Conference Report

Investing for Long-Term Value

Integrating environmental, social and governance value drivers in asset management and financial research

— A state-of-the-art assessment —

Federal Department
of Foreign Affairs
Switzerland

THE GLOBAL
COMPACT

IFC
International
Finance
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World Bank Group

Conference Report

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Zurich, 25 August 2005

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Hosted by:

- UN Global Compact, www.unglobalcompact.org
- Federal Department of Foreign Affairs Switzerland, www.eda.admin.ch
- International Finance Corporation, www.ifc.org

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Federal Department of Foreign Affairs Switzerland

THE GLOBAL COMPACT

IFC International Finance Corporation World Bank Group

Forewords by hosting institutions

Through the *Who Cares Wins* initiative, the Global Compact Office – working with partners such as the Swiss Government and International Finance Corporation – has been actively engaging with mainstream financial companies and organizations in an effort to assist in the integration of environmental, social and governance ("ESG") issues in investment analysis, processes and decision-making. The conference convened in Zurich on 25 August 2005 marked an important milestone in this effort, bringing together senior executives from across the financial spectrum.

A powerful and historic convergence is clearly under way, between the objectives and concerns of the United Nations and those of the private sector, including – crucially – the financial markets. Peace, security and development go hand-in-hand with prosperity and growing markets. As finance, trade and investment deepen the connections between people and societies, companies and investors are increasingly faced with global – and potentially material – ESG issues. The Global Compact stands ready to support efforts to advance understanding and implementation in this rapidly evolving field.

Gavin Power
Senior Officer
UN Global Compact, Office of the Secretary-General

The world is smaller and investing in risky markets such as unstable or conflict prone regions are not optional anymore but an emerging necessity. As risks to individuals are risks to assets and security of individuals means security of investments, financial organizations public as well as private, investors as well as governments all share a converging interest in security, in stability and in predictability.

In this world, developing and integrating environmental, social and governance ("ESG") issues in investment is inevitably becoming an obligation for mainstream analysts and decisions makers. Although the financial industry is one of the most competitive, a comprehensive response to this challenge requires a space for a cooperative approach.

The process launched by the *Who Cares Wins* initiative in 2004 and the Zürich Conference in 2005 offers this "neutral" space where cooperation, joint learning and sharing perspectives to advance current thinking are possible. But this should be seen as a stepping stone when the challenge remains to develop concrete tools, strategies and services.

Ambassador Thomas Greminger,
Head, Human Security Division, Swiss Department of Foreign Affairs

This conference was important for three reasons. First, it marked the impressive progress that has been made at the leading edge of the industry a year after the *Who Cares Win*s report. Secondly, it illustrated the simple but formidable power of like-minded people working in a broad alliance to achieve tangible outcomes. Thirdly, it revealed the gathering momentum and the deep changes that are taking place in the investment value-chain. These are still early days, and we need to be disciplined and focused on what matters most as we move forward. But a "tipping point" may be approaching, and the International Finance Corporation is proud to support this unique effort.

Rachel Kyte

Director, Environment & Social Development Department
International Finance Corporationw

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"[We] are convinced that in a more globalised, interconnected and competitive world the way that environmental, social and corporate governance issues are managed is part of companies' overall management quality needed to compete successfully. Companies that perform better with regard to these issues can increase shareholder value by, for example, properly managing risks, anticipating regulatory action or accessing new markets […]"

— Financial institutions with total assets under management of over 6 trillion USD, endorsing the UN Global Compact report *Who Cares Wins*, June 2004

Abbreviations

ESG: Environmental, Social and Governance […factors, drivers, issues]

1. Goals of the conference

In June 2004 a group of 20 financial institutions[1] with combined assets under management of over US$6 trillion, published and publicly endorsed a report facilitated by the UN Global Compact entitled *Who Cares Wins: Connecting Financial Markets to a Changing World*. The focus of the report is a series of recommendations, targeting different financial sector actors, which taken together seek to address the central issue of integrating Environmental, Social and Governance (ESG) value drivers into financial market research, analysis and investment.

About one year later, on 25 August 2005, the endorsing institutions, together with additional invited institutions (see participants list in Annex 2), met in Zurich:

1. To review progress made in implementing the recommendations of *Who Cares Wins* by financial market actors
2. To take stock and learn from the many initiatives (both individual and collaborative ones) launched since the release of *Who Cares Wins*
3. To foster a dialogue between important actors, such as institutional investors and fund managers, buy-side and sell-side research analysts, investment consultants and their clients, specialised investment managers and global houses
4. To identify key obstacles for a better integration of environmental, social and corporate governance factors in investment, and how they can be overcome
5. To improve the consistency of the message that involved institutions are sending to financial markets, and agree on a continued debate on these issues
6. To explore new emerging issues in the ESG field.

The conference focussed on a limited number of key actors in the financial industry (see also Fig. 1 from the *Who Cares Wins* Report). The following financial market actors were represented at the conference:

- Institutional investors (several large pension funds and pension fund managers)
- Asset managers (both specialised and large global managers)
- Buy-side and sell-side research analysts
- Consultants (the two global investment consultancies attended)
- Government bodies and regulators (e.g. UN and Swiss Government, London and Swiss Exchanges took part).

