

What are Investor Coalitions Doing on Financial Regulatory Reform?

Gabriel A. Huppé

March 2013

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Published by the International Institute for Sustainable Development.

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Written by Gabriel A. Huppé

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1.0 *About this Review*

In early 2013, the International Institute for Sustainable Development (IISD) undertook a rapid review of the investor coalitions addressing sustainability and environmental, social and governance (ESG) issues in the financial sector. In particular, we were interested in the content of work programs and outreach strategies of these initiatives and whether these included activities that seek to examine, discuss or influence financial reform.

Since the financial crisis, progress on regulatory reform is sought to ensure that investors and investment intermediaries contribute to sustainable and real economic growth. While we welcome the raft of regulatory and governance reforms on both sides of the Atlantic, they focus on making the existing system safer rather than addressing the fault lines that led to the 2007-08 crisis. The ongoing reforms also fail to increase fiduciary responsibility across the many actors in the financial services sector; peer-to-peer fiduciary responsibility is critical to ensure the stability of financial markets, both nationally and globally. The crux of the IISD Sustainable Finance program stems from our conviction that the root causes of the 2007 crisis remain largely unaddressed.

2.0 Investor Networks Covered

Twenty investor networks were selected for this review. They were chosen on the basis of their alignment with the following agenda.

a)	Progress on <i>corporate governance</i> issues is sought to foster greater alignment with the long-term interests of institutional investors (e.g., shareholder representation on the board of directors, executive salaries and policies that align behaviour towards the long-term, etc.).
b)	Legislative actions are promoted which lead to efficient and productive financial markets (e.g., financial transaction tax, ratings consistency from agencies like Moody's and Standard & Poor's).
c)	Solidarity is advanced by investment decisions and engagement with companies and public policy (e.g., green and environmental initiatives).
d)	Investment is made in products that channel financial assets away from speculative capital towards hard assets and <i>real economy</i> type investments that generate jobs and long-term productive economies (e.g., Shariah-compliant funds).
e)	<i>Fairness and social equity</i> is promoted where socio-economic policies are aligned with the interest of long-term productive economies (e.g., progressive taxes on high incomes).

In addition, we sought diversity within the chosen set: we included research institutes (The Hauser Initiative for Responsible Investment), social investment forums (Eurosif, US SIF), national membership organizations (Canada's Social Investment Organization, US SIF), defunct organizations (Enhanced Analytics Initiative), multi-sector initiatives (Ceres, International Integrated Reporting Council, Carbon Disclosure Project), commissions (EFFAS/ DVFA Commission on ESG), faith-based groups (Interfaith Centre of Corporate Responsibility), topical groups (Global Impact Investing Network), focused membership organizations (Council of Institutional Investors, International Forum of Sovereign Wealth Funds, Global Union's Committee on Workers' Capital), and mainstream powerhouses like the UN-backed Principles for Responsible Investment and the International Corporate Governance Network. These networks, in some form or another, have an interest in financial reform and either seek to influence it or help its members understand the various implications of reforms.

The following is a list of the networks reviewed:

1. Carbon Disclosure Project
2. Ceres Coalition
3. Council of Institutional Investors
4. EFFAS/ DVFA Commission on ESG
5. Enhanced Analytics Initiative
6. Eurosif
7. Global Impact Investing Network
8. Global Union's Committee on Workers' Capital
9. Initiative for Responsible Investment, Hauser Centre
10. Institutional Investors Group on Climate Change
11. Interfaith Centre of Corporate Responsibility
12. International Corporate Governance Network
13. International Forum of Sovereign Wealth Funds
14. International Integrated Reporting Council
15. Investor Network on Climate Risk (INCR)
16. Network for Sustainable Financial Markets
17. Principles for Responsible Investment
18. Social Investment Organization
19. UNEP FI Natural Capital Declaration
20. US SIF - The Forum for Sustainable and Responsible Investment

3.0 Methodology

Our methodology was to review websites of investor networks, annual reports, articles of associations, governance framework and other formal documents to create an investor network brief for each initiative. The brief describes the mission, operations, principles, history, funding and governance of these formal networks. Twenty briefs were created and each were sent to the executive director of their respective organizations for quality and assurance purposes. Of the twenty networks covered, nine provided edits to this document.

In addition, we reviewed the websites of these initiatives to identify the scope of their activities on financial regulatory reform. This preliminary analysis served as a foundation for further interactions with these networks. All twenty networks were then sent seven questions regarding their involvement in and responses to ongoing financial regulatory reform developments (provided in Appendix 2). They were given the option of responding either in writing or by way of interview. A semi-structured interview methodology was followed.

The following organizations took part in this component of our study (W = in writing; S = by interview):

Initiative for Responsible Investment, Hauser Centre (IRI)	W
Institutional Investors Group on Climate Change (IIGCC)	W
Investor Network on Climate Risk (INCR)	W
Principles for Responsible Investment (PRI)	W
Social Investment Organization (Canada)	W
Carbon Disclosure Project (CDP)	S
Interfaith Centre of Corporate Responsibility (ICCR)	S
International Corporate Governance Network (ICGN)	S
International Integrated Reporting Council	S
Network for Sustainable Financial Markets (NSFM)	S

We present our findings of this review in sections 6 and 7, and our concluding thoughts in section 8.

4.0 *The Importance of Investor Networks*

Most of these networks are built on the premise that investors like pension funds, insurance companies, endowments, and even wealthy individuals that care about sustainability issues can bring various forces to bear on the financial system through the power of their collective voice, share ownership and position as fiduciaries and principals with large sums of money. Long-term institutional investors, because of their long-term horizon and the diversification of their investment portfolio, which exposes them unavoidably to virtually all the risks and opportunities of the global investment market, have an incentive to promote financial reforms and financial system norms conducive to the long-term prosperity of the economy.¹ For example, over a thousand investment institutions, with approximately US\$30 trillion of assets under management, have become signatories to the UN-backed Principles for Responsible Investment and have expressed their commitment to the following:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognize that applying these Principles may better align investors with broader objectives of society.

These networks choose to work together to affect such change because collaboration has a multitude of potential benefits. Danyelle Guyatt, writing on the behavioural impediments to long-term investing, describes four of the most important benefits of investor collaboration: access to economies of scale that makes collaborative initiatives more cost-effective and efficient; ability to share the risks associated with the introduction of change and new innovations; promotion of coordinated efforts that drive change more effectively; and institutional rules and norms that complement financial regulations and regulatory reforms in a complex financial system (Guyatt, 2008).

¹ They may also derive non-pecuniary benefits such as reputational gains.

5.0 *Financial Reform Developments Around the World*

The 2007–2008 financial crisis has come to be seen as the worst financial crisis since the Great Depression.² Around the world financial reform packages, like the U.S.'s Dodd–Frank Wall Street Reform and Consumer Protection Act and the United Kingdom's Financial Services Act 2012, have been put in place to help reign in short-term, excessive and self-serving behaviours within the financial services industry. These developments are ongoing at a global level, and there is a need to ensure that these reforms are implemented in spirit as well as the letter. A number of fundamental issues are still looming which policy-makers must address to ensure the stability and sustainability of financial markets. These include the following:³

- Risks of even larger and more systemic financial institutions
- Further innovations in financial instruments leading from regulation
- Complex and technical challenges related to uneven rules across jurisdictions
- The growth of opaque markets associated with electronic trading platforms that seek to benefit from more lightly regulated markets
- Sound investment decisions enabled by the disclosure of corporate environmental, social and governance information
- Capital requirements and prudential regulations to ensure the resilience of the banking sector
- Strengthened fiduciary duty to require a full and proactive effort to integrate financial material risks into all aspects of investment policy making and investment decisions
- Transparency, independence and potential conflict of interests of credit rating agencies
- Solvency regimes in the insurance industry to ensure financial soundness at all times

Regulation and other institutional mechanisms need to reconfigure power in the financial sector enough to reform the system to ensure that the mindset and values of the elite sources that contributed to the financial crisis are instilled with social values aligned with capital owners (Perera, 2012). To prevent large-scale exploitation of both the purpose of a corporation and fundamental fiduciary trust between actors in the investment chain, fiduciary duty should be reinforced between all actors in the financial system.

² <http://www.whitehouse.gov/video/President-Obama-Announces-Financial-Regulation-Reform#transcript>

³ See Financial Stability and Systemic Risk: Lenses and Clocks (IISD, UNEP FI and TBCG, 2012), available at <http://www.iisd.org/publications/pub.aspx?pno=1623>

6.0 Investor Networks' Implication in Financial Reform

Although their mission and purpose does not explicitly express a motive to influence financial reform, the large majority of the investor networks reviewed are involved in or interested in financial sector reform in one form or another. In this section, we profile the activities of ten of the most active networks on financial reform.

6.1 Carbon Disclosure Project (CDP)

The **Carbon Disclosure Project** (CDP) is an initiative based in the United Kingdom but has offices all over the world. It works with over 655 institutional investors and thousands of companies to leverage market forces to incentivize companies to measure and disclose their greenhouse gas emissions, climate change risks and water strategies. In doing so, it hopes to improve the management of ESG risks at the company level, and also at the level of investment management as investors can use this data to integrate the long-term value and costs of corporate activities into their investment decisions.

Over the years, the CDP has worked with numerous public authorities around the world to help them understand these issues, including frequent speaking engagements at conferences, dialogues and consultations with stock exchanges, and depart activities, mostly targeted at reporting requirements for companies and investors. The following are examples:

- Issued a white paper examining levels of climate change disclosure expressed by market capitalization across the 31 largest stock exchanges. The paper, *Climate Resilient Stock Exchanges – Beyond the Disclosure Tipping Point*, describes how stock market resilience depends, in part, on the structures that regulators and stock exchanges put in place to identify and mitigate risk.
- Issued a [white paper on the commercial value of carbon measurement](#) that sets out nine steps of carbon measurement and management to help Chinese companies seize early-mover opportunities in the coming low-carbon age.
- Issued a survey called *Carbon reporting to date: Seeing the wood for the trees* which examines the carbon reporting practices of a sample of 100 U.K.-listed companies compared to the guidance issued by the U.K.'s Defra.⁴

6.2 Ceres Coalition

The **Ceres Coalition** is based in the United States and is comprised of an investor network of more than 130 institutional and socially responsible investors, environmental and social advocacy groups, and other public interest organizations. It also directs the Investor Network on Climate Risk (INCR), a group of nearly 100 leading institutional investors managing close to US\$10 trillion in assets focused on the business impacts of climate change.

It seeks to mobilize a wide range of members and stakeholders to promote sustainability by moving companies, policy-makers and other market players to incorporate environmental and social factors into their decision making. It does so by engaging in knowledge sharing, research and advocacy. The following are examples:

- Launched the [Global Reporting Initiative \(GRI\)](#), now the de-facto international standard used by more than 1,800 companies for corporate reporting on environmental, social and economic performance.

⁴ Department for Environment, Food and Rural Affairs

- Spurred the Securities and Exchange Commission in February 2010 to [issue formal guidance on climate change-related disclosure](#) companies must provide to investors in their financial filings.
- Elevated corporate and investor awareness of growing water scarcity risks, including capturing credit rating agencies' attention on such risks in electric and utility bonds in water-scarce regions of the U.S. with the publication of *The Ripple Effect: Water Risk in the Municipal Bond Market*.
- In 2012, Ceres and INCR brought together 450 financial leaders, representing tens of trillions in assets, at the United Nations for the fifth Investor Summit on Climate Risk & Energy Solutions. Participants issued an Investor Action Plan calling for greater private investment in low-carbon technologies and tougher scrutiny of climate risks across investment portfolios.

6.3 Council of Institutional Investors

The **Council of Institutional Investors** (CII) is an association with members representing more than 125 public, union and corporate employee benefit plans, foundations, and endowments with combined assets that exceed US\$3 trillion. It strives to be a leading voice for good corporate governance and strong shareowner rights, to educate its members, policy-makers and the public about related investment issues, and to advocate on members' behalf. In addition, CCI provides knowledge, leadership and networking opportunities.

Over the years, the Council has developed an extensive body of corporate governance best practices that many U.S. companies embrace. CII members have also endorsed policies on many other investment-related issues. The following are examples:

- The Investor Working Group was launched by CII and the CFA as an independent, non-partisan panel to provide an [investor perspective](#) on ways to improve the regulation of U.S. financial markets following the United States' release of the *Blueprint for a Modernized Financial Regulatory Structure* in March 2008.
- CII commissioned [issue briefs on the Dodd-Frank Act](#) for its members. These short, educational guides explain in plain English the relevance of key elements of the law for institutional investors. The briefs were prepared for CII by experts at the law firm of Covington & Burling.
- CII wrote [various letters](#) to the Securities and Exchange Commission on behalf of its members regarding their support of certain sections of the Dodd-Frank Act and issuing recommendations on proposed rules.
- CII has also advocated on behalf of its members on subjects such as [executive compensation](#) and [board accountability](#).
- CII occasionally commissions outside experts to write [white papers](#) and other reports on topical investment issues of interest to members.

6.4 Eurosif

The **European Sustainable Investment Forum** (Eurosif) is an association whose affiliate members represent over €1 trillion in assets under management. Current members include institutional investors, financial service providers, academic institutes, research associations, trade unions and non-governmental organizations (NGOs). Eurosif acts in partnership with the national Sustainable Investment Forums (SIFs) within the EU and with the support and involvement of Member Affiliates to "Develop sustainability through European markets."

