PRI Principles for Responsible Investment

RI TRANSPARENCY REPORT

2013/14

Fundação CESP

UNEP Finance Initiative Changing finance, financing change | United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the PRI website, ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six Principles for Responsible Investment. It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🏳	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

This document is based on information reported by signatories and responses have not been independently audited by the PRI Secretariat, PRI working groups, or any other third party. While this information is believed to be reliable, no representations or warranties are made as to its accuracy and no responsibility or liability can be accepted for any error or omission.

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	✓	Public							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

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Fundação CESP

Reported Information

Public version

Organisational Overview

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Basic Information

OO 01	Mandatory	Gateway/Peering	General

OO 01.1 Select the category which best represents your primary activity.

- ○ Non-corporate pension or superannuation or retirement or provident fund or plan
- ◉ Corporate pension or superannuation or retirement or provident fund or plan
- ○ Insurance company
- ○ Foundation or endowment
- ○ Development bank
- ○ Reserve - sovereign or government controlled fund
- ○ Other, specify

OO 02	Mandatory	Peering	General

OO 02.1 Select the location of your organisation's headquarters.

Brazil

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ◉ 1
- ○ 2-5
- ○ 6-10
- ○ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

	FTE

300

OO 03	Mandatory	Descriptive	General

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ○ Yes
- ◉ No

OO 04	Mandatory	Gateway/Peering	General

OO 04.1 Indicate the year end date for your reporting year.

31/12/2013

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OO 04.2 Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		22	616	048	468
Currency	BRL				
Assets in USD		9	565	636	602

OO 04.3 Indicate the level of detail you would like to provide about your asset class mix.

◉ Approximate percentage breakdown to the nearest 5% (e.g. 45%)

○ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06 | **Mandatory** | **Descriptive** | **General**

OO 06.1 To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

◉ Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	7.8	9.2
Fixed income – corporate	7.8	0.9
Fixed income – government	67.4	1.6
Fixed income – other	0	0
Private debt	0	0
Private equity	0	1.5
Property	3.1	0.3
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0

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Cash	0	0
Other (1), specify	0.4	0
Other (2), specify	0	0

○ Publish our asset class mix as broad ranges

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png,.bmp and .gif)

OO 07 | **Mandatory to Report Voluntary to Disclose** | **Peering** | **General**

OO 07.1 Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.

	% of externally managed assets
Segregated mandate(s)	○ 0% ○ <10% ○ 10-50% ◉ >50 %
Pooled fund(s)	○ 0% ◉ <10% ○ 10-50% ○ >50 %
Total externally managed assets	*100%*

OO 07.2 Indicate the proportion of your externally managed assets in fund-of-funds.

	% of externally managed assets
Fund-of-funds	◉ 0% ○ <10% ○ 10-50% ○ >50 %

OO 08 | **Mandatory to Report Voluntary to Disclose** | **Peering** | **General**

OO 08.1 Indicate the breakdown of your organisation's AUM by market.

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Market breakdown	% of AUM
Developed Markets	◉ 0% ○ <10% ○ 10-50% ○ >50 %
Emerging, Frontier and Other Markets	○ 0% ○ <10% ○ 10-50% ◉ >50 %

OO 09	Voluntary	Descriptive	General

OO 09.1 Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

Fundação CESP is the largest private pension fund and its mission is to value, beyond all, the life quality of those it cares. Besides the pension plans, where most of the Responsible Investment efforts concentrate, Fundação CESP also offers health plans, where the key sustainability issue is to promote healthier habits and better use of medical services to its trustees.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General

OO 10.1 Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

☐ We incorporate ESG issues into investment decisions on our internally managed assets

☑ We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes

☐ We engage with companies on ESG issues via our staff, collaborations or service providers

☐ We cast our (proxy) votes directly or via service providers

☐ None of the above

OO 10.2 Indicate if your combined internally and externally managed listed equities are 10% or more of your total AUM.

◉ Yes, our total listed equities are 10% or more of our total AUM

○ No, our total listed equities are less than 10% of our total AUM

OO 11	Mandatory	Gateway	General

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OO 11.1	Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

☐ Fixed income – corporate

☐ Fixed income – government

☐ Property

☐ Other (1)

☑ None of the above

OO 11.2	Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.

☑ Fixed income – corporate

☑ Fixed income – government

☑ Private equity

☑ Property

☐ None of the above

OO 12	Mandatory	Gateway	General

OO 12.1	The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

☑ Organisational Overview

☑ Overarching Approach (including assets which do not have a separate module)

RI implementation via external managers

	Indirect - Selection, Appointment and Monitoring of External Managers

☐ Listed Equities

☐ Fixed Income - Corporate

☐ Fixed Income - Government

☐ Private Equity

☐ Property

Closing module

☑ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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PRI Principles for Responsible Investment

Fundação CESP

Reported Information

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Overarching Approach

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PRI Principles for Responsible Investment

Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General

OA 01.1 Indicate if you have a responsible investment policy.

