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ESG and sustainable finance

# RI Americas 2013

Long-term, sustainable, fiduciary investing

December 10th & 11th, Bloomberg MPR Auditorium, New York City

# Conference Report

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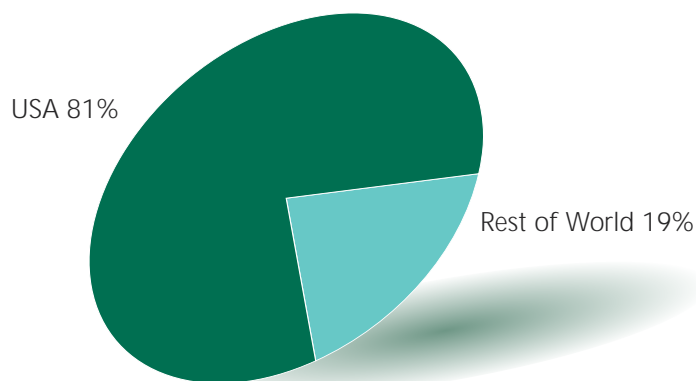


## RI Americas 2013 attracted 307 delegates from 208 companies and 13 countries

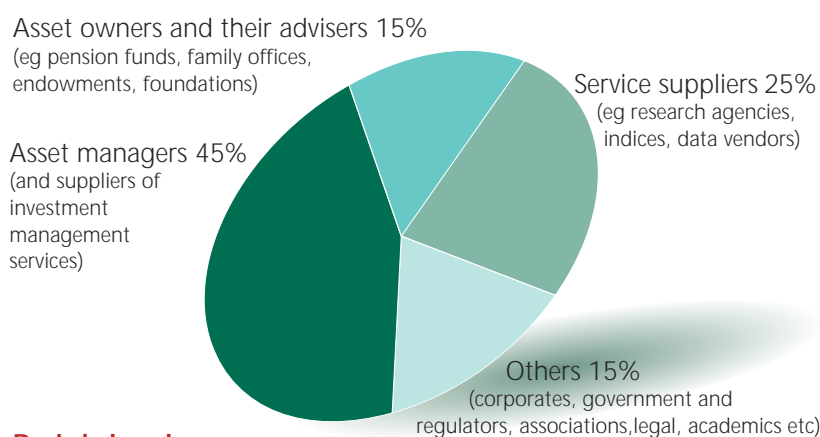
**By country:**

USA	258
UK	15
Canada	14
Netherlands	6
Mexico	3
Colombia	2
France	2
Germany	2
Australia	1
South Africa	1
Spain	1
Sweden	1
Switzerland	1