The main activities of Eurosif are public policy (EU lobbying), research, networking events and creating platforms to nurture socially responsible investment (SRI) best practices. Eurosif seeks to act as the voice of the SRI community to the European legislative and decision-making bodies such as the European Commission and European Parliament. Member Affiliates are offered the opportunity to help shape public policy on sustainability at a European level through exclusive meetings with policy-makers and position papers that Eurosif regularly submits in response to EU legislative and non-legislative initiatives. The following are examples:

- Eurosif frequently issues [responses](#) to European Commission consultations as part of their aim to foster a culture of long-term investment in Europe. Its most recent response concerned the *Undertakings for Collective Investment in Transferable Securities (UCITS) – Product Rules, Liquidity Management, Depositary, Money Market Funds, Long-term Investments*.
- Eurosif lobbies European institutions to consider enhanced regulations that encourage all participants in European capital markets to focus greater attention on long-term performance. These lobbying engagements include [retail financial services](#), [investor transparency](#) and [shareholder rights](#).

6.5 Initiative for Responsible Investment

The **Initiative for Responsible Investment (IRI)** is a research centre based at the Hauser Center for Nonprofit Organizations at Harvard University. Although it is not an investor network per se, it seeks to produce research on fundamental issues and theories underlying the ability of financial markets to promote wealth creation across asset classes while creating a stronger society and a healthier environment. It aims to promote the discipline of responsible investing through research, with the goal of catalyzing leadership and action that creates long-term, value-driven wealth. Particular areas of interest are impact and community investing, and how tax credits, procurement policies, crowd funding and similar policies can encourage the growth of the asset class.

The IRI is interested in researching and supporting financial reform to the extent that reform contributes to their overall goals of increasing responsible investment and aligning the operation of financial markets with principles of stability, reasonableness and support of societal goals—for example, investing in the real economy and promoting long-term sustainable outcomes. The following are examples:

- The IRI has the Convening Series which bring together a small group of key thinkers every three months to discuss topics central to both the theory and practice of responsible investment. The last two convening addressed [Financial Innovation, Complexity and Agency Theory](#) and [The Problem of Growth](#).
- The IRI's [Global Impact Investing Policy Project](#) develops research in support of stakeholders from the government, investment and related communities involved in designing policies that lead to more robust and effective impact investing markets.
- The Initiatives work stream on the [Societal Function of Investment Asset Classes](#) is relevant to the sustainability and real economy considerations of investments.

6.6 *Interfaith Centre on Corporate Responsibility*

The **Interfaith Centre on Corporate Responsibility** (ICCR) is comprised of 300 institutional investors, with over US\$100 billion in invested capital, that view the management of their investments as a catalyst to promote justice and sustainability in the world. ICCR's membership represents faith-based communities with congregations around the world, SRI asset management companies, unions, pension funds and a global network of allies. It furthers the mission of religious organizations in the areas of corporate responsibility, social responsibility in investment, social and economic policy, and interfaith cooperation in these areas.

ICCR membership self-organizes and coordinates their work on dozens of issues. However, because they have implications across a broad range of companies and sectors, the following ten issues have been designated as priorities by the membership: water, food, social sustainability, human trafficking, environmental health, global health, domestic health, financial practices, financial risk and supply chain monitoring. In regards to financial reform, ICCR has engaged in the following activities:

- Surveyed the seven largest U.S. banks (Bank of America, Bank of New York Mellon, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley and Wells Fargo) to see [what safeguards have been put in place](#) voluntarily since 2008 or because of the Dodd-Frank bill in the United States and legislation in Europe. For additional information, see page 6 of the ICCR [Annual Report](#).
- Produced various resources addressing the [social impact of the financial sector's speculation on commodity prices](#).

6.7 *International Corporate Governance Network*

The **International Corporate Governance Network** (ICGN) is global membership organization of around 600 leaders in corporate governance in 50 countries, with institutional investors representing assets under management of around US\$18 trillion. The members join from across the world and have a mutual interest in promoting good corporate governance.

The ICGN achieves this function by convening meetings and conferences to promote dialogue and providing a network for the exchange of information about corporate governance internationally; developing and disseminating best practices through the work of its policy committees; and advocating policy reforms through responding to consultations and having high-level engagement with policy-makers and standard setters. The following are examples:

- The ICGN draws on the expertise of its members to influence policies and proposals related to corporate governance by responding to consultations or proactively submitting [comment letters to national and international bodies](#). Representations are usually made by ICGN [Policy Committees](#) which associate ICGN members with regional representation and experts on the rights and responsibilities of the shareholders, as well as on corporate reporting, auditing and communication with the board and shareholder.
- In 2012, 29 comment letters were submitted to stock exchanges, regulatory bodies, industry associations, inter-governmental groups and supervisory authorities. These letters included the following: [IASB - Exposure Draft on Annual Improvements to IFRSs 2010-2012 Cycle](#); [International investor concerns on U.S. Jumpstart our Business \(JOBS\) ACT](#); [ICGN support of ACGA's response to HK Securities and Futures Commission on the regulation of investment banks](#).

6.8 *International Integrated Reporting Council*

The **International Integrated Reporting Council (IIRC)** is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Together, this coalition shares the view that communication about businesses' value creation should be the next step in the evolution of corporate reporting. It aims to lead the development of a global framework for Integrated Reporting. The IIRC is comprised of a Business Network and an Investor Network which help to develop and test the principles, content and practical applications of Integrated Reporting. The Investor Network is composed of over 30 institutional investors who test the principles that IIRC develops and ensure that they are fit for the market.

The IIRC will publish Version 1.0 of the International Integrated Reporting Framework in December 2013. Up to this point, the IIRC has focused on the following:

- The release of Topic-Specific Papers in which detailed analysis is given about Materiality, Capitals, Connectivity, Value, Business Model and Assurance.
- [On-going engagement](#) with Integrated Reporting stakeholders. For 90 days from April 16, 2013, the IIRC will hold a consultation draft period in which they will seek feedback, opinions and thoughts from all stakeholders on the International Integrated Reporting Framework.
- The Discussion Paper [Towards Integrated Reporting – Communicating Value in the 21st Century](#) was launched on September 12, 2011. It considered the rationale for Integrated Reporting, offering initial proposals for the development of an International Integrated Reporting Framework and outlining the next steps towards its creation and adoption. On November 26, 2012, IIRC released a [Prototype of the International Integrated Reporting Framework](#).

6.9 *Network for Sustainable Financial Markets*

The **Network for Sustainable Financial Markets (NSFM)** is described as an international, non-partisan network of finance sector professionals, academics and others who have an active interest in long-term investing. It differentiates itself by being a network of individuals rather than organizations or investors. The Network seeks to focus research and debate on the underlying causes of financial market instability and on development of fundamental reforms. It believes that well thought-out reforms are needed so that financial markets can better serve their core purpose of creating long-term sustainable value. The Network includes approximately 200 individuals, representing some of the foremost thought leaders in their field.

The Network facilitates individuals to find others who share similar concerns so that together, they can undertake research and public affairs work to address their concerns. Working Groups are organized around the following topics: fiduciary duties of long-term investors; financial transaction tax; climate change and long-term investors; white paper on regulatory reform; governance and house-keeping; wealth management industry. For example:

- The [Risk and Systemic Stability](#) group develops recommendations for regulatory, fiscal and governance reforms that focus on the systemic consequences of financial behaviour, so that the reforms adopted do not end up promoting short-term, pro-cyclical and herd-like approaches to investment.
- The [White Paper on Regulatory Reform](#) group has a deliberately broad scope. It evaluates the problems that have come to light in the current market crisis and proposes a range of reform measures in light of the best available research.

6.10 Principles for Responsible Investment

The UN-backed **Principles for Responsible Investment** (PRI) is a network of 1,000 investment institutions, with assets under management of approximately US\$30 trillion, that work together to put ESG principles into practice and contribute to the debate about the role of the investor in the creation of a sustainable financial system that rewards long-term, responsible investment and benefits the environment and society as a whole.

To reflect the growing focus of policy-makers, academics and, most importantly, many of its signatories on these macro issues, the PRI's strategic plan now incorporates a new research and public policy focus which it is currently working with signatories to define. The overarching themes that guide its new strategic focus are the need to foster long-termism within financial markets and improve the alignment of interests across the investment chain. The following are examples of their activities in the area:

- The PRI offers several opportunities each year for signatories to convene and discuss regulatory reform initiatives that are relevant to the work of its members and the functioning of financial markets as a whole, predominantly through an extensive program of webinars and [events](#).
- The PRI has recently launched a consultation with signatories on [overcoming strategic barriers to a sustainable financial system](#) to address the short-termism, misaligned incentives in the investment chain, environmental and social externalities, instability in the financial market as a whole and a range of other factors that may impede their efforts to integrate ESG issues into investment decisions and to make capital markets more sustainable overall. A [PRI consultation paper](#) provides an overview of existing research and knowledge in several areas. The areas that have been identified as relevant in this context as a result of the PRI's experience in its first six years and that of signatories more broadly.
- The PRI is not a lobbying organization and does not engage directly with policy-makers to influence public policy or the financial reform agenda. However, its new action-oriented work stream brings groups of signatories together to develop practical ways to change their own practices to address these challenges and propose any necessary changes to public policy, which signatories can then take forward in a process that may be facilitated by the PRI.
- The PRI's [Fixed Income work stream](#) seeks to engage the credit ratings industry in the second half of 2013 and encourage it to improve its approach to assessing ESG issues during the ratings process. A [discussion paper](#) was published on this topic in June 2011.
- Investor collaborations are taking place on the topics of [remuneration and sustainability](#), [political spending disclosure](#) and [emerging market disclosure](#).
- The PRI released a discussion paper on [hedge fund governance](#) that highlights areas where particular hedge fund instruments and strategies like shorting, leverage, high frequency trading and the use of derivatives may raise questions concerning risks for the individual fund or the market more broadly. The PRI is actively seeking feedback on this paper which is meant to form the basis of [further discussions](#).

7.0 *The Sustainable Development Perspective*

Collaboration by investment institutions in the last 10 years has catalyzed the development of the sustainable finance industry. As a result, today US\$13.6 trillion of assets under management, or 20 percent of total assets under management, is invested under a responsible investment strategy.⁵ Our review has shown that some of these leading initiatives are now trying to influence such changes in financial reform. Ultimately, how influential are these coalitions, and are they doing enough to truly align the incentives and behaviours in the financial system with their long-term interests? Our review has found some evidence that Investors can accelerate and improve the content of these regulations, but little to suggest that investors influence their direction.

The unfortunate fact about ongoing financial reform is that it has failed to increase fiduciary responsibility across the many actors in the financial services sector; whereas peer-to-peer fiduciary responsibility is critical to ensure the stability of financial markets. To be effective at influencing regulatory reform, investor networks should:

1. Ensure that their structures and processes match the multi-scale nature of the financial system
2. Effectively translate their power into influence on policy makers
3. Promote congruency between their avowed principles (as members of sustainability coalitions) and their actual organizational and market behaviour
4. Find and develop consensus on desirable financial regulation

We examine these propositions in the following sub-sections.

7.1 *Multi-scale structures*

The pace of change in the investment community has been slow, but the recent reorientation of the UN-backed Principles of Responsible Investment signals progress on this front. The organization's new Mission Statement agreed to by the Advisory Council in March 2012 states the following:

We believe that a sustainable global financial system that is efficient in economic terms is a necessity for long-term value creation, rewards long-term responsible investment, and benefits the environment and society as a whole. The PRI will work to achieve this sustainable global financial system by... addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

In our correspondence with the PRI, it was specified that a reorientation towards the financial system reflects the growing focus of policy-makers, academics and many of its signatories on these macro issues. Again, the PRI's strategic plan now incorporates a new research and public policy focus that it is currently working with signatories to define. The overarching themes that guide its new strategic focus include the need to foster long-termism within financial markets and improve the alignment of interests across the investment chain. The PRI may be moving towards becoming the pre-eminent global investor organization focused on accelerating the transition to a more sustainable global financial system. The PRI plans to develop practical, action-oriented research, accompanied by public policy recommendations where relevant, to drive this forward within its signatory base via new and existing work streams over the coming years.

⁵ <http://www.lexisnexis.com/community/corpsec/blogs/corporate-law-blog/archive/2013/01/31/responsible-investment-at-13-6-trillion-over-20-of-developed-world-aum.aspx>

An [online consultation](#) with signatories was launched on the scope, direction and funding of this new work program.

As the PRI is the foremost investor coalition, these developments seem promising. However, as the PRI is not a lobbying organization and is not likely to engage directly with policy-makers to influence public policy or the financial reform agenda, its program will be limited. The new action-oriented work stream will likely be bringing together groups of signatories to develop practical ways to change their own practices in order to address these financial reform challenges and propose necessary changes to public policy, which signatories can then take forward in a process that may be facilitated by the PRI.

A similar development has already taken place with the four regional climate change investor groups—the Institutional Investors Group on Climate Change, the Investor Network on Climate Risk, the Investor Group on Climate Change and the Asia Investment Group on Climate Change—which have recently formed a Global Investor Coalition that aims to conduct shared initiatives on climate policy, international agreements and international projects of common interests.⁶ The Coalition is providing a global platform for dialogue between and amongst investors and governments on international policy and investment practice related to climate change. Although the regional member groups will be responsible for the domestic policy positions and services to members, the Coalition will promote the presence of long-term investors in international climate negotiations and address the agenda UN climate change frameworks. By banding together, the Coalition will enhance its members' ability to influence regional climate and related policies.

