental, social and governance factors in institutional investment decisions – described investors as “lazy” for not having due diligence processes in place that would enable them to collaborate globally to help identify problems.

Robin Edme, founding member of the Forum pour l’Investissement Responsable, the French SIF, and president of Eurosif, claimed: “If investors had done their job properly, they would have spotted the crisis.

“Investors are relying too much on external counsels and need to have their own judgment and analysis,” he added.

Edme argued that if investors are to avoid falling into another crisis in the future, then they must do the leg work when researching the companies they invest in.

“You need to have a national research team and get deep into each sector and spot the early signals of a crisis,” he told delegates. “Being socially responsible takes time.”

Edme stressed that the subprime meltdown was a socially responsible investment issue, but said it was now too late for engagement.

He added that the complications of the market have added to the crisis and argued that regulation would be a step forward.

“There should be more pressure on lenders and regulation makes sense,” he said.

Duncan Exley, acting CEO of FairPensions, a UK charity that encourages socially responsible investment, said pension funds should not wait for regulation.

“We should not wait for regulation, because regulation usually follows an event, when it is too late.

“Trustees need to know what they are investing in, engage with companies and have access to analysts,” he stressed.

Sinclair, Edme and Exley were speaking at **the IMN World Cup of Investment Management conference** in Paris.