

Strengthening the chain

PROVIDERS OF CAPITAL

e.g. pension funds

- **CAPACITY:** Resources to **select and oversee** long-term investment managers, and investment consultants.
- **INCENTIVES:** **Mandates** awarded based on long-term investment skills; **Investment Management Agreements** that reward long-term performance.
- **TRANSPARENCY:** Public **disclosure** of long-term responsible investment policies and how they are implemented.
- **EDUCATION:** Of beneficiaries.

INVESTMENT CHAIN

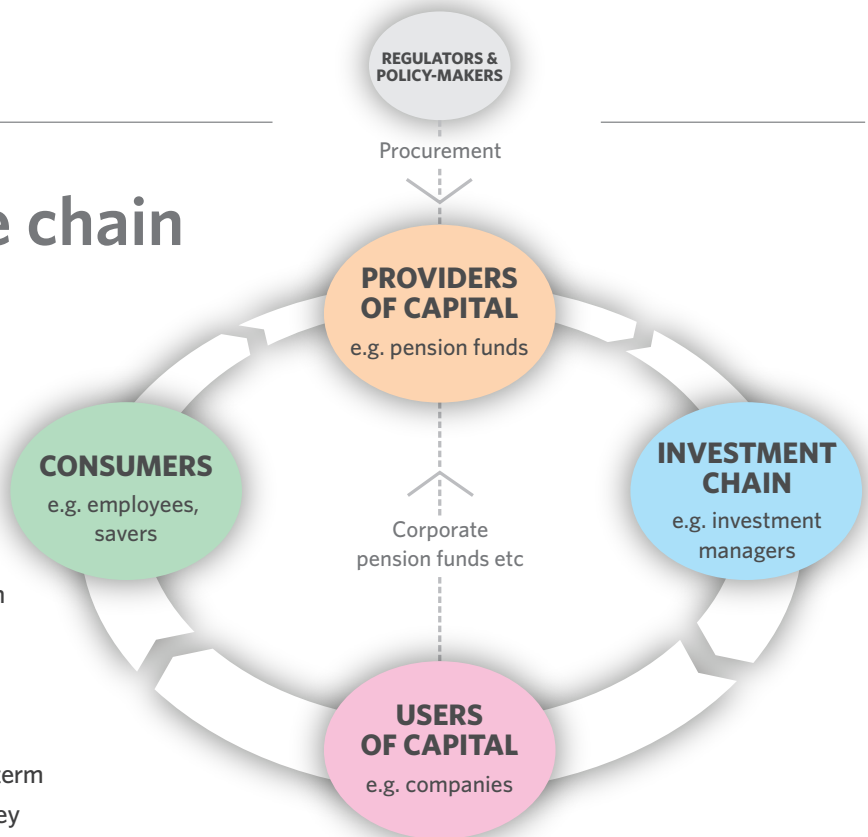
e.g. investment managers

- **CAPACITY:** Expertise and resources to **integrate** ESG issues into investment decisions and **engage** with companies to improve ESG performance.
- **INCENTIVES:** Staff and supplier **rewards** based on long-term results; **Capital allocated** to companies with sustainable, long-term business strategies.
- **TRANSPARENCY:** Public **disclosure** of long-term responsible investment practices and results.
- **EDUCATION:** Of peers, clients and companies.

USERS OF CAPITAL

e.g. listed companies

- **CAPACITY:** Good governance, **sustainable business strategies** and effective management of ESG opportunities and risks.
- **INCENTIVES:** **ESG performance** integrated into executive, staff and supplier rewards.
- **TRANSPARENCY:** **Disclosure** of business strategies and key metrics to address ESG issues.
- **EDUCATION:** Of **corporate pension funds**, employees and customers.



Each part of the chain should improve capacity, transparency, incentives and education

CONSUMERS

e.g. employees, savers, members of pension funds

- **CAPACITY:** **Understanding** of investment.
- **INCENTIVES:** Demand for **different investment approaches**; increased investment in responsibly-managed funds.
- **TRANSPARENCY:** Demand for **information** as beneficiaries and savers.
- **EDUCATION:** On investment and finance in **schools and lifelong learning**.

REGULATORS AND POLICY-MAKERS

e.g. government; financial services industry regulators; think tanks and advisors; industry associations

- **POLICY FRAMEWORK:** Stable **"Investment Grade" policy** to ensure that responsible long-term approaches make financial sense.
- **PROCUREMENT:** Local government pension funds and Parliamentary Contributory Pension Fund required to **sign UN-backed PRI** and be leaders in **public procurement** of long-term investment services.