Because financial regulatory reform efforts are regional in nature, but global in scope, the model of the Global Investor Coalition which enables regional groups to access multi-level scales and resources and coordinate regional activities may be a useful one to follow. It leads us to our first proposition.

Proposition-1: *Investor network structures should match the global scale of the financial system and the regional scale of regulatory reform. The multi-scale approach should include a global coordinating and agenda setting body, and be matched by coalitions of regional actors with relationships to local actors (treasury departments and ministries) that can execute recommendations as regionally appropriate in the context of domestic politics.*

The global financial regulatory system is complex, but operates at level of national jurisdictions. Policy efforts must therefore be approached in their specific regulatory context. Investor coalitions can make use of their abilities to convene a large number of diverse investors to help define regulatory actions that may then be adapted by actors in their local context.

7.2 Translating power into policy influence

Coalitions like the Council of Institutional Investors, the European Sustainable Investment Forum, the Interfaith Centre on Corporate Responsibility and the International Corporate Governance Network have been engaged in financial regulatory reform efforts, lobbying directly with policy-makers for a number of years. But whether they have been effective in effectuating change is a difficult question to answer. It is likely that investor engagements with stock exchanges were impactful in influencing ESG disclosure requirements. It also seems likely that the movement on Integrated Reporting will bring about somewhat of a revolution in corporate disclosure, although the timelines around the realization of these changes in the regulatory environment are vague and many years away. The Carbon Disclosure

⁶ <http://globalinvestorcoalition.org/>

Project has accelerated companies' disclosure of environmental risks, but its impact on regulation is uncertain.

The networks covered in this review have so far been influential on financial reform in the sense that their activities run parallel to ongoing policy-making functions—participating in this process through consultations and high-level dialogues. Their aim is to ensure adequate representation of the investor voice and interests in ongoing developments. Financial regulation is an extremely complex task that requires a consideration of an unlimited array of factors. In a context of economic uncertainty, conflicting political optics, and continuously shifting priorities within and across national jurisdictions, financial regulatory reform is arduous task, but a critical one. Investors should therefore seek to build purposeful, collective influence strategies into their reform programs, ensuring that their process can efficiently yield observable results.

Proposition-2: *A coordinated influence strategy for regulatory reform must start with the determination of exactly what change is being sought. From there, the investor network must determine who it needs to influence to affect decisions that will lead to that change, and what the network needs to know. Finally, the influence strategy should consider how the investor network can move that knowledge into the hands of these decision makers in a way that they will use it.*

Interesting developments are underway in the United Kingdom. The Kay Review, which sets out 10 Principles for Equity Markets to reverse the culture of short-termism and restore relationships of trust and confidence in the investment chain, was recently endorsed by the UK Government.^{7 8} To take forward the recommendations, the Government will endorse a clear minimum standards of behaviour for all investment intermediaries to ensure they act in the long-term best interests of their clients.⁹ Although the extent to which these reforms will enhance fiduciary issues in the investment chain is to be determined. It seems that that ShareAction's¹⁰ focused campaigning on these issues was met with some success.¹¹ Although the experience of ShareAction is rare, evidence exists that investors can effectively leverage their powers to influence change.

Investor coalitions like the Council of Institutional Investors (CII) the European Sustainable Investment Forum (Eurosif), the Interfaith Centre on Corporate Responsibility (ICCR) and the International Corporate Governance Network (ICGN) have developed comprehensive financial reform programs, but have struggled to bring their influence to the regulatory system, due to their limited ability to access and channel the power of their membership.

Proposition-3: *Although investors have shown good intent in the scope and content of their reform programs, investor coalitions have not used their powers to their full. More resource investment is needed from the members to ensure that they can affect change.*

The proposals from investor coalitions are often compelling, but fail to use their collective will to ensure that they receive deserved political attention. Investors have a large number of tools for leverage, due to cross-cutting ownership and the large amount of assets they hold. The full array of their resources should be considered when introducing them to regulatory reform strategies.

⁷ <http://news.bis.gov.uk/Press-Releases/Government-sets-out-steps-to-change-culture-683c1.aspx>

⁸ <http://www.bis.gov.uk/assets/biscore/business-law/docs/e/12-1188-equity-markets-support-growth-response-to-kay-review.pdf>

⁹ The Law Commission has been asked to review the legal obligations on intermediaries, to take appropriate long-term factors into account. The FSA has also been asked to ensure that the regulatory framework promotes high standards of behaviour throughout the investment chain. Available from <http://news.bis.gov.uk/Press-Releases/Government-sets-out-steps-to-change-culture-683c1.aspx>

¹⁰ Formerly FairPensions

¹¹ <http://fairpensions.org.uk/research/reports>

7.3 *Congruence between investor-avowed principles and actual behaviour*

One way to influence change in the financial system is to lobby regulators and policy-makers, but it has had limited effect. Another mechanism would be for leading institutional investors to band together to assert an investor bill of rights. They could choose to deal with banks, asset managers and other intermediaries who adhere to principles of responsible investment, are committed to sustainable development and have published record of evidence to suit these claims. Further, they can demand that their funds are invested in companies and ventures that minimize environmental damage, embed corporate governance principles and contribute to social progress. Although investors have publicly proclaimed their stewardship and commitment to safeguarding long-term social, environmental and economic well-being by joining the membership of coalitions which promote sustainability principles, their rhetoric and behaviour suggest an entirely different set of beliefs. It is important to advocate for strong regulations in this context, as well as to collectively apply soft regulations. This can be done by collaborating with their peers and applying these same sustainability principles to their behaviour, including any normative pressure which they may bring to bear on investment intermediaries by way of contracts or other methods.

Proposition-4: *There is a need to be aware of where the benefits of voluntary, collaborative initiatives end, and where conflicting interests and systemic dysfunction along the investment chain begins. At what point are investors less able to affect change through collaboration and when are supporting financial reforms also required?*¹²

Only by using both a 'soft', collaborative approach and one that promotes favourable policies, in combination, can investors make full use of the tools that are available to them in aligning the financial system with their long-term financial interests and those of beneficiaries.

7.4 *Finding and developing consensus*

Similarly to ShareAction's campaign to ensure that the law is no longer a barrier to responsible investment behaviour on the part of institutional investors, the UN-backed PRI's new orientation could allow it to facilitate the development of a set of principles on financial market stability and sustainability, and help form a consensus among its membership with regards as to what financial reforms are critical to the long-term sustainability of financial markets. However, there is currently a lack of such global financial reform agenda, and a lack of an agreement on what are the top 5-10 regulatory reforms needed.

Proposition-5: *A consensus is currently lacking on what financial regulatory reforms are needed to ensure the long-term stability and sustainability of financial markets.*

To foster to achievement of reform objectives, coalitions should ensure that the regulatory proposals they develop take into account the many interests of their members, and, where possible, seek a consensus as to which policy initiatives are most likely to encourage coherent action.

¹² Special thanks to Danyelle Guyatt for her thoughts along those lines.

8.0 Conclusion

Our work on financial regulatory reform has identified two important gaps. The first is that regulatory reform initiatives in the financial sector can undermine themselves by inducing changes that then affect their own working. Due to the level of innovation in the financial sector, financial regulatory reform is especially difficult. Given that the industry has attracted such a high caliber of bright minds to it over the last 15 years, the financial sector has all the resources they need to keep many steps ahead of any regulation and has shown a stunning ability to creatively and continuously circumvent the law. Examples of such first-order reflexivity problems that can lead to more unstable and unsustainable financial markets include the re-emergence of shadow banking, the growth of opaque markets, further unregulated innovations in financial instruments and the risk of larger and more systemic financial institutions. Thus, financial system governance and efforts to regulate the financial sector should take into account both the effects of regulation and the tenacious propensity of the financial sector to continuously innovate.

The second gap concerns the role of investor networks in ensuring that regulatory reform initiatives by governments around the world are conducive to sustained societal and economic development. By taking on a complementary role, investor coalitions can help foster an element of second-order reflexivity that ensures the efforts of the public sector with greater stability and sustainability in the financial system are in line with the global nature of this system, and with their long-term interests related to sustainable economic growth. In this context we have found that the 20 investor coalitions we examined as part of this report could be doing a lot more on financial reform to ensure that their long-term collective needs are met. In particular, structures need to be put in place to ensure that the large-scale exploitation of both the purpose of a corporation and fundamental fiduciary trust in the investment chain is effectively mitigated. However, the efforts to address important regulatory reform issues by these investor networks have been limited, and are likely to have yielded results of minimal consequence in terms of influencing reform.

In addition to these broader governance issues, we emphasize the dysfunction of the market and investment ecosystem in which investors operate. Although it was outside the scope of this study to assess the investment behaviours of the membership of the coalitions reviewed, our research program has found that there are countless factors that currently prevent or hamper the ability of these investors to put sustainability principles into practice. It is often in the best interest of beneficiaries or clients to have these funds invested in projects or companies that provide real, sustainable economic benefits in the long-run, but this pool of investments is often constrained by a number of institutional factors, including narrow interpretations of fiduciary duty, incentives that encourage short-termist and herding behaviour in financial markets, and an investment ecosystem which does not properly account for the social, environmental and economic effects of investments. Whereas, certain sectors, asset classes and investment categories such as clean tech, green infrastructure, impact enterprises, and innovative SMEs create sustainable and economic value in the long-run, we acknowledge that the investment vehicles and instruments are missing or maladapted to the needs and the strict risk and return considerations of investors. In some cases, the investment system works against institutional investors seeking reasonable returns such as pension funds. The market itself needs significant re-engineering to allow sustainable investments to have much better financial prospects and risk ratings. Government policy initiatives and programs can help improve investment attraction by underwriting, providing credit guarantees or otherwise providing support to these sectors in a way that can enhance investment performance. Financial institutions like rating agencies, investment banks and other intermediaries should also integrate sustainability information into their practices to facilitate sustainable investment. The Enhanced Analytics Initiative (which we covered in this review) encouraged some of this integration, but the program was terminated when it was merged with the Principles for Responsible

Investment. Standard & Poor's integration of climate change data into corporate risk ratings across all industrial sectors has also been cancelled. Meanwhile, institutional investors seeking a reasonable return find it difficult to rationalize investments in sustainability. To make this claim concrete, take Denmark's Vestas Wind Systems, which has a credit rating that has been downgraded almost to junk level and much reduced government support, causing many investors to pull out. Therefore, government policies in terms of underwriting, providing different forms of guarantees for innovation and research and development across various sectors, mandating that a certain portion of public funds be invested in assets with public benefit and other sustainability and ESG initiatives can develop the attraction of sustainable investments.

To conclude, the financial market makes it difficult for the membership of investor networks to put sustainability principles in practice and government policy initiatives should be put in place to ensure that sustainable investments can pass the stringent investment screens of pension funds and other long-term institutional investors. Our review has found that investor networks are likely to have yielded minimal impacts in terms of financial reforms though they have shown good intent in the scope and technical content of their programs on financial reform. To improve their ability to influence change, we put forward various ideas based on our findings. We suggest that their activities match the structure and processes of the financial system which plays out globally but is regulated regionally and nationally; invest more resources to ensure that they bring more power to bear on policy makers; ensure greater congruency between the sustainability principles which they support through their membership and their actual organizational and financial market behaviour, and to develop consensus on desirable financial regulations.

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Appendix: Investor network briefs

Carbon Disclosure Project (CDP)

Main Headquarters

40 Bowling Green Lane
London, EC1R 0NE
United Kingdom

CARBON DISCLOSURE PROJECT

About

- The Carbon Disclosure Project (CDP) works to transform the way the world does business to prevent dangerous climate change and protect our natural resources. The Project acts on behalf of investor signatories to challenge the world's largest companies to measure and report their carbon emissions. Investors can then use this data to integrate the long-term value and cost of climate change into their investment decisions.
- The CDP's mission and purpose is to use the power of measurement and information disclosure to improve the management of environmental risk. By leveraging market forces including shareholders, customers and governments, CDP has incentivized thousands of companies and cities across the world's largest economies to measure and disclose their greenhouse gas emissions, climate change risk and water strategies.
- The Project works with 655 institutional investors, holding US\$78 trillion in assets, and with thousands of companies.

Principles

- Institutional investors including banks, pension funds, asset managers, insurance companies and foundations are eligible to become CDP signatories and gain *access to all company information at no charge* by endorsing CDP's annual questionnaires.
- Any financial institution managing assets may become a CDP signatory at no charge. The only condition for sign-up is that if the signatory receives a request to report to CDP, it provided a public response to the questionnaire by the deadline of May 31, 2012.
- The benefits of becoming a CDP signatory include: access to all company response to the CDP questionnaire(s) which are endorsed by the signatory; public recognition of the signatory's commitment to engaging with companies on issues of climate change and water; a dedicated investor newsletter with information on the latest insights from CDP data and any relevant development within the investor community; and invitations to CDP events including report launches and investor roundtables.
- A CDP signatory may choose to become CDP member at an annual fee. The CDP member benefits include: access to CDP analytics (supported by SAP software); dedicated account management and training; and enhanced exposure through the CDP website.

