



# Investment Leaders Group

Helping to shift the  
investment value chain  
towards responsible,  
long-term value creation

## **The University of Cambridge Institute for Sustainability Leadership**

The University of Cambridge Institute for Sustainability Leadership (CISL) is a globally influential Institute developing leadership and solutions for a sustainable economy. We believe the economy can be 'rewired', through focused collaboration between business, government and finance institutions, to deliver positive outcomes for people and environment. For over three decades we have built the leadership capacity and capabilities of individuals and organisations, and created industry-leading collaborations, to catalyse change and accelerate the path to a sustainable economy. Our interdisciplinary research engagement builds the evidence base for practical action.

## **Rewiring the Economy**

Rewiring the Economy is our ten-year plan to lay the foundations for a sustainable economy. The plan is built on ten interdependent tasks, delivered by business, government, and finance leaders co-operatively over the next decade to create an economy that encourages sustainable business practices and delivers positive outcomes for people and societies.

# Welcome

## Investments – and investors – must change for finance to be truly ‘sustainable’.

As owners and managers of financial capital, investors have a crucial role in supporting economic activity that enhances rather than damages the environment, and sustains rather than erodes livelihoods and wellbeing. Many investors know this and are practicing what has become known as ‘responsible investment’. Firstly, we believe that responsible investment is primarily smart investment, a means of enhancing risk-adjusted returns by injecting new and forward-looking insights into the investment process. This idea recognises the implications of the so-called ‘sustainability megatrends’ (climate change, inequality, resource scarcity, etc.) on the economy, and the value of being able to spot winners and losers in a rapidly changing risk landscape. In many cases, harmful investments are only excluded if they are deemed to be wrong by clients, for example if they are perceived to pose a threat to beneficiaries’ interests.

Secondly, responsible investment can also be understood as an investment in (and a service to) society: a means of tackling the world’s social and environmental problems through effective deployment of capital. The aim is to put beneficiaries’ money to good use rather than invest it in any activity that could be construed as doing harm.

Finally, the megatrends will, over time, act as a drag on economic prosperity as the costs of basic inputs such as water, energy and land escalate due to scarcity; the prevalence of health and income inequalities will, in turn, breed unrest both within and between nations. Unless the trends are reversed, the whole economy will be weakened, exposed to sustainability-led bubbles and spikes, with smart ESG (environmental, social and governance) investment powerless to protect returns.

The Investment Leaders Group seeks to make a difference via the creation of new practical tools and solutions that benefit from the academic robustness of Cambridge research. It aims to generate new thinking which can be put into practice by other investors or used by policymakers and regulators to promote market frameworks that encourage sustainability.

The ILG has considerable weight as a group, not merely as a consequence of its total assets under management and advice, but because of its level of ambition. As such it has the capacity to influence the industry through its own example, and message to others in a convincing way.

# The Investment Leaders Group

The Investment Leaders Group (ILG) is a global network of pension funds, insurers and asset managers, with over US \$12 trillion under management and advice, committed to advancing the practice of responsible investment. It is a voluntary initiative, driven by its members, facilitated by the Cambridge Institute for Sustainability Leadership (CISL), and supported by academics in the University of Cambridge.

CISL aims to gather a small but influential group of leading investors, with a shared belief in the need for bold leadership in advancing the practice of responsible investment.

Companies in the ILG are represented by a C-suite level sponsor and a standing working group member (typically head of responsible investment or Environmental, Social and Governance).

The vision of the ILG is an investment chain in which economic, social and environmental sustainability are delivered as an outcome of the investment process while investors go about generating robust, long-term returns.

The ILG believes that responsibility should be at the heart of the investment process in order to best serve clients and beneficiaries. A strategic response by investors to social and environmental trends is required. The ILG's maxim is to lead by example.

With our support, members co-develop tools and solutions to existing market barriers. In this way, members can pilot test our research and put this new thinking into practice ahead of the rest of the market. In a sense the ILG forms a pooled R&D vehicle for members to develop new responsible investment solutions for themselves and other stakeholders

Members can take an active part in the definitions of the key work streams in the ILG and are regularly invited to share their experiences with other forward-thinking leaders.