- (●) Yes
- ( ) No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

- ( ) Yes
- (●) No

OA 01.3 Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

Currently, Fundação CESP requests all external managers and brokers to be signatories of the PRI. The aim of this initiative is to disseminate and encourage asset manages and brokers to incorporate ESG criteria into their investment decisions.

OA 02	Mandatory	Core Assessed	PRI 6

OA 02.1 Indicate if your responsible investment policy is publicly available.

- ( ) Yes
- (●) No

OA 03	Mandatory	Core Assessed	PRI 1,2

OA 03.1 Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

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Policy components/types	Coverage by AUM
☑ Policy setting out your overall approach ☐ (Proxy) voting policy ☐ Engagement/active ownership policy ☐ Specific guidelines on corporate governance ☐ Specific guidelines on environmental issues ☐ Specific guidelines on social issues ☐ Asset class-specific guidelines ☐ Screening/exclusion policy ☐ Other, specify ☐ Other, specify	◉ Applicable policies cover all AUM ○ Applicable policies cover a majority of AUM ○ Applicable policies cover a minority of AUM

OA 04 | **Mandatory** | **Core Assessed** | **General**

OA 04.1 Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

◉ Yes

OA 04.2 Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

All investment decisions are overseen by the Investment Committee, and potential cases of conflict of interest are addressed by the Board of Trustees.

○ No

Objectives and strategies

OA 05 | **Mandatory** | **Gateway/Core Assessed** | **General**

OA 05.1 Indicate if your organisation sets objectives for its responsible investment activities.

◉ Yes

OA 05.2 Indicate how frequently your organisation sets or revises objectives for responsible investment.

◉ At least once per year

○ Less than once per year

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OA 05.3	Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ○ Quarterly
- ○ Biannually
- ◉ Annually
- ○ Every two years or less
- ○ It is not reviewed

○ No

OA 05.4	Additional information. [Optional]

For 2014, Fundação CESP expects to provide further training opportunities to its investment team, focusing on how to incorporate ESG issues identified and analyzed by its external managers and other PRI service providers

OA 06	Voluntary	Descriptive	General

OA 06.1	List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

- ☐ Add responsible investment objective 1
- ☐ Add responsible investment objective 2
- ☐ Add responsible investment objective 3

OA 06.2	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.

- ☐ Add responsible investment objective 1 for the next reporting year
- ☐ Add responsible investment objective 2 for the next reporting year
- ☐ Add responsible investment objective 3 for the next reporting year

OA 06.3	Additional information.

Fundação CESP has not set targets for 2013 regarding Responsible Investments

Governance and human resources

OA 07	Voluntary	Descriptive	General

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OA 07.1	Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

The Responsible Investment initiatives at Fundação CESP are coordinated by the Investment Area, which reports to the CEO. All initiatives are aligned with the Fundação CESP Sustainability Agenda, which sets the long-term drivers for the company. The Investment area has appointed a specific FTE to roll out its RI initiatives, including participating at PRI Brazil Network working groups and engaging with financial annalists, asset managers, brokers and corporations regarding ESG issues.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08	Mandatory	Gateway/Core Assessed	General

OA 08.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

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	Roles present in your organisation

☑ Board members or trustees

- ☑ Oversight/accountability for responsible investment
- ☐ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☑ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Other Chief-level staff or head of department, specify

☑ Portfolio managers

- ☑ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Investment analysts

- ☐ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Dedicated responsible investment staff

☑ External managers or service providers

- ☑ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Other role, specify

☐ Other role, specify

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

	Number

0

OA 09	Voluntary	Additional Assessed	General

OA 09.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

Board members/Board of trustees

- ☐ Responsible investment included in personal development and/or training plan
- ☑ None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

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☑ Responsible investment KPIs and/or goals included in objectives

☑ Responsible investment included in appraisal process

☑ Variable pay linked to responsible investment performance

☐ Responsible investment included in personal development and/or training plan

☐ None of the above

Portfolio managers

☑ Responsible investment KPIs and/or goals included in objectives

☑ Responsible investment included in appraisal process

☑ Variable pay linked to responsible investment performance

☐ Responsible investment included in personal development and/or training plan

☐ None of the above

Investment analysts

☑ Responsible investment KPIs and/or goals included in objectives

☑ Responsible investment included in appraisal process

☑ Variable pay linked to responsible investment performance

☐ Responsible investment included in personal development and/or training plan

☐ None of the above

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5

OA 10.1

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

◉ Yes

OA 10.2

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

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☐ Asian Corporate Governance Association