History

- The CDP was founded in 2000 at 10 Downing Street, London, United Kingdom (the residence of the U.K. prime minister), to accelerate climate change solutions by putting relevant information at the heart of business, policy and investment decisions.
- The first cycle of the Project (CDP 1) involved sending a letter and questionnaire to the FT500 largest companies in the world on May 31, 2002. This letter was signed by 35 institutional investors who collaborated to provide an efficient mechanism for disclosure of this information.
- From there the Project expanded its scope to cover water disclosure, supply chain activities, public procurement and municipal governments.

Parent organizations

- Unknown

Governance

- CDP has 501(c)(3) charitable status through Rockefeller Philanthropy Advisors (fiscal agent and sponsor liaison) in New York and is a registered charity in the United Kingdom. CDP Europe is a registered charity at the local court of Charlottenburg, Germany.
- After registering as a charity in the United Kingdom, the CDP moved from having an advisory board to being governed by trustees.¹³

Funding

- The CDP receives funding from a wide range of organizations. They include foundations such as the Nathan Cummings and Esmée Fairbairn Foundations as well as governments of various countries including the United Kingdom, United States, Sweden, France and Holland.
- CDP also receives funding through corporate sponsorship, CDP member packages and global partnerships.
- The annual fee to become a CDP member is US\$7,000 for organizations with assets of up to US\$10 billion and US\$9,000 for organizations with assets of US\$10 billion or more.

Helpful links

- CDP Global 500 Climate Change Report 2012, available at <https://www.cdproject.net/CDPResults/CDP-Global-500-Climate-Change-Report-2012.pdf>
- CDP Investor Initiatives, available at <https://www.cdproject.net/Documents/Brochures/CDP-Investor-Initiatives.pdf>

¹³ Source: <http://irps.ucsd.edu/assets/033/10578.pdf>

Ceres Coalition (Ceres)

Main Headquarters

99 Chauncy Street, 6th Floor
Boston, MA 02111
United States



About

- The Ceres Coalition works to promote sustainability by moving companies, policy-makers and other market players to incorporate environmental and social factors into their decision making and to mobilize investor and business leadership to build a thriving, sustainable global economy.
- Ceres brings together a powerful economic coalition transforming business practices to reduce environmental and social risk. Many Ceres Coalition members engage directly with Ceres Network Companies to develop solutions to key environmental and social challenges. One opportunity is through Ceres-led stakeholder dialogues that help member companies better understand their environmental and social impacts, effectively identify emerging risks, and seize opportunities that meaningfully improve their sustainability performance and disclosure.
- The Ceres Coalition is comprised of more than 130 institutional and socially responsible investors, environmental and social advocacy groups, and other public interest organizations.¹⁴

Principles

The Ceres Principles are a ten-point code of corporate environmental conduct to be publicly endorsed by companies as an environmental mission statement or ethic:

1. Protection of the Biosphere: to reduce and make continual progress towards eliminating the release of any substance that may cause environmental damage to the air, water, or the earth or its inhabitants; and to safeguard all habitats affected by our operations and protect open spaces and wilderness, while preserving biodiversity.
2. Sustainable Use of Natural Resources: to make sustainable use of renewable natural resources, such as water, soils and forests; and to conserve non-renewable natural resources through efficient use and careful planning.
3. Reduction and Disposal of Wastes: to reduce and where possible eliminate waste through source reduction and recycling; and to handle and dispose of all waste through safe and responsible methods.
4. Energy Conservation: to conserve energy and improve the energy efficiency of our internal operations and of the goods and services we sell; and to make every effort to use environmentally safe and sustainable energy sources.
5. Risk Reduction: to strive to minimize the environmental, health and safety risks to our employees and the communities in which we operate through safe technologies, facilities and operating procedures, and by being prepared for emergencies.

¹⁴ Total assets under management unknown.

6. **Safe Products and Services:** to reduce and where possible eliminate the use, manufacture or sale of products and services that cause environmental damage or health or safety hazards; and to inform our customers of the environmental impacts of our products or services and try to correct unsafe use.
7. **Environmental Restoration:** to promptly and responsibly correct conditions we have caused that endanger health, safety or the environment; and to the extent feasible, to redress injuries we have caused to persons or damage we have caused to the environment and will restore the environment.
8. **Informing the Public:** to inform in a timely manner everyone who may be affected by conditions caused by our company that might endanger health, safety or the environment; to regularly seek advice and counsel through dialogue with persons in communities near our facilities; and to not take any action against employees for reporting dangerous incidents or conditions to management or to appropriate authorities.
9. **Management Commitment:** to implement these Principles and sustain a process that ensures that the Board of Directors and Chief Executive Officer are fully informed about pertinent environmental issues and are fully responsible for environmental policy; and in selecting our Board of Directors, to consider demonstrated environmental commitment as a factor.
10. **Audits and Reports:** to conduct an annual self-evaluation of our progress in implementing these Principles; to support the timely creation of generally accepted environmental audit procedures; and to annually complete the Ceres Report, which will be made available to the public.

History

- The origins of Ceres can be traced back to March 1989 when the Exxon Valdez oil spill shook public confidence in corporations. As Ceres reports, “Suddenly, the environmental cost of doing business became painfully clear, and it was apparent that companies weren’t doing enough to account for the environmental and social impacts of their operations.” Six months after the spill, a group of investors launched Ceres as an organization to tackle this problem.
- In the fall of 1989, Ceres announced the creation of the Ceres Principles, a ten-point code of corporate environmental conduct to be publicly endorsed by companies as an environmental mission statement or ethic. By endorsing the Ceres Principles, or adopting their own comparable code, companies not only formalized their dedication to environmental awareness and accountability, but also actively committed to an ongoing process of continuous improvement, dialogue and comprehensive, systematic public reporting.
- In 2010, Ceres published *The 21st Century Corporation: The Ceres Roadmap for Sustainability*. It analyzes the drivers, risks and opportunities involved in making the shift to sustainability and details strategies and results from companies who are taking on these challenges. More robust and comprehensive than the Ceres Principles, and updated for the 21st Century, the Ceres Roadmap is designed to provide a comprehensive platform for sustainable business strategy and for accelerating best practices and performance.

Parent organizations

- Unknown

Governance

- Ceres is a 501(c)(3) non-profit organization in the United States.

Funding

- Ceres is funded by membership fees.

Helpful links

- Ceres - In Brief, available at <http://www.ceres.org/files/in-briefs-and-one-pagers/ceres-in-brief>
- Ceres Coalition - In Brief, available at <http://www.ceres.org/files/in-briefs-and-one-pagers/coalition-in-brief>
- Scaling Sustainability: 2012-2015 Ceres Strategic Plan, available at <http://www.ceres.org/resources/reports/strategic-plan-2012-2015/view>

Council of Institutional Investors (CII)

Main Headquarters

888 17th Street, NW, Suite 500
Washington, DC 20006
United States



About

- CII is a non-profit, non-partisan association of pension funds and other employee benefit funds, foundations and endowments that strives to be a leading voice for effective corporate governance and strong shareowner rights.
- CII's mission and purpose is to educate its members, policy-makers and the public about corporate governance, shareowner rights and related investment issues and to advocate on members' behalf. Over the years, CII has developed an extensive body of corporate governance best practices that many U.S. companies embrace. CII members have also endorsed policies on many other investment-related issues. The Council provides knowledge, leadership and networking opportunities to help keep its members informed, represented and connected. CII members use their proxy votes, shareowner resolutions, pressure on regulators, discussions with companies and litigation where necessary to affect change.
- The members of CII represent more than 125 public, union and corporate employee benefit plans and foundations and endowments with combined assets that exceed US\$3 trillion.

Principles

- CII has developed an extensive body of corporate governance best practices and statements on other investment-related issues. All have been approved by CII's board and general members. These documents provide a foundation from which to advocate on matters important to CII members.
- CII members are welcome to suggest policies to Council directors or staff and may comment on proposed policies through the website's Policies Committee page.
- The Council's corporate governance policies are extensive. At the core is the belief that "Corporate governance structures and practices should protect and enhance a company's accountability to its shareowners, and ensure that they are treated equally." These policies cover areas such as board structures (e.g., election and independence of boards), shareholder voting rights (e.g., access to the proxy, voting requirements), shareowner meetings (e.g., selection and notification of meeting time and location, director attendance), executive compensation (e.g., salary, stock options), director compensation (e.g., employment contracts, perquisites) and independent director definition.
- CII's policies on other investment-related issues are vast and include support of defined-benefit plans, principles on credit rating agencies, best disclosure policies for institutional investors and other issues.

History

- CII was founded in 1985, an era of corporate takeovers, imperial CEOs and insulated boards of directors, in recognition that shareowners had little say in most corporate decisions and did not appreciate the potential power of their proxy votes.
- The founders were a group of 21 visionary public pension fund officials who believed that the companies in which they were investing their members' retirement assets needed more oversight by shareowners. They also believed that by pooling their resources, institutional investors could use their burgeoning proxy power to hold companies accountable to their owners.
- The founding co-chairs were Jesse Unruh, the elected State Treasurer of California; Harrison J. Goldin, New York City Comptroller; and State of Wisconsin Investment Board Chair John Konrad.
- As stated by the Council, from that day forward, its goal has been constant, even as the membership has grown larger and more diverse: strong governance standards at public companies and strong shareowner rights.

Parent organizations

- The Council was founded by 21 public pension fund officials.

Governance

- CII is governed by a volunteer board of directors. The 15 directors represent public, union and corporate employee benefit funds across the country. Nine seats are held by public funds, four seats are held by union funds, and two seats are held by corporate funds.

Funding

- CII is funded by membership fees.

Helpful links

- CII - Issues & Advocacy, available at http://www.cii.org/issues_advocacy

EFFAS/ DVFA Commission on ESG (CESG)

Main Headquarters

Mainzer Landstraße 47a
DE-60329 Frankfurt am Main
Germany



About

- The CESG is a body of investment professionals from leading European and global sell-side and buy-side firms. Members of CESG are predominantly fund managers, financial analysts and equity sector specialists.
- The mission and purpose of the Commission is to facilitate the integration of environmental, social and governance (ESG) aspects of corporate performance into investment processes. Encouraging other stakeholder groups to enter into dialogue, CESG does not confine itself to discussions but rather strives to define positions on extra-financials, produce outcomes, such as papers, recommendations, and play an active role in the dialogue with both investment professionals and corporations.
- The members of the Commission represent major European institutional investors like APG, Credit Agricole Group and WestLB, but its membership is relatively small compared to other investor networks covered in this review.

Principles

CESG has committed itself to the following goals:

- Designing and providing training and qualification programs on ESG for investors and financial analysts on how to integrate extra-financial information and data from corporations into traditional valuation and financial analysis.
- Increasing transparency between a multitude of extra-financial and ESG activities and initiatives in order to avoid duplication of efforts and increase communication.
- Instigating research on ESG in order to find the missing link between extra-financial and financial performance.
- Promoting corporate reporting methods and models for CR, ESG and extra-financials which serve the needs of investors and financial analysts—without adding to the perceived abundance of reporting formats and mandatory reports.
- Communicating expectations of investment professionals on ESG to senior corporate management, i.e., to the desk of CEO and CFO by entering into dialogue with senior corporate managers.
- Facilitating dialogue between diverse needs and expectations towards ESG and extra-financials between different functions in the investment markets such as sell-side research, fund management, buy-side research, SRI and consulting.

History

- The EFFAS Commission on ESG Environmental, Social & Governance (CESG) was founded in October 2007 in Vienna.

Parent organizations

- The Commission is supported by the EFFAS (European Federation of Financial Analysts Societies) and the DVFA (Deutsche Vereinigung für Finanzanalyse und Asset Management).

Governance

- Unknown

Funding

- Unknown

Helpful links

- Commission on ESG, available at http://www.effas-esg.com/?page_id=26

Enhanced Analytics Initiative (EAI)¹⁵

Main Headquarters

16 Park Crescent
London, W1B 1AH
United Kingdom

ENHANCED ANALYTICS INITIATIVE

About

- The Enhanced Analytics Initiative (EAI) was established in mid-2004, with the objective of incentivising investment research that takes a long-term view and that integrates material ESG issues. The Initiative intended to act as a catalyst for the mainstreaming of enhanced sell-side research through a three to five year program of operations. The EAI was merged with the UN-backed Principles for Responsible Investment in 2008.
- To encourage sell-side institutions to produce quality ESG-enhanced research, EAI members committed to award a minimum of 5 percent of their brokerage or research budgets to the best ESG research providers. To identify these research leaders, the EAI performed a biannual evaluation of the quality of EAI research output, and a limited group of recommended research providers was selected by these biannual evaluations.
- The Initiative also committed to communicate frankly and constructively with research providers over the course of the research evaluations.
- In 2008, EAI members included 30 asset owners and managers representing more than €2 trillion in assets (US\$2.8 trillion).

Principles

The founding investors were united by the belief that:

- The investment research paid for through their brokerage commissions and research budgets did not adequately capture the full range of investment risks and opportunities to which they and their clients were exposed. Nor was the research consistent with their long-term investment outlooks.
- In order to make their voices heard alongside those of shorter-term, trading-driven users of research, they should pool resources and speak with one voice through a new initiative.
- EAI members need to back their stated interest in research that integrates material ESG issues with clear incentives for research providers (such as increased commissions from EAI members and reputational rewards through public commendation by the Initiative).
- The mechanism for the financial rewards for the leading providers of EAI research would be a commitment from EAI members to direct a minimum of 5 percent of their brokerage commissions or research budgets to the providers that performed best in evaluations of the published research. These evaluations would be independent and would follow a robust methodology agreed by EAI members.