The group aims to influence its industry peers, drawing on research-informed knowledge. Through its engagement with external stakeholders (including policymakers) the group seeks to create the necessary conditions for these practices to achieve scalable action.

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Sustainable research or responsible investing should not be done by a separate department or different people but should be an integral part of an investor's day-to-day business.

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**Roelie van Wijk-Russchen, Chair of the Investment Leaders Group and Global Head of Responsible Business and Public Affairs, Aegon Asset Management**

## The Investment Leaders Group membership



PIMCO



At State Street we believe the environmental, social and governance aspects of a company can affect returns and we therefore welcome the opportunity to participate with CISL in research that sheds more light on this important topic.

**Rick Lacaille, Global Chief Investment Officer (CIO) of State Street Global Advisors**



# The Investment Leaders Group

## CISL

### Harnessing research and thought leadership

Taking an innovative and research-driven approach

### Sharing knowledge, tools and processes

Building practical solutions and tools

### External engagement

Application of new thinking through our work with other financial institutions and policymakers

## ILG Members

### Identification of existing market barriers

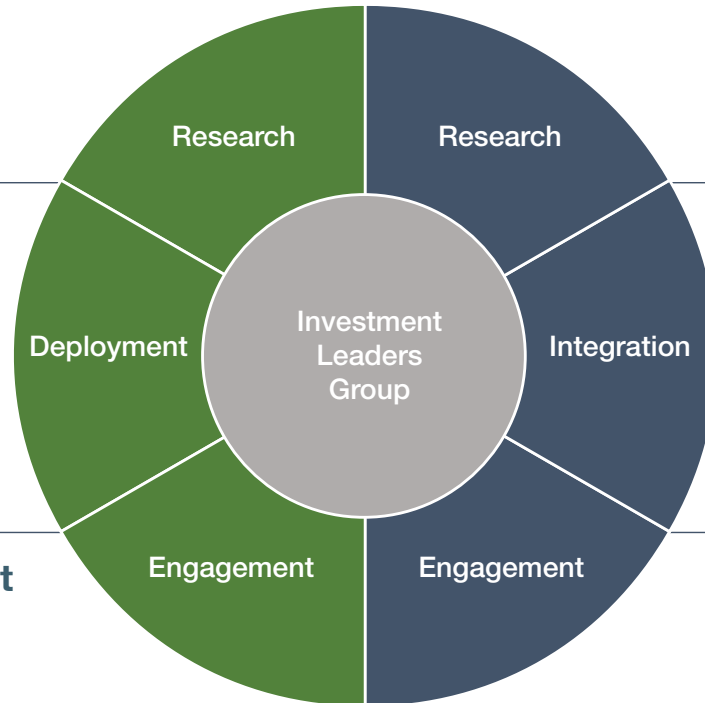
Taking an active part in the definition of research priorities

### Learning about new tools with forward-thinking market leaders

Lead by example and pilot-test the research ahead of the rest of the market

### Public engagement

Improve investment practices and create positive impact at scale



# Examples of recent work

## Measuring investment impacts

The ILG provides an overarching framework, for understanding and communicating the impact of investment portfolios. Our goal is to develop a set of impact metrics that translate the Sustainable Development Goals (SDGs) into measurable indicators that can be calculable, easily understood, and implementable by investors.

## Understanding consumer preferences and behaviours

The ILG is developing a Virtual Investment Experiment (VIE), which tests investor preferences as to how they trade off financial performance against impact. The experiment is designed to simulate real investment choices and to test pension plan beneficiaries and retail client's preferences, when facing both sustainability and financial information in standard fund factsheet format.

## Promoting long-termism

The ILG has developed a toolkit for investors who wish to design investment mandates that can help shift the investment chain towards responsible, long-term value creation. In addition, the ILG seeks to develop a checklist allowing asset owners to assess a fund's long-term orientation as well as enabling asset managers to review their own performance.

## Climate risk and resilience

The ILG has developed a model that quantifies the impact of potential climate and energy regulation on company profitability. In addition, the ILG has studied the economic and financial impacts of climate risk in order to identify opportunities for reducing climate-related investment risks through portfolio construction and diversification across different asset classes, regions and portfolios.

