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RI Europe 2014:
the investor-corporate summit

4th & 5th June 2014 | The Tower Hotel | London

Conference Report

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RI Europe 2014: the investor-corporate summit

3rd - 5th June 2014 | The Tower Hotel | London

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Eurosif

G&A GOVERNANCE & ACCOUNTABILITY INSTITUTE, INC.

Greenleaf PUBLISHING

IIGCC

IPE INVESTMENT & PENSIONS EUROPE

Natural Capital Declaration

UNEP Finance Initiative

GCP

novethic.fr

UKSIF UK Sustainable Investment and Finance Association

valuecsr

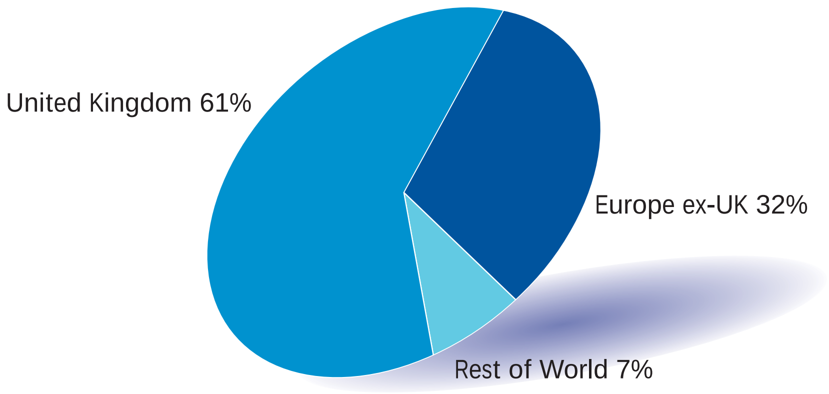
responsible-investor.com/europe2014

RI Europe 2014 attracted 502 delegates from 272 companies and 28 countries

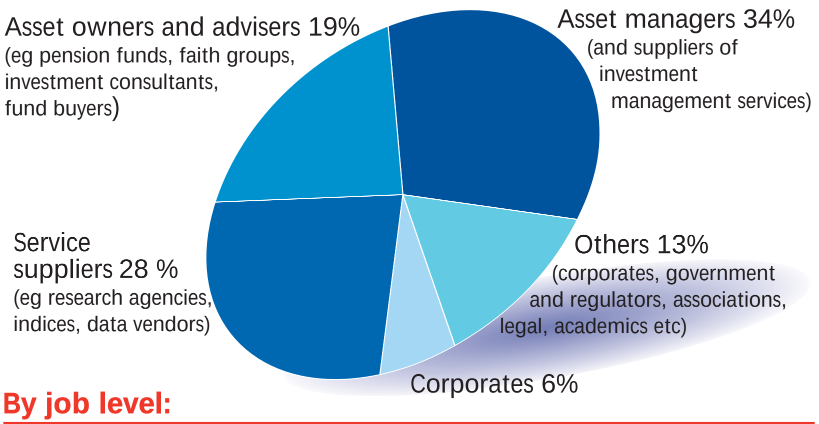
By country:

Australia	3
Austria	1
Belgium	3
Brazil	1
Canada	5
Czech Republic	1
Denmark	6
Finland	3
France	35
Germany	15
India	1
Ireland	1
Italy	4
Japan	1
Kazakhstan	1
Liechtenstein	1
Luxembourg	3
Mexico	3
Netherlands	42
Norway	3
Russian Federation	2
Singapore	1
South Africa	7
Spain	3
Sweden	16
Switzerland	24
United Kingdom	305
USA	11

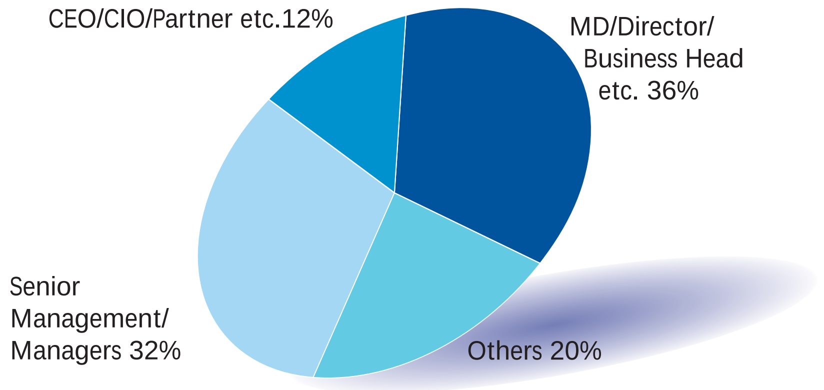
By region:



By type of company:



By job level:



By Company:

- 3i
- ABP
- Access to Nutrition Foundation
- Achmea
- ActionAid UK
- Advanced Boardroom Excellence
- AGF International Advisors
- Alecta
- Alliance Trust Investments
- AllianceBernstein
- Anesvad
- AP1
- AP2
- AP3
- AP4
- AP6
- APG Asset Management
- Arabesque
- Asia Research & Engagement
- ATP
- Auriel Capital
- AXA Group
- AXA Investment Managers
- BA Pensions
- BAE Systems
- Baillie Gifford
- Bank J. Safra Sarasin
- Barclays
- Barclays UK Retirement Fund
- BBC Pension Scheme
- Blackstone
- Bloomberg
- Bloomberg New Energy Finance
- BNP Paribas Investment Partners
- Bouwinvest
- BP
- Bridges Ventures
- Brunswick
- BSkyB
- BSR
- BT
- BT Pension Scheme
- Business Benchmark
- BVCA
- Caisse des Depots
- CAMRADATA Analytical Services

- Canada Pension Plan Investment Board
- Carbon Tracker
- Carnstone Partners
- CBC TRANS
- CBRE Global Investors
- CCLA Investment Management
- CDP
- CEMEX
- CGG
- Christian Aid
- Church of Sweden
- Cinven Partners
- Climate Bonds Initiative
- Climate Change Capital
- CofE Ethical Investment Advisory Group
- COFRA Holding
- Comgest
- Crayford Ash
- Credit Suisse
- Danone
- Dasos Capital
- Deutsche Bank
- Deutsche Telekom
- Diageo
- EBRD
- ECI Partners
- EIRIS
- Element Investment Managers
- Empresas ICA
- Environmentency Pension Fund
- ERM GmbH
- Erste Sparinvest
- Esmée Fairbairn Foundation
- Ethical Screening
- Eurizon Capital
- European Investment Bank
- Eurosif
- F&C Asset Management
- Fidelity Worldwide Investments
- Financial Reporting Council
- First State Investments
- First State Stewart
- FMO
- Folketrygdfondet
- Folksam
- Franklin Templeton Investments
- FTSE Group
- Future Fund
- G4S
- GEPF
- GES
- GlaxoSmithKline
- Global Impact Investing Network
- Global Reporting Initiative
- GMI Ratings
- Goldman Sachs
- Green Investment Bank
- Greenleaf Publishing
- GRESB
- Guggenheim Partners
- Gulf Keystone Petroleum
- Harvard
- Hermes EOS
- HgCapital
- Holden & Partners
- HowEsg
- ICGN
- Henley Business School
- IIGCC
- Impax Asset Management
- Imperial College London
- Independent Capital Management
- Inderst Advisory
- Inflection Point Capital Management
- ING Investment Management
- InkunziESG
- Institutional Investors Roundtable
- Investec Asset Management
- IPE
- ISS Governance
- Italcementi Group
- IVOX GmbH
- JANA Investment Advisers
- Joseph Rowntree Charitable Trust
- JP Morgan
- Kempen Capital Management
- Kepler Cheuvreux
- KfW Bankengruppe
- Kingfisher
- KLP
- KPMG
- La Française Inflection Point
- Länsförsäkringar Fondförvaltning
- Lawyers 4 Better Business
- Learning Schools Trust
- LGT Financial Services
- Lion Capital
- Local Trust
- M&G Investments
- Maplecroft
- Mercer Investment Consulting
- Merseyside Local Authority Pension Fund
- MHP Communications
- Minoan Investment Capital
- Mirova
- MN Services
- Morgan Stanley
- MRG Comms
- MSCI ESG Research
- NAPF
- NASDAQ
- National Grid
- National Pensions Reserve Fund of Ireland
- Natixis Global Asset Management
- Natural Capital Declaration
- NEST Corporation
- Newton Investment Management
- Nomura International
- Nordea Asset Management
- Northern Trust Asset Management
- Norwegian Council on Ethics
- Notenstein Private Bank
- Novethic
- Oaktree Capital Management
- Oddo Securities
- OECD
- oekom research
- Old Mutual
- Ontario Teachers' Pension Plan Board
- OPTrust
- Ownership Capital
- Oxfam
- Pension Protection Fund
- Permian Global
- PGGM
- PIMCO
- Pinsent Masons
- PIRC
- PKA
- Plan de Pensiones BBVA
- Plan de Pensiones Caixa - Caixabank
- Polden-Puckham Charitable Foundation
- Preventable Surprises
- PRI Initiative
- Prius Partners
- Profit Through Ethics
- QUICK
- Quotient Investors
- Rabobank
- Radley Yeldar
- Reed Smith
- ReFine Research Charity
- RepRisk
- Resonance
- Responsible Investor
- Rob Lake Advisors
- Robeco
- RobecoSAM
- Rockspring Property Investment Managers
- Rogge Global Partners
- Royal DSM
- Royal Dutch Shell
- Royal London Asset Management
- RPMI Railpen Investments
- Ruffer
- RWC
- S&P Dow Jones Indices
- SANOFI
- Sappi
- Schroder Investment Management
- SD-M
- SEIU Master Trust
- Seven Investment Management
- ShareAction
- Siemens
- SITAWI
- SNS Asset Management
- Social Finance
- Solaron Sustainability Services
- SRI-Connect
- Standard Chartered
- Standard Life Investments
- Strategic Assets Partners
- Strathclyde Pension Fund
- Style Research
- Sustainable Investment Partners
- Sustainalytics
- Swedish Ethical Council
- Swiss Re
- Sycomore Asset Management
- Symbiotics
- T. Rowe Price
- Takasaki City University of Economics
- Tang Family Foundation
- Tesco
- The Blended Capital Group
- The Central Church Fund of Finland
- The Independent Newspaper, Russia
- The Pensions Trust
- The Wellcome Trust
- Threadneedle Investments
- THS Partners
- Towers Watson
- Triodos Investment Management
- Trucost
- UK Green Investment Bank
- UK Trade & Investment London
- UKSIF
- UNEP
- UNEP Finance Initiative
- UniCredit
- Unilever UK Pension Fund
- Unipension
- UNISON
- University of Bath
- University of Edinburgh
- University of Hohenheim
- University of St Gallen
- USS Investment Management
- valuecsr
- Vesta
- Vigeo Rating
- Waterman EED
- Waterman Group
- WHEB Asset Management
- WWF-UK