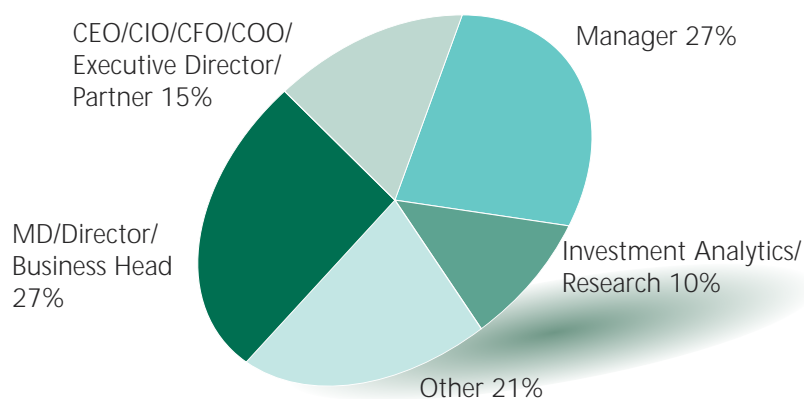
**By region:**



**By type of company:**



**By job level:**

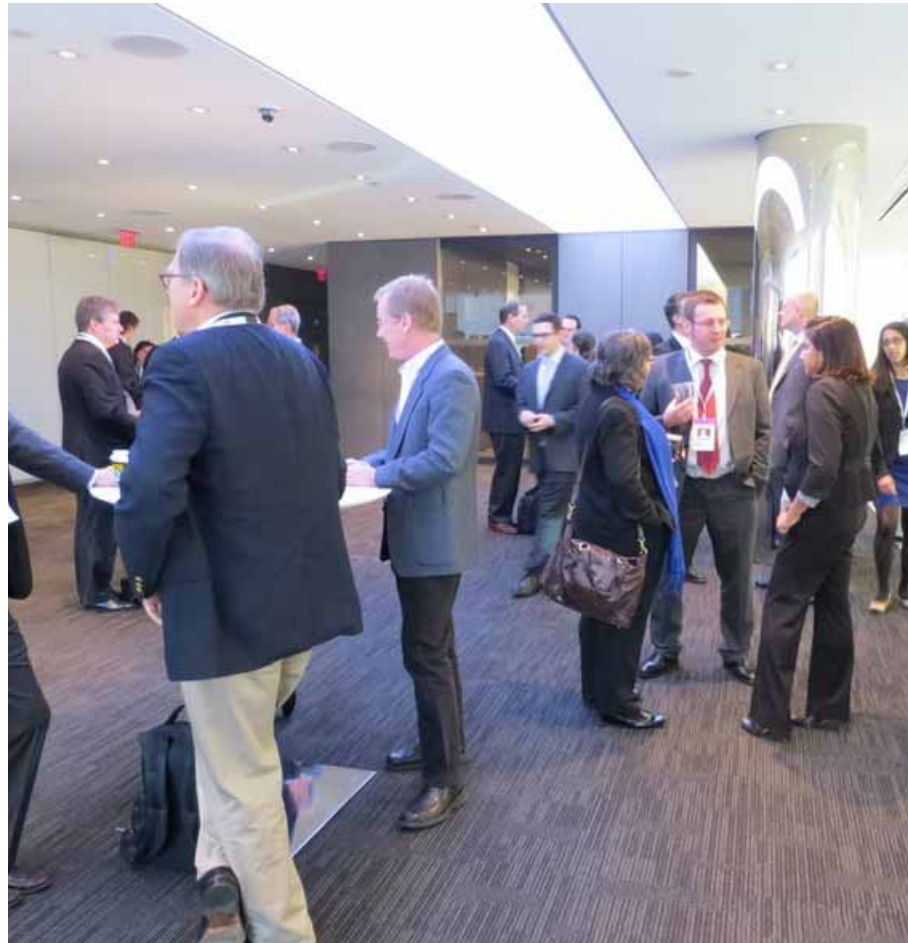


**By Company:**

- A.H. Salce Investments
- ABN AMRO
- Acciones & Valores
- ACIR, The New School
- Addenda Capital Inc.
- Aegon Asset Management
- Africa Sustainable Investment Forum
- AGF
- Alcatel Lucent Investment Management
- AllianceBernstein
- Alternative Investment Group
- Altrinsic Global Advisors
- AltruShare Securities
- Amalgamated Bank
- Amalgamated Bank LongView Funds
- AP3 (Tredje AP-fonden)
- Apache Capital Management
- Aperio Group
- APG Asset Management US
- APG Asset Management US
- Ardour Capital Investments
- Arnerich Massena
- arthance
- Asset Owners Disclosure Project
- Atman Capital
- AXA Investment Managers
- Bank of America Merrill Lynch
- Barclays
- Beaver Trail Farms
- BlackRock
- Bloomberg
- Bloomberg New Energy Finance
- BNY Mellon
- Boston Common Asset Management