¹⁵ Now called the PRI Enhanced Research Portal, following the merger of the Enhanced Analytics Initiative with the UN-backed Principles for Responsible Investment (PRI) in 2008.

History

- The EAI was established in mid-2004 by four European institutional investors with combined assets of approximately €330 billion.
- The institutions that announced the creation of the EAI were BNP Paribas Asset Management, PGGM, RCM and the Universities Superannuation Scheme. By the time of the launch of the evaluation process in November 2004, these institutions had been joined by Allianz Global Investors France (then AGF Asset Management), Generation Investment Management and the Mistra Foundation.
- The founding members intended the EAI to be catalytic and of finite duration (the members anticipated that the Initiative would run for three to five years), to evolve with the changing understanding of how extra-financial research is produced and used, and to give constructive criticism to research providers. The founders also announced their intention to recruit other like-minded asset owners and managers globally.
- As of June 2008, more than 11 percent of EAI full members' aggregate brokerage or research budgets were explicitly allocated on the basis of the EAI evaluations, more than double the commitment (5 percent) those institutions made when joining the Initiative.

Helpful links

- Research Centre Stage: Four years of the Enhanced Analytics Initiative, available at <http://www.unpri.org/research/Four%20years%20of%20the%20Enhanced%20Analytics%20Initiative.pdf>

The European Sustainable Investment Forum (Eurosif)

Main Headquarters

331 Rue du Progrès
B-1030, Brussels
Belgium



About

- The European Sustainable Investment Forum (Eurosif) is a pan-European network and think tank whose mission is to “Develop sustainability through European financial markets.” Its current Member Affiliates include institutional investors, financial service providers, academic institutes, research associations, trade unions and NGOs.
- The Forum acts in partnership with national Sustainable Investment Forums (SIFs) within the EU and with the support and involvement of Member Affiliates. The five initial SIF that founded Eurosif in 2001 were from France, Germany, Italy, the Netherlands and the United Kingdom. The Belgian, Spanish and Swedish SIFs joined later as members.
- The main activities of Eurosif are public policy (EU lobbying), research, networking events and creating platforms to nurture sustainable and responsible investment (SRI) best practices. Eurosif seeks to act as the voice of the SRI community to European legislative and decision-making bodies such as the European Commission and European Parliament. Member Affiliates are offered the opportunity to help shape public policy on sustainability at a European level through exclusive meetings with policy-makers and position papers that Eurosif regularly submits in response to EU legislative and non-legislative initiatives.
- Through its affiliate membership, the Forum represents assets totalling over €1 trillion.

Principles

In joining Eurosif, Member Affiliates subscribe to the following Statement of Principles:

- Agree to support the work of and to disseminate information about Eurosif and the work of its members.
- Assist, either individually or with other Eurosif members, in improving understanding of SRI and supporting the theory and practice of SRI, including the integration of environmental, social and corporate governance (ESG) issues into business and investment practices.
- Use membership to develop relationships with colleagues and clients, apply honest and thorough methods of research and evaluation, and obey the laws and regulations relevant to their profession.
- Commit to continual improvement.

History

- Unknown

Parent organizations

- Eurosif was created by the national Sustainable Investment Forums (SIFs) of France, Germany, Italy, the Netherlands and the United Kingdom.

Governance

- Eurosif is incorporated as an international non-profit organization.
- The organization is governed by its Board of Directors whose members are elected by the Eurosif Member Affiliates for a period of three years. The Executive Committee of Eurosif is responsible for taking the necessary latitude to ensure the effective administration of the organization and implements the decisions made by the Board of Directors. The Executive Committee meets at least every two months or each time deemed necessary by the president.

Funding

- The Eurosif is funded by membership fees and event sponsorship.

Helpful links

- Eurosif Statutes available at <http://www.eurosif.org/images/stories/pdf/1/2012%20statutes%20français%20moniteur%20belge.pdf>

Global Impact Investing Network (GIIN)

Main Headquarters

30 Broad Street, 38th Floor
New York, NY 10004
United States



About

- The Global Impact Investing Network (GIIN) provides access to a diverse global community of organizations interested in deepening their engagement with the impact investment industry. Members of the GIIN are connected to a thriving peer community and gain formal access to industry information, tools and resources. Members periodically meet at events and through virtual meetings and receive tutorials on tools designed to strengthen their impact investment.
- The Network's mission and purpose is to address systemic barriers to effective impact investing by building critical infrastructure and supports activities, education and research that help accelerate the development of a coherent impact investing industry.
- The Network Membership of GIIN was launched in October 2012 with 83 founding member organizations from 15 countries. Network Members form a broad community of impact investing market participants, including investors, asset managers, advisors and other industry service provider—with access to a global and diverse peer group for information exchange.

Principles

- Through its Investors' Council comprised of an exclusive leadership group for active large-scale investors, GIIN provides a forum for experienced impact investors to strengthen the practice of impact investing and accelerate learning about new areas in the field.
- Benefits of becoming a Network member include:
 - Learning – Gain knowledge about the impact investing industry and deepen their engagement
 - Networking – Make connections with the diverse global impact investing community
 - Field building – Contribute to the successful development of the impact investing industry and exchange information about their organization's activities with fellow members or research initiatives
- The Investors' Council currently supports two working groups focused on specific impact investing themes. The first working group, Terragua, is composed of Investors' Council members that are focused on increasing investment in sustainable agriculture in sub-Saharan Africa, with a goal to improve the lives of poor farmers and their families. The Inclusive Finance Working Group is composed of Investors' Council members interested in inclusive finance, particularly financing access for small and medium enterprises, microfinance, and financial inclusion access platforms.

History

- The GIIN was conceived in October 2007, when the Rockefeller Foundation gathered a small group of investors to discuss the needs of the emergent impact investing industry.
- In June 2008, a broader group of 40 investors from around the world met to discuss what was required for the impact investing industry to be able to solve more social and environmental challenges with greater efficiency. They organized a number of initiatives, including the creation of a global network of leading impact investors, the development of a standardized framework for assessing social and environmental impact and the development of a working group of investors focused on sustainable agriculture in sub-Saharan Africa. Just over a year later, the GIIN was formally constituted as an independent organization. These three initiatives formed the first projects of the new organization.

Parent organizations

- The Rockefeller Philanthropy Advisors played an instrumental role in the development of the GIIN.

Governance

- The GIIN is governed by a board of directors.
- The GIIN is currently operating under the fiscal sponsorship of the Rockefeller Philanthropy Advisors (RPA), which provides it with its 501(c)(3) charitable status under U.S. law.

Funding

- The GIIN Network is funded by membership fees.

Helpful links

- Global Impact Investing Network Membership, GIIN, available at <http://www.thegiin.org/binary-data/ATTACHMENT/file/000/000/34-7.pdf>
- New Industry Group Launched to Facilitate For-Profit Investing that Addresses Social and Environmental Challenges, GIIN, available at <http://www.thegiin.org/binary-data/MEDIA/pdf/000/000/4-5.pdf>

Global Unions Committee on Workers' Capital (CWC)

Main Headquarters

1200-1166 Alberni Street
Vancouver, BC V6E 3Z3
Canada



About

- The Global Unions Committee on Workers' Capital (CWC) connects labour union organizations around the world to advance the responsible investment agenda on the global stage.
- The CWC works to educate union pension trustees on responsible investment, monitor global trends and policies related to corporate and financial market governance, and examine ways in which the responsible investment of workers' capital can yield economic and social value in our communities.
- Membership in CWC is open to representatives from the labour movement involved in worker capital issues. In particular, affiliates of the following trade union bodies can become members of the CWC: the International Trade Union Confederation (ITUC), the Trade Union Advisory Committee to the OECD (TUAC) and other member organizations of the Council of Global Unions (<http://www.global-unions.org>).

Principles

- The CWC believes that by leveraging their retirement savings, workers can influence how companies respect human and labour rights, remain financially sustainable, and minimize adverse impacts on the environment.

History

- The CWC was established in 1999, following a meeting of international trade union leaders in Stockholm, Sweden.

Parent organizations

- The CWC is a joint initiative of the ITUC, the Global Unions Federations (GUFs) and the TUAC.

Governance

- The CWC's membership includes international representatives of organizations affiliated with the ITUC, TUAC and GUFs. These representatives meet in plenary on an annual basis to discuss the latest developments in workers' capital issues. Committee members also review the CWC's annual work program, which is implemented through working groups that operate largely virtually.
- The CWC is currently chaired by Ken Georgetti, President of the Canadian Labour Congress. The CWC Chair reports on its activities to the ITUC General Council, the GUFs Council of Global Unions and the TUAC Plenary. These processes help to ensure that the CWC adheres to appropriate governance and transparency standards.
- The CWC Secretariat is hosted by SHARE in Vancouver, a not-for-profit organization with close ties to the Canadian labour movement.

Funding

- The CWC is funded by member contributions and event sponsorship.

Helpful links

- CWC website, available at <http://www.workerscapital.org>

Initiative for Responsible Investment (IRI)

Main Headquarters

The Hauser Center for Nonprofit Organizations
The Belfer Building
79 John F. Kennedy Street
Cambridge, MA 02138
United States



About

- The Initiative for Responsible Investment (IRI) at the Hauser Center for Nonprofit Organizations serves as a research center on fundamental issues and theories underlying the ability of financial markets to promote wealth creation across asset classes, while creating a stronger society and a healthier environment.
- The mission and purpose of the IRI is to promote the discipline of responsible investing through research, with the goal of catalyzing leadership and action that creates long-term, values-driven wealth. The IRI accomplishes its mission by developing and presenting original research, providing a platform for dialogue, and taking practical action around issues of importance to the responsible investment community.
- The IRI research agenda includes a portfolio of projects such as: working to develop a theory of responsible investment; examining the intersection of public policy and impact investing through the Global Impact Investing Policy Project; analyzing the challenges and future of community investment through focuses on the supply of community investment capital and the ability of particular places to effectively utilize such capital; collaborative research with foundations on mission investing; and leadership development with trustees of public and Taft-Hartley pension funds.

Principles

The IRI was founded to provide institutional support for catalytic activity for responsible investment, broadly construed, with a strong focus on creating a foundation of research activity around the field. To do this, it:

- Conducts research and releases publications on the metrics, theory and evolving practices of responsible investors, including topics such as public policy and impact investing, the state and future growth of community investment in the United States, foundation mission investing and the particular challenges of pension funds in considering responsible investment.
- Thinks systematically about the application of responsible investment principles across all asset classes.
- Provides forums for responsible investors to meet and exchange views on issues of current concern.
- Creates opportunities for constructive dialogue between responsible investors and other stakeholders on broad issues of current concern on responsible investment practice and theory.
- Offers support to responsible investors wishing to form associations of targeted institutions (i.e., foundations, academic institutions, public pension funds, etc.) or associations of purveyors of targeted investment vehicles (i.e., equities, fixed income, real estate, etc.) to promote and enhance their practices.

The IRI works to fill these needs and to catalyze the development of additional efforts working towards the same goals.

History

- The IRI was formally founded in 2004 with the guidance of Senior Fellow Steve Lydenberg, currently Partner, Strategic Vision, at Domini Social Investments. At this time, the IRI's primary purpose was to hold events to spur thought and action on responsible investment. Participants at the first conference hosted by the IRI, held in November 2003, debated the best means for responsible investors to increase their ability to recognize and support mergers and acquisitions that are likely create long-term value, and oppose those that are not.
- In 2005, the IRI hired David Wood as Executive Director and its first full-time staff member. From that point forward, the IRI moved from organizing occasional meetings to publishing research on a range of topics, including investor use of non-financial information, funding mechanisms for small and medium enterprises, responsible investment across asset classes and corporate social reporting.
- As part of its work, the IRI co-founded, with Gary Pivo of the University of Arizona, the Responsible Property Investing Center; through this the IRI has conducted intensive research and network building in the emerging field of responsible property investment.
- In 2008, the IRI started the More for Mission Campaign Resource Center, a resource for foundation endowments that seek opportunities to align their financial investments with their institutional mission. In 2012, the More for Mission Campaign merged with the PRI Makers Network to form the Mission Investors Exchange. The IRI remains a strategic partner and the research arm of the merged organization.
- In 2010, the IRI and InSight at Pacific Community Ventures developed the Global Impact Investing Policy Project, which aims to explore the intersection of public policy and impact investing and develop a network of researchers and public policy-makers interested in the field. The project has released two papers thus far: *Impact Investing: A Framework for Policy Design and Analysis* (2011) and *Impact at Scale: Policy Innovation for Institutional Investment with Social and Environmental Benefit* (2012). Future research will focus on sustainable cities and social enterprises in the United States.
- In 2011, the IRI started the Trustee Leadership Forum for Retirement Security to work with trustees of public pension funds on responsible investment.

Parent organizations

- The roots of the IRI stem from the leadership of Steve Lydenberg, then Chief Investment Officer of Domini Social Investments. The IRI initially resided at the Boston College Center for Corporate Citizenship. In 2010, at the urging of Harvard Kennedy School lecturer and More for Mission Campaign supporter Luther Ragin, the IRI moved to the Hauser Center for Nonprofit Organizations at Harvard University.

Governance

- The IRI has no formal governance structure. As a project of the Hauser Center for Nonprofit Organizations, it is a part of Harvard University and is physically located at the Harvard Kennedy School.

Funding

- The IRI is funded primarily through grants from private foundations to support individual projects. A limited number of gift funds support non-project specific activities that the IRI may engage in, such as the Quarterly Convening Series.

