

Sally Day,  
OECD Financial Affairs Division

Via Email: [sally.day@oecd.org](mailto:sally.day@oecd.org)

1 October 2008

Dear Ms. Day,

**Re: OECD Guidelines for pension fund governance**

Eurosif is grateful for the opportunity to respond to OECD's consultation on its "OECD Guidelines for pension fund governance" draft.

EUROSIF, the European Sustainable Investment Forum, is the pan-European network whose mission is to address sustainability through the financial markets. Eurosif works as a partnership of the national Social Investment Forums (SIFs) within the EU and with the support and involvement of Member Affiliates. Recognised as the premier European forum for sustainable investment, Eurosif's Member Affiliates are drawn from leading pension funds, asset managers, NGO's, trade unions, academic institutes and research providers, together representing assets totalling over €1 trillion. The key benefits that Eurosif affiliate members receive include ground-breaking research, EU interfacing, and European wide initiatives that integrate ESG issues into the financial services sector. For the full list of Eurosif Member Affiliates, please see [www.eurosif.org](http://www.eurosif.org).

Eurosif has two main roles: (1) to provide an international forum that allows members and member affiliates to work together on issues pertaining to Sustainable and Responsible Investment (SRI) and Corporate Governance in the EU financial services sector, and (2) to collect input from members and member affiliates and then communicate their ideas and initiatives to policy makers, including the European Commission and Parliament as well as international organisations such as the OECD. Therefore, our input on the consultation document is mainly driven from and by the interest and expertise of our membership.

Sustainable and responsible investment is a concept that continues to evolve, where both veteran and newer players alike debate the semantics and definitions in this field. The terms "social", "ethical", "responsible", "socially responsible" and "sustainable" are all used in a multitude of overlapping and competing ways. Nevertheless, the constant within this area is that sustainable and responsible investors are concerned with long-term investment, and environmental, social and governance (ESG) issues are important criteria in determining long-term investment performance. In this domain, Eurosif observes an increasing split into three areas:

- **Responsible Investment (RI)** is an area developing particularly among the institutional investors such as pension funds and remains most connected to the mainstream financial community. Responsible investors take into consideration the long-term influence of extra-financial factors such as environmental, social and governance (ESG) issues in their investment decision-making. They integrate ESG factors into their stock portfolio analysis and management, bringing together social and sustainability indicators with traditional financial analysis.
- **Socially Responsible Investment (SRI)** is an important area for the retail financial sector and may incorporate ESG issues as well as criteria more closely linked to a values-based approach. For example, it can involve the application of pre-determined social or environmental values to investment selection. Investors choose to exclude or select particular companies or sectors because of their impact on the environment or stakeholders.

- **Sustainable investment (SI)** is a growing area where investors align their investments with emerging environmental and social realities. This area brings together those in the financial sector committed to the sustainability imperative along with those interested by the investment opportunities that the ongoing shift in regulations and market practices are creating. A good example of this would be High Net Worth Individuals (HNWI) choosing to invest in thematic funds (clean energy, water, etc.) because of their financial and sustainable returns prospects.

Eurosif aims to promote the development of all three areas and would like to encourage the OECD to do so as well. In the context of the “OECD Guidelines for pension fund governance” draft, Eurosif would like to address the following questions:

### (11) Disclosure

- Eurosif believes that the OECD should foster the development of Responsible Investment among institutional investors. Environmental, Social and Governance (ESG) issues do affect the performance of companies. There is a growing consensus in the financial community that taking ESG issues into consideration is consistent with the fiduciary duty of investors when it impacts profitability, and is further relevant when there is a consensus to do so by participants /members /stakeholders<sup>1</sup>. Eurosif supports the fact that Pension Fund trustees have to report on how they are taking those ESG risks into consideration. Ownership and power imply responsibility from investors and trustees.
- As a result, Eurosif welcomes the mention in the OECD draft (annotations – 11) of disclosure about whether environmental, social and governance considerations are taken into account in the investment policy. However Eurosif believes this point should not be left as a voluntary initiative but should become mandatory. Therefore, Eurosif would like to see the last sentence of the (11) Disclosure section changed to: “*The governing body should ~~(may wish)~~ also disclose if, and if so how, environmental, social and governance considerations are taken into account in the investment policy*”.
- In the same idea, Eurosif supports the introduction of a “Statement of Investment Principles” for pension funds, as suggested in the European Parliament resolution of March 13 2007 on Corporate Social Responsibility (2006/2133(INI)).

This response has been developed as a part of Eurosif’s aims to encourage disclosure, transparency and responsible ownership, and to promote the integration of social, environmental and ethical issues into financial services. It does not necessarily reflect the views of all of its member affiliates.

Yours sincerely,

A handwritten signature in black ink that reads "Matt Christensen".

Matt Christensen  
Executive Director  
Eurosif (European Sustainable Investment Forum)

<sup>1</sup> UNEP FI, Freshfields, Bruckhaus, Deringer : a legal framework for the integration of environmental, social and governance issues into institutional investment, October 2005.