| Labeling: We… | Enabling: We… |
| --- | --- |
| … focus on measurement, quantification, delivering numbers, classifying, counting: "What gets measured gets managed." | … focus on understanding: "What's going on?" because we know "Not everything that counts can be counted; not everything that can be counted, counts." |
| … set targets, make pledges. "Without targets people will not be motivated to perform." | … know that "when a measure becomes a target, it ceases to be a good measure" and that we often end up "hitting the target, but missing the point." |
| … put the label "bad" on companies, e.g. in order to inform exclusion policies. | … understand limitations of exclusions and engage with companies to hold management to account and use evidence-based approaches to facilitate change. |
| … start with data & measuring that allows us to think we make progess, and with the assumption that eventually we will know *What To Do*. | … start with formulating the right questions – then work out *What To Do* – then see what data is needed. And avoid the illusion of progress. |
| … label funds as "impact", but it is often *impact alignment* – we invest in change that would have happened anyhow. | … think about how investment can *enable*, or *cause* positive change; we focus on "investor impact" and approaches that *work*; we have a theory of change. |
| … we carbon footprint, decarbonize & take temperature of portfolios to label them "Paris-aligned", but don't ask how (if) this reduces emissions. | … conduct scenario analysis to see how assets might be impacted in different scenarios & understand what is needed to engineer the energy transition. |
| … believe that taxonomies will provide clarity & reduce complexity. | … know taxonomies' limitations, use critical thinking to make sense of complexity. |
| … design an endless variety of labels to demonstrate to clients that our fund is "sustainable" or "ESG", so that it fits the client's *preferences*. | … know labels' limitations; instead explain investment convictions to clients: what is the ESG approach & why? What's the added value? Does it it fit your *objectives*? |
| … say "40 people on our ESG team", "80% of AuM under ESG integration" and "signed up to Climate Action 100+." | … ensure investment teams understand ESG materiality & take active ownership responsibilities seriously, and integrate ESG functions with investment functions. |
| … never say the words "government" or "public policy". | … recognize the role of governments in innovation and solving societal problems, monitor policy signals and contribute to policy or blended finance where possible. |
| … have great faith in ESG scores: build 100s of indices & funds on them. | … understand the limitations of ESG scores and know that materiality is situational. |
| … start with the "What & How" of ESG initiatives. | … start with the "Why" of ESG initiatives. We distinguish *means* from *ends*. |

Finding Ways Ahead

*Keynes (about Tinbergen): "He is much more interested in getting on with the job than spending time in deciding whether the job is worth getting on with."*