Helpful links

- IRI – About us, available at <http://hausercenter.org/iri/team>

Institutional Investors Group on Climate Change (IIGCC)

Main Headquarters

2nd Floor Riverside Building, County Hall
Belvedere Road
London SE1 7PB
United Kingdom



About

- Institutional Investors Group on Climate Change (IIGCC) provides investors with a collaborative platform to encourage public policies, investment practices and corporate behaviour that address long-term risks and opportunities associated with climate change.
- IIGCC pursues its mission through two strategic objectives:
 - To change market signals by encouraging the adoption of strong and credible public policy solutions that ensure an orderly and efficient move to a low-carbon economy as well as measures for adaptation.
 - To inform investment practices to preserve and enhance long-term investment values.
- The IIGCC currently has over 80 members, including some of the largest pension funds and asset managers in Europe, representing around €7.5 trillion.

Policies and practices

IIGCC encourages the following:

- Policies, frameworks and products to promote the financing and use of low-carbon technologies, including renewable energy;
- A robust carbon price signal;
- Progress in international negotiations towards an effective climate treaty;
- Financial regulations that do not prevent and actively support the low-carbon economy;
- Improved investor awareness of the risks and opportunities associated with climate change and related policy developments;
- Adoption of best practice among investors in integrating climate issues into asset manager selection and evaluation;
- Communication with companies on climate risk management strategies;
- Stronger focus on climate risks and opportunities across asset classes.

In furthering its objectives, the Group will provide the following:

- Investor platform on climate change: Develop a wide representation and profile in Europe as the joint platform for European institutional investors on climate change and climate related issues. Communicate and focus attention on investors' positions on climate change.

- Policy positions and dialogue: Develop and voice investor positions on public policy related to climate change and engage in dialogue with policymakers and key political institutions in order to influence national, regional and international policy.
- Guidance for investors: Raise investor awareness of the risks and opportunities associated with climate change and related policy developments. Develop guidance and support the adoption of best practice among investors in integrating these issues into asset manager selection, investment analysis and shareholder ownership activities.
- Frameworks and guidelines for investments: Develop guidelines and reporting frameworks that support improved disclosure, reporting and management of climate change issues across different asset classes.
- International investor collaboration: Liaise with sister networks in North America, Australia/New Zealand and elsewhere to promote a global investor voice on climate change.

History

- IIGCC was formed in the United Kingdom in 2001 as a collaboration between pension funds and other institutional investors. The SRI analysts at the Universities Superannuation Fund were instrumental in this. Since then, the IIGCC has grown into a Europe-wide organization.

Governance

- The IIGCC is governed by its Articles of Association. The Articles define member rights and responsibilities, board appointment and decision-making processes to ensure an equitable and representative operation of the company.
- Prospective member organizations submit an application to IIGCC, signed by the Director or equivalent, to be approved by a simple majority of IIGCC's board.
- The Board of Directors meets as often as required, in person or by phone, to make and execute decisions that are necessary in implementing the aims and objectives of the IIGCC.
- General member meetings are held twice a year.
- To deliver on its objectives, IIGCC and its members operate a number of programs that commission research, produce statements and reports, and engage with various stakeholders. These programs currently include Climate Risk, Policy, Property and Corporate.

Funding

- The IIGCC is funded by membership fees.

Helpful links

- Global Investor Coalition, available at <http://globalinvestorcoalition.org>

Interfaith Center on Corporate Responsibility (ICCR)

Main Headquarters

475 Riverside Drive, Suite 1842
New York, NY 10115
United States



About

- Established over 40 years ago, the Interfaith Center on Corporate Responsibility (ICCR) is the pioneer coalition of active shareowners who view the management of their investments as a catalyst to promote justice and sustainability in the world. ICCR's membership represents faith-based communities with congregations all over the world, SRI asset management companies, unions, pension funds and a global network of allies.
- The Center's mission and purpose is to "Build a more just and sustainable world by integrating social value into investor actions," and it seeks to harness the power of ICCR members as shareholders in the world's largest and most influential corporations to promote corporate practices that ensure long-term business growth while measurably improving environmental and social impacts. It furthers the mission of religious organizations in the areas of corporate responsibility, social responsibility in investment and social and economic policy, and interfaith cooperation in these areas.
- Today ICCR's membership is comprised of 300 institutional investors with over US\$100 billion in invested capital. ICCR members are not only shareholders, but also trusted partners in corporate responsibility initiatives that promote a more just and sustainable world.

Principles

- ICCR's core values are:
 - Faith: We shape our priorities for action through faith.
 - Justice: We challenge ourselves to accountability for right relationships with all creation.
 - Integrity: We are striving to be credible practitioners of the values we set forth.
 - Inclusiveness: We embrace and promote diversity as we covenant to work together.
- ICCR assists religious organizations to work with each other to express social responsibility with their investments by:
 - Using investments more effectively to support the social policy and program objectives of participating groups by facilitating exchange of views and sharing of research and information.
 - Conducting research on general issues and specific concerns relating to corporate social responsibility.
 - Providing a channel for stimulating and cooperating with other institutions and coalitions, such as universities, pension funds, foundations and secular groups.
 - Encouraging education and interpretation efforts, especially with local and regional religious constituencies, in the field of socially responsible investments.
 - Developing investment and policy strategies in which members may act together.

- Considering investment and policy proposals for implementation by interested participating groups.
- Seeking commitment of resources for voluntary implementation of projects by interested participating groups.
- ICCR membership self-organizes and coordinates their work on dozens of issues. However, because they have implications across a broad range of companies and sectors, the following ten issue areas have been designated as priorities by the membership: water, food, social sustainability, human trafficking, environmental health, global health, domestic health, financial practices, financial risk, and supply chain monitoring.

History

- ICCR began in the early 1970s in part as an outgrowth of opposition to the Vietnam War. Like anti-war students of the day, progressive clergy questioned whether churches were profiting from the war, which most ICCR members opposed in 1971 when ICCR began. This questioning led ICCR members to challenge military contractors on their production of nuclear weapons (a top priority of ICCR members during the 1980s), foreign military sales and development of space weapons.
- Similarly, ICCR member opposition to apartheid in South Africa was an extension of the longstanding opposition of U.S. faith communities to slavery, discrimination and segregation.
- Today ICCR members have a broader agenda that promotes topics such as environmental justice, access to capital, access to health care, diversity on boards of directors, and an end to global warming and sweatshop abuses.

Parent organizations

- Unknown

Governance

- ICCR is a Type B not-for-profit corporation formed pursuant to the New York Not-for-Profit Corporation Law. The Center is guided by a set of bylaws which describe ICCR's purpose; its different categories of membership, the frequency at which its members meet, their powers and duties; the number, tenure and election of its Board of Directors, and the election and qualification of its officers; ICCR's standing committees; its special committees; and its working groups.
- ICCR faith-based members elect the Governing Board, set ICCR priority issues, and adopt, amend or repeal bylaws. Fifteen board members, elected from among the faith-based membership, comprise the Governing Board of ICCR. Each Board member is elected for a period of three years. The Governing Board oversees the Executive Director, approves strategic plans and budgets, and determines policy.

Funding

- The ICCR is funded by membership fees, philanthropic contributions and event revenues.

Helpful links

- ICCR's Governance Policies, available at <http://www.iccr.org/about/about2.php>
- ICCR's Bylaws, available at <http://www.iccr.org/about/By-LawsFINAL062310.pdf>

International Corporate Governance Network (ICGN)

Main Headquarters

16 Park Crescent
London, W1B 1AH
United Kingdom



About

- The International Corporate Governance Network (ICGN) is a membership organization of institutional investors, business leaders, policy-makers and professional advisors from around the world who have a mutual interest in promoting good corporate governance.
- The Network's mission and purpose is to raise corporate governance standards worldwide. It is fulfilled through: convening meetings and conferences to promote dialogue and providing a network for the exchange of information about corporate governance internationally; developing and disseminating best practices through the work of its policy committees; and advocating policy reforms through responding to consultations and having high-level engagement with policy-makers and standard setters.¹⁶
- The Network has evolved into a global membership organization of around 600 leaders in corporate governance in 50 countries, with institutional investors representing assets under management of around US\$18 trillion.

Principles

- Two objectives have guided all planning at ICGN: First, program committees select topics and speakers to draw the widest possible geographic representation and ICGN membership—particularly as governance reform have spread throughout the world. Second, both the annual event and the growing between-conferences work program stress the ICGN's primary mission of protecting the rights of shareowners in corporate governance around the world "So that economies can best prosper," as stated by the 1999 ICGN Principles.
- ICGN members are diverse but share a mutual interest in promoting good corporate governance. This enables the ICGN to draw on three unique strengths:
 1. Breadth and expertise which extends across the global capital markets to include senior decision-makers and opinion leaders in the practice of corporate governance;
 2. Magnitude of institutional investors who collectively represent funds under management in excess of US\$18 trillion, giving a focus on the role of shareholders responsible for the long term savings of the wider community;
 3. Geographic diversity with members drawn from every region including Africa, Europe, Latin America, the Middle East, North America, and South and East Asia.

¹⁶ For example, ICGN has recently published two new best practice guidelines - the ICGN Guidance on Political Lobbying and Donations and Model Contract Terms Between Asset Owners and Managers.

History

- The origins of the ICGN stem from discussions at an International Roundtable of the Council of Institutional Investors (CII) in Washington D.C. in Spring 1994.
- The ICGN was formally founded on March 29, 1995 in Washington D.C. with its first meeting, chaired by Professor William Crist, then President of CalPERS. The meeting, which took place at the Watergate Hotel (the Watergate meeting), convened 49 innovators and leaders in international corporate governance to inaugurate a new organization that would promote routine communication among institutional investors. Many of the organizations represented had been involved in shareholder activism in their respective jurisdictions, but few had been in regular communication with each other or knew much of each other's progress.¹⁷
- The Founding Principles, which members provisionally adopted in June 1996, authorized the ICGN to engage in "The development of corporate governance guidelines." And, just one year later, delegates in Paris agreed to generate standards of best practice in share voting and governance in general.
- The Cross-Border Voting Committee produced a text adopted at the 1998 annual meeting in San Francisco. At this meeting, the first Working Group on Global Corporate Governance Principles produced the global governance guidelines which were later adopted at the 1999 meeting in Frankfurt, complementing the recently issued OECD Principles of Corporate Governance. These achievements came under the chairmanship of TIAA-CREF's Peter Clapman.
- Later, other committees were created: Executive Remuneration, Business Ethics, Director and Shareholder Dialogue, Integrated Business Reporting, Corporate Risk Oversight, Accounting and Auditing Practices, Shareholder Responsibilities and Shareholder Rights.

Parent organizations

- The ICGN development process was coordinated by various individuals representing diverse organizations including CalPERS, TIAA-CREF, PIRC, IRRRC, Institute of Chartered Secretaries and Administrators, The Corporate Library and many others.

Governance

- The ICGN was incorporated as a company limited by guarantee under the law of England and Wales in January 2008. Its Secretariat is housed by the Institute of Chartered Secretaries and Administrators (ICSA) in London.
- The ICGN is guided by bylaws that have been made by the Governors in accordance with the ICGN's Articles of Association.
- The ICGN is governed by the Board of Directors which manages and controls its affairs: including setting and reviewing the company strategy, monitoring management and being accountable to the ICGN membership. The Board consists of 7-12 members that are proposed by the ICGN Nomination Committee and elected by ICGN members at the Annual General Meeting. The tenure of office is one year, with a three-year limit.
- The Board delegates responsibility for the day-to-day management of ICGN to the ICGN Secretariat and is advised by a number of organizing committees. These committees are the Awards Committee, Bylaws and Procedures Committee, Finance Committee, Membership Committee and Nominating Committee.

¹⁷ At the time, only two services routinely monitored cross-border corporate governance for funds with international portfolios: Investor Responsibility Research Center (IRRC) and Institutional Shareholder Services (ISS).

- The ICGN Foundations (U.K. & U.S.) act in the public interest to support corporate governance education worldwide. To date, 50 people from around the world have benefited from ICGN scholarships and become part of the ICGN network.

Funding

- The ICGN is funded by membership fees and event sponsorship.

Helpful links

- ICGN Global Corporate Governance Principles 2009, available at http://www.icgn.org/files/icgn_main/pdfs/best_practice/global_principles/icgn_global_corporate_governance_principles-_revised_2009.pdf
- Statement on Global Corporate Governance Principles: Adopted July 9, 1999, at the Annual Conference in Frankfurt, available at http://www.ecgi.org/codes/documents/icgn_principles.pdf
- ICGN Founding Principles, Accountability-Central.com, available at <http://www.accountability-central.com/nc/single-view-default/article/icgn-founding-principles/>

International Forum of Sovereign Wealth Funds (IFSWF)

Main Headquarters

N/A

The logo for the International Forum of Sovereign Wealth Funds (IFSWF) consists of the letters "IFSWF" in a bold, blue, sans-serif font, centered within a light blue rectangular background.