502 delegates over two days participated in high-level debate from some of the leading responsible investment and corporate sustainability figures at the RI Europe 2014 Conference at the The Tower Hotel on June 4-5.

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Day 1, Welcoming Remarks: Michael Baldinger

Michael Baldinger, Chief Executive Officer of RobecoSAM, lead sponsor for the conference, welcomed delegates to the RI Europe 2014 conference with the observation that SRI is "not a hygiene factor any more" and that it needed to be look at clearly as a "business driver." He called for responsible investment to be "demystified" pointing out that his firm's Sustainability Investing (SI) video on YouTube video had received 160,000 hits, suggesting that there was public interest for the subject if presented well: "Today, sustainability investing can be active or passive, it can mean: theme funds, clean growth private equity, engagement and voting, impact, best-in-class indices and the list goes on. At RobecoSAM, we have spent the past few years working on providing sophisticated, tailored, and holistic sustainability investing solutions. It is our experience that asset owners need this. They need a manager that can work within their motivations - financial, ethical, communication, impact – and goals and regulatory frameworks."

> "Incorporating financially-material ESG factors into your portfolio means long-term returns and it means you are making a better informed investment decision"

Baldinger said RobecoSAM saw a large untapped market out there, especially when the majority of investors realize that sustainability investing is not that complicated, is better performing than they think and is driving money towards creating a better society as a whole: "The most recent advancement we made to help pension funds across Europe was creating a new role within the RobecoSAM team: the role of Sustainability Investing (SI) Client Specialist which is dedicated solely to speaking to pension funds in order to understand their specific needs and goals when it comes to integrating ESG factors into their portfolios: "Incorporating financially-material ESG factors into your portfolio means long-term returns and it means you are making a better informed investment decision. It also means mitigating risk, fulfilling your fiduciary duty, achieving a positive socio-economic impact, and creating value for ALL stakeholders."

Day 1, Conference Keynote: Eric Wetlaufer

The RI Europe 2014 keynote speaker was **Eric Wetlaufer, Head of Public Market Investments at the C$225m (€151m) Canadian Pension Plan Investment Board (CPPIB).**

During his talk, entitled "Focusing Capital on the Long Term," Wetlaufer said the CPPIB had started an initiative 'of the same name' a year ago to do exactly that, and that since then the project had attracted the participation of the likes of asset management giant BlackRock and consumer goods group Unilever. According to Wetlaufer, the initiative is looking at two methods to promote long-termism. The first is designing new long-term metrics and benchmarks for companies and investors. This work is being done in conjunction with fellow Canadian pension fund the Caisse de dépôt et placement du Québec. More than 20 investment professionals were "deeply involved".

> "innovation and strong financial returns are the top two benefits that can be realised if senior executives take a longer term view when making business decisions"

The second had to do with engagement by investors with corporates regarding long-term value creation. "This includes ESG (environmental, social and governance) factors, but goes beyond them to include a more broad understanding of the companies' long-term strategy," Wetlaufer said. He argued the case for long-termism, saying market short-termism was not only adversely influencing the pricing of securities, but also leading to "herd behaviour, excess volatility and bubbles". He spoke of investment returns "not over the next quarter but the next quarter century". On the corporate side, Wetlaufer said companies were telling the CPPIB that "innovation and strong financial returns are the top two benefits that can be realised if their senior executives took a longer term view when making business decisions." Since the CPPIB, together with the US business consultancy McKinsey, launched the initiative, 17 companies and investors have joined it including Singapore state investor GIC and Indian industrial group Tata. The results of the project are to be announced in an action plan next year.

Day 1, Plenary 1: "Focusing capital on the long term"

Paul Lee

Matthew Kiernan

The opening plenary debate of the conference, featured **Erik Breen, Manager, SRI at Triodos Investment Management, Matthew Kiernan, Chairman, La Francaise Inflection Point, Paul Lee, Head of Investment Affairs at the National Association of Pension Funds and Helene Winch, Director of Policy and Research at the Principles for Responsible Investment**. It was moderated by **Rob Lake** of Rob Lake Advisors. Lake pointed to the "plethora" of long-term investment projects currently underway: the CPPIB/McKinsey initiative for example, and work by the OECD and PRI. Kiernan, seeking the evidence that the "long-term works and short-term hurts", identified a 'brontosaurus in the room', which he defined as a lack of institutional courage to act in a "highly intermediated value chain" and take radical decisions about investment. He called for a dose of "organisational testosterone" to kick-start a conservative industry. Taking up the theme and speaking from the floor, delegate **Raj Thamotheram** suggested instead the bonding hormone oxytocin, to encourage collaboration. Breen agreed with Kiernan in calling for systemic

Day 1, Plenary 1: “Focusing capital on the long term”


Rob Lake

change: “We need true leadership, and to no longer think in metrics. The solution is real stewardship.” He went on: “If you do things for the right purpose the business case will follow.” Breen said he would favour a form of integrated reporting for the investment industry, to show how it creates value under the Integrated Reporting initiative’s “six capitals” structure. The NAPF’s Lee stressed that everyone who looks after money is a fiduciary, therefore, “the only way we can do our jobs is to think about our beneficiaries”. The PRI’s Winch advocated re-thinking the way pension trustees work: “a few more women, a few less retired people”. The PRI, she said, is looking at 12 factors for inclusion in investment mandates, including beliefs, time horizons, turnover targets, risk management and manager compensation. Keith Ambachtsheer, the respected Canadian pensions expert, is working on the evidence to be presented at the ‘PRI in Person’ conference in September.

> “We need true leadership, and to no longer think in metrics. The solution is real stewardship”


Helene Winch

Day 1, Plenary 2: "What might a brave new world of ownership capital look like?"

RI Europe's second plenary session dealt with the state of affairs in shareholder engagement. **Kirsty Collins, Director of Investor Relations at UK pharmaceuticals firm GlaxoSmithKline**, noted that the company, at the direction of its top management, welcomed engagement from shareholders and did its utmost to answer their questions and concerns. Collins also described the quality of the engagement on ESG (environmental, social and governance) issues by shareholders as "very high." The discussion then turned to the US. **Gary Hewitt, Head of Research at GMI Ratings**, said there was plenty of "event-driven" engagement going on in that market, citing as an example the shareholder votes on executive pay that got a lot of media attention in the past few years. However, Hewitt also said most engagement between shareholders and US companies took place behind the scenes. According to him, the Shareholder-Director Exchange (SDX), launched last February to arrange dialogues between big investors and companies, was an ideal platform for such discreet engagement. SDX's participants include US asset managers BlackRock, State Street and Vanguard as well as pension schemes Ontario Teachers' Pension Plan (OTPP) and Florida's State Board of Administration. **Roel Nieuwenkamp, Chairman of the OECD's Working Party on Responsible Business**, brought up the problem of investors not, individually, being able to induce companies to perform better on ESG issues. "The big question is what do you do if you only own 1% of a company whose behaviour you don't like. That's a difficult question, as you clearly don't have leverage." But Nieuwenkamp said that rather than "cut and run," responsible investors should "stay and improve." To achieve that, he recommends that investors form coalitions as they did against UK mining firm Vedanta. Indeed, investors with a

> "The big question is what do you do if you only own 1% of a company whose behaviour you don't like."

David Styles, Kirsty Collins and Roel Nieuwenkamp

Day 1, Plenary 3: The future of corporate and investor reporting and measurement: financial numbers in a sustainable context?

shared concern about a company can even enlist the support of the OECD as a mediator, he said. In the Vedanta case, Nieuwenkamp said that the firm ultimately did not go ahead with a bauxite mine in India because a coalition of several investors staunchly opposed it for human rights reasons.

Four years after its launch, **David Styles, Director of Corporate Governance on the Financial Reporting Council (FRC)**, gave the audience an update on the UK Stewardship Code, which recommends that investors regularly engage with companies, be transparent about their voting and form coalitions with others to gain leverage. Styles said the Code had been very successful with around 300 asset managers and asset owners having signed up. However, Styles also said the FRC would review the Code's implementation because some engagement between investors and companies was still too "skin deep." As part of the review, the FRC is examining the percentage of mandates awarded by asset owners to asset managers that explicitly refer to stewardship and will unveil its findings later this year.