- Breckinridge Capital Advisors
- Broadridge Financial Solutions
- BSR
- California Clean Energy Fund (CalCEF)
- CalPERS
- CalSTRS
- Calvert
- Cambridge Associates
- Canada Pension Plan Investment Board
- CDP
- Center for Financial Inclusion at Accion
- Ceres
- Chairmen's Forum
- Change to Win
- Chapman and Cutler
- Chevron Corporation
- Christian Brothers Investment Services
- Christopher Reynolds Foundation
- Citco Fund Services
- City National Rochdale
- ClearBridge
- ClearBridge Investments
- Climate Bonds Initiative
- Columbia University
- Columbia's Impact Investing Initiative
- Commonfund
- Community Capital Management
- Consultant
- Corporate Knights
- Credit Suisse
- Crowell & Moring
- CSRHub
- CtW Investment Group
- Deutsche Bank
- Devon Financial Partners
- Domini Social Investments
- Doris Duke Charitable Foundation
- Ecolibrium Strategies
- Ecosystem Capital
- EDELMANN
- EDF
- EIRIS
- EIRIS Conflict Risk Network
- EMC Corporation
- Emerging Markets Investors Association
- Empresas ICA
- Encana
- Ernst & Young
- ESG Analytics
- Ethics Metrics
- F.B. Heron Foundation
- Fairview Capital
- FE Global Clean Energy Corp.
- First State Investments
- Ford Foundation
- Fordham University
- Franklin Templeton Investments
- FTSE
- Gifford Park Associates
- GISR
- Global Impact Investing Network
- Global Thematic Partners
- GMI Ratings
- Goldman Sachs
- Goldman Sachs Asset Management
- Goldman Sachs Bank
- Governance & Accountability Institute
- Governance Advisers International
- Green Century Capital Management
- Gregoro
- GRI Focal Point USA & Canada
- Harbor Peak
- Harvard Management Company
- Imprint Capital
- Inflection Point Capital Management
- InventivEnergy
- ISS
- IVOX GmbH
- IW Financial
- JPMorgan Chase
- Just Capital Foundation
- Kleinwort Benson Investors
- KPMG Canada
- Lazard Asset Management
- Lexington Partners
- Light Green Advisors
- Macquarie
- Mariner Investment Group
- Mercer
- Mercy Investment Services
- Merrill Lynch
- MFS
- MNS Capital Management
- Moody's Analytics
- Moody's Corporation
- Morgan Stanley
- MSCI ESG Research
- Neuberger Berman
- New Amsterdam Partners
- New Holland Capital
- New York City Office of the Comptroller
- New York City Retirement Systems
- New York State Common Fund
- New York State Common Retirement Fund
- NYC Comptroller
- NYC Comptroller's Office
- NYQM
- Oak Hill Capital Funds
- oekom research
- Office of NYC Comptroller-Elect Scott Stringer
- Office of the Attorney General of New York
- Ontario Financing Authority
- OPSEU Pension Trust
- Oristaglio Family Foundation
- Ownership Capital
- Paul Ellis Consulting
- Paul Weiss
- Pax World
- Perella Weinberg
- Presima
- PRI
- Prudential Fixed Income
- PwC
- Quotient Investors
- RBC Global Asset Management
- Reinhart Institutional Investor Services
- Repsol
- RobecoSAM
- Rockefeller & Co.
- Rockefeller Foundation
- S&P Dow Jones Indices
- Sarah Cleveland Consulting
- Scarab Funds
- Schroders Investment Management
- SCS Financial
- SEIU Master Trust
- SITAWI
- Societe Generale
- SSgA
- Strategic Value Partners
- Style Research
- SustainAbility
- Sustainable Insight Capital Management
- Sustainable Investments Institute (Si2)
- Sustainalytics
- Tachymatics
- TB Investments
- Tellus Institute
- TerraVerde Capital Management
- The Guardian
- The Sankei Shimbun
- The Sustainability Group
- TIAA-CREF
- Tom Rotherham-Winqvist
- Tribeca Modular
- Trillium Asset Management
- Trucost
- U.S. Fund for UNICEF
- UBS Investment Bank
- UFCW Capital Stewardship Program
- UNGC
- UNICEF Bridge Fund
- University of Maryland Environmental Finance Center
- University of Toronto Asset Management Corporation
- US Trust/Bank of America
- USS Investment Management
- Veris Wealth Partners
- Walden Asset Management
- Water Asset Management
- World Economic Forum
- World Wildlife Fund
- Yale F&ES
- Zevin Asset Management
- Zurich Global Investment Management

More than 300 investors, including over 40 asset owners attended the RI Americas conference 2013 in New York on December 10th and 11th, organised by Responsible Investor in partnership with Bloomberg.



RI Americas 2013 was produced by Responsible Investor which is published by Response Global Media Limited.

In the discussions and debates on the state of responsible investing that sprang out of conference, a central theme was the growing importance of collaborations in driving ESG integration to wider adoption.

"A tactical change is the rise of coalitions and collaborations," said **Mike Garland**, assistant comptroller for environmental, social and governance in the office of New York City

“ There’s nothing so new about coalitions, but there are moments . . . where coalitions have exercised their power in new ways ”

Comptroller John Liu. “There’s nothing so new about coalitions, but there are moments - Disney and Massey Energy a few years back - where coalitions have exercised their power in new ways.”

His office, he said, is part of new coalitions fighting for political disclosure and improved board diversity, among other issues: “It’s happening in a more informal but

regular way. I talk to my colleagues weekly, and I think issuers know that as well. We’re figuring out new ways to change behavior.”