The conference was designed in a way to foster an open and frank dialogue between financial professionals (Chatham House Rule was applied), all of

[1] Including ABN Amro, Aviva, AXA Group, Banco do Brasil, Bank Sarasin, BNP Paribas, Calvert Group, CNP Assurances, Credit Suisse Group, Deutsche Bank, Goldman Sachs, Henderson, HSBC, Innovest, ISIS, KLP, Morgan Stanley, RCM, UBS, Westpac, IFC. At a later stage also Mitsui Sumitomo Insurance and China Minsheng Bank joined as endorsing institutions.

whom with already some experience in the "mainstreaming ESG" field, in order to truly advance the understanding of the issues involved.

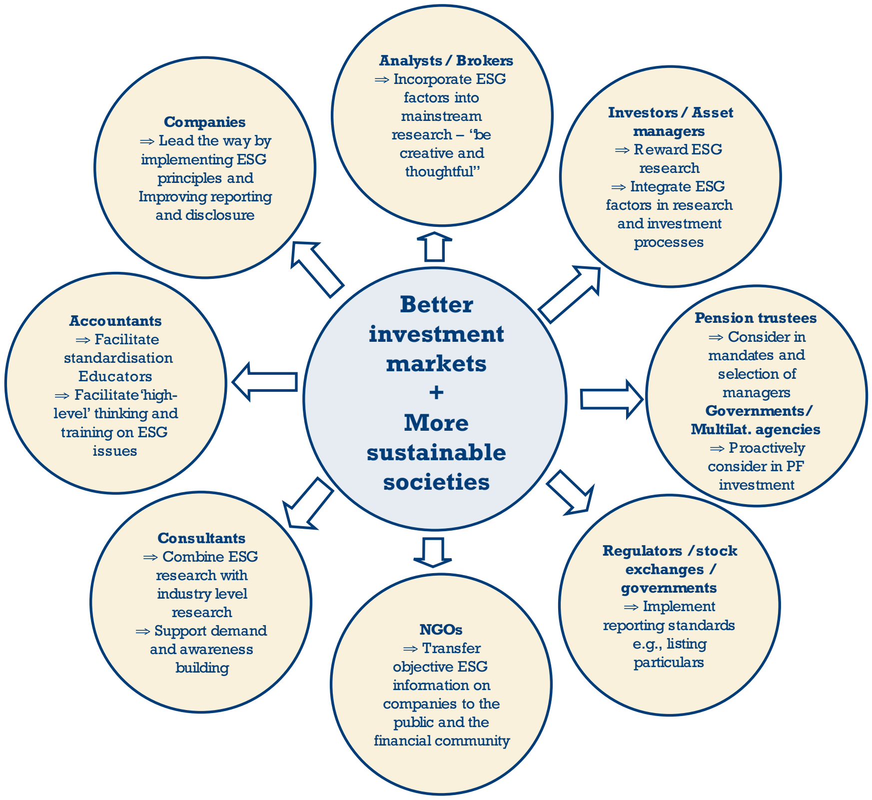

Fig. 1: Key actors involved in the "mainstreaming ESG" field (from the Who Cares Wins *report).*

2. Key outcomes

The main outcomes from the discussions at the conference can be summarised as follows:

Discussion themes:

- There was a remarkable degree of agreement among participants that ESG factors play an important role in the context of longer-term investment strategies and that the financial industry must improve their consideration in research and investment processes. Some participants also remarked that taking into account material ESG factors already today falls within the fiduciary responsibility of investors.
- An encouraging number of individual and collaborative actions have been undertaken by the financial industry in the past year with the goal of improving the understanding and integration of ESG factors in investment (see Annex 1).
- Many current developments are pointing towards a more long-term approach to investing based on sound ESG research.
- In spite of this, progress in the industry has been slow. We are today at a critical juncture: ESG considerations could attain unstoppable momentum,

but could also be pushed back by powerful forces interested in short-term gains only (majority of institutional investors was seen as behaving this way; hedge funds were mentioned).

- Overall, conference participants expressed a strong confidence in the entrepreneurial spirit of fund managers and other professionals that will seize the business opportunities offered by long-term investing (many innovative investment solutions and products were presented at the conference). Even if current "cultural" and regulatory frameworks are not particularly supportive of long-term investing, the entrepreneurial spirit will triumph, according to many conference participants.
- Key challenges remain, in particular a more consistent message from key actors such as pension funds, their trustees and investment consultants, and consistency and integrity of ESG data available to analysts and fund managers. A key challenge was also seen in better institutionalising financial institutions' commitment toward ESG issues, versus the current status of single individuals or teams leading the implementation process. It was also noted that the traditional approach of segmenting investment styles and asset classes had created a system of "rigid silos" which is impeding innovation and becoming a serious problem for the industry.
- There was also general agreement that ESG factors should be truly "mainstreamed" and not treated as a separate category. One participant remarked that "pigeonholing ESG as a separate category will kill it".
- Who was there was as important as what was said: organizers are pleased to see many major, mainstream organisations now attending and engaging actively in the debate (see list of attendees).

