

GUEST ESSAYS CIVIL SOCIETY & THE PRIVATE SECTOR

BUILDING THE MOVEMENT FOR SUSTAINABLE INVESTMENT IN EUROPE

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INTRODUCTION: WHY WE ARE BUILDING A MOVEMENT FOR RESPONSIBLE INVESTMENT

The world's capital flows through the global investment system. The savings of over a billion people are invested through it and the impact of these investments affects us all. The capital flowing through the investment system is the lifeblood of most major companies. Too often, investment decisions are driven by considerations of short-term financial gain, and ignore the profound and sometimes disastrous effects that companies can have on individuals, communities and our shared environment, exacerbating global problems.

Due to the powerful role the investment system has in society, through allocating capital and influencing companies that it invests in, it is vital to engage with investors to achieve a more sustainable and just world. Doing so can also bring new momentum to a campaign. Over the years, companies have become quite adept at dealing with issues raised by civil society organisations (CSOs). If you manage to convince an investor of the importance of a problem and this investor starts engaging a company on it, dynamics can change even more drastically.

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We see greater scope for CSOs in Europe and beyond to hold investors accountable for how their decisions impact on the world. This is one of the key reasons why we set up a new civil society network focused on sustainable investment campaigning in 2016: the European Responsible Investment Network (ERIN). It is a network of 32 CSOs, including activist groups, think tanks and trade unions, that have an interest in joining forces for the creation of a more sustainable and accountable investment system. We saw a need for the facilitation of knowledge sharing, joint campaigning and advocacy, not least because this is still a relatively new type of campaigning.

Compared to the finance lobby, which is incredibly powerful and well organised, CSOs operate with constrained resources. We need a collaborative approach to achieve a shift in Europe's investment system towards better integration of social and environmental concerns. We need to be efficient and clever in our tactics to ensure our voices are heard within the investment system and policy-making. Moreover, the investment system is highly international: without cooperation across borders we would not be able to track the impact of global capital.

WHAT WE'RE WORKING TOWARDS

ERIN's overarching aim is to achieve an investment system that is a force for good, serving savers and communities, and protecting the environment for the long term. We want to see a world where those holding the levers of power in capital markets are properly accountable to those whose money they invest, and answerable for the impacts of their decisions on the world. Our goal is for responsible investment (RI) to be the norm. We particularly see a role for Europe to be a strong leader in this field: with its wealth and need for regaining public trust in the financial sector, it has significant potential to push for a global transition towards a more sustainable economy via its capital markets.

As a way of achieving this goal, ERIN fosters European civil society collaboration on three levels: capacity building and skill sharing, advocacy for progressive policy and campaigning across borders. The sharing of skills and transfer of information across countries is a particularly important part of the network. In the form of network briefings and webinars, we gather evidence of good practice in RI policy and successful capital markets campaigning, to allow organisations to learn from each other and avoid reinventing the wheel. For example, this could mean investigating which tactics work to persuade investors to back a cause, or what lessons can be learned from our Danish members in terms of engaging pension savers on climate issues.

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SOME OF OUR WINS TO DATE

Despite being fairly young, ERIN is starting to see the impact of its efforts. Following joint lobbying and letter writing to Members of the European Parliament, we secured an important win when the European Union's (EU) Occupational Retirement Provision Directive included measures on sustainable investment and transparency. This Directive now contains requirements for occupational pension funds to assess and manage environmental, social and governance risks, and the text is much stronger on these issues than the initial positions from the Council and Commission. We intend to continue to engage with key EU member states via ERIN to ensure implementation into national law is done to a high standard.

Another win on EU policy is a recent revision of the EU Shareholder Rights Directive. Following joint lobbying efforts with ERIN members, we achieved great amendments to ensure that shareholders act as responsible stewards of their capital and are required to be much more transparent in their company engagements. This in turn will allow ERIN members and others to scrutinise investment practices more easily.

On a more practical campaigning level, ERIN has started to support coordination of actions at corporate annual general meetings (AGMs) across Europe. If civil society campaigning involves a specific company in a different country, it can be tough to get access to its AGM. To develop better knowledge of what shareholder rights are, we have compiled a guide for ERIN that includes information on what needs to be considered in shareholder activism in different European countries. We additionally promote information-sharing among members about their AGM plans to ensure good coordination and easy sharing of proxy shares. This has, for example, helped a global trade union association access the AGM of a luxury clothing brand to raise the subject of supply chain issues, and inspired more organisations to adopt this tactic in their work.

