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Responsible Investing of Pension Assets: Links between Framing and Practices for Evaluation

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Abstract Despite the increase in the acceptance of responsible investing (RI) in general (Allianz, in www.allianzglobalinvestors.com, 2010), the global community is still witnessing unprecedented levels of practices that can only be categorized as "unsustainable". It appears, then, that either the inroads made by the RI community have not kept up with the increase in unsustainable practices, or, that the RI process itself has been ineffective at producing meaningful change. The current study aims to investigate the practices used by pension plan sponsors to determine how they may enable, or interfere with, the adoption of implementation of RI. We adopt Framing Theory (Benford and Snow, Annual Review of Sociology 26:611–639, 2000), specifically the idea that particular frames find alignment when they resonate with their targets, by either bridging, extending, amplifying or transforming a domain. We extend research to include understudied practices by performing an analysis of 60 public pension funds in Canada. We find evidence of disconnect between the financial frame which dominates practices for compliance and evaluation, and the social frame of RI as a source of change. If the aim of RI is to produce long-term change, then a consideration of whether it aligns with extant practices is critical. We discover a variety of frame alignment tactics already employed in practice. We also find that, even within the dominant financial frame, opportunities for frame extension, amplification and transformation do exist, and examine how these are more (or less) possible depending on how the asset management structure is designed.

Keywords Framing · Pension funds · Responsible investing · Investment monitoring

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Introduction

Despite the increase in the acceptance of responsible investing (RI) in general (Allianz 2010), the global community is still witnessing unprecedented levels of practices that can only be categorized as "unsustainable". It appears, then, that either the inroads made by the RI community have not kept up with the increase in unsustainable practices, or, that the RI process itself has been ineffective at producing meaningful change. Pension funds, with their high political profile, long-term investment horizon, large asset base, and frequent association with the labour movement have made them appear to be ideal settings for the application of various forms of RI (Arnold and Hammond 1994; Neu and Taylor 1996). While for many years, the fiduciary obligation of pension funds has been cast as the single most important barrier to success in their implementation of RI, this legal barrier has been at least partially removed since the publication of the Freshfield's report in 2005 which concluded that the integration of environmental, social and governance (ESG) principles in investment analysis was legally acceptable (Freshfields 2005; UNEPFI 2009). Yet, obstacles appear to continue. Pension funds partially overcome this obstacle through a focus on responsible investing (RI) rather than on "Socially" responsible investing (SRI). RI is based on the business case for factoring ESG factors into consideration

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in investment decisions because poor ESG performance can harm financial performance in the long run. Investing in this manner thus increasingly downplays ethics (Richardson and Cragg 2010). Yet, although pension funds have increasingly adopted RI practices, there is still some speculation that not enough has been done, and that as a "natural" target, it is puzzling why pension funds have not been drivers of even greater change than has been witnessed (Eurosif 2012).

The current study aims to investigate this puzzle by performing an analysis of the evaluation practices used by plan sponsors and trustees overseeing pension assets, to determine whether these practices may interfere with adopting RI objectives. In order to discharge their fiduciary obligation to oversee these plan assets, plan sponsors perform ongoing monitoring of investment performance. Although investing for the long-term, the evaluation of a fund's performance is heavily weighted towards shorter-term periods of single quarters, years and four- or five-year periods (Myners 2001). Our purpose is to investigate the site of one of RI's most popular targets, pension funds. Using empirical data that have so far been ignored in academic research (the statements of investment policies and procedures adopted by such pension funds), we analyse the various ways in which RI is "framed" to fit with the existing beliefs and practices. To answer these questions, we mobilize "framing theory". According to this theory, frames are "schemata of interpretation" (Goffman 1974/1986, p. 21) that allow individuals to organize their understanding of the world around them. Frames need "signifying agents" (Snow and Benford 1992), who attempt to galvanize a network of individuals around symbols or cognitive cues that cast a given issue in a particular light (hence, "framing the issue") and suggest specific ways to act upon it (Campbell 2005). We draw specifically on the process of aligning frames so that they will more likely be acted upon through attempting to *bridge, transform, extend and amplify* existing frames (Benford and Snow 2000). This leads us to ask two research questions:

1. What are the practices enacted at pension funds for evaluating investment performance, and how do these practices produce effects on the potential alignment of particular framings?
2. What does this imply for how RI should be framed, if long-term success of the diffusion of RI practices is desired and expected?

This study makes two specific contributions. First, we aim to enter into a conversation with research that has recently examined RI using Social Movement theory. Arjaliès (2012) characterizes RI as a social movement that has aimed to fundamentally reform the asset management industry. Other literature has argued that RI has merely aimed to fit within pre-existing asset management discourse and logics, and is not properly characterized as a social movement (Déjean et al. 2013). Our aim, however, is not to debate whether RI can be properly characterized as a social movement. Instead, we use the suggestion in both studies that highlight the potential uses for Framing Theory in analysing RI diffusion as an organizational and field change.

Our second contribution is to examine practices at a micro level, which is where we believe a gap exists. This gap is surprising in the light of the attention that practitioner work has given to specific practices, including calls to work more diligently to understand the evaluation techniques used by pension funds (CICA 2010; Myners 2001). Such evaluation techniques form and are a part of the implementation of discourses related to broad notions of RI. If Arjaliès (2012) is correct and it is possible to integrate both social and financial framings of RI, then we need to know how they could co-exist not only at the discursive level, but also at the practice level.

The study highlights several policy implications. First, we recognize a dissonance between what is heralded as success as measured by the *volume* of RI assets under management (i.e. the bare "growth" of RI), and the *evaluation* of those assets, once they are placed. Continuing to evaluate pension funds as short-term investment vehicles despite their potentially long-term horizon results in conditions which are ripe to produce myopic thinking (Thaler et al. 1997), pushing the dialogue into a challenging direction. In essence, we argue that those who wish to meaningfully expand the implementation of RI in pension plan investment strategies have three options. The first is to frame RI using a financial frame, as a minor variant on existing practices (perhaps in order to encourage its adoption—to "mainstream" the principles of RI), and accept that it will be evaluated by pre-existing practices. The second is to frame RI "socially", as a source of significant, sustained change, and work to transform the financial frame that currently surrounds evaluation practices. The third is to frame RI "socially" as a long-term strategy for change, but continue using the same practices (grounded in short-term evaluations), and therefore accept to continue to have ineffectual realization of the idea.

The study proceeds as follows. "Responsible Investing Practices in Canada" section offers a brief introduction to the institutional setting of RI for pension funds in Canada. "Framing Theory—Aligning Frames to Practices" and "Method and Data" sections outline our theory and method, respectively, while "Analysis" section provides our analysis of the practices related to monitoring the performance of invested pension assets. "Discussion and Conclusion" section offers a discussion of our findings and conclusion.

