Leading global organisations launch Model Mandate to better align incentives of asset owners and asset managers with long-term investment in sustainable development

London, United Kingdom, 16 June 2022: The International Corporate Governance Network (ICGN) and the Global Investors for Sustainable Development (GISD) Alliance today launched a new Model Mandate to provide asset owners with guidance that facilitates the alignment of their portfolios with long-term investment in sustainable development – and more specifically with the United Nations Sustainable Development Goals (SDGs).

“There is an increased public and political expectation that investors should contribute to long-term sustainable value creation,” said ICGN CEO Kerrie Waring. “The Model Mandate is a practical tool to help exercise active stewardship of the assets for which they are responsible. We encourage asset owners and managers as well as standard and regulatory-setting agencies to commit to using and promoting the Model Mandate guidance.”

The Model Mandate was first published by ICGN in 2012. It provided asset owners with a series of example contractual terms around alignment of investment risk and opportunities, internal governance, incentives and performance, portfolio turnover, and reporting to clients as a way to align the interests of their fund managers with their own obligations to beneficiaries.

In partnership with the GISD Alliance, ICGN has updated the Model Mandate to incorporate stewardship and sustainability-related responsibilities more clearly. This includes a series of draft contract clauses for Sustainable Development Investment, which aim to ensure that any positive contributions to the SDGs are not outweighed by potential negative impacts associated with the investment.

New priorities in the Model Mandate include:

- reducing greenhouse gas emissions to achieve net-zero targets by 2050
- recognising the impact of biodiversity loss to the health of the planet
- identifying potential human rights abuses across subsidiaries and supply chains

Navid Hanif, Assistant Secretary-General (designate) for Economic Development said, “Achieving long-term sustainable value creation requires concerted effort by institutional investors to make long-termism and the SDGs a cornerstone of their investments. The Model Mandate provides valuable guidance to asset owners and managers that should support efforts to channel finance and investment towards sustainable development.”

Development of the Model Mandate was supported by several organizations from the United Nations system, including the UN-supported Principles for Responsible Investment (PRI), an independent network of investors working to incorporate environmental, social, and governance (ESG) issues into investment practice. David Atkin, CEO of PRI, commented, “The PRI welcomes the updated Model Mandate, which will help asset owners integrate ESG factors into the core of the relationship with investment managers – something that has been central to PRI's work. Investment mandates are a bedrock of this relationship and incorporating ESG into this foundation is an important step for ambitious asset owners to develop a rigorous responsible investment policy. We particularly welcome the draft clauses which owners - and their advisers - can use to strengthen mandates to ensure responsible investment ambitions are delivered.”

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Note to Editors

About ICGN

Led by investors responsible for assets under management of around $70 trillion, and bringing together companies and stakeholders, ICGN advances the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to healthy and sustainable economies, societies, and environment. ICGN’s comprehensive international work programme is based around three core objectives as follows:

- Influence: Promoting ICGN Principles as investor-led global standards for governance and stewardship and influencing public policy and professional practice.
- Connect: Delivering high-quality global events and webinars with unrivalled opportunities for networking, knowledge-sharing and collaboration.
- Inform: Enhancing professionalism in governance and stewardship practice through information and education.

About GISD

The Global Investors for Sustainable Development (GISD) Alliance is a group of global business leaders convened by the United Nations Secretary-General to facilitate the scaling up of finance and investment that is essential for achieving the Sustainable Development Goals (SDGs). The SDGs are a component of the 2030 Agenda for Sustainable Development, which sets out a vision for a prosperous future for people and planet, underpinned by sustained, inclusive and sustainable economic development. Members of GISD aim to do this in a number of ways including through:

1. Enhancing financial reporting to establish effective measures that internalize environmental and social externalities and promote sustainable business practices.
2. Transforming incentives towards a long-term approach for business and investment decisions that considers the interests of all stakeholders.
3. Introducing targeted instruments and platforms to channel investment to sectors and countries that need them the most.
4. Calling on multilateral and regional development banks and their shareholding governments to support our efforts to mobilize additional private capital for the SDGs, especially in developing countries.

Please click this link to download our Model Mandate guidance.

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