

CALL FOR PAPERS

PRI Academic Conference 2010 **Mainstreaming responsible investment**

*5-7 May 2010, Copenhagen Business School
Copenhagen, Denmark*

The PRI Initiative has been growing fast since its inception. There are now over 580 signatories, representing US\$19 trillion in assets. Within this signatory body, the depth of implementation is increasing every year. But how exactly are these investors implementing responsible investment into mainstream portfolios and why? What does integration of environmental, social and corporate governance (ESG) issues mean for private equity or bond portfolios among mainstream investors? What are the ins and outs of shareholder engagement practices, and how can their impact be measured? What are some of the new investment opportunities emerging in the ESG space, for example in the shift to a low-carbon economy? And how do global economic factors fit into responsible investment?

These are some of the questions that need to be addressed going forward to both understand the phenomenon of responsible investment, and to assist responsible investors in delivering responsible outcomes and financial returns. These are the topics for the 2010 PRI Academic Conference in Copenhagen.

The 2010 event is the third PRI Academic Conference, following the 2009 conference held jointly with the Carleton Centre for Community Innovation (3ci) in Ottawa, Canada. The conference is organised by the PRI Academic Network in collaboration with CBS Centre for Corporate Social Responsibility (cbsCSR) at the Copenhagen Business School (CBS). The conference provides a platform for dialogue between academics and practitioners across the field of responsible investment. The conference will gather 75 leading thinkers (academics, PRI signatories, investment practitioners and students) from around the world for a three day conference (the first day is reserved for student presentations). Researchers will be invited to present their recent work, and a panel of PRI signatories and academics will serve as discussants. The papers presented at the academic conference will be selected by a panel consisting of academics and practitioners.

PRI Research Awards for papers of excellence

Six research awards (three \$7,000 awards for post doctorate or academic articles, and three \$4,000 research awards for graduate level articles) will be awarded at the annual conference for the best papers. The awards are part of a PRI/Danish government joint-venture which aims to provide implementation support for PRI signatories and other responsible investment practitioners by generating innovative and practically applicable knowledge concerning the business case for, and broader societal value of, responsible investing. In particular, the awards will be given to research that improves the methodological basis for including environmental, social and governance (ESG) factors into the investment analysis and decision making of mainstream institutional investors and businesses in general, with a view to the themes outlined below.

For more information on the awards, please see *PRI Research Award - Rules and Regulations*.

Specific topics/questions to investigate

The third annual Academic Conference aims to generate research on mainstreaming responsible investment by focusing on the following issues and questions (Note: these questions are indicative only and not exclusive).

Universal owner

Mainstream institutional investors including pension funds, insurance companies and many investment management companies are often highly diversified, with their returns more closely correlated with the performance of the economy as a whole, than to any particular company or sector. This 'universal ownership,' combined with the long-term horizons of many investors, provides a strong rationale for investors to work together to improve the performance of the economy as a whole (through addressing externalities) as an important part of fulfilling their obligations to their members, beneficiaries, clients and customers. Questions include:

- What are the key externalities being imposed on the global or regional economies by the actions of corporations?
- How do these externalities affect the returns of specific or large hypothetical diversified portfolios?
- What strategies could investors implement to address these externalities?
- What might be the financial benefits to the investment community of the reduction in externalities associated with poor corporate practices?

This research topic mirrors an applied research piece commissioned by the PRI in 2009. It is hoped that this research question will generate additional analyses from a number of different perspectives, and look at a variety of different contexts.

Shareholder engagement and its effectiveness among mainstream investors

Mainstream institutional investors are increasingly becoming active owners through shareholder voting and increasing their resources allocated to engaging in dialogue with companies. Surveys of PRI signatories show that more than half engage in dialogue with companies, either directly or collaboratively, to influence corporate behaviour. Questions include:

- What are the emerging themes and practices in shareholder engagement in various regions?
- What are the cultural and legal differences with respect to shareholder engagement across different regions and sectors?
- How effective is shareholder engagement in improving corporate ESG practices?
- What are the corporate responses to shareholder engagement?
- How can effectiveness be measured? How should asset owners assess the engagement activities of their fund managers or engagement service providers?
- What role does innovation play in innovation in institutional frameworks to manage potential conflicts of interest?

ESG-focused investments and, ESG alternatives among mainstream investors

An emerging form of responsible investment is around directing funds into new ESG-related initiatives. Mainstream investors are increasingly looking into investments that provide attractive returns through taking advantage of emerging ESG trends, and delivering ESG outcomes at the same time. ESG-focused investments are mainstream investment techniques that incorporate a consideration of ESG issues into that investment process by looking to 'price' ESG issues as opposed to taking a moral or ethical view on the nature of the company or industry. Questions include:

- How can investors participate in these emerging opportunities, such as: infrastructure in the developing world, microfinance, forest bonds, sustainable venture capital and clean tech? Are these the new areas of growth?

- Will governmental initiatives such as the Green New Deal result in significant commercial investment opportunities that also deliver important ESG outcomes?
- If investors want to measure the ESG impact of these emerging assets, how can this be done?

Integration of ESG issues into mainstream investment

With more than 400 institutional investors (both asset owners and investment managers) signed up to the PRI, there is now a large amount of institutional money committed to mainstreaming ESG integration. Yet, the PRI Report on Progress includes the key finding that; “Principle 1 of the PRI, which focuses on incorporating ESG issues into investment analysis and decision making, was ranked the most difficult to implement.”