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Responsible Investing Practices in Canada

The focus of the current study is on RI practices in the Canadian pension fund institutional setting. RI was initially derived from moral principles defended by religious organisations (such as the Methodist church) which were screening out companies with morally reprehensive activities from their investment targets (in particular companies involved in "actions of sins" such as: alcohol, tobacco or gambling activities (Louche and Lydenberg 2006). The modern form of RI has evolved from these moral and religious roots and expanded in the 1970 and 1980s, particularly with the spotlight at that time on anti-apartheid divestment debates, in order to try to promote social change and to influence the behaviour of corporations (Arnold and Hammond 1994; Louche and Lydenberg 2006). These motivations included ethical and "social" aspects, hence the common title of "socially responsible investing (SRI)" which gained traction since the second half of the 1990s. However, as SRI became more mainstream, it expanded its reach to incorporate investment-oriented rationales that were not required to deal with ethical or social angles. Such "responsible investing" (RI) has become more and more popular on both sides of the Atlantic Ocean and the volume of RI funds and assets managed according to RI principles has significantly increased in Europe and in North America. Canadian RI assets under management have grown from $48 Billion CAD to $600 Billion CAD between 2000 and 2011. Pension fund assets represent $532 Billion CAD (89 % of the total) (SIO 2012). They are thus a fruitful empirical setting.

The strategies employed to manage assets in a responsible manner can take various forms (SIO 2012). Asset managers can use *asset screening* in order to selectively choose investments in sectors or companies recognized for their ESG performance (positive screening) or to exclude certain sectors from their portfolios based on specific ESG criteria or because they do not conform with minimum standards of business practices (negative screening). Going one step further, asset managers can also use *targeted investing* to select assets specifically related to sustainability (e.g. clean energy) or *impact investing* that will target investments (usually in private markets) aimed at solving social or environmental problems in their local community. Another approach is to systematically embed ESG criteria in the process of research and analysis used to guide and evaluate investment practices. This *integrated approach* goes further than the simple listing of stocks that should be chosen or excluded from an investment portfolio; it promotes a systematic process that will include ESG factors in fundamental equity analysis. Finally, responsible investment can also take the form of more direct engagement in *shareholder action*. By using their shareholder power, asset managers can influence corporate behaviours at different levels: direct communication with senior executives or with the board, filing of shareholders proposals or proxy voting guided by ESG guidelines.

Pension funds, as a potentially active site for RI activity, have been the subject of diverse research over recent years, relating to the types of plans most likely to engage in RI, and their prominence and increasing power, which has contributed to the idea of investing with non-financial goals gaining mainstream acceptance (Cumming and Johan 2007; Hebb 2006; Sethi 2005; Sievänen et al. 2012). But the *idea* that pension funds are a natural target for RI, the *discourse* around such targeting, and the *practices* put in place to implement and actually perform RI at the site of the pension fund are all different (Ahrens and Chapman 2007).

Since they are different, this suggests that there is scope to observe what role such practices might play in the mobilization of the ideas and discourse of RI. It is the practice related to investing that we investigate in this paper. We believe that a much deeper understanding of the practices used to implement and monitor RI investments once they are placed in a portfolio is needed. We argue that success may not only link to ideology, logics or discourse, but also to the practices, technologies and everyday "work" of those managing and evaluating the target assets.

Framing Theory—Aligning Frames to Practices

Since we are focusing on practices, we need a link between RI as mobilized in discourse, and the practices in place that we are focusing on. In other words, how does one get from RI as a way to "change the world"—to RI as a series of practices and evaluation techniques? We start with the idea that RI is an idea that can travel, and be implemented in a set of practices. In order to help us understand how ideas emerge and are implemented, we draw upon Scandinavian Institutional Theory (Czarniawska and Joerges 1996). Drawing on the work of Bruno Latour, this theorization expanded new institutional theory about how organizations change by emphasizing that ideas do not merely "diffuse" but rather require a series of *translations* as they travel through time and space (Becker-Ritterspach 2006; Czarniawska and Joerges 1996; Morris and Lancaster 2006).

As identified by Creed et al. (2002), translation is only a first step in an idea's implementation. Therefore, we next need a framework that can help us understand the process, "how" these ideas are mobilized in practice. For this, we turn to framing theory, as introduced by Benford and Snow. Framing theory, with origins in Goffman (1974/1986) and further developed by Benford and Snow (Snow et al. 1986; Snow and Benford 1992; Benford and Snow

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2000) has helped us understand how agents of change and sellers of ideas "frame" issues so that they become relevant to the targets they seek to influence. Used most frequently in the analysis of social movements that may, or may not, take hold in certain settings, the theory has recently emerged in organizational studies, where a social movement was not involved, to identify the ways in which particular strategies may be framed so as to gain acceptance (Hargrave and Van De Ven 2006; Kaplan 2008; Vogel 2012). Framing pays attention to the construction of meaning and the way in which agents actively try to frame issues so that particular meanings take hold, including how these understandings of issues result in institutional change (Hargrave and Van De Ven 2006).

Framing is better understood as the process of drawing a window around information to focus attention on key elements of the information. In doing so, framers "selectively punctuate" and display a version of reality that they desire their target to also see (Snow and Benford 1992). "Movement adherents negotiate a shared understanding of some problematic condition they define as in need of change", finding causes for the problem (diagnosis), articulating an alternative set of solutions or arrangements (prognosis), and urging others to act to affect change (motivation), (Benford and Snow 2000).

The theory also makes use of the idea of *resonance*, which states that no matter how effectively the framer performs these core framing tasks, there is still work to do, since the frame created must align with the target. Achieving alignment depends in part upon the resonance of the frame offered and, therefore, how different the offered frame is from the extant set of values, practices, and beliefs held by the target. It is precisely this process of alignment with the extant practices that this study focuses on. We focus on the practices of the target, the "rituals and extant interpretive frames" that are mobilized in the governance of the investment process in this field, specifically related to the monitoring of the investments once placed (Snow et al. 1986, p. 474).

Snow et al. (1986) identify four forms of frame alignment processes: frame bridging, frame amplification, frame extension, and frame transformation. Following these authors, our underlying assumption is that frame alignment (in one or the other of its four forms, and at various degrees of completion) is critical in the potential adoption of RI practices in the pension investment environment.

Frame bridging is defined as the "linkage of two or more ideologically congruent but structurally unconnected frames regarding a particular issue or problem" (Benford and Snow 2000, p. 624). Bridging can occur at the organizational level or individual level by connecting two previously unconnected but compatible frames.

Frame Amplification is defined as the "clarification and invigoration" of a pre-existing dormant interpretative frame. Amplification can take the form of value amplification (by promoting or idealizing preexisting values that were previously considered basic and not highlighted e.g. justice or cooperation) or belief amplification (e.g. beliefs about the seriousness of an issue or about the probability of a change) that will help one clarify the linkage between personal or group preexisting values and beliefs and a new frame. Frame amplification would take some (perhaps dormant) pre-existing value or belief and bring it to life, mobilizing it in the name of a particular issue. In these types of framing, the goal is to "seduce the target audience by talking their language, by connecting to their goals and their values", (Verloo 2001, p. 9).

Frame extension is defined as the extension of the boundaries of a primary frame in an attempt to enlarge its coverage. Frame extension implies the stretching of an existing frame in order to incorporate new objectives or activities that were originally not obviously associated with the preexisting frame.

