

Better Returns in a Better World: defining investors' role in poverty alleviation

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Better Returns in a Better World

- The financial crisis questioned the role of investors in society and the current investment model.
- An investment crisis.
- Sustainable and Responsible Investment might be the answer.
- Why?
Long-term vision, ESG inclusion, transparent, responsible ownership and engaging.
Re-aligns financial interests & societal interests.

However...

- Responsible Investment has paid little attention to poverty-related issues
- Only ad-hoc as a result of NGO campaigns
- Positive outcomes
- Negative outcomes
- Far from its potential

Why are investors important?

- Capital allocation and overall signals to markets

Equities & bonds, directly Developing Countries' Funds, Alternative Investment Vehicles (socially and/or environmentally driven), other asset classes (commodities, carbon, water...).

- Influencing companies & as proxy owners of companies.
- Public policy

Oxfam-Insight Investment Project

- November 2008 Oxfam and Insight Investment launched:
Better Returns in a Better World.
- To discuss the role that institutional investors can play in poverty alleviation.

Objectives

- To assess the potential for investors to contribute to poverty alleviation through their investment activities;
- To raise investor awareness of the importance of poverty alleviation as a CR issue;
- To identify the key barriers to institutional investor action on poverty alleviation and development;
- To explore ways to help overcome these barriers;
- Ultimately, to foster responsible long-term investment in developing countries.

Project taken forwards through a series of workshops

- Access to medicines *April 7*
- Arms Trade *June 2*
- Decent work in global supply chains
September 17
- Access to water *September 24*

- Bribery, Corruption & Transparency
- Food Security
- Sustainable Alternative Investments
- Emerging Markets Funds
- Investors and public policy

Case-Study: Defence Sector

Stockholm June 2, 2009

1. Why is it so relevant for Oxfam?

- Armed violence perpetuates poverty.
- 22 out of 34 countries least likely to achieve the Millennium Development Goals are in the mist of – or emerging from - conflict.
- While supplies of military, security and police equipment alone do not cause armed violence, it cannot be sustained without access to arms.

Conflict is exacerbated by
the irresponsible supply of arms.

2. Industry's Core Challenges:

what type, to whom and how arms supplies are carried out

- Supplying illegal or controversial weapons.
- Supplying arms and ammunition to governments or non-governmental actors known to commit grave and systematic violations of International Humanitarian Law and Human Rights.
- Procurement of arms is often opaque, unaccountable, mired in corruption and diverts resources from development.

3. Defence Industry's Response

- Primary focus on bribery & corruption.
However, progress is difficult to assess due to the persistent lack of transparency in arms procurement.
- Human rights absent in the discourse.
Responsibility for arms supplies is believed to lie solely with national governments.
- Yet, leading companies acknowledge the need for an international framework on arms trade and therefore support the UN Arms Trade Treaty (ATT) negotiations.

3. Defence Industry's Response

- There is a need to level the playing field.
- The legally-binding EU Code of Conduct came into force Dec. 2009.

8 criteria including:

'Respect for human rights in the country of final destination as well as respect by that country of international humanitarian law'; and 'Compatibility of the exports of the military technology or equipment with the technical and economic capacity of the recipient country [..].'

4. The findings:

Little attention paid....

- Ethical investors have traditionally excluded arms producers from their portfolios.
- Mainstream responsible investors have until recently paid relatively little attention to the defence sector. Three reasons:
 1. Closed relationships with governments.
 2. Absence of a clear normative framework.
 3. Perception that 'worst offenders' are privately owned or still state-owned.

Absence of a human rights perspective.

4. Changing investor attitudes

- An exclusionary approach towards companies involved in particularly controversial weapons – e.g. cluster munitions and anti-personnel mines.
- Investors have engaged with defence companies on bribery and corruption issues and in relation to supplies of equipment to countries such as Burma and Sudan.

5. Bribery and Corruption

- Clear normative framework: UN Global Compact 10th Principle & OECD Anti-bribery Convention.
- Progress made. Yet assessing performance proves difficult.
- Issues around bribery and corruption have influenced share prices, in particular the threat of litigation.
- While the downside risks are reasonably well understood, it is not clear that investors are willing to pay a premium for companies that have high quality governance and management systems for dealing with these issues.

6. Next steps on Bribery and Corruption

- Actively call for greater transparency and meaningful reporting, to enable proper assessment of performance.
- Support and participate in multi-stakeholder initiatives and engage more closely with the industry aiming to lift the standards across the sector.

7. On Irresponsible Arms Supplies...

- Raise awareness and understanding of the human rights and development issues associated with this industry
- Develop an agreed normative framework for the sector.
- Support the ATT and encourage companies to do the same.
- Demand more transparency, and reporting, on arms supplies.

Conclusions to date

1. Need for clear, agreed, credible and legitimate normative frameworks against which to benchmark companies' performance.e.g. arms bribery & corruption vs. irresponsible arms supplies
2. Collaboration between investors and civil society provides real benefits for all parties.

Conclusions to date

3. Responsible Investment needs to move from process to performance:
social and environmental returns
3. Importance of public policy:
the limitations of markets & market failure

More information on
Oxfam - Insight Investment

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Thank you !

