

# Responsible investing for the long term

Martin Skancke, IFSWF Meeting Doha, November 2014

[martin.skancke@unpri.org](mailto:martin.skancke@unpri.org)

[www.unpri.org](http://www.unpri.org)

# Two aspects of responsible investing

- Being responsible members of the international financial community and society in general
- Having a responsibility towards beneficiaries / ultimate owners

# SWFs can increase returns and stabilize markets...

- Hold more than the average investor of one particular risk factor → "excess returns" most years, but some years with significant underperformance → like selling insurance against this event happening
- Another formulation of the investment problem: Which risks do we want to buy insurance against, and which insurance policies do we want to sell?
- SWFs as long term investors are natural sellers of insurance

# ...but this strategy requires strong governance

- Must be able to live through periods of severe losses without losing faith in strategy
- Requires trust from the owner and an understanding of the strategy
- Good governance is key to succeeding

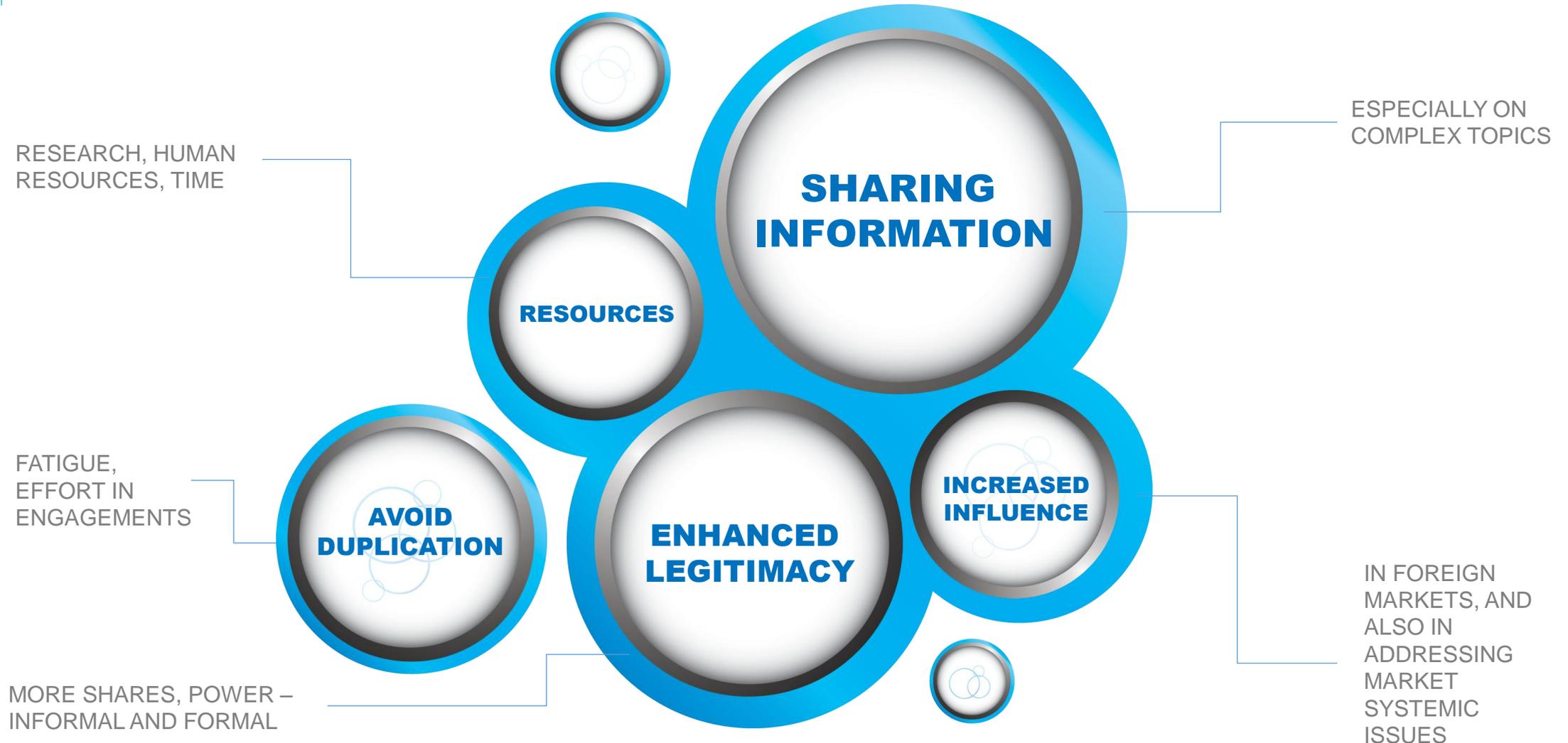
# Good stewardship

- Need to acknowledge that there are inherent principal-agent problems in the relationship between owners and managers of companies
- Good long term owners need to address this through appropriate ownership strategies
- A balancing act: Hold management accountable without micromanaging companies

# How can the PRI support long term investors?

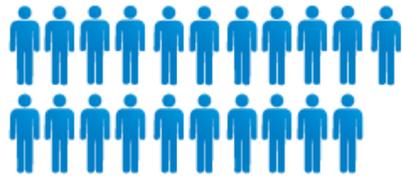
- Engagement platform
- Reporting and assessment
- Implementation guidelines
- Research and policy
- Academic network
- Regional networks

# PRACTICAL REASONS FOR INVESTOR COLLABORATION



# CORPORATE GOVERNANCE: CASE STUDY

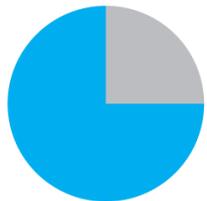
Collaborative engagement with listed companies on anti-corruption  
(2010 – 2013)



By a coalition of  
**21 signatories**  
Representing approx.  
**\$ 1.7 tr. AUM**



Engagement with **21 companies**  
exposed to corruption-related risks, to encourage improved transparency and disclosure of anti-corruption strategies, policies and management.



**75% of companies targeted**  
significantly improved transparency

**NEXT PHASE**

Next phase of the engagement focuses on **35 companies** in high risk sectors, assessed based on **bespoke research** from **Transparency International**

# Policy and Research



## Investment Governance

- Long-Term Mandates

## Public Policy

- Case for investor engagement in long-term mandates
- Consultation responses

## Academic Network

- RI Quarterly

# Long-Term Mandates

New Zealand Super Fund:

*“Long-term behaviour helps counter some of the market failures that exist, making markets more efficient.”*

## Mandate discussion paper:

- Defining long-term
- Investment governance
- Long-term mandate considerations
- Barriers to long-term investment



# Summing up

- SWFs have an edge in long term investing which can increase returns and contribute to more stable markets
  - Exploiting this edge requires sound internal governance
- SWFs also have important responsibilities as stewards
  - Focus on good corporate governance standards
- The PRI provides a platform for addressing these issues and we would welcome cooperation with the IFSWF and its members