Frame transformation is defined by Goffman (1974/1986) as the radical and "systematic" alteration of a primary framework to incorporate the standpoint of another frame. This alignment process occurs when two apparently opposed frames do not find much resonance and even appear antithetical. In that case, the addition of new values can necessitate discarding previous ones, and results in a profound "reframing":

> When such is the case, new values may have to be planted and nurtured, old meanings or understandings jettisoned, and erroneous beliefs or "misframings" reframed in order to garner support and secure participants. What may be required, in short, is a transformation of frame. (Snow et al. 1986, p. 473).

We draw heavily on these tools in our analysis. Implementing RI might involve changing existing investment beliefs and practices, or it might only require fitting within such beliefs and practices. Woods and Urwin (2010) call for work related to practical policy implementation issues, but also acknowledge (citing Ambachtsheer 2007; Clark and Urwin 2010) that reaching a point where such change occurs is difficult. Framing theory, with its lens focused on how actors act purposefully to achieve changes in institutional settings helps us look at *how* that change is made possible in the face of a set of pre-existing beliefs and practices.

Method and Data

Kaplan (2008) argues that framing theory is a useful tool in taking a "practice approach" to studying strategy, since its

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methodological implication is that organizations can (and should) be understood from the bottom up through the day-to-day practices and interactions of actors (Kaplan 2008, p. 732). Such an approach understands that actors construct organizational strategies of action within which particular strategic choices make sense (Kaplan 2008). The actors involved in the decision making related to RI for pension fund assets operate within situated understandings comprised of practices that make up and inform their interactions. Thus, we believe it is important to understand these very practices in order to be able to better grasp how their strategic choices arise within, and might be constrained by, these practices. To investigate these practices, the study performs an empirical examination using archival data related to investment policy statements for a variety of organizations sponsoring and administering Canadian pension funds.

Data Collection

In order to complete our data collection, we conducted systematic internet-based research to collect publicly available data for public pension funds in Canada. Because our research question is about pension investment practices, our main focus is on the statement of investment policies and procedures (SIPPs), also sometimes referred to as statement of investment policies and goals (SIP&G). SIPP contain the terms of reference, practices, governance rules and strategies related to all aspects of investing the pension assets. They also identify, where applicable, how the pension fund addresses and implements its RI policy.

After conducting a first general search using broad keywords such as “SIPP” and “pension” or “statement” “investment” and “pension”, we performed an additional targeted and systematic search for pension fund information pertaining to the following categories: universities and colleges, education (non-post-secondary), public sector employees, municipalities, and charities at the federal and provincial level. We performed multiple searches over several different phases of data collection to ensure that we were accessing all publically posted SIPs. We also cross-checked our findings against an industry ranking of the Canadian pension funds listed in the Top 100 pension funds report (Sadakova 2014). We note that the majority of the public funds listed in this report (the remainder being private sector plans that do not publicly disclose their investment policies) were available and included in the data set.[1]

Not all the pension funds we initially identified provide detailed enough data, therefore, in order to improve the dataset we discarded those funds with incomplete or insufficient data. We obtained a final dataset of 60 Canadian pension funds, 28 of which represented universities and colleges, 5 represented other educational (teachers) organizations and 27 represented other public sector agencies or departments (public sector employees and municipalities). Most of the pension funds in our dataset (39 plans) are defined benefit plans. Our dataset also includes 10 defined contribution plans and 11 hybrid plans. The description of our dataset, including the nature of the pension fund and geographical location is provided in Table 1—Panel A.

Our dataset provides wide coverage across regions of Canada, in both English and French language documents (which the authors translated when included herein), and comprises some of the largest Canadian institutional investors (e.g. Teachers of Ontario pension fund, the pension plan for the public employees of Québec, administrated by the Québec Caisse des Dépôts et Placements, and Canadian public sector pension plans). The plans represented size across the spectrum, ranging from assets of $0.01 Billion CAD to $133.6 Billion CAD. The average size (net assets, number of members) of the pension funds included in our study is described in Table 1—Panel B.

Our first and main source of data derives from the SIPPs. Most are updated or reviewed annually or at least every three years. With rare exceptions, the SIPPs included in our database are the most recent version, dated from the years 2014 or 2013. Our second source of data are derived from stand-alone “Responsible Investing policies” and “Investment Beliefs documents” since the corresponding information is not always embedded in the SIPPs. Finally, data about the background and characteristics of the funds have been collected from the respective pension fund websites and from their most current annual reports or actuarial valuation reports.

Data Analysis

The data analysis process was conducted via a number of iterative readings and coding of the collected documentation. First, an initial round of readings of the reports permitted us to get a general view of the pension plan objectives, investment beliefs, and the extent to which various pension funds were engaging in responsible investing. As described in Table 2, only a subset of pension

[1] Our dataset includes 31 of the TOP 100 Pension funds listed in the 2014 Benefits Canada report (Sadakova 2014). Many of the TOP 100 pension funds are for private firms and the corresponding information is not publicly available. Our 31 “TOP” funds cumulated net asset value amounts to $527.9 Billion CAD which represents 54.1 % of the total pension asset value of the TOP 100 funds. This indicates that our dataset forms a significant and representative sample of the Canadian pension investment practices.

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Table 1 Description of the dataset

	University	Teachers	Other public sector	Total
Panel A types of pension funds and geographical location				
Geographical location				
Federal			2	2
Alberta	1	1	4	6
British Columbia	4	1	2	7
Manitoba	1	1	1	3
New Brunswick	2	1	2	5
Newfoundland	1			1
Nova Scotia	2		3	5
Ontario	12	1	6	19
Prince Edward Island	1			1
Quebec	3		3	6
Saskatchewan	1		4	5
Total	28	5	27	60
Type of plan				
Defined benefits	16	4	19	39
Defined contribution	5		5	10
Hybrid	7	1	3	11
Total	28	5	27	60

	University	Teachers	Other public sector	Overall
Panel B size of the pension funds				
Members				
Average	7,229	119,169	115,149	70,731
Median	2,938	74,900	32,681	10,700
Minimum	332	18,000	71	71
Maximum	36,800	376,000	754,000	754,000
Net assets ($ Billion CAD)				
Average	1.31	34.12	12.45	9.46
Median	0.85	8.58	3.46	1.40
Minimum	0.14	3.27	0.01	0.01
Maximum	7.10	133.60	65.10	133.60

funds have started to implement responsible investing (23 plans out of 60). Among these plans, 7 have adopted extensive stand-alone responsible investment policies, whereas the rest has embedded responsible investing and environmental, social and governance (ESG) factors in their SIPPs.

Second, based on our motivation to understand the monitoring, evaluation and investing practices being employed, we hand collected information from the SIPPs concerning these practices and strategies related to the pension portfolios. This included the frequency of monitoring investments, the nature of the monitoring process (i.e. evaluation performed relative to an index, a universe of peer funds, a liability benchmark), permitted asset classes, expected return objectives, active versus passive management, manager structure, stock ownership versus pooled fund investment, etc. This enabled us to better understand, and characterize along our theoretical framework, the domain of compliance in which the fund assets are monitored and evaluated.

