

Principles for Responsible Investment



UNEP Finance Initiative
Innovative financing for sustainability



United Nations Global Compact

Bush to call G20 summit on crisis

Fresh global financial system to be discussed

remarkably early first appearance on the world stage.

Mr Obama welcomed the

Citi plans 'good bank, bad bank' structure

Move to transfer toxic assets to government

Competition concerns could weigh heavily

Calls to Citigroup for comment were not returned.

Citi's board has been considering alternatives for the bank after its share price fell 60 per cent last week, closing Friday at \$1.77 a share. At that level the

Harvard endowment loses \$8bn in four months

University funding

By Rebecca Knight
in Boston

Harvard's worst single-year endowment return was a negative 13.2 per cent in 1974, and at that time our endowment stood at less than \$1bn and funded a

almost 20 years and is now at Family Endowment Partners, the Boston-based investment firm, said he was not surprised by the magnitude of the loss. "I don't

will post losses] that hover around this number."

Many colleges have adopted economy measures such as halting faculty raises, freezing all new hires

sual. Many college presidents have recently issued statements on the impact of the global financial crisis on their budgets, but this is the first statement explicitly to

Glimmer of Hope: New Era “Responsible Investment”

- Not Traditional “Socially Responsible Investment”
 - ~ Negative Screening
- Rather, “Responsible Investment” Emphasizes
 - ~ Materiality of environmental, social, governance (ESG) issues
 - ~ Maximizing long-range investment horizons
 - ~ Aligning with broader societal goals
- Re-ordering of Investment “Food Chain”
 - ~ Asset owners (eg, pension funds) becoming active and responsible owners of finance – “good fiduciaries”
 - ~ Recognize asset managers as their agents



