April 1, 2009 - The current economic crisis affords a unique opportunity and imperative to transition to a low-carbon, resource efficient and socially sustainable economy.

As the umbrella organizations for the sustainable and responsible finance industry worldwide, we call on world leaders to respond to this challenge by incorporating sustainability and social responsibility measures into both the economic stimulus packages for short-term recovery and the longer-term reform of the credit and investment markets.

The sustainable and responsible finance industry has a long history of advancing corporate responsibility while achieving sustainable wealth creation. The financial services operating framework however does not generally support these goals; change and innovation are urgently needed. Our recommendations would help to create both a sustainable recovery and a more responsible, transparent and accountable economy of the future.

The measures we are seeking include:

**Short-term economic stimulus**

Building the infrastructure, technologies and skills needed for a low carbon, resource efficient and socially sustainable economy using well designed financial instruments and incentives for private investment together with direct government support. Appropriate support is needed for:

- infrastructure to support carbon reduction and energy efficiency
- clean technologies and renewable energy
- carbon reduction programs involving conventional energy, such as carbon capture and storage (CCS) technologies
- financial infrastructure for underserved markets, such as community-development financial institutions and microfinance
- continued implementation of the Millennium Development Goals

**Long-term financial re-regulation**

- Mandatory disclosure of environmental, social and governance factors in
the continuous disclosure obligations for reporting issuers
investment, voting and ownership policies of pension funds, mutual funds and other major asset owners
• Improvements to the ownership relationship to make corporations more accountable to long-term responsible owners, including on incentive structures and social and environmental governance
• Measures to increase transparency, reduce conflicts of interest and encourage consideration of appropriate environmental, social and governance issues in processes for selecting or recommending investments such as credit rating, “sell-side” research and financial advice
• Mandatory requirement to include social, environmental and ethical concerns as part of “know your client” provisions in financial product advice and sales

The financial and economic crisis has had a devastating effect on individuals and communities worldwide and on the performance of corporations, pension funds and managed funds. The global call for re-regulation of world financial markets is gathering strength. World leaders understand that economic stimulus is needed in the short term and financial reform is needed for the long term.

However much of the present discussion has been focused on the improvement of traditional financial metrics. There is still insufficient recognition within the current debate on the fundamental role played by environmental, social and governance factors in the creation of a recovery that is sustainable and capable of restoring societal confidence in the capital markets. Understanding the investment risks associated with environmental issues such as climate change, water scarcity and energy security is crucial to the creation of a resilient, sustainable economic recovery. Social concerns, such as poverty and exclusion and the need for responsible lending, particularly in disadvantaged and underserved communities, must be taken into account in order to build prudent and responsible credit and investment markets. And finally, a broader view of governance which embraces the virtues of long-termism is needed to provide the certainty required to rebuild our economies.

Without recognition of these issues and measures to “hard-wire” them into the stimulus and financial re-regulation packages, we believe that world leaders will miss an historic opportunity for reform. Such neglect will permit fundamental conditions that contributed to the current downturn to remain in place. Unchanged, these conditions could herald the next catastrophic episode for financial markets and the global economy.

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