Forward plans

Almost all participants expressed the wish to establish the conference as a yearly recurring event. The hosts have confirmed that they are willing to sponsor a similar event in 2006. It will most probably take place again in Switzerland at the beginning of September 2006. Participants, through the feedback forms, proposed a series of topics for future meetings, including:

- Invite CEOs and CFOs in order to facilitate the dialogue between companies and investors – this could focus on specific industries and/or topics, and could be supported by existing Global Compact platforms
- Focus on a specific sector, allowing analysts and fund managers to present in detail how ESG drivers are taken into account for that specific sector
- Focus on specific themes, e.g. human capital, reputation risks, climate change, and explore in more depth how their consideration adds value to an investment process
- Use the conference as a platform to define an action plan and set priority areas for further research/ tools development in the coming year
- Focus on new emerging themes/risks, or cutting edge applications
- Also invite other key stakeholders that have not participated so far.

To support awareness-building among young professionals entering the industry, one participant proposed that all conference attendants commit to giving a presentation at a business school or professional training course on

ESG issues until we meet again next year. There was strong support for this proposal.

3. Insights from plenary sessions

The plenary sessions covered the whole morning and were very rich, both in terms of presentations (ten presentations by the hosts, institutional investors and fund managers), and in terms of the discussions.

In his introductory remarks, Ivo Knoepfel from onValues summarised some of the recent developments pointing in favour of a more long-term approach to investing based on sound ESG research:

- Times of easy financial gains in capital markets are over -> we are forced to look at less speculative, skills-based investment approaches
- Hedge funds have reduced short-term market inefficiencies -> long-only investors are forced to focus more on long-term
- Globalisation is happening at a breathtaking speed and the world is truly more interconnected -> what is happening in terms of social and environmental trends in China or Brasil or in any part of the world is not irrelevant to Wall Street anymore
- We are all awakening to the fact that fossil fuel reserves are limited and that climate change is truly happening -> this means huge systemic changes in our economies, leading to both risks but also considerable opportunities for investors.

Ambassador Thomas Greminger from the Swiss Department of Foreign Affairs welcomed participants and mentioned that ESG issues considered "soft factors" in the past can have very tangible effects on investment value in today's world. He mentioned human security and business operations in conflict areas as examples – both areas which his department is working on. Gavin Power from the UN Global Compact Office linked this conference to last year's release of the *Who Cares Wins* report. He also offered the continuous support of the UN Global Compact in facilitating a dialogue between financial market actors, and between investors and companies (over 2200 companies have endorsed the Global Compact so far).

Anthony Ling from Goldman Sachs tackled the topic of the conference head-on by answering the four key questions that organisers had asked conference participants to focus on:

- Are investors expressing a serious interest, clearly articulating their needs, walking the talk?
- Are providers responding to the signals coming from clients in a purely opportunistic way or are we starting to see an uptake in core business strategy?
- Are the right frameworks in place? Are other key financial actors (consultants, brokers, regulators) in tune?
- What are the most probable scenarios? Will mainstream ESG investment become a reality/by when? What are the key challenges faced and how to deal with them?

Ling's views were widely supported by the audience. The following four boxes summarise his comments and answers to the four questions.

Are investors expressing a serious interest, clearly articulating their needs, walking the talk?

- Yes, no, maybe? ESG, CSR, SRI – are we all speaking the same language?
- Applaud all of the initiatives and effort. But ...
- The same institutions can be giving different messages
- Few genuinely link ESG to mainstream
- The broadness of the Catholic church means players have widely differing requirements
- For most ESG is still peripheral in terms of the broker poll contribution
- Combined commission of EAI well below that of a big hedge fund
- The transatlantic gap remains, in spite of stirrings in the US
- There is serious intent from a genuinely committed group of people, and the number is growing ...
- ... they are walking the talk, but it is not institutionalised

Are providers responding to the signals coming from clients in a purely opportunistic way or are we starting to see an uptake in core business strategy?

- Yes, no, maybe? ESG, CSR, SRI – are we all speaking the same language?
- To my knowledge, Citigroup, Deutsche, DKW, Goldman Sachs, HSBC, JPMorgan, Morgan Stanley, Soc Gen, UBS, have all set up, or significantly expanded, ESG teams in the last year
- All based in London. All stand-alone groups vying for resources in a world of shrinking commissions. The settlement is still vulnerable
- All are about the size of a small/mid-size sector team. Reflects the economics of the business and always will do. The plant needs nourishing
- Widely different approaches: good choice for users, but reflects lack of consistency in message
- We think we're responding but we're not sure. We think we're part of a core strategy but we're not sure
- Partnerships with "expert groups", advisory capacity to teams, lists of issues are relatively easy to produce
- However, they do not genuinely add value to mainstream and they are not durable

Are the right frameworks in place? Are other key financial actors (consultants, brokers, regulators) in tune?

- No, no, no. And they may never be!
- Given the diverse requirements of the end users it is not necessarily realistic
- Entrepreneurial spirit "if you build it they will come" will triumph over over-inclusive, bureaucratic consensus-building
- Move at the speed of the fastest, ablest and most willing, do not wait for the slowest
- We need a consistent message from consultants, to buy-side, to sell-side, and to corporates
- We need consistency and integrity of data to analyse: for this we need consistency across regulators and stock exchanges
- With a consistent message, and consistency of data, market forces will do the rest

What are the most probable scenarios? Will mainstream ESG investment become a reality/by when? What are the key challenges faced and how to deal with them?