Day 1, Plenary 3: The future of corporate and investor reporting and measurement: financial numbers in a sustainable context?

Moderating the panel, **Nelmara Arbex, Deputy Chief Executive, Guidance Support and Innovation at the Amsterdam-based Global Reporting Initiative (GRI)** said financial materiality was key to the GRI reporting process and that the organisation had included investors in its reporting process from the beginning. The ensuing discussion focused on whether corporate reporting was actually being used by investors and whether the current data gathering process by ESG research firms was onerous. **David Adkins, Chief Investment Officer, The Pensions Trust**, which looks after the retirement schemes of 2,400 not-for-profit organisations, noted that it was difficult to plough through the large sustainability reports of companies and so the Trust was looking at comparable data that its asset managers should be looking at: "We believe ESG factors add value over the long term and that they should be integral to the way our asset managers operate and that they should be asking those questions of investee companies." He said the Trust would soon be looking to grade its asset managers on their efforts and would likely publish that information in its own annual report.


David Adkins


Remy Briand and Marleen Janssen Groesbeek

Day 1, Plenary 3: The future of corporate and investor reporting and measurement: financial numbers in a sustainable context?

Remy Briand, Managing Director, Global Head of Index and ESG Research at MSCI, was challenged on whether MSCI used questionnaires in its information gathering, which corporates have complained are time consuming and coming from too many different parties. Briand said they didn't and that questionnaires were "probably useless". He said sustainability reports were a large, useful source of corporate information alongside external third party sources such as court fines, breaches of international norms, access to 'freedom of information' data and media reports. But he agreed that companies and stakeholders had told the company that there were too many 'asks' on data and that the industry should be careful of that. However, **Julia Kochetygova, Senior Director, Product Management, S&P Dow Jones Indices**, which does use questionnaires for gathering the sustainability data composition of the Dow Jones Sustainability Index, said the surveys provided "robust proof" that companies were doing what they said. She argued that there would be little sustainability disclosure without them. In the future she said she would like to see more mandatory disclosure encouraging companies to look at sustainable performance as part of their core business. Only 37% of companies, she said, could demonstrate sustainability-related costs savings today: "Unless companies recognize the areas where they can see tangible benefits, then we won't get the kind of reporting we want," she said. **Marleen Janssen Groesbeek, Sustainability Manager Engagement & Learning** at **Royal DSM**, the Dutch multinational life sciences company, who has seen the corporate reporting process from all sides as a journalist, a corporate governance professional and a corporate sustainability expert, said there had been huge improvements in the way sustainability data was viewed as 'serious' corporate information, but she seriously doubted anyone was actually using it: "We do refer to sustainability in the context of turnover and higher margins, but in the same vein we also have to think about how much money its costs us to produce this information. Is it really looked at? From a cost/benefit perspective you could ask whether we should skip the report and save ourselves a lot of money?"

"Unless companies recognize the areas where they can see tangible benefits, then we won't get the kind of reporting we want"

Julia Kochetygova

The Matrix Day 1, Stream A:
Sustainable investor asset allocation and ESG integration

Panel 1
Green technology: water treatment, waste and energy efficiency

The moderator was **Howard Pearce, Director, HowEsg (formerly head of Environment Agency Pension Fund)**

Annie Degen, Special Advisor, long term finance and energy efficiency coordinator at UNEP FI, noted that of the EU's 2020 targets requiring €85bn in energy efficiency savings, €65bn of these would come out of the built environment, indirectly meaning property investors. She noted that initiatives in Australia meant that there was an obligation for companies to look at the potential opportunities in energy efficiency, which she said could be a potential model for Europe. She said a recent UNEPFI report, titled: "Commercial Real Estate: Unlocking the energy efficiency retrofit investment opportunity", was a good first step for investors wanting to further investigate the opportunities.

Annie Degen


Mirjam Staub-Bisang, Co-Founder and Managing Partner of Independent Capital Management, noted that resource efficiency technologies is a global megatrend with estimated 8-12% growth per annum, or two to three times that of global GDP. The largest markets, she said were energy and water efficiency.

Mirjam Staub-Bisang


The Matrix Day 1, Stream A: Sustainable investor asset allocation and ESG integration

Panel 2
Are faith investors getting active with their assets?

The moderator was **Hugh Wheelan, Managing Editor, Responsible Investor**. **Sara Nordbrand, Head of Corporate Engagament, Church of Sweden**, for the church's €630m in treasury assets, said it had become more pro-active with its external asset managers on long-term sustainability, including holding debates with their fund managers and looking closely at the issue of incentives. She said they wanted to exchange more information on the theme with other asset owners.

James Corah, Deputy Head of Ethical & Responsible Investment, CCLA, said the fund manager ran money for more charities than any other fund manager in the UK, and provided the secretariat to the £15bn Church Investors Group (CIG) of 52 members, which encourages investment policies based upon faith. More practically, he said, the CIG supports academic assessment of corporate engagement as well as international engagement co-ordination.

Hugh Wheelan, James Corah and Sara Nordbrand

The Matrix Day 1, Stream A:
Sustainable investor asset allocation and ESG integration

Panel 3
Renewables infrastructure: wind, solar and hydro

The moderator was **Aled Jones, Head of Responsible Investment – EMEA, Mercer**. **Angus McCrone, Chief Editor, Bloomberg New Energy Finance** pointed out that while the last two years had seen a drop in overall renewables investment, down more than 20% in new investment per annum from $318bn in 2011 to $254bn in 2013, it appears a corner may have been turned in Q1, 2014, which saw higher investment than Q1, 2013. But, he noted the importance of looking at the levellised cost of electricity across different renewables sectors, pointing out, for example, that offshore wind had got more expensive because of deeper water projects, while solar/PV had become radically cheaper. He said BNEF predicted that by 2030 73% of all total spend on power generation would be into renewables, but that this would still only make up 36% of total energy production.

Eli Bleie Munkelien, Vice President, Corporate Responsibility and Corporate Governance, at KLP, Norway's largest life insurance company with a primarily passive investment portfolio, had decided to marry returns and responsibility in a more active fashion by investing in a new portfolio of renewable energy projects in developing countries in Africa south of Sahara to the tune of NOK 1 billion, over a period of 5 years. The company invests alongside Norfund, the Norwegian investment fund for developing countries, whose aim is to combine commercial returns with environmental sustainability and a contribution to economic growth and poverty reduction.

Angus McCrone, Aled Jones and Eli Bleie Munkelien

The Matrix Day 1, Stream A:
Sustainable investor asset allocation and ESG integration

Panel 4
ESG integration in equities

Emma Hunt, Senior Investment Consultant, Towers Watson, moderated.

Christopher Greenwald, Head of Sustainability Investing Research at RobecoSAM and Willem Schramade, Global Equity Analyst at Robeco said the major problem today with most ESG integration frameworks is that they are actually "forms of aggregation", dealing with the fact that companies don't report the material impacts of sustainability and address too many issues that are isolated from business impacts. Structurally, they said, asset management remains constrained by short-term performance, meaning that medium- to long-term strategic ESG factors were ignored. To that end, they said Robeco and RobecoSAM focused analysis on the 'most financially material' sustainability factors for each company working in close collaboration with equity and fixed income analysts and also helping to modify the longer-term assumptions that can capture the impacts of sustainability issues on company financial models.

Bernard Icard, Head of Proprietary Listed Equity, Caisse des Depôts, France said the 'long term' for the Caisse was an average 7-year holding period in large companies. Its €14bn listed equity portfolio has 110 companies and is run in a bottom-up, stock picking style. Icard noted that the Caisse's philosophy is to be a shareholder not an investor and that it had taken five years to change the way staff worked in terms of putting ESG factors into its stock selection, where he said it accounted for 10% of the decision, of which 40% is on governance factors, although he noted that the Caisse was looking to go beyond this 10%: "We have to ask ourselves what we have missed in terms of big financial problems that have had major ESG risks in them. There were warning signs about BP Macondo that many ignored, just as there were lending issues and bonus incentive problems prior to the financial crisis. For the future, we are looking especially at issues like bankers' bonuses as financial risks."

Bernard Icard

The Matrix Day 1, Stream B:
Corporate/ESG Research Issues

Panel 1
Board diversity and gender: Are today's corporate boards fit for a fast-moving, mixed economy?

The speakers were **Tamara Box, Partner at Reed Smith and Member of the Steering Committee at the 30 Percent Club**, and **Helen Pitcher, Chairman of consulting firm Advanced Boardroom Excellence**. The session was moderated by **Mike Tyrrell, Editor of SRI Connect**. Pitcher observed that the Chairs of company boards were now thinking "much more broadly" about diversity and there was much more openness. Indeed, she said there was a danger of having an "old girls' network": a relatively small number of women getting multiple directorships. The way round this was to make sure there was a strong pipeline of female executive talent to feed into the board recruitment process. Boards needed to take a role in succession pipelines, she said, because the appointment of female non-executive directors in isolation was merely a "quick fix". Box echoed this, pointing out that the so-called 'marzipan layer' just under the board, the executive committee level, comprises just 6% women on average. On the question of women's lack of top-level experience she said: "Do men come out of the womb having been on a board?"

Tamara Box and Helen Pitcher

The Matrix Day 1, Stream B:
Corporate/ESG Research Issues

Panel 2
Where next for the fossil fuel divestment campaign?