WHAT WE'VE LEARNED SO FAR

A year on from ERIN's launch, we have learned a few lessons about how to run a transnational network of CSOs, which might be valuable for other organisations hoping to set up a similar network.

The first thing to note is that it takes time to get an international network off the ground. Building trust and momentum is not an easy thing to achieve, particularly if you operate remotely and across borders. Don't let this discourage you; keep the end goal in mind. Working together will allow you to achieve so much more. Moreover, we recommend sharing out responsibility as much as possible: once members start taking the initiative and the network becomes more decentralised, the first stepping stone is set for securing the long-term future of the network.

One of the key ways for creating trust and to enable joint strategising is to get network members together whenever feasible. Again, this takes a huge amount of effort to organise but it will pay off. What helped ERIN get off to a flying start was a successful conference for its launch where we

got together 120 professionals from civil society, the investment system and policy-makers. It was a great way to inspire member organisations about the significant potential that engaging with investors has, and to give them a platform to present their wins. Celebrating wins is generally an important part of network development: working to change the behaviour of large investors can take a long time and feel something of a niche and lonely exercise. Helping organisations spread their success stories, no matter how small, is crucial to maintaining enthusiasm and inspiring actions in others.

Another important factor to keep in mind is that you will inevitably come across issues where you will struggle to foster consensus. While it's easy to disagree – and invariably on some issues you will – we believe it's crucial for CSOs to work together when it comes to influencing policy-makers and investors, otherwise we risk undermining each other. Clear communication of work programmes and policy stances between organisations is crucial in order to avoid this hindering your work. ERIN is working towards the same end goal, and keeping this in mind at all times can help avoid situations where priorities may not align completely among members.

FURTHERING INTEGRATION OF SOCIAL ISSUES IN INVESTMENT DECISIONS

In the field of RI, integration of social factors in investment decisions is much less advanced than the incorporation of environmental and governance factors. To change this, ERIN supports a dedicated working group on human rights and workers' rights, enabling members to share reports and information about new initiatives and discuss tactics to develop the social agenda. Establishing a platform for regular exchange is an important way of creating better aligned strategies and preventing duplication of work.

Some of the ways this work manifests itself is through the joint organisation of events that create better awareness among investors about human and workers' rights for the year ahead. The main event will be our annual Responsible Investment in Europe conference, which will next take place in September 2017, when we will discuss the social responsibilities of the investment industry, among other related topics. In addition to this, we have planned an investor roundtable on child labour, as well as case studies focused on the impact and regulation of responsible investment and AGM questions on labour rights issues.

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CONCLUSION: WHAT YOU CAN DO TO CONTRIBUTE TO A MORE SUSTAINABLE INVESTMENT SYSTEM

There are a number of ways in which you can influence investors and the companies they invest in. The first option is to write directly to your pension fund or insurance company. These companies manage trillions of dollars' worth of our savings in stocks, bonds and other assets, often in ways people find confusing. As a result, many people forget that these managers work for you and your money, and that you have every right to be in touch to express your view on how this money should be invested. You can contact your pension fund or insurance provider to ask how they are living up to their social and environmental responsibilities, or any other issues you would like to draw their attention to. Reaching out to funds directly as a saver is a great way to start a discussion on what they are doing on an issue you care about, or where you want to see change.

Another key opportunity to get involved and hold companies to account is by attending AGMs as a shareholder to ask questions about the company's activities. Holding just one share gives you the right to do that. If you don't own any shares yourself, there may be an organisation in your country that is willing to lend you a share. Asking questions at an AGM is a powerful form of activism that allows you to raise issues directly with those at the top of a company, in front of a large audience of their shareholders, whose interests they must represent. It can also be the start of ongoing dialogue with a company.

Finally, if you happen to operate within Europe and are keen to further explore tools for sustainable investment campaigning, check out ShareAction's [ERIN](#). It's free to become a member and it offers a great opportunity to join forces with a group of engaged and knowledgeable CSOs across Europe.