Third, under an iterative process in which we moved from the data to the theory and back again, we turned our focus on a reading of our data in relation to our theoretical framework. Our aim was to understand how these policies talked about and referenced the RI practices. After identifying our main categories of interest in relation to our theoretical framework, and in order to reduce the volume of text, a systematic selection of a focused set of extracts was undertaken from each fund document. Several thematic worksheets containing the extracted quotes related to each category (e.g. ESG factors, proxy voting, asset mix selection, performance evaluation) were developed. This stage of the analysis involved multiple readings and

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Table 2 Use of responsible investment

	Plans using RI or ESG	Plans not using RI or ESG	Total
University	9	19	28
Teachers	3	2	5
Other public sector	11	16	27
Total	23	37	60
Of which			
Plans signatory of international codes	13		
Plans with a stand-alone RI policy	7		

examinations of the entire documents, as it was a process where, based on our research focus, we searched for and retrieved relevant extracts denoting opportunities (or lack of opportunities) for implementing RI within the dominating financial frame of the pension investing domain.

Last, once all the documents were analysed, we further coded them into a framework developed along our theoretical approach: the different possibilities for frame alignment. Thus, we finally coded the data and identified representative quotes indicative of our four categories of frame extension, bridging, amplification and transformation. Overall, this iterative analysis process resulted in the identification of several examples of frame alignment attempts and several opportunities to further permit the inclusion of responsible investment practices within a compliance domain dominated by a financial frame. The results of the analysis are presented in the following section.

Analysis

Our analysis proceeds in two phases. First, in "The Compliance Domain of Pension Fund Investments in Canada" section, below, we describe and characterize the practices that we found via our data collection. That is, we discuss the various components that make up the monitoring and evaluation process for pension fund investments in our sample. As noted at the outset of the paper, this is an important step in the analysis since it sets out the frame employed by those administering and evaluation investments. Within this frame, it is then possible to align particular framings of environmental, social and governance issues according to the different framing techniques. Thus, the second phase of this analysis, in "Co-Existence of RI and Compliance: Frame Alignment Possibilities" section, examines in more detail, some of the illustrative examples where different types of framing appear in the documents. In "Financial Frame Practices and RI Opportunities" section, we suggest different levels of alignment potential for particular ways of framing RI based on our findings.

The Compliance Domain of Pension Fund Investments in Canada

We perform an analysis of documentary data comprised of the investment policies of a variety of Canadian pension funds. Our aim was to examine how different framings of RI could succeed in practice by examining the policy documents that govern the implementation of RI in the portfolio. RI literature has recognized the long-standing issue concerning the legal obligation to invest the assets of the pension fund solely in the interests of plan beneficiaries, in essence, driving the investing towards a "maximizing return" and "minimizing risk" portfolio management strategy. Until recently, this fiduciary duty has frequently been offered as a barrier to RI investing by pension funds, but the debate is not yet completely settled (Sandberg 2011). Even though the status of RI investing from a legal perspective may be arguably resolved, certain practices have emerged out of this obligation that continue to themselves act as challenges to the effective implementation of RI investments.

The SIPP is the governing document concerning decisions around the investing beliefs and compliance with requirements to manage the fund in ways that permit the Pension Plan sponsor to claim that they meet the fiduciary obligation. The following excerpt describes the role of the SIPP in the governance of the plan:

> All pension plans are required by law to have statements of investment policy and procedures (SIPPs). SIPPs must be developed, monitored, regularly reviewed and filed annually by trustees. Trustees must ensure that investment portfolios remain diversified, seeking adequate rates of return at acceptable levels of risk. SIPPs are specific to the administrative and financial circumstances of each pension plan. But each should include language on: plan liabilities, benchmarks, risk tolerance, investment manager selection, investment strategies, private placements, all classes of assets, proxy voting, fund management, mandates and monitoring of practices, conflict of interest. The Board of Trustees must

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monitor fund managers to ascertain whether they are in compliance with plan investment mandates.

(Plan 10)

Within this framework, legislative requirements dictate only that the following categories be included in the SIPP:

> 7.1 (1) The administrator of a plan shall … establish, on behalf of the plan, a written statement of investment policies and procedures in respect of the plan's portfolio of investments and loans, including
>
> (a) categories of investments and loans, including derivatives, options and futures,
> (b) diversification of the investment portfolio,
> (c) asset mix and rate of return expectations,
> (d) liquidity of investments,
> (e) the lending of cash or securities,
> (f) the retention or delegation of voting rights acquired through plan investments,
> (g) the method of, and basis for, the valuation of investments that are not regularly traded at a public exchange, and
> (h) related party transactions permitted ….
>
> (Pension Benefits Standards Regulations, 1985, SOR/87-19)

Thus, pension funds are faced with minimum standards concerning the content and focus of the SIPP, but have scope within which to expand upon these minimums. In order to achieve their objectives and guide investment managers in the execution of the funds investment policies, some funds augment these requirements by setting out investment beliefs which "provide a framework for exercising judgment and making investment decisions" (CalPERS 2014). Clark and Urwin (2010) note that strong and focused investment beliefs are used by "exemplar" funds as best practice in fund governance. These beliefs "align with operational goals and inform investment decision making", and it is only through clear and accepted beliefs that the fund can "sustain its competitive edge in financial markets" (Clark and Urwin 2010, p. 11).

Drawing upon this idea, establishing strong investment beliefs is the starting point to guide the operational side of the practices we investigate for incorporating RI. In other words, funds that wish to develop their RI practices must start at the very core building block for these practices—the investment beliefs. This is critically important because these beliefs are a way to establish the "frame" at the very outset. In our dataset, we find that not all plans have specified investment beliefs (20 funds out of a total of 60). And of those, very few link their latter practices on RI into those beliefs (the exception is when the RI practices are established separately). The following is one example of investment beliefs that, when stated at the outset, guide the practices that come later in the SIPP document:

> Currently, the Committee believes:
>
> 1. that equity investments will provide greater long-term returns than fixed income investments, although with greater short-term volatility;
> 2. that it is prudent to diversify the Fund across the major asset classes;
> 3. that a meaningful allocation to foreign equities increases portfolio diversification and thereby decreases portfolio risk while, at the same time, providing the potential for enhanced long-term returns;
> 4. that investment managers with active mandates can add after-fee value mostly through security selection strategies and/or reduce portfolio risk below market risk, and that most of the Fund should be allocated to such managers;
> 5. that investment managers with active balanced mandates can add incremental value through their short-term and mid-term asset allocation strategies and/or reduce portfolio risk below the risk of a portfolio with a static asset mix, and that a portion of the Fund should be allocated to such managers;
> 6. that multiple investment managers are appropriate, given the size of the Fund, provided they offer asset class or style diversification;
> 7. that the overall Fund should be rebalanced within prescribed limits to manage the risk of deviating too far away from the Benchmark Portfolio; and
> 8. that it is prudent to manage currency risk on a non-speculative, non-leveraged manner to control the overall foreign currency exposure of the Fund.
>
> (Plan 13)

These beliefs guide the decision making and practices identified throughout the SIPP document. Relevant to the framing approach in this study, they establish a financial, market-oriented frame based on risk management and return objectives for the rest of the practices developed in the SIPP. As such, they form the fundamental grounds upon which changes to particular practices might be filtered.