Eric Roston and Mark Campanale

The speakers were **Mark Campanale, Founder and Executive Director of the Carbon Tracker Initiative and Martin Grosskopf, Vice President and Portfolio Manager, Director of Sustainable Investing at AGF International Advisors**. The moderator was **Eric Roston, Sustainability Editor for Bloomberg.com**.

Campanale discussed his work on 'unburnable carbon' and how it is "fundamentally an investment issue". He explained how rigorous the research needs to be when you go to meet companies: "Boy, do you have to know your stuff!". His presentation inevitably turned to divestment, with Campanale saying: "Once you've sold your shares what do you do? Tell the next guy to sell his shares? The problem is markets. The first thing we have to do is close the door on coal IPOs." He said Carbon Tracker's first report – the one picked up by Bill McKibben that sparked the current fossil fuel divestment debate – doesn't even mention divestment, but added: "without Bill this issue could have been a flash in the pan." If there is to be divestment, it should be at the individual project level, Campanale argued. The recent response from ExxonMobil to shareholders seeking assurances about its carbon risks was "a very long suicide note by the oil industry", he said. Grosskopf, said current market signals don't support divestment: "in fact I see people looking to invest". ESG approaches were unlikely to alter the trend. He added that we needed to give oil firms' views "more credence than we tend to", noting that companies tended to be "a little bit more astute than investors". He said AGF's investment approach was to run a fund of thematic allocation to environmental solutions providers and those companies making efficient resource use, which he said could provide a high impact approach on the environment and have diversification benefits for investors.

> "Once you've sold your shares what do you do? Tell the next guy to sell his shares?"

The Matrix Day 1, Stream B: Corporate/ESG Research Issues

Panel 3
Enhanced analytics: does ESG/broker research have the breadth, timeliness and quality to be relevant to mainstream investors?

The speakers were **Jean-Philippe Desmartin, Senior Analyst and Head of ESG Research at Oddo Securities and Neil Brown, SRI Investment Manager at Alliance Trust.** It was moderated by **Robert Schwob, Founding Chief Executive of Style Research**. Desmartin noted how brokers "need a price signal in order to be paid for research. If investors want ESG research they have to pay for it." ESG was increasingly becoming a factor in broker reviews by clients, he said. He touched on the decision to relaunch the Enhanced Analytics Initiative, a project that ran from 2004-2008 to promote good ESG research, saying he was confident the initiative would make good progress. Brown warned that not paying for good research meant it was "going to go". Mainstream analysis, he argued, was mostly of poor quality and unfocused in delivery: "It's pretty terrifying how little is being read." So, the work needs to be relevant and material. On other hand, SRI research, he said, is at least as good as the mainstream in terms of quality and timeliness, and it is getting read. He urged users to adopt the concept of a "good buyer" and think about what constitutes a decent margin for providers.

> "If investors want ESG research they have to pay for it"

Neil Brown, Jean-Philippe Desmartin and Robert Schwob

The Matrix Day 1, Stream B:
Corporate/ESG Research Issues

Panel 4
Sustainability assessment of governments and what it means for sovereign fixed income investors

Andreas Knörzer

The speakers were **Andreas Knörzer, Head of the Asset Management Division at Notenstein Private Bank and Lizabeth Campbell, Director, Human Rights and Societal Risk at Maplecroft.** The moderator was **Vipul Arora, Co-Founder of Solaron Sustainability Services**. Campbell explained how structural risks impact government sustainability and thus investment risks, feed into an impact on long-term government bond yields. For example, Spain, faced with a series of problems, was now a medium risk (from low before). Political freedoms and social gains were leading indicators of political risks, she said, pointing to the likes of Ukraine, Libya, Thailand and Syria. Knörzer looked at how the efficient allocation of scarce resources could enhance a government's long-term performance and solvency. Notenstein, he said, has created a sustainable 'pool' of counties as an investment universe, including Germany, Switzerland, Norway and Australia. Excluded are countries such as Spain, Greece, the US and Russia. He pointed out that fixed income analysts have much better quality data from sources such as the IMF than their equity analyst colleagues.

Responding to a question about S&P's decision to start factoring environmental issues into their ratings, Knörzer was brief: "Finally they got it!"


Lizabeth Campbell and Vipul Arora

The Matrix Day 1, Stream C: Investor/corporate themes and market sustainability

Panel 1
Environment: fracking, fossil fuel and ‘at risk’ sectors from tightening green regulation

RI Europe 2014’s Matrix Stream C got underway in the afternoon of the first day with a discussion of the potential risks to investors in the fossil fuels industry. The panel featured **Dana Sasarean, Senior Analyst at MSCI ESG Research and Sasja Beslik, Head of Responsible Investments at Nordea** and was moderated by **Jane Goodland, Senior Investment Consultant at Towers Watson**. Sasarean listed the opportunities and risks linked to the current hydraulic fracturing (or “fracking”) boom in the US. While fracking should lead to huge new reserves of natural gas in the US, Sasarean said investors should be aware of the numerous environmental and health concerns surrounding the process, not the least of which was its huge need for water. This is relevant considering that many areas in the US are being increasingly hit by drought. Moreover, air and water pollution caused by fracking could prompt tighter regulation of the companies in the sector, the MSCI analyst said. Investors should therefore pick fossil fuel companies that attempt to limit their environmental impact, Sasarean added, citing Woodside, Inpex and Novatek. Beslik agreed with Sasarean that the fracking boom in the US had provided investors with both a huge opportunity but also serious risks, which is why his firm would, by the end of the year, come up with a new investment strategy for the sector: “We will have a quite clear picture of how the fossil fuel industry will develop not just over the next two years, but the next ten. And we will also try to figure out that as industrialised countries switch to renewables how the investor will be able to exit the industry without sacrificing performance.” Beslik also said that the big investors he’s talked to recently are not buying the “stranded assets” argument, as they do not see tighter regulation of the fossil fuel industry on the horizon.

> “While fracking should lead to huge new reserves of natural gas in the US . . . investors should be aware of the numerous environmental and health concerns surrounding the process, not the least of which was its huge need for water”

Jane Goodland

The Matrix Day 1, Stream C: Investor/corporate themes and market sustainability

Panel 2
Green bonds and new financing methods for green growth: going mainstream?

Eila Kreivi, Lenora Suki and Sean Kidney

The emerging green bonds market was the topic discussed during Matrix Stream C's second panel. The speakers were **Lenora Suki, Senior Product Strategist for Sustainability at Bloomberg LP and Eila Kreivi, Head of Capital Markets at the European Investment Bank (EIB)**. The panel's moderator was **Sean Kidney, who is the Co-Founder and Chief Executive of the Climate Bonds Initiative (CBI)**, an NGO that promotes investment in and clear standards for green bonds. Setting the stage for the discussion, Kidney said the CBI believes that the green bond market could grow to $100bn next year from $40bn this year and to as much as $300bn by 2018. The market is currently $20bn. According to Suki, the growth is being driven by a desire among investors for "stable value vehicles". "Up until now, if you wanted to invest in green, really you were doing so via equities and perhaps taking on more beta risk than you've been interested in. So I think there is tremendous pent-up demand for the bonds," she said. Kreivi of the EIB, which has issued €2.6bn in green bonds – the largest volume to date – added that it was "exciting" to see that the buyers were not just socially responsible investors but also large mainstream players. "The kind of growth we are talking about cannot happen without those investors," she said. With the proceeds from its green bonds, the EIB is financing projects in three main areas: renewable energy, energy efficiency and sustainable transport. Kidney closed the panel by pointing out two hindrances to further growth. A minor one, he said, was that deal flow – i.e. climate friendly projects to be financed – is currently not as strong as it could be. A major one, he said, was the possibility of a green-washing scandal, which is why the CBI is so intent on ensuring the integrity of the green label, he said. Suki and Kreivi shared the sentiment.

"Up until now, if you wanted to invest in green, really you were doing so via equities and perhaps taking on more beta risk than you've been interested in"

The Matrix Day 1, Stream C:
Investor/corporate themes and market sustainability

Panel 3
Measuring the social impact of responsible investment

The third panel of Matrix Stream C dealt with whether responsible investing can really have a social impact. The speakers were **Annika Tverin, Director of Social Finance, a UK non-profit organisation, and Iain Richards, Head of Corporate Governance and Responsible Investment at Threadneedle**, the London-based fund manager. The panel was moderated by **Piet Klop, a Senior Advisor for Responsible Investment at Dutch pension giant PGGM**.

During the discussion, Tverin noted that a pension fund, even with small sums, could have a huge impact by investing in companies that specialise in environmental or social causes. Such corporate examples that Social Finance works with include HCT Group, which provides low-cost transportation to people who do not have access to mainstream transport, Cool2Care, which recruits and trains caregivers to the disabled, and One Services, which provides support to ex-convicts to reduce the risk of reoffending. HCT Group and Cool2Care get their revenue through public sector contracts. In the case of One Services, the UK justice ministry provides payments based on the extent to which reoffending is avoided. According to Tverin, investors could potentially receive an internal rate of return of up to 14% from a current project by One Services in Peterborough, UK. “The risk to the investor is of course that that project does not succeed, and the justice ministry doesn’t pay,” she added. According to Richards, investors looking to have a social impact would find a partner in Threadneedle Investments, as the asset manager had fully integrated environmental, social and governance (ESG) analysis into its investment process. “Core to our approach is the believe that well governed companies are better positioned to manage the risks and challenges inherent in business and to capture opportunities that help deliver sustainable value and returns for our clients,“ he said. Richards noted that Threadneedle had gone a step further as part of a policy of specifically targeting social returns by launching a social bond fund in the UK in January 2014 that aims to achieve both an investment return and a positive social outcome

> “ a pension fund, even with small sums, could have a huge impact by investing in companies that specialise in environmental or social causes ”

Annika Tverin, Iain Richards and Piet Klop

The Matrix Day 1, Stream C: Investor/corporate themes and market sustainability

Panel 4
Impact investment: capital philanthropy or an institutional grade investment approach?