Mike Garland



From L to R: Ric Marshall, Mike Garland, Anne Sheehan, Richard Clayton

**Anne Sheehan**, director of corporate governance at the California State Teachers' Retirement System (CalSTRS) agreed. "Investors need to send a unified message to companies—what KPIs [key performance indicators] do you care about? Coalitions and collaborations are helping to do that," she said.

“Investors need to send a unified message to companies – what key performance indicators do you care about?”

As one of the world's pension funds most often referred to as a leader in the ESG integration space, CalSTRS is often called upon to discuss its tactics. At the RI Americas 2013 conference, Sheehan took the time to do that. She explained that she is the director of what she calls CalSTRS' "green team," which works across asset classes to integrate ESG throughout the fund's portfolio. Her post sits within the investment office, and as the director of corporate governance, she runs the governance fund and directs corporate governance for the fund as a whole.

She says the fund is more and more often teaming up with peer funds - especially those outside the U.S. - to tackle ESG issues.



Anne Sheehan

"We are a global investor; we're in 42 markets," she said, "we team up on a number of issues on engagements because many of these companies have international investors. And we're moving to a global marketplace; it helps us understand what's going on in other market and how they differ."



Marjorie Tsang

For New York State Common Retirement Fund - which is much earlier in the ESG integration process, as **Marjorie Tsang**, director of strategic research and solutions, is quick to point out - teaming up with other funds is an integral part of its initiation. She said the fund engages in corporate governance initiatives, and on issues surrounding hydraulic fracturing and climate change. It has also engaged with other pension funds to call for sustainable stock exchange listing requirements.

“Our managers need to understand our perspective that this conduct affects the value of our portfolio”

On its own, New York State Common Retirement Fund just published for the first time an annual compliance survey on ESG policies, which all of its managers and consultants will be required to complete. Tsang says that going forward, completing the survey will be an annual requirement of the fund's underlying managers and consultants. "Our managers need to understand our perspective that this conduct affects the value of our portfolio," she said.

Lorenzo Saà



In another nod to the importance of fostering conversations and collective action among asset owners, **Keith Ambachtsheer**, director of Rotman International Centre for Pension Management

“ We haven’t done enough to create constructive forums to create dialogues and discussions from both sides ”

discussed writer and management consultant Peter Drucker’s “lead wagon theory,” which holds that the world’s major pension funds are those best poised to combine “mission, motivation, competence, and scale to be effective asset owners”—and to push for sustainable capitalism that starts to close the principle-agent gap, and return control of

companies to shareholders. To compound the power that large asset owners can have in this regard, Ambachtsheer said, they need to get serious about collaborations.

“Lead wagons from companies need to talk to lead wagons from the investment side,” he said. “We haven’t done enough to create constructive forums to create dialogues and discussions from both sides.” Ambachtsheer said a number of such forums are being developed, however, to point up areas where companies and investors can see ‘win-win’ scenarios.

**Jeffrey Smith**, partner in the environment, energy and resources group at Crowell & Moring, the law firm, stressed that for those collaborations to work out, a shared language around ESG will be crucial.

“Not enough attention has been paid to the words that are being employed,” he said, adding that he has become a member of the advisory committee to the Sustainability Accounting Standards Board (SASB), which is developing ESG reporting standards for 88 industry sectors.

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“The SASB sausage maker will mean that words like ‘materiality’ will come out with very precise meanings,” he says.

Other panelists discussed their own guidelines and research for promoting the adoption of ESG among investors. **Lorenzo Saà**, head of reporting and assessment for the UN-supported Principles for Responsible Investment, said that in late September PRI released a new reporting framework, which requires signatories to report on their progress on the principles. By June 2014, Saà said he expects that 1,000 investors will have disclosed on how they implement the principles.



Jeffrey Smith



**Robert Schwob**, principal at Style Research, shared research that underlines the complications inherent in treating corporate governance as an investment theme. He explained that his research has found that stock performance doesn't broadly correlate to performance on corporate governance issues, being more of an individual company question. However, he said there was better news for thematic investors on the environmental side, where Style Research has analysed data from Trucost: "The eureka is that there *is* an investment theme looking at the environment

“The eureka is that there is an investment theme looking at the environment wherein the cleanest - that is, lowest carbon - companies outperform”

wherein the cleanest—that is, lowest carbon—companies outperform,” he said.

Other conference discussions revealed just how far responsible investing has to go before it's fully integrated into most asset owners' investment processes. Glaring difficulties remain in the fixed income asset class, as one panel discussed.