PRI

Principles for Responsible Investment



APRIL
27
THURSDAY



PRI: Overview

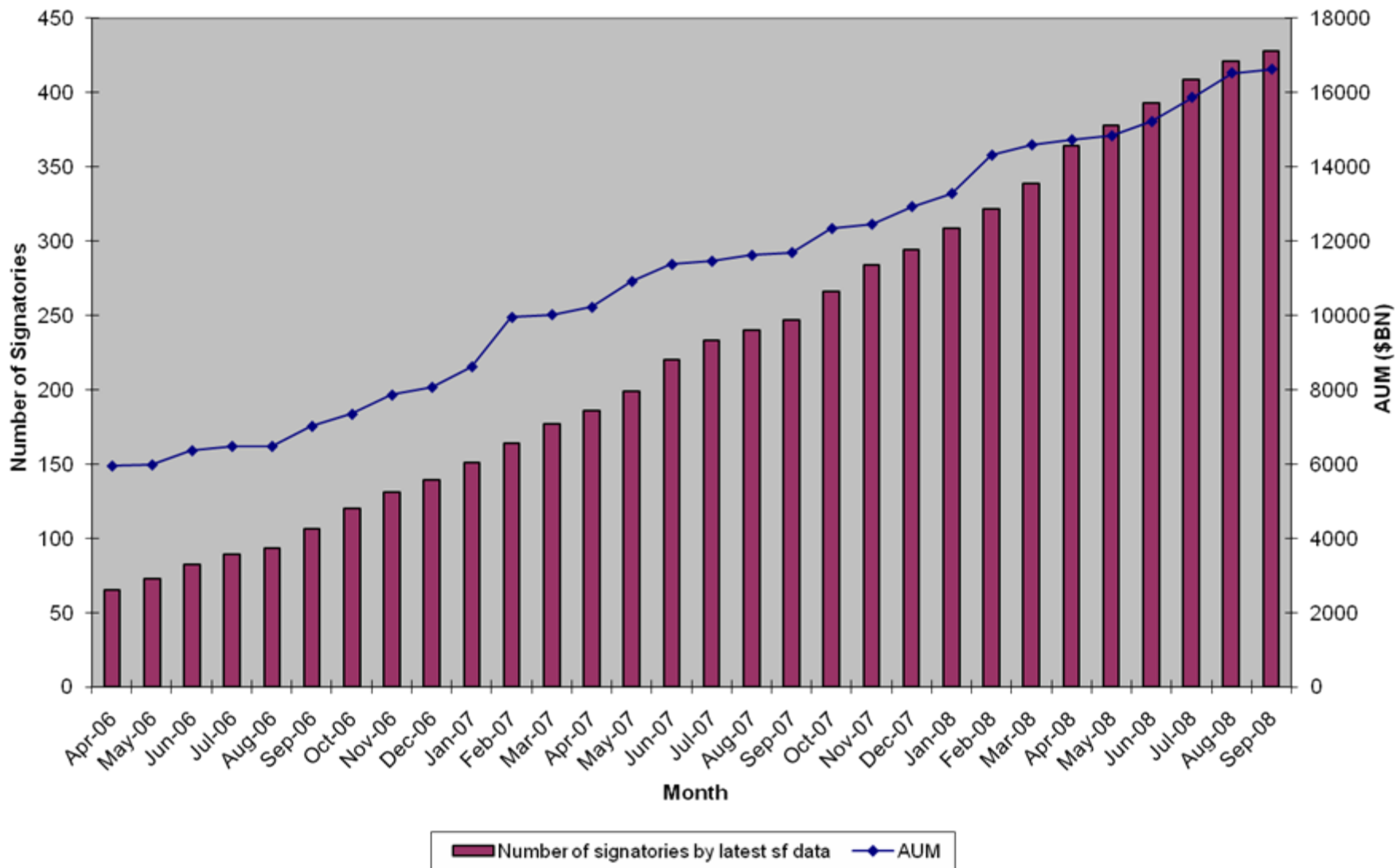
- Launched by the UN Global Compact and UNEP FI, it is led by international institutional investors
- Like PRME, a set of overarching principles: asset owners/managers
- Objective: embed environmental, social and governance (ESG) policies, practices, issues into investment decision-making
 - ~ Enhance long-range returns (all asset classes)
 - ~ Contribute to societal (ie, UN) goals
- Strategically:
 - ~ Encourage collaborative action ('Engagement Clearinghouse')
 - ~ Converge around UN Global Compact
 - ~ Require annual assessment of progress