The panel was moderated by **Caroline Mason, Chief Executive, Esmée Fairbairn Foundation**, and speakers were **Brian Bailey, Non-Executive Chairman of UK proxy firm PIRC and Meg Brown, UK Liaison for the Global Impact Investing Network**. According to Bailey, there are compelling reasons for institutions like pension funds to have a positive social impact when they invest. Beyond suiting schemes that have a responsible investment policy, impact investing provides a tangible financial benefit, namely risk diversification, he said. He cited several examples including that for medical care access, education, infrastructure, financial inclusion, resource utilities (food, energy, water) as well as conservation and climate protection. Yet Bailey also said that while, in his view, impact investing was the "right thing to do," there are several challenges associated with it. Chief among them is the lack of a track record, liquidity and scale.

> "there are several challenges associated with it (Impact investing). Chief among them is the lack of a track record, liquidity and scale"

Tackling the issue of liquidity, Brown said the sector was attracting more demand as evidenced by the Threadneedle fund launch that invests in debt issued by organisations that support socially beneficial activities and economic development in the UK. The growth of Impax, the £2.25bn UK asset manager that specialises in environmental investing was another example, she said. Brown said property should be used more to make a positive social impact, making the theme more mainstream.

Meg Brown, Caroline Mason and Brian Bailey

The Matrix: Day 2. Stream A

Sustainable investor asset allocation and ESG integration

Panel 1

Can indices really make institutional portfolios more sustainable?

Paul Cox, Francois Passant and Mamadou-Abou Sarr

The moderator was **Francois Passant, Executive Director at Eurosif**. The speakers were **Paul Cox, Investment Advisor at NEST Corporation and Mamadou-Abou Sarr, Senior Vice President and Senior Equity Strategist with Northern Trust Asset Management**. Cox explained how the UK workplace scheme uses pooled funds in an "unusual marriage" of index investment styles and an "explicit organisational belief" in ESG. He related how NEST has run a statistical project with index firm FTSE that found that environmental management was the second biggest portfolio risk, which both institutions found "alarming". But it allows NEST to focus its stewardship activities with no wasted efforts for members: "It's all about stewardship but it's very targeted and statistically proven." Sustainability, he said, was a 'value' not a values decision. Northern Trust's Sarr went through the firm's project with ISS to look at the ownership structures of emerging markets companies, focusing on those that are quasi-government/family owned and at those which have issues around board composition/independence. This, he said, had led to an exclusion list ("the worst of the worst") and a custom index product with MSCI. There would be an announcement shortly about an engagement overlay partner to add a governance component, he added.

The Matrix: Day 2. Stream A
Sustainable investor asset allocation and ESG integration

Panel 2
ESG Integration in fixed income


Mikkel Velin

Simon Howard, Chief Executive Officer of UKSIF moderated, with speakers **Pernille Jessen, Portfolio Manager at Unipension and Mikkel Velin, Global Credit Analyst at Rogge Global Partners**. Jessen explained how the €13.5bn Danish pension fund has an €8bn fixed income portfolio, of which €1.5bn is in emerging market debt. A key point she made was that Unipension was very cautious about not "scuppering" positive development in developing countries: "We just have to accept they're starting from a different point." Emerging market debt and ESG were "very, very closely connected" given issues around environmental degradation and social factors. But more research and data was needed. Rogge's Velin presented a case study of how the firm has avoided media group News Corp. given its ownership structure and lack of substantial code of ethics. "We avoided it historically without advertising the fact," he said – adding Rogge decided not to buy into News Corp. before or after the phone hacking scandal broke in 2011.

"Rogge decided not to buy into News Corp. before or after the phone hacking scandal broke in 2011"


Pernille Jessen and Simon Howard

The Matrix: Day 2. Stream A

Sustainable investor asset allocation and ESG integration

Panel 3
ESG integration in private equity

The moderator was **John Hodges, Director Financial Services at BSR**. The panel debated the extent to which private equity ‘gets’ ESG. **David Russell, Co-Head of Responsible Investment at the Universities Superannuation Scheme (USS)**, spoke of the difficulty, historically, that there has been in getting private equity General Partners (GPs) to take ESG seriously. He said: “I’ve had meetings with GPs in the past where they look at you like a communist,” though this has changed over time. Russell pointed out that 10% of the signatories to the Principles for Responsible Investment are now private equity GPs. He said a lot of GPs do look at ESG issues, it’s just that the terminology is different. Russell felt that reporting back to clients (the Limited Partners, or LPs) is less important than sometimes thought: “What is important is that this is actually done by the GPs and portfolio companies: communication is just the output.” **Jesse de Klerk, Investment Director at Robeco**, said he’d seen a change in client demand in terms of sustainability since the financial crisis in that LPs want to avoid negative surprises. Discussion turned to the PRI’s ESG Disclosure framework, with Russell saying its strength lies in that it includes both GPs and LPs.

“I’ve had meetings with GPs in the past where they look at you like a communist”

John Hodges, Jesse de Klerk and David Russell

The Matrix: Day 2. Stream A
Sustainable investor asset allocation and ESG integration

Panel 4
Post-investment engagement with portfolio companies - the private equity journey to date

Clara Barby


The panel speakers were **Clara Barby, Partner & Head of IMPACT+ at Bridges Ventures, Alison Hampton, Legal Counsel of HGCapital and Alan Roux, Operating Partner at Blackstone.** It was moderated by **Penelope Latorre, Technical Director of the Waterman Group**. Hampton explained how HGCapital's usual acquisitions were typically smaller companies and the challenge was to put RI policy into a "language they could understand". Roux said governance was a "lynchpin" at portfolio companies and that the firm's Chief Sustainability Officer is targeting $100m in annualized savings, via, for example, rooftop solar installations at portfolio companies: "Nothing hits the bottom line like the environmental initiatives," he said. In terms of renewable investment, Blackstone is backing the massive Meerwind project in Germany as well as the Bujagali hydroelectric project in Uganda. One issue was how to get ESG onto the agenda at portfolio companies such as Hilton Hotels and United Biscuits. But Blackstone hasn't signed up to the PRI, as Roux says the firm feels it is already "ticking most of the boxes" and because of the PRI's specific reporting requirements. Barby said Bridges had a specific programme of post-investment engagement with portfolio companies to ensure they behave as well as they perform. This, she said, included regular engagement to manage impact risks and identify social value and then report this back to clients.

The Matrix Day 2, Stream B: Corporate/ESG Research Issues

Panel 1
Food safety, health scares and consumer responses?


Rory Sullivan and Helena Viñes Fiestas

The moderator was **Hugh Wheelan, Managing Editor, Responsible Investor**. **Helena Viñes Fiestas, Head of Sustainability Research BNP Paribas Investment** Partners, noted that the broad debate around food and nutrition could be summed up by "too much" transfat, sugar, alcohol and salt, and "not enough" fibre, omega 3 fatty acids and micronutrients. She said there were also question marks over additives, growth hormones, sweeteners and nanotechnology in food. The upshot, she said, was increased food product recalls in recent years, mainly for mislabelling (37%), but also because of food-borne pathogens (33%), which investors should be able to map the risk of. **Rory Sullivan, Independent consultant and Expert Adviser to the Business Benchmark, Farm Animal Welfare**, said that on the back of the 'horsemeat' scandal, there was increasing awareness among investors that food provenance was a significant risk. He explained that the Business Benchmark on Farm Animal Welfare looked at company's responses to the risk on three levels: management commitment and policy, governance and management, and innovation and leadership, which split companies out into six tiers of performance that investors should take into account in their engagements with these companies.

The Matrix Day 2, Stream B: Corporate/ESG Research Issues

Panel 2
The future of food products: exploring companies' responses to global health issues

Nikki Gwilliam-Beeharee, Martine Piaia and Rachel Crossley

Moderating the session, **Rachel Crossley, Senior Advisor, Access to Nutrition Index**, presented the global Index, which was launched in March 2013 with support from the Bill & Melinda Gates Foundation, The Wellcome Trust and GAIN. It scores and rates 25 of the world's largest food and beverage companies on their commitments, performance and disclosure to address obesity and undernutrition. **Nikki Gwilliam-Beeharee, Food and Health Research Manager, Vigeo Rating**, added a third issue 'ageing' to these two major global health issues. She noted that the three 'megatrends' are increasingly feeding into unsustainable health service costs and regulation such as Mexico's 10% tax on fizzy drinks. Alongside increasing numbers of lawsuits and challenges to labelling and advertising claims, she said investors needed to look along the value chain to assess what the impact – both risks and opportunities - to companies within their portfolios could be. **Martine Piaia, Nutrition Governance & Policy Manager at Danone**, explained how the company had been gradually moving its product range towards more healthy options over decades since the 1970s towards fresh dairy and water products as well as early and later life nutrition foods. Danone uses what it calls "nutritional competitive mapping", which she said aimed for more healthy products while ensuring that customers were not lost through changing taste results. In the last three years, Piaia said 31% of its products had recorded nutritional improvements.

