

INTER-AGENCY TASK FORCE ON FINANCING FOR DEVELOPMENT

Expert Group Meeting on ESG investing and returns

United Nations, New York, 2 October 2018 (Conference Room 9)

Concept Note and agenda

Introduction

In 2015, 193 Member States adopted unanimously a set of Sustainable Development Goals (SDGs) to be realized by 2030. These goals cannot be achieved by governments alone. Financial systems have the potential to direct more funds to companies contributing to sustainable objectives and encourage companies to adopt sustainable practices. However, there are still obstacles to realizing this potential.

In its [2018 report](#), the Inter-Agency Task Force on Financing for Development¹ explored ways to incentivize institutional investors to take a long-term approach necessary to incorporate certain risks, such as those from climate change, into decision-making. The report also noted that while there is a growing interest in ESG investing, the impact of such interest on sustainable development remains limited. It highlighted possible impediments including: a lack of agreement regarding metrics used by corporates to report on sustainability issues; insufficient understanding on how ESG considerations foster long-term performance; and narrow interpretations of fiduciary responsibility and inappropriate regulatory frameworks.

Member states used this report as the main input for their negotiation at the 2018 ECOSOC Forum on Financing for Development follow-up (FfD Forum), where they agreed on several recommendations put forward by the Task Force, such as the recognition that proper interpretation of fiduciary duty for long-term investors should include all material impacts on returns that drive long-term performance of investments. They also called on the Task Force to further analyze, based on existing studies, the relationship between environmental, social and governance (ESG) investing and returns.²

The proposed expert group meeting will build on this previous work and aim to further analyze the relationship between ESG investing and returns - while putting forward recommendations to align the financial systems with sustainable development.

Therefore, the expert group meeting intends to delve into these questions:

- *How to make sustainable reporting more meaningful for both investors and policy makers?*
- *What can we learn from existing studies on ESG investments? Can we identify specific ESG factors that drive returns and investment performance?*
- *How are sustainable investment practices evolving? Is there really increased interest in sustainable investments, or is that just assumed? Do these investments have a significant impact on the real economy? How to avoid “greenwashing” and mainstream ESG investment while make it sustainable?*
- *What policies and actions can better support investments towards the SDGs? Can regulation help to make more ESG factors material for investors, for example through better disclosure and price incentives?*

¹ The Inter-Agency Task Force on Financing for Development comprised almost [60 agencies and international institutions](#) and is coordinated by the Financing for Sustainable Development Office of UNDESA.

² E/FFDF/2018/L.2, para. 14).

Draft Agenda

Morning session, 9:00 – 12:30

Conference Room 9

The meeting will be structured around open moderated discussions. The participants listed under each session are asked to give opening thoughts, but all participants are encouraged to share their thoughts.

9:00-9:15 **Welcome and introductions by the co-organizers**

- Financing for Development Office, UNDESA
- Chantal Line Carpentier, Chief, UNCTAD New York Office of the Secretary General
- Marie Morice UNEP FI Coordinator for North America - UNEP FI / Global Compact
- Danielle Chesebrough, Senior Analyst, Investor Relations with UNGC, Policy & Research

9:15-10:30 **Session 1 – Enhancing corporate sustainability reporting**

This session will examine the trends regarding sustainability reporting and explore the shortfalls that may exist in current practices. This include addressing questions such as the meaningfulness, comparability and reliability of ESG data produced by companies and the role of third-party providers (e.g. ESG rating companies). This also requires considering whether norms/standards are emerging and whether those are aligned with the 2030 Agenda for Sustainable Development.

Moderated discussion (9:15-10:00)

IATF Members

- Pr. Bob Eccles, Visiting Professor of Management Practice, Oxford University and Chairman of Sustainability Accounting Standards Board (SASB)
- Libby Bernick, Managing Director, Global Head of Corporate Business, Truecost S&P Dow Jones Indices
- Dan Hanson, CFA Head of Impact Investing, Co-Portfolio Manager / JANA Impact Capital, JANA Partners LLC
- Wattamwar, Director, Advisory Service, Sustainabilitics
- Louise Scott, Director, Global Sustainability, PwC UK [via teleconference]
- Jon Hale, Global Head of Sustainability Research, Morningstar [via teleconference]
- Lance Pierce, President, CDP North America [via teleconference]

Open discussion (10-10:30)

10:30-10:45 *Coffee break*

10:45-12:30 **Session 2 – Unpacking the relationship between ESG and returns**

Long-term institutional investors, such as pension funds, are bound by fiduciary duty to focus on benefits to their participants and beneficiaries. Last year's report of the IATF found that proper interpretation of fiduciary duty of institutional investors with long-term liabilities would include a focus on the long-term, and would incorporate all factors (including ESG indicators) that have a material impact on returns. However, there is a

lack of understanding/consensus regarding how and which ESG factors impact financial returns and investment performance. Different studies have been conducted to elucidate this question. This session will consider their results.