Henry Shilling

**Henry Shilling**, senior vice president of Moody's Corporation, said that "we see a dearth" of fixed-income funds that incorporate ESG. According to his firm's research, which it conducted in partnership with Mercer, Only 23 such funds are offered today in the U.S., and 72 percent of them follow an exclusionary policy. The vast majority are offered by PIMCO and Calvert.



Lenora Suki

**Lenora Suki**, senior product strategist at Bloomberg, summed up one of the inherent difficulties of incorporating ESG into a bond strategy: "If you're going to buy a bond and sit on it for the life of the bond, how do you work ESG into that?" In response to the question she posed, she suggested moving beyond the term of the bond issue itself and taking ESG considerations to the issuer level.

“If you're going to buy a bond and sit on it for the life of the bond, how do you work ESG into that?”



Robert Schwob

**Tim Coffin**, senior vice president of Breckinridge Capital Advisors, said it considered the firm's ESG strategy to be part of good risk management, adding an extra layer of due diligence to its high-yield bond purchases. He echoed the sentiment that a type of shareholder engagement could be an aspect of the bond space. "We have a collaborative role with the companies we invest in," he says. "We assume we'll hold till maturity."

“We have a collaborative role with the companies we invest in,” . . . “We assume we’ll hold till maturity”

Another obstacle blocking the wide adoption of ESG is the ever-thorny question of fiduciary responsibility, and what that concept means for asset owners.

**Keith Johnson**, head of institutional investor legal services at Reinhart Boerner Van Deuren, the law firm, challenged a common concern that asset owners may be in breach of their fiduciary responsibility when they prioritize responsible investing.

“I think a lot of the hesitance to engage in responsible investing is actually itself a violation of the duty of loyalty”

He turned that fear on its head, arguing that those who shun ESG factors by pointing to fiduciary duty restrictions have their priorities flipped: "I think a lot of the hesitance to engage in responsible investing is actually itself a violation of the duty of loyalty," he said. "It's a paradox, because any fiduciary is going to be concerned about these issues, and you're supposed to be sticking your neck out for your clients and not worrying about who's going to turn around and sue you."

Webster said EIRIS conducted a survey of pension beneficiaries to get a sense of their stance on how they feel their schemes should be reacting to various issues. Sixty-five percent said they believed their funds should act on child labor issues, and 46 percent wanted their schemes to do what they could to safeguard the environment. Forty-three percent want annual reports from their pension plans.

**Peter Webster**, CEO of EIRIS, noted that the U.K. Law Commission had a similar concern with regard to fiduciary responsibility. In response to speculations that fiduciary duty laws may actually be causing short-termism among investors, the Commission launched in March 2013 a fiduciary duty review, which aimed to determine whether current laws benefit end investors. Webster highlighted some of the key points that have emerged so far from the review: pension trustees' use of ESG factors in their investment process is officially legally permissible, and asset owners can consider how ESG issues affect the portfolio as a whole, and not just each stock.

“In this fiduciary discussion, there’s a tendency to see fiduciaries as inanimate objects, But fiduciary duty has to do with the greatest happiness of the greatest number of people”

"In this fiduciary discussion, there's a tendency to see fiduciaries as inanimate objects," Webster said. "But fiduciary duty has to do with the greatest happiness of the greatest number of people."

Hugh Wheelan and Anne Sheehan





Stephen Scofield, Sustainalytics



Alka Banerjee, S&P Dow Jones Indices



Andrea Phillips, Goldman Sachs



Anne Simpson, CalPERS



Michel di Capua, Bloomberg New Energy Finance



Rina Kupferschmid-Rojas, ESG Analytics



Peter Grauer, Chairman, Bloomberg



Christina Kusoffsky Hillesöy, AP3, Sweden



Matt Diserio, Water Asset Management



Sarah Cleveland



Matt Christensen, AXA Investment Managers



Richard W. Clayton III, Research Director, CtW



L to R: Gustavo Rimentel - SITAWI,  
Will Oulton - First State,  
Chris Davis - Ceres



Adam Kanzer, Domini Social Investments



Patrick McGurn, Institutional Shareholder Services



L to R: Hugh Wheelan, Kevin Parker, Michael Bret, Matthew Diserio, Chris Davis, Michel di Capua



Sean Kidney, Climate Bonds Initiative



Will Oulton, First State



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relevant  
essential

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*“Responsible Investor is required reading.”*

Anne Simpson, Senior Portfolio Manager,  
Director, Global Governance, CalPERS

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