- We are all believers. If we are right ESG will become mainstream within a five-year period
- Each piece of research, each mandate won is a victory. Lots of small victories will win the war
- Market forces will win out in the end. As time progresses, proof of concept increases – after a number of years irrefutable evidence will be in place
- The results of the "Generation Lost: Young Financial Analysts and ESG issues" Young Managers Team report are a slap in the face
- Pigeonholing ESG as a separate category will kill it – it must be embraced as part of mainstream
- Actions not meetings now needed from a core group of believers
- Institutionalising individual commitment is the major challenge

In his presentation, Richard West from UBS underlined key reasons for the growing importance and recognition of ESG factors in the financial industry, which he summarised as follows:

- Increasing opportunities in sustainable energy, water supply, health…
- Liability risk: asbestos USD200bn, tobacco USD300bn
- Heath issues: obesity, mobile phone concerns
- Climate change and insurance costs/losses, litigation risk
- Reputation risk: employing child labour, pollution, nuclear waste
- Management quality key to success; management reward aligned to shareholder value creation

Richard West also showed how UBS is both capturing business opportunities in terms of new products, as well as incorporating ESG factors in its investment process.

Jan Straatman from ABP Investments supported the view that long-term investing adds value to a pension plan, but also reminded that client needs and ambition level need to be matched with the investment model. ABP is actively engaged in a series of initiatives aimed at better integrating material ESG issues in its investment process. Jan pointed to the fact that the success of Hedge Funds has proven that "traditional product models" are suboptimal and that the ability to think "out of the box" and explore new grounds beyond rigid product silos will be crucial in future.

Philippe Lespinard of BNP Asset Management underlined the importance of the consistency of the message toward clients, sponsors, oversight bodies, market actors. He underlined BNP PAM's conviction that ESG issues have a material impact on a company's performance and are poorly reflected in the valuation of financial assets. He mentioned that fundamental investors cannot afford not to know or care. He also briefly presented the Enhanced Analytics Initiative which his company has co-founded and which has been effective at prompting investment brokers at producing research incorporating ESG factors.

Rachel Kyte of the IFC stressed how many of the ESG issues are even more crucial in an emerging market context. She often observes a disconnect between different departments within the same financial institution: while the project finance people are often well aware of the considerable environmental and reputational risks entailed in certain activities, other investment banking or asset management departments seem to ignore them.

In his presentation, Richard Lacaille from State Street Global Advisors expressed the view that the agendas of mainstream investors and mission-based investors are converging to a great extent. He stressed that for ESG factors to be incorporated in mainstream investment processes, definitions of risk must be expanded, time horizons must be extended, uncertainty must be accepted. He also described SSgA's disciplined process leading to performance consistency.

Colin Melvin from Hermes Investments pointed to the fact that large institutional investors, because of their size and passive investment styles, have a stake in whole economies. Hermes has therefore developed an Equity Ownership Service which focuses on corporate governance and engagement ideally suited for such investors.

The two moderators, Ivo Knoepfel and Peter Zollinger, summed up their personal impressions and key insights from the day. In particular, Peter Zollinger from SustainAbility mentioned the following points:

- There was strong support among attendees for truly incorporating ESG factors in mainstream investment, vs. pigeonholing them as a separate category.
- Participants at the conference probably represent the more advanced institutions. The impression is that the financial industry as a whole is still at the very beginning of a process aimed at better understanding and incorporating ESG factors.

- There are still formidable cultural barriers toward a better consideration of ESG factors in the industry. The recent UNEP-FI survey of young analysts showing how little they care for ESG issues is a "slap in the face" for all of us and highlights the need for active, personal leadership by those present in the room.
- It is interesting to note that conference attendants were not sure about the role regulators should play in this field. Many participants supported Anthony Ling's view that the entrepreneurial spirit of pioneering companies will ultimately prevail and the importance of having the "right" legal frameworks in place should not be overestimated. On the other hand, many participants also stressed the importance of the availability and consistency of ESG data from companies, which could be achieved by mandatory reporting requirements.
- Given its early stage, any further progress of embedding the principles of ESG-led investing requires the personal courage and entrepreneurial spirit of its advocates to "simply go and do it".

In his concluding remarks, Ivo Knoepfel offered a selection of quotes from participants that struck him most during the day:

- "We should all focus on future trends and market developments in the context of better fundamental research – this clearly adds value to investments"
- "There is often a disconnect between different parts of the same institution sending confusing signals to other market participants, e.g. the project finance department might be well aware of some of the ESG risks on the ground, but these are unknown in other parts of the organisation"
- "We have built rigid silos according to investment styles and asset classes in the past and this is increasingly impeding innovation"
- "It is companies that lead the ESG agenda; this forces the buy-side to innovate; and this, in turn, forces the sell-side to innovate"
- "We can learn from the hands-on, in-depth knowledge of private equity investors"
- "When I am standing in front of my clients I just can't afford not to know [about crucial environmental and social issues leading to liabilities and loss of reputation]"
- "We need to expand the application of ESG factors also to other asset classes"
- "Consultants are often a big problem: they say they support my concept but that I should come back in 10 years with a proper track-record"
- "Everybody is telling me that "management quality" is the single most important indicator affecting stock value – I just don't see analysts and fund managers taking it systematically into account"
- "In our equity valuation models we actually already account for very long-term effects by calculating terminal value which often accounts for more than half of fair value"

4. Insights from break-out sessions

The afternoon of the conference was dedicated to three parallel break-out sessions. Because each session was repeated twice, participants were able to attend two out of three sessions. Each session was introduced by a series of short presentations highlighting innovative initiatives, products or services (see Conference Programme in Annex 3).