Pension Fund Investment Horizon

The primary objectives or goals of the pension plans are to ensure that they will be able to provide their members with their pension benefits when they become due. They are thus

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managed as a long-term going concern, as illustrated by the following examples:

> The primary goal of the Pension Plan (the "Plan") is to provide current and future Plan beneficiaries with competitive pension benefits at a competitive cost. The prudent and effective management of the Plan's assets (the "Fund") will have a direct impact on the achievement of this goal.
>
> (Plan 48)

> The Fund shall be managed on a going-concern basis with the primary objective of providing high rates of return, consistent with prevailing market conditions, a high quality standard of investment, and moderate levels of risk. (…)
>
> (Plan 20)

We find that all the funds in our study claim to have a long-term investment horizon. A precise investment horizon length is not always stated, however, for those that do indicate this information, the horizon ranges from 5 to 20 years with an average of 10.1 years. These long-term objectives are consistent with the fiduciary duty of the pension funds (which are designed to fund the long-term obligations attached with the duty of servicing the current and future pension payments for their members). They are also consistent with the view that responsible investments can provide long-term funding for socially responsible firms in order to help them develop and grow. In theory, pension plans and their associated long-term horizons of investment permit the design of portfolios of investments that are not necessarily focused on short-term results, and would be well aligned with RI objectives.

Performance Evaluation—Shortening the Long-Term Horizon

Achieving a particular long-term return objective does not preclude the fact that the fund's return can fluctuate in the short term. This problem is acknowledged in the pension plan investment policies, for example:

> Actual returns may differ significantly from these expected returns, especially over short time periods.
>
> (Plan 48)

Thus, in contrast with these long-term investment horizons, we observe that most pension plans use a shorter-term approach in the monitoring of the performance of the assets invested. This technique, used to maintain ongoing control over the portfolio, manifests itself in two ways. First, the funds define shorter periods (typically a market cycle of four to five years) as the relevant time horizon for the monitoring exercise:

> The long-term investment goal of the Balanced Fund is to achieve a minimum annualized rate of return of three percentage points in excess of the Canadian Consumer Price Index. This 3 % real return objective is consistent with the overall investment risk level that the Balanced Fund could assume and normally will be assessed over annualized rolling four year periods.
>
> (Plan 3)

Second, the vast majority of the studied funds have a performance evaluation system which requires an evaluation of the performance of the portfolio of investments to take place every quarter (every 3 months) or at least every 6 months. For example:

> All investment portfolios and their associated risk exposures are closely monitored by management and reported to the Pension Committee on a quarterly basis.
>
> (Plan 1)

While the returns examined during this evaluation process are typically calculated over rolling four-year periods, the frequency of the examination (every quarter) contributes to shortening the effective time horizon due to the tendency to produce a myopic effect (Thaler et al. 1997). Thus, while we can use the initial starting point of the long-term horizon as a proxy for a suitable climate to introduce RI, we note that immediately the need to comply with the fiduciary duty and the financial logic contributes to shorten this horizon.

Portfolio Composition

The majority of the pension funds adopts a "prudent portfolio" approach with a relatively large proportion of fixed income investments. As shown in Table 3, bond

Table 3 Average target portfolio (asset mix)

Main asset classes	Average target allocation (%)
Equity	47.10
Of which	
Canadian equity	18.40
Fixed income	34.80
Alternative investments[a]	13.80
Of which	
Real estate and infrastructure	8.70
Private equity	6.40

[a] Alternative investment targets are used by 32 funds (out of 60). Not all funds provide details about their alternative investment allocation

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investments represent 34.8 % of the target portfolio on average. On the equity investment side, the average asset mix targets that around half of the portfolio (47.1 %) be invested in equity (of which 18.4 % in publicly traded Canadian companies). The remainder of the average portfolio of investment is mainly composed of real estate and infrastructure investments (8.7 %) which are investments in inflation sensitive assets, specifically designed to generate long-term inflation-linked returns, and finally, a small stake of 6.4 % in private equity investments.

These asset classes each apply a benchmark against which the performance of the fund manager is measured. For fixed income investments, the most commonly used index by these Canadian pension funds is the DEX Universe Bond Index (cited by 25 funds) followed by the DEX Real Return Bond index (13 funds) and the DEX Long Term Bonds (used by 12 funds) which have a very strong focus on the Canadian bond market. For money market the most widely cited benchmark is the DEX 91 days Treasury Bills index (used by 18 funds). For Canadian equity investments, 28 funds refer to the S&P TSX Capped Composite index and for US and international equity, the S&P 500 Index and the MSCI EAFE Index are the most widely used.

In summary, the pension funds operate in a domain dominated by a portfolio theory approach to investing, concerned with diversification of assets as well as traditional risk and return objectives. This is combined with an obligation to monitor the assets which has been interpreted to mean, in practice, an evaluation system that examines the portfolio at frequent intervals and over a shorter time horizon than the long-term investment horizon. We shall now investigate the implications of this domain for the possible integration of RI objectives.

Co-Existence of RI and Compliance: Frame Alignment Possibilities

In this section, we analyse the ways in which RI is framed and how that framing aligns with the existing domain (the compliance-focused evaluation practices described above). We investigate the mobilization of two potential framings of RI. For analytical purposes, we simplify these framings into two characterizations: broadly defined as "social" and "financial", and we investigate more precisely the impact of these two frames in the pension investing institutional domain. A social frame would aim to focus on the environmental, social or governance (ESG) aspects of an issue without prioritizing market-related features. A financial frame would be associated with the mechanisms and practices of the financial markets (e.g. portfolio management, investment risks and returns, etc.).[2]

The compliance-related practices we identified above characterize a financial frame, relying explicitly on a portfolio-theory defined view of what is deemed appropriate for the investment of the plan assets. In analysing the implementation of RI practices in pension investment policies, we observe that the encounter between the social frame and the financial frame can lead to a variety of possible frame alignments. We observe that an aspect of RI that does not readily fit within the pre-existing beliefs must either attempt to change itself, or embark on a process of changing those extant beliefs.

Our analysis illustrates how frame alignments occur (or not) in practice in order to give rise to the incorporation (or not) of RI objectives and practices in the pension investing domain. The four theoretical frame alignment processes (bridging, amplifying, extending and transforming) are used as a framework of analysis. Not surprisingly, bridging, which consists of connecting two previously unconnected but compatible frames was not observed, as the social and financial frames can a priori be considered as incompatible. The three other configurations were observed and the corresponding analysis in presented in the following sections.

Frame Extension

Several illustrations of frame extension, the extension of the boundaries of a primary frame in an attempt to enlarge its coverage, have been observed as investment policies sometimes attempt to stretch their primary (financial) frame to add new RI related objectives in their SIPP. The following quotes illustrate examples of very mild to almost non-existent frame extension found in the "objectives" section of the fund investment policy. Here, the financial frame remains dominant and hardly stretched.

> As mentioned in the Introduction, the investment policies for our funds under management outline two main objectives: maximize investment returns, and protect accumulated assets. … Our fiduciary duty as trustee therefore requires (the Plan) to invest in opportunities that can obtain the highest possible return for the funds, commensurate with acceptable levels of risk. As a fiduciary it is therefore very

[2] Although both academic and practitioner studies in the literature have identified these two broadly defined streams of RI, no specific label has been identified, and indeed, the labelling of these streams has itself been deemed problematic. Since we are not examining the framing activities carried out by the proponents of RI (rather, our site of analysis is at the practice level), we have not attempted to resolve any outstanding debate concerning the frames employed.