The Matrix Day 2, Stream B:
Corporate/ESG Research Issues

Panel 3
Social media and online campaigning: is it changing the way consumers think about brands and sustainability?

The moderator was **Dwayne Baraka, Founder, valueCSR. Catherine Howarth, Chief Executive Officer at ShareAction**, the NGO for responsible investment, pointed to a number of ways it was using social media to amplify its voice. For example, she said Twitter campaigns around shareholder annual general meetings were good ways of drumming up attention on particular issues, but also of praising asset managers that had the courage of going public over concerns at companies. In addition, she said visual 'memes' and 'selfies' at AGM gave such events a more human angle. An on-line campaigning crescendo, she said was now also possible through a 'thunderclap', a timed, targeted tweet/post by hundreds of activists at the same time to create a big impact on the web. **Eddy Lambert, Web and Mobile Channel Manager, and Lydia Prieg, Private Sector Policy Advisor, Oxfam GB**, explained how Oxfam's Behind the Brands campaign, a digital public lobbying effort to enable consumers to pressure food and drink companies on issues like health and the environment. Prieg said Oxfam focused on being what they called a 'critical friend' because of the lack of success of previous 'knocking' campaigns. She said the NGO used 'carrot and stick' rankings for companies on their responses to issues, and worked with companies and stakeholders such as investors for their input on improving the scores. Lambert said the NGO had also tried to be more brand savvy itself, often co-opting the sales slogans of their targets. For example, he showed how it had taken Pepsi's "Love Pepsi" brand 'collateral' and juxtaposed it with a "Hate Pepsico's lack of policies on water" slogan, and feeding into the trend to 'like' things on social media.

Catherine Howarth

The Matrix Day 2, Stream B: Corporate/ESG Research Issues

Panel 4
Green real estate: understanding the value of sustainability

Helena Viñes Fiestas, Head of Sustainability Research at BNP Paribas Investment Partners, moderated. **Neal Shegog, Partner at Rockspring Property Investment Managers,** which runs €6.1bn in European real estate, said the manager took sustainability seriously but also had to grapple with conundrums around pricing and client rationale. He said Rockspring believed environmentally efficient properties should outperform in the long term through a combination of cost saving, better tenancy deals and re-sell value. However, he noted that currently tenants and landlords would not pay extra for energy efficient buildings and so sustainable buildings were not necessarily performing better, nor justifying the risk/return trade-off. He noted that Rockspring believes the dynamic will change as tenants become more concerned about energy costs, as planning becomes easier for sustainable buildings and valuations begin to reflect both.

Sander Paul van Tongeren, Head of Sustainability Global Real Estate and Infrastructure at APG, the €359bn Dutch pension fund manager, which runs 10% of its assets in real estate, said the firm believed ESG factors contributed to risk-adjusted returns, demonstrated social responsibility and contributed to the integrity of markets. Practically, he says the fund manager uses the GRESB real estate sustainability benchmark, of which it was founding member, to work with those property managers that score highly. He said GRESB members now represents €6.1 trillion in assets, but that while coverage was high in Europe at 97%, the challenge was to drive better coverage globally He said GRESB was working with the world's largest real estate lobby groups, EPRA and INREV, to produce a set of common sustainability indicators that would overcome the hurdle.

Sander Paul van Tongeren, Neal Shegog and Helena Viñes Fiestas

The Matrix Day 2, Stream C:
Investor/corporate themes and market sustainability

Panel 1
Emerging markets: making informed decisions about company/market quality, researching ESG risks on the ground

The speakers were **Nick Edgerton, Senior Investment Analyst at First State Stewart, and Peter Webster, Chief Executive of ESG research firm EIRIS**. The panel was moderated by **and Gustavo Pimentel, Managing Director of SITAWI – Finance for Good**.

> “There are hundreds of listed companies with the words solar, clean or green in their company name, but we have yet to invest in any of them . . . ”

Edgerton said investors could minimise the ESG risks in the emerging markets by taking an active rather than passive approach and not be taken in by companies that purport to be in the business of renewable energy. Regarding the latter point, he said: “There are hundreds of listed companies with the words solar, clean or green in their company name, but we have yet to invest in any of them. Among them is the solar company that dumped tonnes of toxic waste materials into a river system. Or a clean energy company that allegedly had a policy whereby all staff lost their bonuses if there was more than one pregnancy per department per year.”

> “. . . Among them is the solar company that dumped tonnes of toxic waste materials into a river system ”

Webster of EIRIS, which through a network of local partnerships researches emerging market companies, said that while responsible investment still had a long way to go, countries were catching up: “Some are keen to do so, as they increasingly see the value and hence can attract more investors,” he said. Examples include South Africa, which has become one of the leaders in responsible investment or Mexico, whose companies are increasingly understanding the importance of corporate social responsibility.

Nick Edgerton, Peter Webster and Gustavo Pimentel

The Matrix Day 2, Stream C:
Investor/corporate themes and market sustainability

Panel 2
Emerging markets: can you trust your investments? Governance and transparency

The second panel on emerging market investing featured a UK pension fund with a huge amount of experience in the asset class: RPMI RailPen, the £20bn scheme for the railway industry in Britain. **Representing RailPen was Frank Curtiss, Head of Corporate Governance**. The panel's other speaker was **June Choi, who is a Senior Analyst and an expert on South Korea at Axa Investment Managers**. The panel's moderator was **Benjamin McCarron, Managing Director, Asia Research and Engagement**. Curtiss said RailPen had been invested in the emerging markets for 15 years and has around £2bn invested there, £1.2bn of which is in equities and the rest in sovereign debt. The scheme's biggest exposure is in Brazil and Russia, but Curtiss said that this will shift more toward India and China. As to why RailPen has 10% of its assets in emerging markets, Curtiss said: "They are an important diversifier and can offer many potential macroeconomic advantages that are attractive to the long term investor." Investors, however, should be aware that in many cases their influence is limited, as "controlling shareholders are a fact of life" in these markets. Choi said that like in developed markets, "stock specific factors" explain why an emerging market stock may or may not perform. However, investors also need to be aware that the country risks for emerging markets are higher than those for developed markets, and that, hence, fundamental analysis is needed. Choi added that in looking for good opportunities in the emerging markets, investors should not be put off by the predominance of controlling shareholders or by the fact that many of the firms have the state as a shareholder.

“ controlling shareholders are a fact of life ”

June Choi, Frank Curtiss and Benjamin McCarron

The Matrix Day 2, Stream C:
Investor/corporate themes and market sustainability

Panel 3
Engaging with companies on supply chain risk issues

The speakers were **Lauren Smart, Executive Director at Trucost**, the environmental accounting company, and **James Gifford, former Executive Director of the Principles for Responsible Investment (PRI) who has joined Tau Investment Management as a Strategic Advisor.** The panel was moderated by **Valeria Piani, Head of Investor Engagements at the PRI**. Smart began the discussion by pointing out that some companies, for example French luxury goods maker LMVH, are trying to get a handle on supply chain risks. In LMVH's case, the company asked Trucost to assess the risk of being hit by water scarcity in its leather, grape and paper supply chains. Using the information provided, the company has been better able to cope with scarcity in a particular region by shifting operations to another. Smart said: "One particular risk for LVMH was an area in Argentina where a lot of production was going on. This was picked up through the use of our metrics but may not have been if more traditional metrics had been used." Gifford introduced the audience to the textile industry, which he described as one of the most "exploitative and polluting industries" on the planet. He said that while the industry carried huge reputational risks, there were also vast opportunities: "This is why Tau think there's huge potential for shareholder engagement to improve these (textile) companies," he said. An example, he noted, was that following the collapse of the Rana Plaza factory in Bangladesh, which caused more than 1,000 deaths, a coalition of international investors succeeded in getting some Western clothing firms to put pressure on Bangladeshi suppliers to improve working conditions.

" following the collapse of the Rana Plaza factory in Bangladesh, a coalition of international investors succeeded in getting some Western clothing firms to put pressure on Bangladeshi suppliers to improve working conditions "

Lauren Smart, James Gifford and Valeria Piani

The Matrix Day 2, Stream C:
Investor/corporate themes and market sustainability

Panel 4
Corporate tax avoidance: legal and regulatory risks for investors

The speakers were **Edward Mason, Secretary of the Ethical Investment Group for the Church of England, Heather Self, Partner at law firm Pinsent Masons and Toby Quantrill, Principal Advisor at Christian Aid**, a UK-based charity. The moderator was journalist **Adrienne Margolis, who is Founder and Editor of Lawyers for Better Business**. Mason said that the Church of England, which has £5.2bn in assets, very much believes that corporate tax avoidance poses huge investment risks. Disputes with tax authorities, he said, could distract from effective management, and regulatory changes could make business models unsustainable and negatively impact profits: "But we also feel that this is an ethical issue, for tax is part of the compact between business and society. Society gives benefits to business and tax is part of businesses acknowledging their responsibilities in return," Mason said, adding that he is confident that a crackdown on corporate tax avoidance is coming. To illustrate how serious the problem currently is, Quantrill said Christian Aid believes governments are being deprived of $160bn each year as a result of corporate tax avoidance. Quantrill cited a recent report from his organisation indicating that 14% of companies listed on the FTSE100 equity index were shielding income in such tax havens as Switzerland, Luxembourg, Hong Kong, Bermuda and the Cayman Islands. Self said companies were waking up to the fact that tax avoidance poses a serious risk to their business and that it was important to maintain the trust of investors. She cited a recent PWC survey in which 49% of CEOs said they felt a lack of trust in their business was hampering their prospects for growth. As a result, CEOs are beginning to promote a culture of ethical behaviour, and tax has a part to play in that, she said.