Session 1: Initiatives by institutional investors

Goals:

- Provide an overview of some of the most effective collaborative initiatives by investors
- Identify success factors but also weaknesses of these initiatives
- Competition vs. collaboration: in what case is one better than the other in advancing innovation and integration of environmental, social and governance factors in investment

Short summary/key highlights

The session provided a good overview of some of the most innovative collaborative initiatives launched in recent months, including the Enhanced Analytics Initiative, the Institutional Investors Group on Climate Change, the Conference Board working group on ESG risks and the UNEP-Global Compact Principles for Responsible Investment project.

These initiatives were seen as a highly efficient possibility for investors to "bundle" and amplify their message to financial markets. In the discussion it was stressed that synergies between different initiatives should be better used, e.g. by joining forces on common positions and by actively communicating the complementary role of different initiatives.

Indeed, it was recognized that there appears to be significant opportunities for cross-fertilization and the leveraging of synergies and outputs. For example, it was noted that The Conference Board's current work on the identification of specific ESG factors aligned to ten industries, as well as a tool for analysts to use in incorporating ESG factors into discounted cash flow models, could feed directly into the work of the Enhanced Analytics Initiative, as well as the Principles for Responsible Investment program.

A defining feature of all these initiative is a high degree of collaboration among the organizations and stakeholders involved. This is especially noteworthy given that in many instances the organizations are traditionally highly competitive. This fact reflects the reality that the ESG field is quite new and avant-garde, which puts a premium on collective action and collaborative sharing of emerging/best practices.

However, some limitations to collaboration were noted, including the labor-intensive aspect of cooperation and partnering, as well as the occasional desire to protect intellectual assets and competitive advantage.

The importance of sending a consistent message to financial markets was also stressed. If different parts of the same institution send contradictory signals (e.g. business lines ignoring corporate initiatives), the market will take such policy statements and joint initiatives with a high degree of cynicism and simply ignore them.

Session 2: Buy-side and sell-side research

Goals:

- Clarify the needs of the buy-side (investors, asset managers) with regard to extra-financial research – which contents, formats, types of services are needed?
- Identify key trends and challenges of "mainstreaming" extra-financial research in financial analysis, e.g. in terms of analysts' professional curricula and remuneration systems
- Identify other players that could play an important role in providing better ESG research in the future – e.g. independent research houses, rating agencies, think-tanks

Short summary/key highlights

The dialogue between sell-side and buy-side analysts was at the core of Session 2. The session began with presentations by BNP PAM (buy-side), and Dresdner Kleinwort Wasserstein and UBS (sell-side). These real-life reports are an encouraging indication that powerful innovation is indeed happening.

Luc Zandvliet from Collaborative for Development Action presented a case-study on the operational and reputational risks of companies doing business in conflict zones.

The discussion revolved around the question of what it takes for extra-financial research to become truly mainstream, leading to the following key statements:

- It is important to find the right language; ideally avoid terms such as ESG and use terms such as "strategic research", "long-term issues" etc.
- It is important to focus on few issues that are relevant to specific sectors, and not cover the whole spectrum of ESG issues for all sectors
- It is important that mainstream analysts, informed by SRI specialists, take care of these issues, and they are perfectly capable of doing it
- EAI with its clear incentive mechanism has already had an important impact – but it needs to grow in order to make a difference
- Extra financial research must be included in analysts' annual reviews and remuneration systems (e.g. pay them to write specific research reports and they will do it)
- Awareness-building and training of analysts is important – start with issues that are easily quantifiable
- Stimulate competition between analysts.

The case study on business in conflict zones showed how challenging it can be for new emerging issues to be considered in financial research. Luc Zandvliet showed that risks can nevertheless be managed and that "best practice" criteria and indicators can be used for investment research purposes. With rising commodity prices and companies increasingly operating in developing countries, good stakeholder and community relations management will become a more and more important factor in the future.

Session 3: Innovations in investment processes and products

Goals:

- Showcase particularly innovative investment process designs for long-term investing which take into account environmental, social and governance factors
- Showcase innovative investment products and services for long-term investing (only general descriptions)
- Identify key trends and challenges to increasing supply and demand for such services
- Identify different types of investors interested in this offer and how asset management can best respond to their needs.

Short summary/key highlights

Different approaches taken by a large global provider (Credit Suisse) on one side, and specialised investment houses (Calvert, Generation) and research providers (Innovest) on the other, were at the centre of the introductory presentations and the discussions in this session.

The speakers agreed that it was possible to integrate ESG information in traditional investment processes and valuation models and presented their own approaches and experience in the field. It was stressed, for example, that terminal value calculation in the context of standard DCF models provides a possibility to take into account long-term ESG factors.

Some key challenges remain, including the availability and quality of ESG data, the uncertainty involved in dealing with long-term horizons, the need to expand the application of ESG approaches also to other asset classes such as bonds, real estate, etc.

The discussion also pointed to the importance of overcoming cultural barriers and introducing the right incentive systems for fund managers and analysts in an industry which is strongly "people-driven". Practical solutions such as remuneration systems for analysts linked to 3-year rolling financial performance were presented.

Participants also pointed to problems with institutional investors that were not "walking the talk" and investment consultants often hindering innovation and longer-term approaches.