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> important that *non-financial investment considerations do not preclude this risk adjusted return obligation*.
> In most cases, we believe that the laws and regulatory agencies of the specific countries in which we invest are the best served to opine on social issues. (The Plan) does, however, believe that responsible corporate behaviour is related to good long-term corporate performance. It is therefore important to point out that some social responsibility issues may very well affect our view on a specific company's long-term shareholder value. In those cases, we will use any governance related means at our disposal to address the issue with the company in question.
>
> (Plan 60)

This first example shows that the financial frame is only slightly enlarged to address issues related to RI. The practices related to RI remain mainly at the compliance level as we see that investments in firms who are merely compliant with social and environmental "laws and regulations" in their respective jurisdictions will be considered to meet a threshold of being socially responsible.

In the quote below, we see another example of frame extension. Here, the need to respect the financial frame is a primary goal, but the risk management objectives that originate within this financial frame can be stretched to incorporate a broader set of risks and include ESG factors. In the meantime, it underlines that ESG factors cannot be used as the primary decision criteria and will always be only considered if they can help obtain better return on investments.

> The consideration of risk factors such as environmental, social and governance (ESG) that may have an impact on the financial performance of the fund is consistent with the Board's objective to meet the pension liabilities of the Plan over the short and long-term horizons, based on current Plan provisions.
> Alongside financial, economic and other risks, the board will weight relevant risks posed by ESG factors on the value of our investments over both short and long term horizons. Investments should not be selected or rejected solely on the basis of ESG factors, which should only be taken into consideration to the extent that such factors have a material impact on the financial return of an investment.
>
> (Plan 8)

A second, and related, form of frame extension is found in a 'materiality' approach to RI. Fitting well within the pre-existing compliance domain, this approach conceives of RI in terms of non-financial factors that represent potential or long-run risks *to financial returns*. The core idea here is that companies with substandard environmental, social or governance practices will be less profitable (leading to lower stock returns in the long run) or run the risk of some kind of dramatic event, (such as an environmental catastrophe or a public campaign against child labour) leading to reputational damage and a negative effect on the stock price (Vitols 2011, p. 34). The 'materiality' approach views CSR (corporate social responsibility) indicators and RI products as tools to maximize return on investments (Van Braeckel and Bontemps 2005). For example, the benchmark-setting California Public employees' retirement system (CalPERS) in its newly published investment beliefs statement suggests that it is important, among other things, to consider the materiality of the issue raised (i.e. its potential for an impact on portfolio risk or return): "…risk factors, for example climate change and natural resource availability, that emerge slowly over long time periods, … could have a material impact on company or portfolio returns" (CalPERs 2014).

We found several examples of such an approach in our sample. The two below illustrate that this ability to frame the ESG factors as an inherent component of financial objectives paves the way to fit them within the pre-existing compliance practices.

> (The fund) supports the view that companies should maintain policies and procedures with respect to ESG issues that materially affect long-term shareholder value.
>
> (Plan 9)

> In analysing the risks inherent in any investment, we look to identify and mitigate ESG factors that are, or could become material to long-term financial performance.
>
> (Plan 56)

Proxy voting is another area where RI practices can be promoted and where we can observe frame extension. While it is true that shareholders may vote in any direction on any given issue, and not necessarily in a manner that reflects ESG characteristics, we note that the voting of proxies has been identified as an important feature in the mobilization of pension funds to come together to vote on issues related to RI. Share ownership and the voting rights attached to shares are important features related to the ability to influence firms and become active owners. Management and shareholder proposals can be evaluated on environmental, social and governance factors, and investors can vote in a way that influences opportunities for long-term shareholder value (SHARE 2014).

The use of proxy voting can range from a minimum level of involvement, e.g.: "the Investment Manager will exercise all acquired voting rights with the intent of

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fulfilling the investment objectives and policies as outlined in this SIPP" (Plan 27) to more active use of this practice which is originally associated with the financial frame (of governance of corporations) to extend it to RI as illustrated below:

> The board delegates its voting rights…and instructs (the investment manager) to act in the best financial interests of the Fund. The goal of this proxy voting process is to influence corporate behaviour and encourage change to their practices when they do not meet the expected standards as outlined in 11.2
>
> 11.2 …favourable consideration is to be given… to investment opportunities in corporations which maintain high ethical standards, comply with environmental regulations, have a track record of progressive labour relations, do not have business dealings with countries where human rights are violated, and do not have the production of armaments as their primary activity.
>
> (Plan 35)

Other instances of frame extension were found in investment policies that target specific investment in infrastructure or renewable resources. As shown below, the inclusion of infrastructure investments primarily relates to a financial framing because it matches the duration of the pension portfolio and provides long-term diversification.

> Investments shall be made to infrastructure funds whose assets are expected to have the following characteristics:
>
> (i) Provide essential services to the community;
> (ii) Have monopolistic characteristics;
> (iii) Have sustainable and predictable cash flows; and
> (iv) Target investments primarily in assets and businesses with comparatively lower exposure to economic cycles, providing essential services under predictable regulatory regimes and/or through long-term contracts with the public sector, creditworthy entities or a broad base of end-users, allowing for visibility of revenues, operating costs and capital expenditure requirements.
>
> (Plan 26)

Yet even within this financial framing, the above example, and the one following, illustrate an extension of this frame. Here, the risk-return relationship, a dominant characteristic of the financial frame, provides the context within which it is possible to insert RI objectives (renewable resource investments):

> Infrastructure and Renewable Resource investments are tangible long-life assets with potential for strong cash flows and favourable risk-return characteristics that provide an attractive match with pension liabilities. Infrastructure investments typically include physical assets that provide essential services such as utilities and transportation systems. Renewable Resource investments typically include timberland, farmland, and energy production assets such as wind and solar.
>
> (Plan 35)

Finally, frame extension is also found in SIPPs that promote targeted investments aimed at supporting economic development locally (a social objective) while respecting their fiduciary duty and financial objectives. Here, the financial frame (risk and return) once again is a setting in which to insert the practice of investing locally:

> (The Plan) will use its geographic advantage to make investments within the Province and the Atlantic region that suit (the Plan's) risk and return requirements as well as its fiduciary duties.
>
> (Plan 54)

Frame Amplification

Our analysis has also revealed several occasions where frame amplification has been used to incorporate RI in SIPPs. A frame amplification posits that pre-existing beliefs and values can lie dormant and present opportunities to resonate well (or not) with RI objectives. The values of certain plan members might support a social frame, and an attempt may be made to amplify those values, however, success is not always guaranteed:

> It is recognized that some individual Plan members may have heightened sensitivity to some of the investments held by the Plan with regards to environmental, social, and governance concerns. As the beliefs and opinions of Plan members vary widely from individual to individual, the use of investment selection criteria based on environmental, social, and governance factors is not specifically used.
>
> (Plan 5)

Nevertheless, particular values lie dormant but have the potential to become active in the future and thus present a new opportunity to pursue frame amplification. For example, public sector workers may have dormant values that can also be amplified. In particular, they are often sensitive to the need to protect public service jobs:

> While expected risk and return are the Trustees' paramount concern, a secondary consideration is that infrastructure investments should not result in a loss

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> of Canadian public sector jobs (i.e. privatizations, etc.)
>
> (Plan 48)

Furthermore, on the political side, public sector pension plan policies also reflect the desire of public sector unions to protect public sector services:

> (The Plan) will support the efforts of our pension trustees in opposing—within the constraints of the law—any pension investments that would undermine public services for private profit.
>
> (Plan 10)

From this analysis, we can ask ourselves the question whether certain types of pension plans (unionized workers, university members, public sector workers, health sector workers) have pre-existing values that can be successfully amplified if one is looking for ways to frame RI (see, e.g. Neu and Taylor 1996).