> "Society gives benefits to business and tax is part of businesses acknowledging their responsibilities in return"

Adrienne Margolis, Toby Quantrill, Edward Mason and Heather Self

Day 2, Plenary: Is responsible investment (RI) making a difference?

This wide-ranging panel featured **John Howchin, Secretary General, Ethical Council of the Swedish AP Funds, Anne-Catherine Husson-Traore, Chief Executive at Novethic, CEO at Sustainalytics and Will Oulton, Global Head of Responsible Investment at First State Investments.** The moderator was **Raj Thamotheram, CEO at Preventable Surprises,** who asked the panellists to rate whether RI had made a difference in recent years. Oulton said there was more emphasis on the quality of ESG research against 10 years ago when it was "just data". But there was no transparency about what the buy-side pays for in terms of sell-side research. He said First State's internal RI committee, headed by CEO Mark Lazberger, is looking at the issue of commissions. Oulton also referred to a survey his firm had conducted that indicated how the RI industry had become detached from the investment case: "We need a slap on the wrist," he said. Jantzi focused on bribery and corruption, a fundamental topic for which he gave investors: "barely a passing grade". He said: "If you don't get the bribery and corruption file right, you're not in a position to address some of the big issues. Investors haven't been the driver of this, not fully." He noted how regulators were now going after individuals such as in the GSK China bribery case as well as prosecutions by the Canadian authorities in the Air India bribery case. As for whistle-blowing, he said investors do care and do ask Sustainalytics about it, noting that for companies: "If you're not protecting whistleblowers, it's a red flag."

> "If you don't get the bribery and corruption file right, you're not in a position to address some of the big issues"

Anne-Catherine Husson-Traore

Will Oulton

Day 2, Plenary: Is responsible investment (RI) making a difference?

Asked to reflect on the public's perception of responsible investment, Husson-Traore remarked how few people wanted their money to do anything positive, suggesting that there was a lot of work to be done on outlining the social case for sustainable investment. Howchin said there was "a lot of momentum" in the area of outlining the social purpose of investment within the AP funds and that they are planning to launch a project on the subject in the near future. Howchin said it came down to "what kind of player in society do you aim to be". Thamotheram raised the issue of structural investment issues holding back responsible investing, citing benchmarks as a problem. Howchin said: "Cap-weighted benchmarks have problems, we know that. I think we have to innovate."

The Q&A session started off with a probing question from Rob Lake on working out the purpose of RI before being able to articulate whether it was making a difference. Oulton countered by saying the issue really was about the purpose of asset management and the capital markets in broader society. Jantzi felt RI could be defined as 'stewardship' in the sense of assisting savers in both financial returns and a better quality of life. Husson-Traore said RI was about improving the environmental and social consequences of the market and therefore measuring the success of RI was a constant not an end in itself.

John Howchin, Raj Thamotheram and Michael Jantzi

Day 2, Keynote Address: "In search of policy innovations for a green economy"

The second keynote address at RI Europe was given by **Nick Robins, who last January joined the United Nations Environment Programme (UNEP) as a Co-Director of the new "Inquiry into the Design of a Sustainable Financial System."** Prior to joining UNEP, Robins was Head of HSBC's Climate Change Centre for seven years.

> "If you look at the main macroeconomic indicators, we're not making enough progress. We're heading in the wrong direction in terms of climate change"

Robins said his task at UNEP was to devise policy options that link two objectives that, until now, had been treated separately – namely financial reform and the switch to a sustainable or "green" economy. Assisting Robins at UNEP in Geneva is Simon Zadek, a Senior Fellow of the Global Green Growth Institute and Mahenau Agha, a UNEP Advisor. Robins said: "If you look at the main macroeconomic indicators, we're not making enough progress. We're heading in the wrong direction in terms of climate change. While there's great work being done by Sean Kidney (Head of the NGO Climate Bonds Initiative) and others in promoting green bonds, it's not enough." He added: "If we look at the financial reform that has take place – some would call it a tsunami – you will look in vain for regulation that actually is incorporating sustainability factors. Basle III and Solvency II are just two examples." UNEP Executive Director Achim Steiner has given Robins and his team until the middle of 2015 to, as he put it, "advance policy options that deliver a step change in the financial system's effectiveness in mobilising capital towards a green and inclusive economy." As to why UNEP is focusing on the financial industry instead of say the energy or transport industry, Robins said one reason had to with "market imperfections, inefficiencies and frankly failures that prevent the industry's actors from properly dealing with environmental and social issues." Another reason was the importance of policy coherence: "We've seen a number of policy reforms since the financial crisis, and while they were necessary and well-intentioned, they took no account of long-term financing and sustainability needs," he added.

Nick Robins

Day 2, Plenary Two: Working with governments and development agency funds for targeted investments: large-scale environmental financing and infrastructure funds and social project investment

Robins joined RI's Europe's final plenary session, with the other speakers: **Gavin Templeton, Head of Sustainable Finance at the UK's Green Investment Bank; Mark Mansley, Chief Investment Officer of the £2.3bn (€2.9bn) Environment Agency Pension Fund (EAPF) and Donald MacDonald, Chairman of the Institutional Investors Group on Climate Change (IIGCC)**, which represents 88 big European investors with €7.5btrn in assets between them. **RI Managing Editor Hugh Wheelan** moderated the panel. Templeton started by explaining the Green Investment Bank's contribution to the UK government's efforts to make the domestic economy greener. According to Templeton, over the last 20 months, the bank has provided £1.3bn in financing for projects such as offshore wind power, waste management and energy efficiency and that its activity, in turn, has spurred three times as much in private investment: "We like to think of ourselves as pathfinders. We want to show investors that if you, like us, want to be profitable, you don't have to compromise on the green." However, Templeton also said that another £17bn in domestic investment was needed each year for the next six years for the UK economy


Mark Mansley


Gavin Templeton

to become green by 2020. Another investor making an impressive contribution in the effort to green the UK economy is the EAPF. According to Mansley, the scheme has 25% of its assets invested in either green projects or companies it considers environmentally friendly. Of the portion, listed equity accounts for the largest share, followed by private equity investments in clean technology, green properties and some green bonds. Regarding green infrastructure, Mansley said that while the EAPF was minimally exposed to it, it wanted to have between 5 and 10% of all its assets in the space over the long term: "Infrastructure is what we're looking to push into. That's because, theoretically, it offers low risk and good income flow," he said. "However, in practice, things are a lot different. We, for example, are having a hard time finding infrastructure funds that are really green. Instead, you find pipelines or airports, mixed in with say clean tech." Another problem, he

> "We like to think of ourselves as pathfinders. We want to show investors that if you, like us, want to be profitable, you don't have to compromise on the green"

Day 2, Plenary Two: Working with governments and development agency funds for targeted investments: large-scale environmental financing and infrastructure funds and social project investment

said, was the tendency of infrastructure funds to rely on leverage to maximise return, something that the EAPF would, owing to the risks, prefer to avoid, he added.

Taking Europe as a whole, MacDonald cited an estimate from the Paris-based International Energy Agency (IEA) whereby power needs would increase by 100GW over the next ten years. In order to meet that demand, European governments would have to mobilised $2.2trn worth of investment: “That is a huge amount of money. But it’s also a huge opportunity for investors to play a major role in the transition to a low-carbon economy.” However, he also said that to encourage more investment from pension schemes, for example, European policymakers had to appreciate their particular needs: namely risk-aversion and long-term cash generation. The IIGCC was working to educate them in this regard, he added.

Donald MacDonald, Mark Mansley, Gavin Templeton, Nick Robins and Hugh Wheelan

The Winners and Commendations for Best RI Report 2014

The awards for best Responsible Investment Report 2014 were made at the RI Europe 2014 conference in London

OVERVIEW:

The **RI Reporting Awards** showcase excellence in responsible investment and ESG reporting, encouraging best practice and transparency by recognising the highest standards in the disclosure of responsible investment activities by asset owners globally. Public disclosure, accountability and transparency enhance the credibility of responsible investment, leading to higher standards. Using publicly available information, our judging faculty (below) looked for reporting best practice in terms of simplicity, relevance, disclosure and process.

Best RI Report – Large Funds, Joint Winners
ABP
Folksam

Best RI Report – Medium & Small Funds
Folketrygdfondet

Best RI Report – Large Funds
CPPIB
GEPF

Best RI Report – Medium & Small Funds
Bâtirente
Fonds de solidarité FTQ

The winning and commended reports were drawn from a short list of nominated reports announced on 15th April 2014.

Best RI Report – Large Funds
ABP, Netherlands
CDC, France
CPPIB, Canada
Folksam, Sweden
FutureFund, Australia
GEPF, South Africa
KLP, Norway
PSP Investments, Canada
Storebrand, Norway

Best RI Report – Medium & Small Funds
AP6, Sweden
Batirente, Canada
CBUS, Australia
FMO, Netherlands
Folketrygdfondet, Norway
FTQ, Canada
HESTA, Australia
New Zealand Super, New Zealand
OPTrust, Canada
VicSuper, Australia

** Large funds / medium & small funds are defined by assets under management above / below €25 billion.*

Organised by: responsible-investor.com ESG and sustainable finance

Sponsored by AXA INVESTMENT MANAGERS redefining / investment solutions

Research Partner: ReFine Research

Judges' Comments: Large Funds

Joint Winner:
Best RI Report – Large Funds
ABP

- A first-class report.
- Passion and thought leadership are clearly demonstrated throughout report.
- They do not shy away from discussing ethical dilemmas.
- The report was very detailed and gave some great examples across a multitude of asset classes.
- There is clear indication of RI integration from the strategic level down to the day-to-day implementation.
- The transparency was a particular strength in terms of future advocacy and influencing other institutional investors and the companies themselves.
- Great to see disclosures of engagement, voting and exclusions.