Annex 1: A review of initiatives undertaken since the release of *Who Cares Wins*, and some of the key gaps

In preparation for the conference, the IFC commissioned a study prepared by David Gait, Cecilia Bjerbörn and Dan Siddy, outlining the many initiatives undertaken in the field of "mainstreaming ESG" in the investment world since the release of the *Who Cares Wins* study. The following table summarises a selection of the most interesting initiatives undertaken by different financial market actors and also some of the key remaining gaps. For the full report go to http://www.ifc.org/sfmf.

Table 1: A summary of key developments

Financial Sector Actor	Major Developments in the past year
Pension Fund Trustees	• Investor Network on Climate Change (INCR) conference, subsequent "Investor Call for Action" (May 05) and publication of "Investor Guide to Climate Risk." (July 05) • Enhanced Analytics Initiative launched (EAI) (Oct 04) • Principles for Responsible Investment launched (PRI) • Increased investment in clean technology sector – including US$1bn commitment from INCR Call to Action signatories • US pension fund collaborative engagement - e.g. 15 US pension funds sent letters to 43 power sector companies requesting climate risk reports (July 05)
Governments/ Multilateral Agencies	• Le Fonds de Réserve pour les Retraites (FRR), a French Government pension reserve fund set up in 2003, launched a new 600 million euros European Equity "Socially Responsible Investment" mandate (June 05)
Consultants	• Mercer build SRI team
Investors/ Asset Managers/ Buy-Side Research	• EAI • Conference Board's ESG Tool for Analysts • World Economic Forum and AccountAbility published "Mainstreaming Responsible Investment" (Jan 05) • Strong growth in "clean technology" private equity funds • Third Round of Carbon Disclosure Project launched. 143 institutional investors with assets of $20trillion wrote to the 500 largest listed global companies (Feb 05) • Generation Investment Management launched

Financial Sector Actor	Major Developments in the past year
Investment Brokers/ Sell-Side Research	• EAI • Conference Board's ESG Tool for Analysts • Sell-side organisations such as Goldman Sachs, UBS and Citigroup established new SRI teams • New sell-side research commitment, often in collaboration with specialist NGOs/SRI firms. For example, Merrill Lynch initiated partnership with WRI to publish: "Energy Security and Climate Change: Investing in the Clean Car Revolution" (July 05) • Prompted in part by Rainforest Action Network's Global Finance Campaign, several leading US banks launched firm-wide ESG policies, including JP Morgan, Bank of America, Wells Fargo and Citigroup • IFC designed emerging markets research competition
Academic Institutions/ Educators	• Mistra (Swedish Foundation for Strategic Environmental Research) launched three year major research programme on "Behavioural Impediments to Sustainable Investment" and "Sustainable Development – The New Role of Institutional Investors" (June 05)
Regulators	• Few significant regulatory developments • UK Government passed "Operating Financial Review", requiring listed companies to disclose relevant ESG information (April 05) • Germany passed regulation which mandates corporate pension funds to disclose any policies they have on social, environmental and ethical issues (July 05)
Stock Exchanges	• London Stock Exchange set up Corporate Responsibility Exchange
Companies	• Many examples of new ESG-related strategies, including launch of General Electric's "Ecomagination" (May 05) • Global Compact network increased from around 1400 to over 2000 companies • GRI reporting companies grew from 450 to over 700 • Leading up to G8 summit, the heads of 23 global companies released a joint statement expressing strong support for action to mitigate climate change (June 05)

Financial Sector Actor	Major Developments in the past year
NGOs	• WRI collaborated with Ceres, SAM Group and Merrill Lynch to produce a series of high quality, original research reports • WWF and Allianz produced joint report "Climate Change and the Financial Sector: An Agenda for Change"

Table 2: A summary of key gaps

Financial Sector Actor	Key Gaps
Pension Fund Trustees	• Pension fund trustee consideration of ESG issues in formulation of mandates and manager selection sill not widespread • EAI requires broadened and deepened membership to fulfill potential
Governments/ Multilateral Agencies	• Opportunities for further progress by government and multilateral pension funds to integrate sustainable investment principles taking into account their fiduciary duty
Consultants and Academic Institutions	• Greater technical research still required from consultants and academics on the implications of ESG integration in different asset classes and with different styles, for both returns and alternative measures of risk
Investors/ Asset Managers/ Buy-side research	• Short-termism – indications that the industry as a whole is still getting even more short term. Specific initiatives needs to ensure this short-term industry takes account of ESG issues • More emphasis needs to be placed on the time horizon of incentivisation programmes for investment professionals • EAI requires broadened and deepened membership to fulfill potential • Fund managers slow to develop high quality long-term investment products
Investment Brokers/ Sell-Side Research	• Expansion of geographical and industry coverage of ESG research required
Regulators	• Regulators have not yet taken an active role. In some cases, their interventions have made it more difficult, rather than easier, for investors to focus on long-term horizons and ESG integration (e.g accounting and reporting rules forcing pension funds to report on a quarterly basis)

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Financial Sector Actor	Key Gaps
Stock-exchanges	• Follow-through required after promising new initiatives. Focus on practical measures that also make business sense for the exchanges
Companies	• Better identification and communication of key ESG strategies, challenges and value drivers • ESG reporting could be more investor friendly