About

- The International Forum of Sovereign Wealth Funds (IFSWF) is a voluntary group of Sovereign Wealth Funds (SWFs), which meets to exchange views on issues of common interest and facilitate an understanding of the Santiago Principles and SWF activities.
- The forum acts as a platform for exchanging ideas and views among SWFs and with other relevant parties (issues such as trends and developments pertaining to SWF activities, risk management, investment regimes, market and institutional conditions affecting investment operations, and interactions with the economic and financial stability framework); hearing views on the application of the Santiago Principles including operational and technical matters; and encouraging cooperation with investment recipient countries, relevant international organizations and capital market functionaries to identify potential risks that may affect cross-border investments and to foster a non-discriminatory, constructive and mutually beneficial investment environment.
- The Forum members are the SWFs that participated in the International Working Group of Sovereign Wealth Funds (IWG) and endorsed the Santiago Principles. Membership is open to other funds that meet the Santiago Principles definition of a SWF and endorse the Santiago Principles. Each member is entitled to nominate up to three senior level officials of the SWFs, its owners or governing body(ies) as its representatives.

Principles

- The Forum will operate in an inclusive manner and facilitate communication among SWFs, as well as with recipient country officials and representatives of multilateral organizations and the private sector. Through its work, the Forum will contribute to the development and maintenance of an open and stable investment environment, thereby supporting the four guiding objectives underlying the Santiago Principles:
 1. To help maintain a stable global financial system and free flow of capital and investment;
 2. To comply with all applicable regulatory and disclosure requirements in the countries in which they invest;
 3. To invest on the basis of economic and financial risk and return-related considerations;
 4. To have in place a transparent and sound governance structure that provides for adequate operational controls, risk management and accountability.

History

- The Forum was established by the International Working Group of Sovereign Wealth Funds (IWG), which met in Kuwait City on April 5-6, 2009.
- The IWG published the Generally Accepted Principles and Practices: Santiago Principles on October 11, 2008. In completing its work, the IWG recognized that SWFs are important participants in the international monetary and financial system. Their activities have helped promote growth, prosperity and economic development in

capital exporting and receiving countries. They also help contribute to macroeconomic and financial stability. In presenting the Principles to the International Monetary and Financial Committee, the IWG recognized that the framework suggested by the Principles could benefit from continuing exchange of views and study of SWF activities. To facilitate this and to follow up on the work undertaken in the context of the Santiago Principles, the IWG reached a consensus (the Kuwait Declaration) on April 6, 2009, in Kuwait City to establish the International Forum of Sovereign Wealth Funds.

Parent organizations

- The International Working Group of Sovereign Wealth Funds (IWG) established the IFSWF.

Governance

- Chair and Deputy Chairs: A Chair and two Deputy Chairs were elected by consensus by the Forum members and shall initially hold the position for a period of two years.
- Sub-groups: The Chair and Deputy Chairs, in consultation with the Forum members, may establish sub-groups on special topics. A sub-group can consist of Forum members and external experts with a proven record and expertise as determined by the Forum. Such sub-groups report and make recommendations to the Forum with regard to the mandates for which they are established.
- Secretariat: The Forum has a professional Secretariat to facilitate the activities of the Forum and its sub-groups and efficient cooperation and communication among its members and with other relevant parties. The Secretariat shall work under the direction of the Chair and Deputy Chairs. The Secretariat will be responsible for keeping a record of the Forum's meetings, agendas, decisions, actions and announcements, and facilitate the work of the Forum. The Forum has requested the IMF staff to initially undertake this role on mutually agreed scope of engagement and financial terms.
- The Forum meets at least once a year. Meetings for special purposes can be held as required and as determined by the Chair and Deputy Chairs. They propose the agenda for the Forum meetings and circulate it to the members ahead of the meetings. Sub-groups may meet more frequently so as to complete their mandated tasks and report to the Forum at its regular meetings.
- The Chair and Deputy Chairs, in consultation with Forum members, can also invite relevant recipient countries and any other person, entity or organization, private or public, with an interest in the business of SWFs as observers.

Funding

- Members meet their own costs as they relate to attending the Forum meetings or other Forum activities. The costs related to organizing the Forum meetings are borne by the host member.
- The Forum is working towards establishing its own budget and regular source of funding.

Helpful links

- IWG – Kuwait Declaration, available at <http://www.iwg-swf.org/mis/kuwaitdec.htm>
- GAAP – Santiago Principles, available at <http://www.iwg-swf.org/pubs/gapplist.htm>

International Integrated Reporting Council (IIRC)

Main Headquarters

16 Park Crescent
London, W1B 1AH
United Kingdom



About

- The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. This coalition shares the view that communication about businesses' value creation should be the next step in the evolution of corporate reporting. It aims to lead the development of a global framework for Integrated Reporting.
- The mission and purpose of the Council is to create the globally accepted International Integrated Reporting (IR) Framework that elicits information from organizations about their strategy, governance, performance and prospects in a clear, concise and comparable format. The Framework will underpin and accelerate the evolution of corporate reporting, reflecting developments in financial, governance, management commentary and sustainability reporting. The IIRC will seek to secure the adoption of IR by report makers and gain the recognition of standard setters and investors. By encouraging a different way of thinking, the Council aims to contribute to the advancement of a more resilient global economy.
- The IIRC is comprised of a Business Network and an Investor Network which help to develop and test the principles, content and practical applications of IR. The Business Network is composed of over 80 businesses across the globe, from multinational corporations to public sector bodies, and the Investor Network is composed of over 30 institutional investors including the CFA Institute, APG, PGGM and the Inter-American Development Bank.

Principles

The purpose of the Pilot Programme Business Network is to:

- Provide the IIRC with structured feedback on key building blocks in the Framework to inform its development and practical application.
- Build business momentum towards implementation of IR.

The purpose of the Pilot Programme Investor Network is to:

- Provide an investor's perspective on the shortfalls of current corporate reporting.
- Provide constructive challenge and feedback on emerging reporting from Pilot Programme reporting organizations and the International Integrated Reporting Framework being developed.
- Engage with peers in the investor community on IR.

History

- The IIRC was created in 2009 when the Prince of Wales convened a high-level meeting of investors, standard setters, companies, accounting bodies, UN representatives and various NGOs, including the Prince's Accounting for Sustainability Project, the International Federation of Accountants and the Global Reporting Initiative (GRI), to establish a body to oversee the creation of a globally accepted Integrated Reporting framework.
- In 2010 and 2011, the IIRC held a series of successful meetings around the globe resulting in the development of Integrated Reporting through regional roundtables, the launch of the <IR> Discussion Paper, and the establishment of the <IR> Pilot Programme.
- In September 2011, the IIRC published a discussion paper titled *Towards Integrated Reporting: Communicating Value in the 21st Century*. It considered the rationale for Integrated Reporting, offering initial proposals for the development of an International Integrated Reporting Framework and outlining the next steps towards its creation and adoption. Its purpose was to prompt input from all those with a stake in improved reporting, including producers and users of reports.
- The Business Network was then launched in October 2011, and the Investor Network launched in March 2012, chaired by Colin Melvin, CEO of Hermes.

Parent organizations

- The IIRC development process was coordinated by the Prince of Wales.

Governance

- The IIRC is comprised of the Council, Working Group and Secretariat, together with such sub-committees and task forces that may be established from time to time. It is incorporated as International Integrated Reporting Council Limited, a private company limited by guarantee and subject to the oversight of its Board of Directors, who have fiduciary duties and are accountable to the company and consequentially accountable to the IIRC.
- The Council's role, as a forum for senior representatives of the IIRC's member organizations, is to:
 - i. Advise on the IIRC's mission, role and governance practices;
 - ii. Provide thought leadership, intellectual contribution and strategic insights relating to IIRC initiatives and activities;
 - iii. Lend weight and credibility to the IIRC's profile.
- The Working Group's role is to provide practical guidance in developing positions and making recommendations as appropriate to the Board and Council on matters submitted for its review in the context of the IIRC's initiatives and activities, notably as they relate to the process to:
 - i. Develop the Framework;
 - ii. Promote the adoption of Integrated Reporting by relevant government and regulatory bodies, report preparers and investors;
 - iii. Determine long-term institutional arrangements for the IIRC.

- The Secretariat's role is to ensure the planning, coordination and execution of initiatives, activities and interactions undertaken in support of the IIRC's mission and role. Secretariat staff is currently based in the United Kingdom (in facilities provided by ACCA), France, South Korea, USA, Spain, Netherlands, Ukraine, South Africa and Japan. Most are on secondment from partner organizations.

Funding

- Unknown

Helpful links

- International Integrated Reporting Council: Governance, available at <http://www.theiirc.org/wp-content/uploads/2011/02/IIRC-GOVERNANCE-2012-04.pdf>

Investor Network on Climate Risk (INCR)

Main Headquarters

99 Chauncy Street, 6th Floor
Boston, MA 02111
United States



About

- The Investor Network on Climate Risk (INCR) is a North America-based investor network that partners with investors worldwide to advance the investment opportunities and reduce the material risks posed by sustainability challenges such as global climate change and water scarcity. Members include asset managers, state and city treasurers and comptrollers, public and labour pension funds, foundations, endowments and other institutional investors. INCR supports more than 100 institutional investors with assets totalling over US\$11 trillion.
- The Network's mission and purpose is to leverage the collective power of these investors to promote improved investment practices, policies, disclosure and corporate governance practices on the business risks and opportunities posed by climate change.
- INCR is a member of the Global Investor Coalition on Climate Change (GIC), launched in November 2012, and works with its partner investor networks in Europe, Australia and Asia on joint climate-related initiatives.
- INCR works with its members on a variety of projects and initiatives through issue specific working groups.

Principles

- INCR works with its members on investment practices, corporate engagement and policy advocacy on climate change, and other material sustainability issues.
- In 2012, in connection with the Fifth Investor Summit on Climate Risk and Energy Solutions at the United Nations, INCR released *2012 Investor Action Plan on Climate Change Risks and Opportunities*, which included the following commitments:
 - Analyze and manage climate risks and opportunities in portfolios
 - Integrate climate risk considerations into external manager procurement and monitoring
 - Invest in low-carbon solutions
 - Accelerate integration of energy efficiency into investment decision making
 - Assess and manage water risks and opportunities in portfolios
 - Encourage companies to improve disclosure, governance and practices on climate and sustainability at both the corporate and supplier level
 - Support international, national, sector-specific and sub-national policy action
 - Work with regulators and others to ensure companies disclose material effects of climate change on their businesses

History

- INCR was launched by 10 investor leaders on November 21, 2003, at the first Institutional Investor Summit on Climate Risk at the United Nations in New York City. The event convened investors representing over US\$1 trillion in assets. UNEP Executive Director Klaus Toepfer welcomed the group to the UN. INCR has since held biennial Investor Summits at the UN, including the fifth Investor Summit on Climate Risk and Energy Solutions in January 2012.
- In 2013, INCR celebrates its 10th anniversary, and the network has grown to over 100 members with over US\$11 trillion in assets.

Parent organizations

- The INCR is a project of Ceres, an organization that works with investors and companies to expand the adoption of sustainable business and investment practices to build a sustainable global economy.

Governance

- Ceres serves as the INCR's Secretariat.
- INCR working groups are responsible for engaging with their investor peers to advance ESG issues on a variety of fronts—from corporate disclosure and performance to sustainable policy and regulations. The current working groups are INCR Policy, Investment Practices, Investment Consultants, SEC/Disclosure, Sustainable Stock Exchanges, Integrated Reporting, Water, and Shareholder Corporate Engagement.
- INCR working groups meet monthly, bi-monthly or quarterly via phone or web meeting and are supported by INCR staff.

Funding

- INCR is funded by membership fees, event sponsorships and foundation grants.

Helpful links

- Investor Summit on Climate Risk and Energy Solutions: Final report, available at <http://www.ceres.org/resources/reports/2012-investor-summit-on-climate-risk-energy-solutions-final-report/view>
- 2012 Investor Action Plan on Climate Change Risks and Opportunities, available at <http://www.ceres.org/incr/investor-summit/summit-files/2012-investor-action-plan>
- Physical Risks from Climate Change: A guide for companies and investors on disclosure and management of climate impacts, available at <https://www.ceres.org/resources/reports/physical-risks-from-climate-change/view>

Network for Sustainable Financial Markets (NSFM)

Main Headquarters

N/A



About

- The Network for Sustainable Financial Markets (NSFM) is an international, non-partisan network of individuals that includes finance sector professionals, academics and others who have an active interest in long-term investing. Participants do not speak for any entity with which they might be associated, unless they expressly chose to do so.
- The Network seeks to focus research and debate the underlying causes of financial market instability and the development of fundamental reforms. It believes that the recurring crises recently experienced in our financial markets are not isolated incidents. Rather, this instability is evidence that the financial market system is in need of well thought-out reform so that it can better serve its core purpose of creating long-term sustainable value. The Network's goal is to foster interdisciplinary collaboration on research and advocacy projects between market professionals, academics and other opinion-leaders.
- The Network counts approximately 200 individuals representing some of the foremost thought leaders in their field, including Robert A.G. Monks, Robert Eccles, Stephen Davis and Keith Ambachtsheer.

Principles

- The Network seeks to focus research and debate on the underlying causes of financial market instability and on the development of fundamental reforms. To that end, its members set forth the following principles to guide their participation in the reform process:
 - i. The economic and social purpose of markets is to create long-term, sustainable value, which requires the efficient allocation of capital towards that goal
 - ii. Sustainable value creation requires that hidden risks and rewards be identified and valued
 - iii. Balance between short-term and long-term views is needed
 - iv. Market participants must take responsibility for their actions
 - v. Governance at all financial institutions should be improved
 - vi. Better alignment of financial interests is needed to reduce agency costs
 - vii. A coordinated global approach is needed to better protect the financial markets

History

- The Network was launched in April 2008, and the focus to-date has been drafting its Principles, defining how the initiative will work and setting up its website.

