



MEDIA RELEASE

UN Coalition of Leading Investors Outlines a New Corporate Governance Paradigm for Sustainability

Integrated Governance – A new model of governance for sustainability

Geneva, 16 June 2014 - *Integrated Governance – A new model of governance for sustainability*, a report by the United Nations Environment Programme Finance Initiative (UNEP FI), which represents total Assets-Under-Management of approximately US\$10 trillion, outlines a new model of corporate governance for sustainability. The report, developed in consultation with leading governance experts from Harvard Business School and UNEP FI's Asset Management Working Group (AMWG) was launched today at the margins of the International corporate International Corporate Governance Network's (ICGN) Annual Conference.

UNEP FI's report proposes a model of Integrated Governance that puts sustainability at the heart of governance and corporate boards' strategic agendas. The Integrated Governance model is the system by which companies are directed and controlled, in which sustainability issues are integrated in a way that ensures value creation for the company and beneficial results for all stakeholders in the long term. The report illustrates the inadequacies of current corporate governance practices and outlines three phases that help companies move towards Integrated Governance, leading to a holistic integration of sustainability in their corporate strategies.

"The world's largest 1,000 publicly listed companies represent more than 50% of the world total market capitalization. There is an increasing concentration of economic activity in a relatively small number of corporations and the growing impact on the environment and society of these entities is now substantial. We believe making governance for sustainability a reality at the board level across companies will depend on the work of many actors including asset owners, investment managers, shareholders, and proxy voting service firms that play an active role in realizing a long-term, low carbon and sustainable economy," said **Charles Anderson**, Director of UNEP FI.

The report aims to provide institutional investors with recommendations that can be considered when engaging corporations on sustainability issues and exercising their ownership rights. Corporations may also use the integrated governance model as a guide to benchmark themselves against this new practice and their competitors and identify areas for improvement in their governance practices.

Corporate governance is the overarching structure under which all other activities – competitiveness, strategy, performance, capital budgeting, and operations – occur. Increasingly, investors and other stakeholders interested in sustainability policies and

performance of corporations expect to see the inclusion of sustainability in corporate governance. Yet more often than not, governance structures and operations tend to either ignore sustainability or pigeonhole it.

“As the word governance finds its semantic roots in the ancient Greek word κυβερνάω, to steer, integrating the steering mechanisms of the corporate world with ESG long term goals will definitely contribute to the great shift towards a more sustainable business and social environment”, said **Gianluca Manca**, Head of Sustainability, Eurizon Capital and UNEP FI AMWG Co-Chair.

“Today, the argument over whether sustainability issues are financially material is fading and the focus has turned to how – rather than if – these factors should be integrated into investment processes and corporate practices. The integrated governance model shows how sustainability can be placed firmly on the boardroom agenda,” said **Julie Fox Gorte**, SVP for Sustainable Investing, Pax World Investment and UNEP FI AMWG Co-Chair.

“We look to invest in companies that integrate corporate sustainability issues into long term business strategy as we think this pays dividends to shareholders as well as society. Unfortunately, Governments have largely overlooked this important area, and are lagging a long way behind the corporate best practices outlined in this report. Aviva Investors now call on all global governments to ensure that their national corporate governance codes promote integrated governance. The draft UN Sustainable Development Goals provides them with the perfect opportunity to deliver,” said **Steve Waygood**, Chief Responsible Investment Officer, Aviva Investors.

For over a decade, there has been a growing body of evidence from the academic and financial communities that shows the material importance of Environmental, Social and Governance (ESG) factors to corporate profitability and thus to the fair value of investments. The previous work of UNEP FI has been seminal in crystallising these linkages and uncovering the compelling business and legal cases for ESG issues for investors.

“Glass Lewis views the Integrated Governance concept as a positive step in helping shareholders partner with directors, executives and regulators to improve corporate governance and engagement. We believe this will lead to enhanced, sustainable company performance and will help companies maintain good stakeholder relationships.” **Robert McCormick**, Chief Policy Officer, Glass Lewis.

Notes to editors:

The PDF version of the UNEP FI Publication *Integrated Governance – A new model of governance for sustainability* will be available to download from 10:00 GMT on 16 June onwards at <http://bit.ly/1kXm4HI>.

About UNEP Finance Initiative (UNEP FI)

The United Nations Environment Programme Finance Initiative (UNEP FI) was established in 1992 as a partnership between policy makers and financial intermediaries. With over 200 members representing banks, insurers, and investors from around the world, UNEP FI contributes the perspectives of financial institutions to the United Nations and global

activities on sustainable finance. UNEP FI's mission is to bring about systemic change in finance to support a sustainable world by 'Changing finance, financing change'.

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