☐ Association for Sustainable & Responsible Investment in Asia

☐ Australian Council of Superannuation Investors

☐ CDP Climate Change

☐ CDP Forests

☐ CDP Water

☐ CFA Institute Centre for Financial Market Integrity

☐ Council of Institutional Investors (CII)

☐ Eumedion

☐ Extractive Industries Transparency Initiative (EITI)

☐ Global Investors Governance Network (GIGN)

☐ Global Real Estate Sustainability Benchmark (GRESB)

☐ Institutional Investors Group on Climate Change (IIGCC)

☐ Interfaith Center on Corporate Responsibility (ICCR)

☐ International Corporate Governance Network (ICGN)

☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)

☐ Investor Network on Climate Risk (INCR)/CERES

☐ Local Authority Pension Fund Forum

☑ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

☐ Basic

☑ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Fundação CESP is one of the leaders at the PRI Brazil Network Investment Policies and ESG integration working groups, which aim to translate ESG variables into pension fund mandates and to develop specific ESG guidelines for corporate disclosure

☐ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

☐ Shareholder Association for Research and Education (Share)

☐ United Nations Environmental Program Finance Initiative (UNEP FI)

☐ United Nations Global Compact

☑ Other collaborative organisation/initiative, specify

ABRAPP - Brazilian Association of Pension Funds

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PRI Principles for Responsible Investment

Your organisation's role in the initiative during the reporting year (see definitions)

☐ Basic

☐ Moderate

☑ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Member of the Sustainability Committee and participation at specific sustainability forums

☑ Other collaborative organisation/initiative, specify

APIMEC - Association of Capital Markets Analysts and Investment Professionals

Your organisation's role in the initiative during the reporting year (see definitions)

☐ Basic

☑ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Member of the Sustainability Committee and participation at specific sustainability forums

☑ Other collaborative organisation/initiative, specify

AMEC - Association of Capital Markets Investors

Your organisation's role in the initiative during the reporting year (see definitions)

☐ Basic

☑ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Participation at specific sustainability forums

☐ Other collaborative organisation/initiative, specify

○ No

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PRI Principles for Responsible Investment

OA 11	Mandatory	Core Assessed	PRI 4

OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

◉ Yes

OA 11.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations

☐ Provided financial support for academic or industry research on responsible investment

☑ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

☑ Spoke publicly at events and conferences to promote responsible investment

☐ Wrote and published in-house research papers on responsible investment

☑ Encouraged the adoption of the PRI

☐ Other, specify

○ No

OA 11.3	Additional information. [Optional]

Besides the PRI Brazil working groups, we work to promote the responsible invest approach at APIMEC, the Brazilian Investment Professionals Association, and during the engagement process with asset managers and brokers.

OA 12	Voluntary	Additional Assessed	PRI 4,5,6

OA 12.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.

○ Yes

◉ No

OA 12.4	Additional information.

The engagement with public policy makers is done indirectly, via pension fund and investment associations that the organization participates

ESG issues in asset allocation

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OA 13	Voluntary	Descriptive	PRI 1

OA 13.1	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

○ Yes

◉ No

OA 13.3	Additional information.

The overall asset allocation is the result of the organization risk x return strategy, and follows specific diversification guidelines set by the Brazilian legal framework for pension funds.

OA 14	Voluntary	Descriptive	PRI 1

OA 14.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

○ Yes

◉ No

Asset class implementation not reported in other modules

OA 16	Voluntary	Descriptive	General

OA 16.1	Describe how you address ESG issues for externally managed assets for which you are not required to report because your assets are below the minimum threshold.

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Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Listed equities - ESG incorporation	
Listed equities - engagement	
Listed equities - (proxy) voting	
Fixed income - corporate	
Fixed income - government	
Private equity	
Property	

OA 16.2 Additional information.

Fundação CESP requests all external managers and brokers to be signatories of the PRI. The aim of this initiative is to disseminate and encourage asset managers and brokers to incorporate ESG criteria into their investment decisions.

Assurance of responses

OA 19 | **Voluntary** | **Additional Assessed** | **General**

OA 19.1 Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

◉ Yes

OA 19.2 Indicate who has reviewed, validated and/or assured your reported information.

☐ Reviewed by Board, CEO, CIO or Investment Committee

☐ Validated by internal audit or compliance function

☑ Assured by an external independent provider, specify name

Gestão Origami

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OA 19.3	Describe the steps you have taken to review, validate and/or assure the content of your reported information.

The content of the report was collected throughout interviews with Fundação CESP's dedicated team for Responsible Investments, which have detailed their opinions and answers based on actual cases and documents. The numbers reflect the investment portfolio disclosed to the trustees on December 31st, 2013.

○ No

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