Annex 2: List of participants

Company	Family name	First name	Position	Break-out Round 1	Break-out Round 2
ABN AMRO Asset Management S.A.	Moolenburgh	Edward	Head of Corporate Governance & Sustainable Development	Session 2	Session 3
ABN AMRO Bank N.V.	Van Assem	Vincent	Senior Vice President	Session 3	Session 1
ABN AMRO Bank N.V.	Bos	Johan	Senior Officer SD Reporting	Session 2	Session 3
ABP Investments	Straatman	Jan	Chief Investment Officer - Capital Markets	Session 3	Session 1
Bank Sarasin	Kämpf	Klaus	Vice President Sustainability Research	Session 3	Session 1
BBVA Suiza	De Andino	Luis Sanz	Head of Investment & Markets	Session 3	Session 1
BNP Paribas Asset Management	Borremans	Eric	Head of Sustainability Research	Speaker	Speaker
BNP Paribas Asset Management	Lespinard	Philippe	Chief Investment Officer	Session 2	Session 3
Caisse des Dépôts et Consignations	Alberola	Emilie	SRI Research analyst	Session 2	Session 1
Calvert Group	Falci	Steve	Senior Vice President	Speaker	Speaker
CCRS Center for Corporate Responsibility	Burkhard	Hans-Peter	Managing Director	Session 3	Session 1
CCRS Center for Corporate Responsibility	Seilder	Alexander	Researcher	Session 1	Session 3
Collaborative for Development Action	Zandvliet	Luc	Director Corporate Engagement Project	Speaker	Speaker
Credit Suisse	Schanzenbächer	Bernd	Global Head of Sustainability Affairs / GCBS	Session 3	Session 1
Credit Suisse Asset Managemet	Langewand	Jens	Head Global Equity, Director	Speaker	Speaker

Investing for Long-Term Value

Integrating environmental, social and governance value drivers in asset management and financial research

— A state-of-the-art assessment —

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Company	Family name	First name	Position	Break-out Round 1	Break-out Round 2
Dexia Asset management	Vermeir	Wim	Global Head of Equity Management	Session 3	Session 2
DrKW	Packman	Myles	Head of SRI Product	Speaker	Session 3
Ecofact	Zenklusen	Oliver	Managing Consultant	Session 1	Session 3
Erste Bank Group	Mostboeck	Friedrich	Head of Group Research	Session 1	Session 2
F&C Asset Management	Jenkinson	Kirsty	Senior Analyst	Session 2	Session 1
Federal Department of foreign Affairs	Pachoud	Gerald	Policy Advisor	Speaker	Speake
Federal Department of foreign Affairs	Gardaz	Adrienne	Junior policy advisor	Rapporteur	Rapporteur
Federal Department of foreign Affairs	Greminger	Thomas	Head of Division, Ambassador		
First State Investments	Gait	David	Fund Manager - Emerging Markets/ Asia Pacific	Session 1	Session 2
Generation Investment Management LLP	le Duc	Colin	Head of Research	Speaker	Speaker
Goldman Sachs	Forrest	Sarah	Financial Analyst, ESG team leader	Session 2	Session 3
Goldman Sachs	Baird	Andrew	Managing Director - Global Investment Research	Session 1	Session 2
Goldman Sachs International	Ling	Anthony	Co-Head European Research	Session 1	Session 3
Henderson	Lake	Rob	Head of Corporate Engagement	Session 3	Speaker
Hermes Investment Management Limited	Melvin	Colin	Director - Corporate Governance	Session 1	Session 2

Company	Family name	First name	Position	Break-out Round 1	Break-out Round 2
Henderson	Lake	Rob	Head of Corporate Engagement	Session 3	Speaker
Hermes Investment Management Limited	Melvin	Colin	Director - Corporate Governance	Session 1	Session 2
Innovest Strategic Value Advisors	Kiernan	Matthew	Chief Executive	Speaker	Speaker
InSpire Invest	Willums	Jan-Olaf	Chairman	Session 2	Session 3
International Finance Corporation	Kyte	Rachel	Director, Environment & Social Development	Session 2	Session 3
International Finance Corporation	Siddy	Dan	Sustainable Financial Markets Facility	Session 3	Session 1
London Stock Exchange	Braun	Georg	Head of Sales and Marketing, IR Solutions	Session 3	Session 2
Mercer Investment Consulting	Hegglin	Peter	Investment Consultant	Session 1	Session 3
Mistra	Thörnelöf	Eva	Deputy Director	Session 1	Session 3
oekom research AG	Hassler	Robert	CEO	Session 2	Session 3
onValues	Ritter	Regula	Senior Adviser	Rapporteur	Rapporteur
onValues	Knoepfel	Ivo	Managing Director	Moderator	Moderator
onValues	Specking	Heiko	Analyst	Rapporteur	Rapporteur
OTP Fund Management	Landell-Mills	Natasha	SRI Specialist, Advisor	Session 1	Session 3
OTP Fund Management	Holtzer	Peter	Chairman	Session 1	Session 3

