I. Key points

- Institutional shareholders now hold a large part of equities.
- Fiduciary institutions are subject to high legal standards of loyalty and care.
- In the UK, investment institutions must comply or explain how they invest their money in relation to ESG issues.
- UK-listed companies must complete an operating and financial review (describes ESG material issues quantitative and qualitatively).
- Universal owners own a widely diversified portfolio. The portfolio performance depends on the overall health of the economy. E.g.: USS, CalPERS
- Coalisions of universal owners can reduce the cost of internalizing some externalities.
- Universal owners can make use of the universal monitoring, which means being aware of broader risks to portfolio companies, such as global warming.

II. Key quotes

- “Universal owners effectively own the economy as a whole by owning a small portion of almost every company with marketable equity” (Hawley and Williams 2006, p. 219).
- “...traditional investors may avoid investing in companies that generate positive externalities, such as education and training, because the firm captures only part of the benefit but bears all the cost” (Hawley and Williams 2006, p. 220).
III. Best practices

- CalSTIRS: focused on car manufacturers and electricity generation utilities
- CalPERS: decided to set standards for performance in emerging markets relating to issues such as political, stability, market transparency and labour market practices (Hawley and Williams 2006)