- The Network has organized several working groups that are described on its website. As outputs are developed by these working groups, they are posted on the website and might subsequently be published or circulated elsewhere.
- In December 2012, NSFAM announced the appointment of a new paid Executive Director, Cary Krosinsky, previously VP at Trucost, hinting at intentions to formalize the Network. Founding supporters came together at the end of 2012 to contribute financially to the scaling-up of the network after four years of operating on a voluntary basis. These supporters were Aviva, Sustainalytics and various individual members of the Network.

Parent organizations

- The Network sets itself apart by being independent from other institutions. Raj Thamotheram was particularly instrumental in the establishment and development of the network.

Governance

- The NSFAM is a non-stock, non-profit corporation organized and existing under the laws of the State of Illinois.
- Its Board of Directors is composed of at least three and no more than twelve directors; the size is set by action of the Board. The Board is fully responsible for all interests, activities, transactions and other business of the NSFAM with full power and authority to manage and conduct such business at and between meetings. It conducts advisory referenda of NSFAM participants as it deems appropriate, but at least annually.
- Working groups are self-organizing and are facilitated by group coordinators.

Funding

- The NSFAM was funded by 14 individual and two organizational founding supporters.

Helpful links

- Who We Are, NSFAM, available at <http://www.sustainablefinancialmarkets.net/about/>

Principles for Responsible Investment (PRI)

Main Headquarters:

Bath Place Business Centre
2 Bath Place, Rivington Street
London EC2A 3DR
United Kingdom



About

- The UN-backed Principles for Responsible Investment (PRI) is a network of international investors working together to put the six Principles for Responsible Investment into practice.
- The PRI's mission and purpose is to grow investor interest in environmental, social and corporate governance (ESG) issues, support signatories in their fulfilment of the six PRI Principles, and contribute to the debate about the role of the investor in the creation of a sustainable financial system that rewards long-term responsible investment and benefits the environment and society as a whole.
- As of January 2013, over 1,100 investment institutions had become signatories, with combined assets under management of more than US\$32 trillion.

Principles

- The Principles, which were devised by the investment community, reflect the view that ESG issues can affect the performance of investment portfolios and, therefore, must be given appropriate consideration by investors if they are to fulfil their fiduciary (or equivalent) duty.
- As consistent with their fiduciary responsibilities, signatories commit to:
 1. Incorporate ESG issues into investment analysis and decision-making processes.
 2. Be active owners and incorporate ESG issues into their ownership policies and practices.
 3. Seek appropriate disclosure on ESG issues by the entities in which they invest.
 4. Promote acceptance and implementation of the Principles within the investment industry.
 5. Work together to enhance their effectiveness in implementing the Principles.
 6. Report on their activities and progress towards implementing the Principles.

History

- In 2005, the UN Secretary-General invited a group of the world's largest institutional investors to join a process in developing the PRI. Individuals representing 20 institutional investors from 12 countries agreed to participate in the Investor Group. The Group accepted ownership of the Principles and had the freedom to develop them as they saw fit.
- The Group was supported by a 70-person multistakeholder group of experts from the investment industry, intergovernmental and governmental organizations, civil society and academia. The process, conducted between April 2005 and January 2006, involved a series of day-long discussions and debate. The PRI emerged as a result of these meetings.

Parent organizations

- The PRI development process was coordinated by the UN Environment Programme Finance Initiative (UNEP FI) and the UN Global Compact.

Governance

- The PRI Initiative is implemented through PRI Association (PRIA), a British-based not-for-profit company limited by guarantee.
- The PRI established a management and governance framework to make decisions that create long-term value for its signatories and the initiative. These are embodied in PRIA's Articles of Association and PRIA's Administrative rules.
- Today, this framework comprises a 16-person PRI Advisory Council including two permanent members from the United Nations, 13 elected representatives from all categories of signatory and regions of the world and an elected Chair. A seven-person PRIA Board is supported by several Committees.
- Signatories directly elect the 13 representatives for the Council, and the asset owner members of the Council and the Chair appoint and dismiss members of the Board.
- The Board is skills-based and is responsible for the legal and fiduciary management of PRIA and oversight of the Secretariat.
- Clearly defined roles and responsibilities for members of the Council, Board and Secretariat have been agreed and documented, covering areas such as strategy and governance, operations and management, risk, finances and communications. These ensure that the Secretariat remains accountable to the Board and the Board to the Council, in a timely and transparent manner.
- Board Committees include Audit and Risk, Membership, and Remuneration, and Council Committees include Ethics, Governance, Nomination, and Election Oversight.

Funding

- Until 2011, the PRI relied on the financial and in-kind support of generous contributors from the network to ensure the successful delivery of its products and strategy. Since 2011, all signatories have an annual subscription fee that is on a sliding scale according to the relative size of the investor and other criteria.
- A small amount of funding comes from institutional grants, governments international organizations. This funding is normally associated with specific projects and agreed objectives such as in the case of the Danish government's contribution to the work of the PRI Academic Network.
- Corporate sponsorship and in-kind support is also given for stand-alone events such as the annual PRI in Person event.

Helpful links

- About us, Principles for Responsible Investment, available at <http://www.unpri.org/about>
- Governing the PRI Initiative, available at <http://www.unpri.org/files/PRI%20governance.pdf>



FIGURE: PRI GOVERNANCE OVERVIEW

Social Investment Organization (SIO)

Main Headquarters

184 Pearl Street, 2nd floor
Toronto ON M5H 1L5
Canada



About

- The Social Investment Organization (SIO) is a national, membership-based organization that includes financial institutions, investment firms, financial advisors, and various organizations and individuals interested in socially responsible investment. The SIO's purpose is to promote the practice of sustainable and socially responsible investment (SRI) in Canada.
- SIO members believe that SRI represents a useful investment tool to enhance returns and reduce risk, and can be a catalyst for positive social change. SRI is the integration of environmental, social and governance factors in the selection and management of investments.
- According to the SIO's website, its members serve over six million Canadian depositors and investors.

Principles

The SIO's four-part mandate is:

- To take a leadership role in furthering the use of social and environmental criteria within the investment community in Canada
- To raise public awareness of socially responsible investment
- To establish the case for environmental/social analysis with other investment organizations
- To provide a forum and information source on socially responsible investment for their members and the public

History

- Unknown

Parent organizations

- In its current formation, the support (through membership) of the Sustaining Members – the mutual fund companies with SRI funds were instrumental in the creation of a sustainable financial model for the SIO.

Governance

- The SIO is governed by its Board of Directors which is elected by SIO members as outlined in its bylaws and governance practices. Under the bylaws, there are twenty positions on the Board, and any member in good standing is eligible to be nominated or to submit his or her name for election. Sustaining Members each appoint one representative to the Board, while the remaining positions are filled by election from the members.

Funding

- The SIO is funded by membership fees event sponsorship and event registration.

Helpful links

- SIO website, available at <http://www.socialinvestment.ca>

The Forum for Sustainable and Responsible Investment (US SIF)

Main Headquarters

910 17th Street NW, Suite 1000
Washington, DC 20006
United States



About

- The Forum for Sustainable and Responsible Investment (US SIF) is the U.S. national SIF membership association for professionals, firms, institutions and organizations engaged in sustainable and responsible investing. Its members include investment management and advisory firms, mutual fund companies, research firms, financial planners and advisors, broker-dealers, banks, credit unions, community development organizations, non-profit associations, pension funds, foundations, Native American tribes and other asset owners.
- The organization's mission and purpose is to advance investment practices that consider environmental, social and corporate governance criteria to generate long-term competitive financial returns and positive societal impact.
- The association has grown to 400 members.

Governance

- US SIF is supported in its work by the US SIF Foundation, a 501(c)(3) organization that undertakes educational, research and program activities to advance the mission of US SIF. Both organizations have staff in Washington D.C. and a 17-member board, of which 12 directors are elected at-large by and from the membership at US SIF's annual meeting by a majority of members voting either in person or by proxy.
- The US SIF and US SIF Foundation boards of directors manage and control the affairs and property of the organizations, including setting organizational policies, raising funds, adopting the annual budget and hiring, evaluating, supervising and terminating the Chief Executive Officer. The boards of the two organizations are identical except that each has its own chair.
- There are two standing committees of the board: the executive committee, which is comprised of the four to five executive directors and the CEO, and the nominating committee. The executive committee can approve changes to policies and other matters to ensure the smooth day-to-day operations of US SIF. However, it is not allowed to fill vacancies on the board or on any board committee, amend or repeal the US SIF's bylaws, or take any action that affects more than 5 percent or US\$5,000 of US SIF's budget, whichever is higher. The nominating committee deals with vacant board seats and issues related to director elections.
- The board holds at least three in-person meetings per year.

Funding

- The US SIF is funded by membership fees, philanthropic contributions and event sponsorship.

Helpful links

- Our Work – US SIF, available at <http://ussif.org/projects/>

UNEP FI's Natural Capital Declaration (NCD)

Main Headquarters

UNEP Finance Initiative
International Environment House, Office D-512
15 Chemin des Anémones
1219 Châtelaine, Geneva
Switzerland



About

- The Natural Capital Declaration (NCD) is a commitment by CEOs from the finance sector. The NCD was born out of the insight that financial institutions could benefit from greater guidance to embed specific aspects of ESG factors in their risk management, due diligence, loans, investments and insurance activities.
- Signatories believe that capital markets do not sufficiently account for risks associated with unpredictable changes in ecosystems, and that there is a significant lag between a clear reflection of such risks, notably valuation, integration and pricing of such risks, in the inner working of the financial system. Therefore, by signing the Declaration, they commit to integrate natural capital considerations into investment, banking and lending decisions and in purchasing decisions, and to call on governments to provide the enabling environment for the private—and financial—sector to make this transition.
- This initiative is supported by over US\$7 trillion under management by the finance sector.

Principles

- The endorsing financial institutions wish to demonstrate leadership by global collaboration through working groups and engagement with their customers, investee companies, suppliers, civil society and other stakeholders as appropriate to:
 1. Build an understanding of the impacts and dependencies of Natural Capital relevant to our operations, risk profiles, customer portfolios, supply chains and business opportunities.
 2. Support the development of methodologies that can integrate Natural Capital considerations into the decision-making process of all financial products and services, including in loans, investments and insurance policies. They recognize that given the diversity of the financial sector, embedding Natural Capital considerations will differ across asset classes and types of financial institutions. They, therefore, aim to build on work undertaken through other initiatives, such as the UN-backed Principles for Responsible Investment, the Equator Principles, the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance, and The Economics of Ecosystems and Biodiversity (TEEB), so that they can develop methodologies to:
 - a. Apply a holistic approach to evaluating bonds and equities through the integration of Natural Capital considerations in ESG risk analysis in short-, medium- and long-term growth forecasts of investee companies;

- b. Systematically consider and value Natural Capital in the credit policies of specific sectors, including commodities, that may have a major impact on Natural Capital either directly or through the supply chain;
 - c. Systematically consider and value Natural Capital in core insurance business strategies and operations including risk management, risk underwriting, product and service development, claims management, sales and marketing, and investment management.
3. Collaborate, when appropriate, with the International Integrated Reporting Committee and other stakeholders to build a global consensus around the development of Integrated Reporting, which includes Natural Capital as part of the wider definition of resources and relationships key to an organization's success.
 4. Work towards building a global consensus for the integration of Natural Capital into private sector accounting and decision making, supporting, when appropriate, the related work of the TEEB for Business Coalition, and other stakeholders.
- By endorsing this declaration, signatories wish to demonstrate their commitment to the eventual integration of Natural Capital considerations into private sector reporting, accounting and decision making, with standardization of measurement and disclosure of Natural Capital use by the private sector.

History

- The idea of a Declaration evolved as part of UNEP FI's work on biodiversity and finance and its effort to articulate a business case for financial institutions to address natural capital issues in their business operations.
- In 2010, the debate on the interconnectedness of biodiversity and finance prompted the publication *Demystifying Materiality: Hardwiring biodiversity and ecosystem services into finance*, launched by UNEP FI and its private sector members at the Conference of the Parties to the Convention on Biological Diversity in Nagoya, Japan, that year. During 2010 and 2011, six regional meetings saw financial institutions, the United Nations and members of civil society reach an agreement on the need to lay down their common position.
- The NCD was born out of the discussions and feedback from these meetings. In 2011, it joined forces with a parallel finance sector initiative of the same name facilitated by Oxford-based environmental think-tank the Global Canopy Programme and leading Latin American business school Fundação Getulio Vargas.
- In October 2011, Declaration conveners presented the Natural Capital Declaration at UNEP FI's Global Roundtable and invited the world's financial institutions to sign it.
- The NCD was publicly launched just ahead of the June 2012 UN Conference on Sustainable Development (Rio+20).

Parent organizations

- The NCD was convened and facilitated by a team comprising the UNEP FI, the Global Canopy Programme and the Center for Sustainability Studies of the Business Administration School of the Getulio Vargas Foundation.
- The support of CHK Charities, the TEEB Initiative and the British Embassy in Brazil has also played an important part launching the Declaration.

Governance

- Unknown

Funding

- Unknown

Helpful links

- UN NDC website, available at <http://www.naturalcapitaldeclaration.org/resources>

Published by the International Institute for Sustainable Development.

International Institute for Sustainable Development

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