Frame Transformation

As its name implies, frame transformation would entail a change from one frame to another, a radical re-framing of a way to view an issue. In this setting, we found one instance of frame alignment that appears to be close to frame transformation and to show the potential for a more radical modification of the initial finance framework to incorporate the standpoint of another frame. The plan here aims to pursue economically-targeted investments (ETI), indicating that the investment opportunity set is potentially wider than the traditional asset classes used in the financial-compliance investment frame. In addition, the policy related to such investments is "extensive" and "separate from the SIPP". This appears to actively move away from the language, process and governing principles of the investment policy statement—the document that would contain all of the items identified in the previous analysis. This suggests that the practices of the investment policy statement are insufficient to guide the ETI investments, and some transformation, or exit, from the frame underlying such practices, is required:

> (The plan) will proactively pursue opportunities that both support social-democratic principles through economically targeted investments in our communities and ensure the security of our members' pensions. (…) Economically targeted investments (ETIs) (…) are investment funds set up to benefit workers and their communities, including: real estate development and mortgage funds, regional development, worker-friendly and privatization alternatives. Investment policy relating to ETIs will be extensive and therefore will form documents separate from the SIPP.
>
> (Plan 10)

Financial Frame Practices and RI Opportunities

The financial frame within the compliance domain produces particular strategies related to investment practices. Various strategies *within* the financial frame (outperformance of market, active versus passive management, use of segregated funds versus use of pooled funds, internal management of the fund versus delegation to the fund manager) can create opportunities for the introduction of RI practices.

Pooled Funds Versus Individual Share Ownership—Analysis of Proxy Voting

In the case of individual share ownership, asset managers can use proxy voting and shareholder activism to introduce RI:

> The corporation will engage the services of a well-qualified third party proxy-voting firm to execute all proxies in accordance with the Corporation's proxy voting guidelines.
>
> (Plan 1)

Pooled funds, however, reduce this opportunity, since the pension fund's ownership in the corporation becomes indirect and voting rights do not attach to this type of ownership. Rather, the investment management firm—as the legal holder of the company stock that forms part of the pooled fund in which the pension fund is invested—retains the voting capabilities. For example:

> It is recognized, however, that the above constraints and policy on voting rights may not be enforceable to the extent that part of the Fund is invested in Pooled Funds.
>
> (Plan 26)

Active/Passive Management

Pension funds have a mix of actively managed and passively managed portfolio components, which originate from beliefs concerning whether the "cost" of attempting to outperform the relevant market index is outweighed by the eventual performance. This is explained in the following excerpt:

> Active management generally entails higher costs than passive investing. Active management should only be undertaken when there is a reasonable expectation of generating higher returns than a

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> passive investment alternative for that asset class. The more efficient a market is, the more difficult it is for active managers to add value. The Board believes that (the investment manager) is in the best position to make the decision on the weightings between active and passive strategies and has delegated this decision to (the investment manager).
>
> (Plan 29)

Another plan specifically addresses the expected return enhancement that it requires of its active management strategies:

> The Fund is invested using both active and passive management strategies. It is expected that active management will provide an additional 1.0 % to the performance of the Fund for a total real return of 6.0 %.
>
> (Plan 20)

Thus, pension funds vary in their approach to actively managing, or hiring external managers who specialize in actively managing, the various components of the portfolio. When passive management is employed as a strategy, the fund invests in units of a relevant index return—and merely mimics the performance of the index, including its underlying holdings. Therefore, by definition, passive investing places a tight constraint on the ability to influence or take an active role in any of the RI policies discussed herein. While this feature of a plan's investment strategy would, at first glance, appear to preclude RI investment, this constraint has been found to have an opposite effect. Plans interested in RI have turned to more active engagement, thus the increased use of passive indexes has been noted as a driver of particular *methods* of RI (Clark and Hebb 2004). We found several examples where plans recognized this idea in their SIPP, where they contrast the ability to divest an investment against the desire to engage ("exit" vs. "voice").

> While [the Plan] has not ruled out excluding or divesting from companies that pose significant financial or reputation risk due to mismanagement of ESG concerns, it is not the preferred course of action. Institutional investors have found that engagement has proven a more effective tool for bringing about change and a better alignment with their fiduciary duties.
>
> (Plan10)

Similarly, the following plan indicates that the "exit" strategy is the least desirable:

> Divesting would be applied as a last resort, i.e. after one or more intervention, to every company which performance in terms of the criteria stated on the seventh principle is significantly lower than the other companies operating in the same economic sector and in the same country. This rule also applies to portfolio managers whose behaviour goes against the criteria established by the trustees. [*Authors' translation from French original*].
>
> (Plan 58)

Thus, investment strategies devoted to passive indexing may indeed lead to a more engaged method of RI. Related to the active/passive strategies are the asset classes themselves. ETI investments may exist in an asset class separate and apart from the core asset classes identified in the prior section (e.g. Canadian Equity, Fixed Income, US Equity, and International Equity). We noted small allocations to private equity. For example, the following excerpt relates specifically to the private equity component of the portfolio and indicates a greater ability for shareholder involvement and activism:

> (The plan's) Private Equity investment strategy focuses primarily on active direct investing whereby it holds a significant interest in investments and as such will influence the management of the investments.
>
> (Plan 9)

Internal/External Investment Management

The issue of internal versus external location of fund management creates implications for RI policies of pension funds (Juravle and Lewis 2008). On the one hand, external portfolio managers are likely to have more power and resources to engage with investee companies. On the other hand, as we have demonstrated herein, they are constrained by short-term mandates which come about via being evaluated on a quarterly basis or over short-term horizons. That evaluation process takes as its aim the decision whether to keep or dismiss a fund manager. Cox et al. (2008) find that internal investment managers can exhibit higher preference for RI since they have the status of paid employees, have more stable mandates, and are compensated via salaries as opposed to conditionally on their performance in the form of bonuses. Our analysis of SIPP documentation highlights a number of other important implications of this distinction between external and internal management of plan assets. The strategic decision to utilize external management is illustrated below:

> External mandates will be used for investment in markets where (the Plan) does not have the necessary expertise to provide effective active management or to provide additional diversification benefits.
>
> (Plan 54)

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In this case, because the investment management decisions are made externally to the pension plan itself, the ability to influence day-to-day decisions on which investments to hold is removed from the plan sponsor. Since investment decisions take place outside the pension plan sponsor's organization, the sponsor will have to provide specific direction in the SIPP in order to control the possibilities for RI objectives. For example, the following illustrates a more active approach. In this case, the SIPP deals with proxy voting in the context of external mandates:

> In specific circumstances, (the Plan) also reserves the right to discuss our view on a particular proxy related issue with an external manager in advance of a voting deadline. In addition, (the Plan) management meets with each external manager at a minimum on an annual basis. These meetings provide an opportunity … to discuss proxy voting issues with the external manager.
>
> With respect to private investment activities, (the Plan) typically participates more directly due to a more significant ownership stake and the private nature of the investment. These roles may involve a Board of Director position in a direct company investment, or an Investment Advisory Board seat in a private investment partnership.
>
> (Plan 60)

In summary, in this section, we have found that even within the context of a financial frame, (in which the practices are based upon compliance-oriented portfolio management tasks), the opportunities to introduce and pursue RI objectives are not equal. For example, active management and individual ownership of investments produce openings in which to implement particular RI objectives. With pooled funds, and passive management, such openings are less present, suggesting that a process of frame transformation may be the only option for implementing change of any magnitude. On the other hand, strategic decisions to have funds managed externally offer a different opportunity. In this instance, it is still possible to use the SIPP to direct the investment decisions of the investment manager. All of these demonstrate the impact that the practices (and tools for practice such as the SIPPs analysed herein) have on the possibilities for RI implementation.

Discussion and Conclusion

The study has performed an analysis of the investment policy statements for 60 Canadian public pension funds. We draw upon Framing Theory's notion of frame alignment to suggest that different framings of RI will experience different levels of success due to their ability to align with the set of practices that form the domain in question. We characterized that domain as one highly focused on compliance, and provided evidence to show that the majority of funds under study followed similar aims: to tightly benchmark on a (typically) quarterly basis, in order to meet particular risk and return objectives.

Our first research question asked how practices affect the alignment of particular framings of RI. We find evidence to support the view that there is a disconnect between the financial frame which dominates the above noted practices for compliance and evaluation, and the social frame of RI as a source of change. This disconnect has important implications for the potential success of framing RI as a vehicle for long-term change, leading to our findings for the second research question.

We have found that the governance practices—including monitoring and compliance—all comprise the context into which RI must fit. Unless proponents of RI can find a way to "wipe the slate clean" and dismiss with the extant practices, they are forced to deal with them. Thus, if the aim of RI is to produce long-term change, then a consideration of whether it aligns with extant practices is critical. We have found, in this study, a variety of frame alignment tactics already employed in practice. We have also found that, even within the financial frame which appears so dominant in this field, opportunities for frame extension, amplification and transformation do exist, and that these are more (or less) possible depending on how the asset management structure is designed. These findings lead us to a variety of insights in this setting.

This study lends empirical support to Guyatt (2005) who finds that fund managers may wish to invest for the long term, but "are pushed towards managing against shorter-term goals since that is the basis upon which their performance is measured and assessed" (p. 142). Although this study has not focused on short-termism, we can make some comments based on our findings. We have found primary objectives to manage the pension funds as long-term entities, but with short-term evaluation cycles. What is at stake is whether a short-term evaluation cycle effectively negates the opportunity to view the fund as a long-term portfolio, and in turn, the ability to frame the fund as a long-term vehicle as promoted by the "social movement" focus of RI. Short-termism may have an impact on precisely the way in which pension sponsors react when faced with information framed in the short-term, since frequently evaluating the performance of a portfolio results in "seeing" it differently than if left to longer term evaluations (Benartzi and Thaler 1995).

In addition, pension funds are becoming increasingly focused on the short-term due to changes in how their results are externally reported. The move to accounting treatments

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that introduce new forms of volatility in earnings and balance sheet values (for example, the IFRS recent focus on fair value measurements) produces two important effects. First, this potentially encourages a move out of equity investments into immunized investment portfolios focused on fixed income investments (Franzen 2010). This movement out of equities suggests new opportunities for creative thought around the inclusion of ESG factors in fixed income portfolios. There is evidence to demonstrate that interest in such products is on the rise, for example, in the form of "green bonds" which are issued to fund specific climate change concerns (Reichelt 2010). Second, the volatility produced on an accounting basis creates additional incentives to measure performance of assets on a short-term basis, since accounting is inherently focused on quarterly and annual results. This will, we expect, translate into further enforcing the need for monitoring and evaluation cycles from a shorter-term perspective.

Further, the inclusion of alternative investments such as infrastructure, necessitates taking a longer-term view of the fund, but it is not yet clear that these investments are evaluated on a long-term basis. Finally, there is evidence that compensation structures in the investment industry contribute to a short-termism effect (Baker 1998; Rappaport 2005). The benchmarks herein are used to decide on retention and termination of fund mandates, and the pressure to meet benchmarks on these (relatively) shorter-term horizons impacts continued engagement, meaning that the struggle to change short-termism requires re-examination of the compensation, and retention/termination criteria, used to incentivize pension fund managers. Overall, a deeper understanding of how these evaluation processes work in practice to deal with these short-term constraints is essential to understanding how, and when, particular RI framings may require frame transformations, versus merely a frame extension, into the existing domain.

While we have not examined framing activities from the perspective of the framers (proponents of RI), we have been able to make some general observations concerning how, and why, certain framings may have success and others may not. For example, Markowitz et al. (2012) found that RI funds try to achieve legitimacy by presenting information about the fund in the same style that conventional funds do. What this does not explain, however, is how and why mimicking conventional fund performance presentation style should achieve legitimacy. That is, why would investors not grant legitimacy to different ways of presenting fund performance? Drawing on our results, we anticipate that this would be accomplished primarily through frame transformation, in which the frame in which funds are viewed is fundamentally overhauled in order that particular practices are not the sole dominant and valid, means of viewing success or failure. Yet, frame transformation requires effort. We have not intended here to examine what, specifically, the efforts would be to change the underlying frames used in the domain under study would need to be. We believe, however, that this would be a fruitful area for future research.

Further areas for research are illuminated from the limitations of the current study. Our study was limited to publically available documents of public pension funds (private sector funds did not publish their SIPs online); therefore, future research could aim to incorporate private sector plans. This would help us highlight differences between how public and private sector pension funds approach the practices around RI objectives. In addition, we examined only the SIPP documents, which are official policies and procedures governing the funds' investment practices. We acknowledge that the day-to-day practices, i.e. what happens "in reality" can indeed depart from the formal pronounced procedures. Fund managers also have some flexibility regarding the application of the policies and the management of the asset mix. Our study observes practices as prescribed by policies and not the direct implementation of the practices. However, our findings show that SIPPs are not very "advanced" towards the inclusion of RI; therefore, if practices are in reality weaker than what is prescribed, this demonstrates a further gap between expectations and application. Thus, our study of the practices as set out in the SIPPs points towards further possible research avenues using other methods, for example, using participant observation, or interviews in order to assess to what extent the actual practices differ from procedures.

Finally, suggesting that RI is "on the rise" by referring to the *volume* of RI assets managed by investment managers, is only partially informative. This study pushes us to consider the practices by which these managers are evaluated, and through which the investments are structured, to determine where the barriers for meaningful RI implementation occur. If, for example, such investment managers are evaluated on criteria that constrain their abilities to introduce RI-related tools such as long-term horizons, shareholder activism, and targeted investment, we will continue to experience this puzzle of having achieved apparent success through growth in the RI industry, but lack of success in making meaningful change.

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