> "They do not shy away from discussing ethical dilemmas"

Joint Winner:
Best RI Report – Large Funds
Folksam

- Provides an elaborate overview of its sustainability practices, both at the company and the investment management level.
- Strong commitment to RI in CEO address.
- Clear layout with goals and RI milestones.
- Good commitment: "All assets managed are covered by ethical investment criteria".
- Successful use of (audited) GRI framework which added to the transparency and clarity provided in a clear report.
- In a world of poor trust in financial entities, the focus on "what customers say" is best practice.
- The two in depth profiles of engagement give a sense of its role as an activist investor.
- They have the courage to also mention negative experiences.

> "All assets managed ae covered by ethical investment criteria"

Lody Geerst, Vice Chairman of the Board of ABP receives the award from Matt Christensen, Global Head of Responsible Investment, AXA Investment Managers

Susanne Sjödin-Svensson, Counsel, Folksam receiving the award from Matt Christensen

Judges' Comments: Large Funds

Commended:
Best RI Report – Large Funds
CPPIB, Canada

> CPPIB manages to communicate its ESG efforts attractively in a complete and concise way

- Clear statement of RI principles from the start, well laid out and easy to follow.
- CPPIB manages to communicate its ESG efforts attractively in a complete and concise way.
- Included a definition of responsible investment at CPPIB rather than relying on generic industry definitions.
- Clarity of principles throughout and good examples, with data to back up the delivery of RI objectives.
- They report on their priorities and their focus areas for engagement, showing the reader what they find most important.

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Stephanie Leaist, Vice-President, Sustainable Investing, Canada Pension Plan Investment Board receives the award

Commended:
Best RI Report – Large Funds
GEPF

- Strong integration of RI throughout this Annual Report and Accounts, this being significant in that it wasn't an isolated RI report.
- The strongest aspects of this report are the clarity of its commitment to responsible investment and to economic development in South Africa and Africa more generally.
- The case studies showed assertiveness through leadership and examples of principles in practice.
- Illustrates unbelievable stakeholder engagement.
- GEPF's values shine through the report, and the prominent role ESG plays in their investment decision-making.

> The case studies showed assertiveness through leadership and examples of principles in practice

Matt Christensen presents the award to Renosi Mokate, Chairperson of GEPF

Judges’ Comments: Medium & Small Funds

Winner:
Best RI Report – Medium & Small Funds
Folketrygdfondet

- Really strong framework for reporting: thorough and detailed.
- Clear concise report which expresses work in progress, and problems as well as successes.
- Strong evidence of fiduciary duty with financial success and building trust with stakeholders.
- Admired the articulation of issues to do with proxy voting agents.
- Good explanation of their specific mandate and responsibilities.
- Its engagement report is extensive and thorough.
- A very comprehensive overview for its readership. The CO_2 analysis of their portfolio is very transparent.

“Really strong framework for reporting: thorough and detailed”

Melanie Brooks, Senior RI Analyst, Folketrygdfondet receives the award from Matt Christensen, Global Head of Responsible Investment, AXA Investment Managers

Judges' Comments: Medium & Small Funds

Commended:
Best RI Report – Medium & Small Funds
Bâtirente

- Outstanding report.
- Passion for RI followed up with clear examples including the outcomes.
- Strong integration between financials, responsible investment and their own sustainability.
- Engaging and eye-catching layout.
- The table of ESG engagements provided a transparent list of companies targeted.
- A strong visual overview of ESG issues that can easily be digested by the reader.

> "Passion for RI followed up with clear examples including the outcomes."

Commended:
Best RI Report – Medium & Small Funds
Fonds de solidarité FTQ

- The report is clear on its mission and equates that with responsible investment.
- This is a clear, focused and convincing report for a pension fund with an unusual and well executed approach to responsible investment which is totally integrated into its daily practice.
- A report that showed RI highly integrated.
- Clear, purposeful links to objectives and principles of GRI, Global Compact and UNPRI.
- Engaging and influencing through ease of navigation using colour schemes to delineate between key topics.
- Highlighting the best of GRI compliant reporting via info-graphics.
- Analysis of the past, follow-up and future objectives provide good platform for continuity.

> "Clear, purposeful links to objectives and principles of GRI, Global Compact and UNPRI."

Helene Winch, Director of Policy and Research at PRI receives the awardon behalf of Bâtirente

Matt Christensen presents the award to Michael Jantzi, CEO of Sustainalytics who receives it on behalf of fonds de solidarité FTQ

Process and Timeline:

The RI Reporting Awards - now in their second year - showcase excellence in responsible investment and ESG reporting, encouraging best practice and transparency by recognising the highest standards in the disclosure of responsible investment activities by asset owners globally. Public disclosure, accountability and transparency enhance the credibility of responsible investment, leading to higher standards. Using publicly available information, our judging faculty (following pages) looks for reporting best practice in terms of simplicity, relevance, disclosure and process.

The two awards for Best RI Report 2014 – one for Large Funds with AUM greater than €25bn and another for Medium & Small Funds with AUM less than €25bn – were announced at the RI Europe conference in London on 4th June

The RI Reporting Awards are based on proprietary research of more than 1,000 funds around the world to create a pool of RI reports to which a series of objective indicators are applied to filter the reports into two shortlists of nominated reports. Download the objective indicators at –
www.responsible-investor.com/images/uploads/reports/RI_Awards_Criteria_2014.pdf

The RI Reporting Awards are organised by **Responsible Investor** in association with our research partner the **Responsible Finance Research Charity.**

Overview:

- Research 1,000+ funds to create a pool of RI reports
- Split the pool into two categories of *Large* and *Medium & Small* funds
- Apply objective indicators to filter the reports into two long lists of nominated reportYou can download a copy of the objective indicators here **www.responsible-investor.com/images/uploads/reports/RI_Awards_Criteria_2014.pdf**
- The Judging Panel (below) then ranks the nominated reports
- The rankings are aggregated to create two short lists of commended reports
- The two awards for Best RI Report 2014 are announced at RI Europe in London on Wednesday 4th June

Link to further information about RI Europe 2014 at **www.responsible-investor.com/europe2014**

Research: (January To March)

The research is supervised by Agnes Neher, PhD candidate, University of Hohenheim and Vice President, ReFine Research Charity with guidance from Dr. Andreas G. F. Hoepner, Associate Professor of Finance, ICMA Centre, Henley Business School; Senior Academic Fellow, United Nations backed Principles for Responsible Investment; and President, ReFine Research Charity. Hugh Wheelan, Managing Editor, Responsible Investor, also provides oversight and guidance to the entire research process. Using public sources we search the web sites of more than 1,000 funds globally to ascertain whether they publish an annual report or related reporting on responsible investment activities.

Ranking & Judging: (April)

The content of these reports is then analysed and filtered according to our objective indicators to create two long lists of funds, which are nominated for consideration by our judging panel. Each of the judges is then given a copy of all the nominated reports. The judges are asked to rank each category (Large and Medium & Small), including a short comment on each report. The judges then pass their rankings back to the research team who aggregate the scores to create a short list of three commended reports in each category.

Organised by: Sponsored by Research Partner:

ri AWARDS 2014

Process and Timeline:

The Judges (A-Z):

- **James Gifford**, Senior Fellow, **Initiative for Responsible Investment, Harvard**
- **Dr. Andreas G. F. Hoepner**, Associate Professor of Finance, ICMA Centre, **Henley Business School**; Senior Academic Fellow, **United Nations backed Principles for Responsible Investment (UK)**
- **Marcel Jeucken**, Head of Responsible Investment, **PGGM Investments** (Winners, Best RI Report by a Large Fund 2013)
- **Steve Lydenberg**, Partner, **Domini Social Investments (USA)**
- **Dawn Turner**, Head of Environmental Finance and Fund Management, **The Environment Agency Pension Fund** (Winners, Best RI Report by a Medium & Small Fund 2013)
- **Hugh Wheelan**, Managing Editor, **Responsible Investor (UK)**
- **Helene Winch**, Director of Policy and Research, **PRI** (former Head of Policy at UK's GBP26bn BT Pension Scheme Management)

Researcher:

- **Agnes Neher,** PhD candidate, **University of Hohenheim** and Vice President, **ReFine Research Charity**

About Responsible Investor:

Launched June 2007, Responsible Investor (RI) is the only dedicated news service reporting on responsible investment, ESG (environmental, social and governance) and sustainable finance for institutional investors globally. Responsible Investor also organizes a series of highly successful conferences focusing on how investors integrate RI and ESG factors into their investment analysis and decision-making processes: RI Asia, RI Europe and RI Americas, see **www.responsible-investor.com/**

About Refine Research:

Responsible Finance Research (ReFineResearch) is a charitable institution which supports and leverages academic and industry research in the area of responsible investment. The charity aims to achieve deeper knowledge of responsible investing through innovative thinking, greater transparency and advanced research methods. Anybody with similar interests is welcome to join the charity.