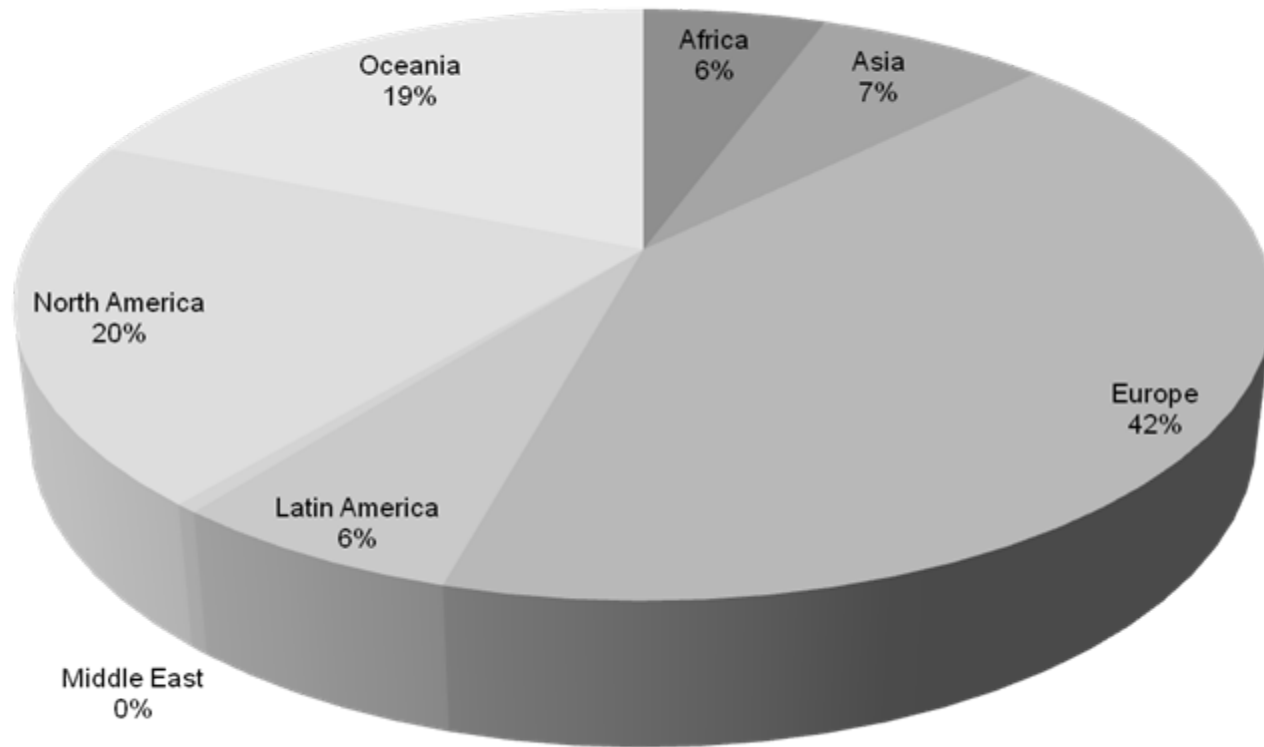
The Principles

- 1 We will incorporate ESG issues into investment analysis and decision-making processes.
- 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest (eg, UN Global Compact).
- 4 We will promote acceptance and implementation of the Principles within the investment industry.
- 5 We will work together to enhance our effectiveness in implementing the Principles.
- 6 We will each report on our activities and progress towards implementing the Principles.

Growth in PRI signatories and AUM



PRI Signatories by region





Actions and Initiatives:


“Engagement Clearinghouse”

- Electronic platform for collaboration and engagement
 - ~ Utilizes webinars
- Specific Issues:
 - ~ labour conditions
 - ~ corporate practices in Sudan
 - ~ water sustainability
 - ~ possible issues: human rights and anti-corruption (UNGC work groups)
- Broader Actions:
 - ~ UNGC Recruitment Campaign: 9000 CEOs Urged to Commit
 - ~ UNGC Communications on Progress: ‘Develop or Be Delisted’



Actions and Initiatives: “*PRI Academic Network*”

- Informal network for academic researchers focused purely on Responsible Investment
- Stimulate research, and develop next generation of RI academics
 - ~ Effectiveness of shareholder engagement
 - ~ Materiality of ESG issues
 - ~ “Universal Ownership” Theory
- Virtual Network
 - ~ 157 individual academic members
 - ~ Beginning webinars for academics to present research
- Invitation from PRI to PRME:
 - ~ Encourage researchers to participate in the PRI Academic Network
 - ~ Integrate Responsible Investment into your Finance Programs
- <http://academic.unpri.org>



“Signatories to the Principles for Responsible Investment are trying to tackle the disconnect between short-termism within the investment process, and the longer term issues for our beneficiaries and the world at large”

- Donald MacDonald, Chair, PRI

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Reporting and Assessment

2008 results show positive progress...

- **70%** of signatories now actively ask investee companies to produce standardised reports on corporate responsibility policies.
- **80%** of Asset Owners involved in some collaborative engagement.
- **68%** increase this year in number of signatories who said they'd revisit relationships with service providers in light of ESG issues.
- **85%** of investment managers said they were achieving large/moderate levels of ESG integration, but only **53%** of AOs thought their external managers were achieving this.
- **31%** increase in the number of asset owner signatories that now publish information with specific reference to how they integrate responsible investment or ESG issues within their investment or ownership practices.
- **32%** of asset owner signatories this year stated they would revisit relationships with service providers in light of responsible investment or ESG issue-related capabilities of those managers
- **75%** of respondents are systematically reporting their responsible investment and ESG-related engagement activities – to at least some extent.