

INVESTMENT

If there has been a silver lining in the cloud of the financial crisis, it has been to give added impetus to the recently launched responsible investment movement. While there is concern over returning to dangerous business-as-usual practices, there are a growing number of institutional investors placing greater emphasis on long-term investment horizons and the proper incorporation of environmental, social and governance (ESG) issues into investment processes and decision-making.

This movement has its roots, partly, in the Global Compact's "Who Cares Wins" initiative, which was launched in 2004 to sensitize investment markets to the importance of ESG issues – be they related to climate change, water access, working conditions or corruption, for example. "Who Cares Wins" evolved into the development and launch of the UN-backed Principles for Responsible Investment in 2006, now the world's largest responsible investment movement.

This new era of responsible investment is based on the following premise: companies that proactively manage ESG issues are better placed than their competitors to generate long-term tangible and intangible results – and, therefore, are better investment bets. Such an approach also better aligns investor interests with broader societal goals. Evidence has emerged to validate this assertion. And, importantly, the financial crisis has served to vindicate the underlying tenets of responsible investment – transparency, accountability, materiality, ethics and the importance of "going long".