Moderated discussion (10:45-11:30)

IATF Members

- Laura Nishikawa, Executive Director | ESG Research, MSCI
- Jeffrey A. Sutton, Managing Director, Oppenheimer Asset Management
Oppenheimer
- Masja Zandbergen-Albers, RobecoSAM, Head of ESG Integration
- Jeffrey Gitterman, Co-Founding Partner and creator of Sustainable, Impact, and ESG Investing Services, Gitterman Wealth Management, LLC
- Dinah A. Koehler, Executive Director, Sustainable Investment Research, Global Sustainable Equities Team, UBS Asset Management (Americas)

Open discussion (11:30-12:30)

12:30-13:30 *Lunch break*

13:30-15:15 *Session 3 – Defining sustainable investment*

A growing number of institutional investors are committed to incorporate ESG factors into their investment decision process but the implementation of these commitments remain vague and opaque. This may result from difficulties for investors to use unharmonized and uneven information provided by companies in their sustainability reporting. At the same time, sustainable investment products are being developed to meet a growing appetite for these products, such as green bonds and SDG funds. Yet, there are no agreed definition on sustainable investment and no clarity on whether ESG investing leads to the changes required for achieving the SDGs. This session will shed light on these issues.

Moderated discussion (10:45-11:30)

IATF Members

- Alessia Falsarone, Managing Director, Investment Risk Strategies & ESG Investing, PineBridge
- Mr. Mark Hays, Vice President, Sustainable Investing, J.P. Morgan Asset Management
- Lenora Suki, Head of Sustainable Finance Product Strategy, Bloomberg
- Michele Giuditta, CFA | Director, Institutional, Cerulli Associates
- Divya Bendre, Associate, Sustainable Finance, HSBC
- Eugenie Mathieu, Senior SRI Analyst, Global Responsible Investment, Aviva Investors
- Pablo Pereira dos Santos, Special Advisor for Infrastructure, Inter-American Development Bank (TBC)

Open discussion (11:30-12:30)

15:15-15:30 *Coffee break*

15:30-16:45 *Session 4 – Considering how regulations both impede and promote sustainable investment*

The surge in ESG disclosures has been mainly driven by voluntary initiatives and the question remains whether regulations should help promote and standardize sustainability disclosure. The interpretation of fiduciary duties for institutional investors could also greatly impact investment allocations. Similarly, the way rating agencies incorporate sustainability issues into their assessment should influence investor behaviors. Regulation can also be used to address market failures that prevent some ESG elements, which may be critical for achieving the SDGs, to have an impact on private profits. This can include pricing negative externalities such as carbon emissions. Overregulation could, however, slow down financial innovation, for instance regarding sustainable investment products.

Moderated discussion (15:30-16:15)

IATF Members

- Anthony Miller, Economic Affairs Officer, UNCTAD on the role of "Role of securities regulators in promoting the SDGs and sustainable finance"
- Carlos Sanchez, Director | Climate Resilience Finance, Willis Towers Watson
- Katie Schmitz Eullit, Strategic Advisor, Stakeholder Outreach, SASB
- Latos, Private Wealth Advisor - Senior Vice President UBS
- John Thieroff, Credit-focused ESG Senior Analyst, Moody's
- Tricia Jamison, Analyst, 2 Degrees Investing Initiative

Open discussion (16:15-16:45)

Conclusion: policies to propose to IATF for its consideration

16:45-17:00 *Closing*

Participation and logistics

The meeting will take place on 2 October at UN Headquarters in New York in a conference room equipped for video call-in. In light of the complex topic, the meeting will extend for the full day, with a video or phone-in option for those interested to participate online, keeping in mind that an afternoon session will be difficult for some participants due to time differences.

The meeting will build on the experience and on-going work of the Inter-Agency Task Force on Financing for Development (IATF) members, particularly from those active in this area, such as UNCTAD, IFC, Principles for Responsible Investments (PRI), UN Global Compact and UNEP FI. In addition to interested members of the IATF, UN DESA will invite selected experts in this area, including investors, academics and civil society representatives.

As per the already established practice, the meeting would be held under Chatham House rule to promote a free exchange of views. The Financing for Sustainable Development Office (FSDO) will prepare a summary note on the meeting to inform the 2019 Financing for Sustainable Report.