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PGGM	Russelman	Gerrit	Advisor to the managing Director Investments	Session 2	Session 1
PGGM	Fehrenbach	Gerard	Corporate Governance Lawyer Investments	Session 2	Session 1
Pictet & Cie	Butz	Christoph	Sustainable Investment Specialist	Session 3	Session 2
RCM (UK) Ltd.	Jankoswska	Bozena	CIO, Socially Responsible Investment	Session 3	Session 2
responsAbility	Tischhauser	Klaus	Managing Director	Session 1	Session 3
SAM Indexes GmbH	Barkawi	Alexander	Managing Direktor	Session 3	Session 1
SAM-Sustainable Asset Management	Werner	Christian	Chief Investment Officer	Session 3	Session 2
SiRi Company	Spicher	Philippe	Managing Director	Session 2	Session 3
SRI World Group	Falk	Jay	President SRI World Group	Session 1	Session 3
State Street Global Advisors	Lacaille	Rick	Chief Investment officer, Europe	Session 3	Session 2
SustainAbility	Zollinger	Peter	Managing Director	Moderator	Moderator
Swiss Re	Dudle	Pascal	Vice President	Session 3	Session 2
Swiss Re	Mehn	Hans	Managing director	Session 1	Session 2
Swiss Re	Weymann	Martin	Sustainability Advisor	Session 2	Session 1
SWX	Meier	Richard T.	Head International & Research	Session 2	Session 3

Company	Family name	First name	Position	Break-out Round 1	Break-out Round 2
The Conference Board	Vidal	David	Director of Research, Global Corporate Citizenship	Speaker	Speaker
Trucost Plc	Barker	Rob	Institutional Client Manager	Session 3	Session 1
UBS	Leitz	Christian	Communications Management, Director	Session 1	Session 2
UBS	Gamboni	Gianreto	Director, SRI analyst	Session 1	Session 2
UBS	Hudson	Julie	Managing Director, SRI Research	Session 3	Speaker
UBS	Kermode	Yann X.	Director Group Environmental Policy	Session 1	Session 3
UBS Global Asset Management	West	Richard	Head of European Equities		
UN Global Compact	Power	Gavin	Head, Financial Markets	Moderator	Moderator
UNEP Finance Initiative	Hagart	Gordon	Programme Manager, Investment	Speaker	Speaker
Universities Superannuation Scheme Ltd.	Thamotheram	Raj	Advisor, Responsible Investment	Speaker	Session 3
Watson Wyatt AG	Zaugg	Beat	Leader Investment Practice, CFA	Session 3	Session 1
WestLB	Wallenfels	Marek	Associate Director	Session 1	Session 3
World Resources Institute - WRI	Sohn	Jon	Senior Associate	Session 2	Session 3
Zürcher Kantonalbank	Döbeli	Sabine	Head of Environmental and Social Research, Member of Senior Management	Session 3	Session 2
Zürcher Kantonalbank	Bösch	Stefan	Senior Financial Analyst Sustainable Enterprise Program	Session 3	Session 1

Annex 3: Conference programme

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9:30 Registration and coffee

10:00 Welcome and introduction

- Welcome address, Ivo Knoepfel, onValues
- Welcome address, Ambassador Thomas Greminger, Federal Department of Foreign Affairs
- Introduction by Gavin Power, UN Global Compact Office

10:30 Keynotes

- Anthony Ling, Co-Head of European Research, Goldman Sachs
- Richard West, Head of European Equities, UBS Global Asset Management

Moderator: Ivo Knoepfel, onValues

11:00 Part I

Clients' needs and the financial industry's responses

(A panel debate between institutional investors and financial service providers, introduced by short presentations by the panellists, followed by Q&A/discussion with the audience)

Institutional investors:

- Jan Straatman, CIO Global Capital Markets, ABP Investments
- Rachel Kyte, Director, International Finance Corporation
- Colin Melvin, Director, Hermes

Financial service providers :

- Philippe Lespinard, CIO, BNP Paribas Asset Management
- Rick Lacaille, CIO Europe, SSgA Ltd.
- Richard West, Head of European Equities, UBS Global Asset Management
- Anthony Ling, Managing Director, Goldman Sachs.

Moderator: Peter Zollinger, SustainAbility

12:30 Lunch

13:45 Part II – Break-out sessions

Tools, products and initiatives for implementation

(3 parallel break-out sessions repeated in two rounds. Each participant has the opportunity to take part in two sessions. Each session is introduced by 3-4 short presentations)

13:45 Start of round 1

15:00 Coffee break

15:15 Start of round 2

Session 1: Initiatives by institutional investors

Introductory presentations:

- Raj Thamotheram, USS/ Enhanced Analytics Initiative
- Rob Lake, Henderson/ Institutional Investors Group on Climate Change
- David Vidal, The Conference Board
- Gordon Hagart, UNEP-Global Compact Principles for Responsible Investment Project

Moderator: Gavin Power, UN Global Compact

Session 2: Buy-side and sell-side research

(including a special focus on new emerging risks: geopolitical and security risks of doing business in conflict areas)

Introductory presentations:

- Eric Borremans, BNP Paribas Asset Management
- Myles Packman, Dresdner Kleinwort Wasserstein
- Julie Hudson, UBS Investment Bank
- Luc Zandvliet, Collaborative for Development Action; Gerald Pachoud, FDFA

Moderator: Peter Zollinger, SustainAbility

Session 3: Innovations in investment processes and products

Introductory presentations:

- Colin le Duc, Generation Investment Management
- Jens Langewand, Credit Suisse Asset Management
- Steve Falci, Calvert Group
- Matthew Kiernan, Innovest

Moderator: Ivo Knoepfel, onValues

16:30 Key insights from parallel sessions reported back to the plenary

16:45 Outlook

Where do stand? Where is the journey leading to?

- Ivo Knoepfel and Peter Zollinger

17:00 Adjourn

17:15 Reception, Apéro

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