- What is the theory of responsible investing? How does it relate to modern portfolio theory? How is this connected to ESG integration?
- What are the drivers and barriers for integration of ESG issues into mainstream stock selection?
- How is integration developing? What are leading investors actually doing in their integration processes? What weight is being put on ESG factors in fund management models? How are scenarios being used as a tool for ESG integration?
- Is the ESG data adequate for mainstream integration purposes? What is the accuracy of various existing E, S and G metrics? What are the conceptual and practical challenges to measures among E and S and G areas?
- What are the emerging practices on ESG integration across different asset classes such as property, fixed income, hedge funds, private equity and infrastructure.
- How do regulatory frameworks impact ESG integration e.g. national and international level?

Responsible investment, market failure and regulatory responses

The current financial crisis has a variety of market failures at its heart. Most obvious are misaligned compensation arrangements which incentivised extreme risk-taking, and the lack of a robust regulatory framework overseeing these practices. Addressing these market failures involves realigning market incentives and addressing regulatory frameworks. This broad theme seeks to stimulate research on market failure, lack of appropriate incentives and possible regulatory responses and structures. Possible sub-themes include:

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- How are incentives structured throughout the capital market – from end investor through to the company – and what needs to change?
 - Do the business models of key capital market participants including institutional investors, investment consultants and stock exchanges promote short-termism? If so, how can they be restructured to ensure that they are sustainable?
 - How can the financial system be reformed? What should policy makers be considering? What is an appropriate regulatory environment and legal framework for the financial sector in the context of responsible investment and market failure?
 - How can the concept of fiduciary duty be expanded to genuinely reflect the best interests of beneficiaries in the context of systemic market failure, including addressing universal owner issues?
 - How can 'soft' policy initiatives among financial services regulators or stock exchanges be developed to encourage greater transparency and lead to more accountability among companies?
 - How can investor initiatives contribute to addressing these systemic issues (e.g. PRI, INCR, ICGN, IIGCC, EITI). How effective have these initiatives been in closing the governance gap and correcting market failures?

Judging criteria

The papers will be reviewed by a selection panel of academics and investment professionals. Judging criteria include:

- Practical significance of the research according to mainstream investors' (PRI signatories) corporate and/or stakeholder perspective.
- Quality of research work with regard to its contribution to the topic of mainstreaming responsible investment
- Originality of subject study or approach
- Academic evaluation of research work

Application timeline

- Applications must be submitted by **15 November 2009**
- Notification of acceptance to present will be provided by **15 December 2009**.
- Applicants must have submitted their complete work to the selection panel before **15 March 2010**

- The winners of the research awards will be announced on the second day (6 May 2010) at the Academic Conference.

Application requirements

Applicants must submit an abstract (max 750 words) of their research or research proposal, by 15 November 2009. This abstract will be used to select the papers to be presented at the academic conference.

The abstract should include:

- a summary of the argument/proposal
- its relevance to the research themes
- its contribution to theory and practice

The abstract must be accompanied by a cover page that includes:

- the candidate's contact information
- a working title
- the conference theme/s being addressed
- biographical information on the author(s)
- whether or not you wish to be considered for the awards

The application must also contain a scanned ID photo.

For PhD or Master's students only: The cover page and abstract must be accompanied by a reference letter from a University professor, with an electronic signature if sent by e-mail.

How to enter

An electronic version of the cover page, scanned ID and abstract, must be submitted in English, by **15 November 2009** via email to Christina Gehring, christina.gehring@unpri.org

All accepted articles must be submitted in complete version by **15 March 2010** to Christina Gehring, christina.gehring@unpri.org. Awards will be distributed based on completed articles only.

The completed articles will be forwarded to the selection panel for final evaluation, with the winners being announced at the conference on 5-7 May 2010.

Travel subsidies

We will not be able to offer travel subsidies for post doctoral and academic presenters. We have some funds to assist in student travel and encourage graduate students to submit abstracts. Graduate students should include any request for travel subsidy, need for subsidy and amounts required, in their application.

Detailed travel information for the conference will be provided closer to the conference date.

2010 PRI Academic Conference selection panel

- Rob Bauer, Professor of Finance, Maastricht University, The Netherlands
- Lars Hassel, Program Director, Mistra , Sweden
- James Hawley, Professor, St. Mary's College of California, US
- Tessa Hebb, Director, Carleton Centre for Community Innovation, Carleton University, Canada
- Jean-Philippe Desmartin, Senior analyst, Head of SRI research, Oddo Securities, France
- Steve Waygood, Head of Sustainability Analysis and Engagement, Aviva Investors, United Kingdom
- Amanda McCluskey, Head of Sustainability & Responsible Investment, Colonial First State, Australia

About the Principles for Responsible Investment

The Principles for Responsible Investment, convened by UNEP FI and the UN Global Compact, was established as a framework to help investors achieve better long-term investment returns and sustainable markets through better analysis of environmental, social and governance issues in investment process and the exercise of responsible ownership practices. The Principles themselves, a full list of signatories and more information can be found at <http://www.unpri.org>

As part of broader efforts to increase knowledge about responsible investment practices, the PRI Academic Network works to strengthen cooperation between signatories and the academic community. With a membership of 270 academics, investment practitioners and policy makers, the PRI Academic Network represents a diverse array of research interests from around the world. The network aims to provide implementation support to PRI signatories through promoting and funding research and events that generate practical and relevant

responsible investment research. The PRI annual Academic Conference aims to showcase the best examples of this research.

Further information

For any further information or questions, please contact Christina Gehring, Project Manager, PRI Academic Network, christina.gehring@unpri.org or +44 20 77 49 5106