



**ICGN**

International Corporate Governance Network

12 August 2016

Nathan Fabian  
Principles for Responsible Investment

By email: [priconsultation@unpri.org](mailto:priconsultation@unpri.org)

Principles for Responsible Investment  
Consultation on a Sustainable Financial System

Dear Nathan,

Thank you for inviting the International Corporate Governance Network (“ICGN”) to provide peer review feedback on comment on the Principles for Responsible Investment’s (PRI) Consultation on a Sustainable Financial System.

ICGN was founded 20 years ago and is an investor-led membership organisation of more than 650 individuals based in 46 countries from around the world. Our mission is to inspire and promote effective standards of corporate governance to support the sustainable value creation of companies and to advance efficient markets and economies world-wide. Our members represent institutional investors with global assets under management in excess of US\$26 trillion. Accordingly, ICGN's members offer a source of practical knowledge and experience with regard to governance and investment issues. For more information on the ICGN, please visit [www.icgn.org](http://www.icgn.org).

We support PRI's focus on developing a sustainable financial system, including its consideration of changing the Principles themselves to address the purpose of financial system itself and the broader impact that investment practices has on the real economy and society as a whole. As a non-PRI signatory ICGN believes that fundamental changes of its Principles are a matter between the PRI and its signatories; therefore ICGN will not be completing the formal consultation questionnaire. But we would like to communicate that we are sympathetic with PRI's focus in this area, and we think this is a good fit for PRI and its mission. This includes the interlinkage between the PRI's Principles and the UN Sustainable Development Goals. At ICGN we are also thinking of ways in which we can focus more on systemic risks facing investors and financial markets—and on the broader purpose of investors and financial markets.

At your request we paid most attention in your consultation to the Causes and Consequence section of the consultation (and its supplementary report). You rightly identify a large number of causes and consequences that challenge systemic thinking and responsible investment practices more broadly. This was clearly a thoughtful process, but as a piece of feedback from an outsider reviewing this document is the aggregation of 30 causes, 60 consequences and 140 risks is a bit overwhelming and difficult to keep the individual points in mind. There is potential room for further consolidation or prioritisation.

You pointed us in particular to discussions of the relationship between investors and companies on the one hand and the relationship between investors and other agents in the investment chain. Our comments draw in part from ICGN's Global Stewardship Principles which were recently approved by ICGN membership and which address many of the issues PRI is focusing on. In particular the focus of our Stewardship Principles on investor governance—the first of the seven ICGN Principles.

In this regard we offer a few granular comments on points raised in the consultation document:

- Portfolio diversification is not intrinsically a bad thing—and from modern portfolio theory it is actually a good thing in terms of investment risk management. It becomes a problem when portfolios are diversified to include so many holdings that investors cannot meaningfully monitor, vote or engage with the company—or when investors do not devote sufficient internal resources to provide stewardship duties on behalf of their clients.
- The point about “weaknesses in corporate governance regulation” comes across as overly general. It would be good to be clear about what regulations are weak – or whether this point really is one of weak law enforcement.
- There is some possible repetition of the ESG related issues. We appreciate that ESG is central to PRI’s mission. But particularly in identifying the list of consequences it may be the case that there can be a sharper focus on fewer factors. For example “lack of accountability for ESG performance and impacts” was listed twice under “Consequences”. Or “lack of reflection on ESG or sustainability issues” is pretty similar to “lack of attention on sustainability impacts.”
- It is not clear what is referred to with regard to the cause titled: “weaknesses in regulation (including lack of clarity on overall governance of financial system”.

We also think the section on criteria for selecting projects is a good framework for identifying and prioritising the projects that PRI should consider relative to its mission. In particular we think it is good for PRI – as well as ICGN and others involved in the responsible investment space—to reflect on what other groups are doing that might be related to our own organisations. This way we can ensure that we limit the potential for unnecessary duplication of effort in some cases—or take advantage of situations where partnerships or collaborative initiatives may be most effective. In this regard we look forward to ongoing dialogue with PRI to share with you our objectives, priorities and work plans— and to better understand your own activities.

We hope that these comments are useful in your deliberations and the ICGN Policy Director, George Dallas ([george.dallas@icgn.org](mailto:george.dallas@icgn.org)), would be happy to elaborate on any of the points raised in this letter. Thank you for your consideration.

Yours truly,

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