



UK EU Presidency Conference on Responsible Investment

Insight helped shape, and participated in, the UK EU Presidency Conference on responsible investment held in London on 1-2 December. The conference was addressed by UK government ministers – Stephen Timms, Minister of State for Pensions Reform; Malcolm Wickes, Minister of State for Energy, Department of Trade and Industry; and Barry Gardiner, Minister for Competitiveness.

The conference focused on the role the finance sector can play in driving corporate responsibility and the opportunities and challenges faced by mainstream financial institutions in becoming more actively engaged in promoting sustainable development.

It was attended by over 400 government and private sector participants from throughout the EU. Essentially the conference showcased the 'state of the art' in responsible investment and underlined the financial relevance of environmental, social, and governance (ESG) issues to investment. Disappointingly, it was not used by government as a forum to announce new policies or initiatives, and thus yielded little new information to well-established practitioners of responsible investment, such as Insight.

Outcomes

- The conference sought support for the following outcomes which were tabled beforehand: Encouraging institutional shareholders, including company pension funds, across Europe, to be responsible investors, to take ESG issues into account in making investment decisions, and to be active, voting shareholders in relation to ESG issues.
- Fostering a long-term investment culture in European capital markets that supports more responsible, productive and sustainable corporate practice.
- Supporting the new UN Environment Programmes' Finance Initiative's 'Principles for Responsible Investment' and encouraging financial institutions to support and participate in these, thereby fostering a long-term investment culture.
- Encouraging governments to assess policy options for mainstreaming responsible investment, especially those targeted at tackling climate change and poverty eradication.
- Encouraging European companies to report material ESG risks and opportunities and how they are responding to these.

- Encouraging the Global Reporting Initiative (GRI) efforts to develop its guidelines to meet the needs of responsible investors and others, and encouraging European companies to consider adopting GRI reporting guidelines where appropriate, including those specifically designed for the finance sector.
- Supporting ongoing efforts by financial analysts and independent research bodies serving the investment community, to take ESG issues into account, and to generally improve the quality and usefulness of such research.
- Supporting the provision of training and capacity building to assist investors, trustees and employee representatives to understand the issues related to responsible investment. See http://www.csr.gov.uk/csrconference_paper.pdf.

These recommendations are not, for the most part, controversial. The conference recognised the difficulties fiduciary investors have in supporting socially or environmentally beneficial activities where there are no immediately clear financial benefits for beneficiaries.

It is not clear what, if any, practical consequence will follow from the conference's endorsement of these outcomes. Several governments have already implemented regulations to require more disclosure from investors on their approach to social, ethical and environmental issues and to voting. It seems unlikely that the EU Commission will take up this agenda. Similarly, while it may well be desirable to foster a long-term investment culture, it is not easy to see what can be done at the EU level to achieve this outcome.

It is easier to see what progress may be possible for the voluntary initiatives supported by the conference. The GRI has already set up an investors' working group to help encourage more financially relevant reporting of companies' social and environmental performance. The Principles of Responsible Investment are also making progress in winning support from institutional investors. (Details can be found at www.unepfi.org/work_programme/investment/principles/). Our view is that there is a significant chance that they will become an important standard of good practice in this area.

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