# Overview of CISL

## The University of Cambridge Institute for Sustainability Leadership (CISL) builds the strategic leadership capacity for individuals and organisations to tackle critical global challenges.

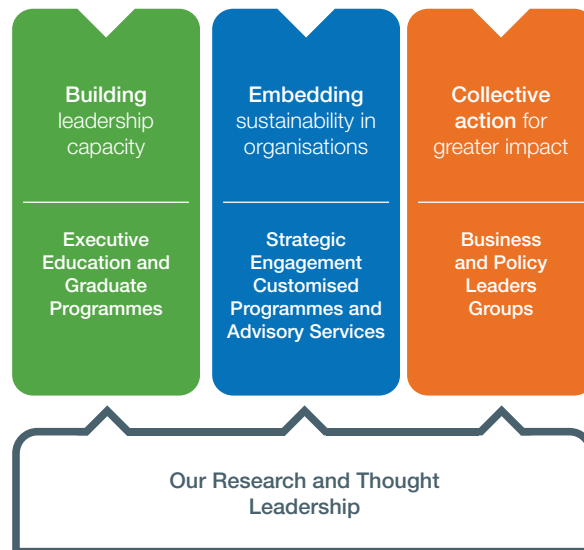
For nearly 30 years, CISL has worked with business, government and finance leaders worldwide to shape their leadership journey. We have helped them to see and understand the wider context, and to locate their ambitions and successes, and those of their organisations, within a sustainable future for humanity.

Our executive and graduate programmes enhance the ability of leaders to develop strategic responses to sustainability challenges and build their capacity to translate new knowledge and awareness into practice. Our customised programmes and advisory services help business leaders to understand the critical sustainability trends and the material implications for their company now and in the future – and help them to frame a response.

Our Business and Policy Leaders Groups, such as the Investment Leaders Group, supported by the breadth and depth of the University's research and by influential practitioners and policymakers, help to catalyse innovative, collaborative action.

Our work has led to the creation of a leadership network made up of nearly almost 8,000 senior leaders and leading practitioners who represent business, the public sector and civil society in every industry and on every continent.

Underlying all our work is the constant enquiry as to what kind of leadership is needed – and how we can foster it – to transform the way we run our economies and societies within the limits of the natural world.





# Building leadership capacity through our executive education and graduate programmes

**Our executive and graduate programmes enhance the ability of leaders to develop strategic responses to sustainability challenges and build their capacity to translate new knowledge and awareness into practice.**

Our executive education courses enable executives at all levels to engage with leading experts drawn from our extensive global network of academics, practitioners and educators.

Our graduates study courses, regarded as some of the best in the world, equip individuals with the ability to lead and influence change, whilst also gaining an academic award from the University of Cambridge.

## **Our executive education portfolio includes:**

### **The Prince of Wales's Business & Sustainability Programme**

Our series of three-day residential seminars, held around the world, have been delivered by CISL on behalf of the Prince of Wales since 1994, and have become a global benchmark for sustainability leadership education.

### **CISL online sustainability courses**

Our part-time online sustainability courses empower individuals and organisations to take the lead in tackling critical global challenges.

### **Customised Programmes for Senior Leaders**

Through our customised workshops and seminars, we work with leaders to enable individual organisations, sectors or value chains to understand the specific challenges they face now and in the future – and then to frame a response.

### **Sustainability Leadership Laboratories**

Our two-day immersive workshops focus on pressing issues and emerging opportunities with real application to your organisation, and support your continued professional development.

## **We offer the following part-time, Master's-level courses for business professionals and managers:**

### **Master of Studies in Sustainability Leadership**

Provides a deeper understanding of the economic, social and environmental challenges and opportunities facing the world.

### **Master of Studies in Interdisciplinary Design for the Built Environment (IDBE)**

Offered in association with the Departments of Architecture and Engineering, this part-time Master's course is designed for those involved in the commissioning, design, construction and management of projects in the built environment.

### **Postgraduate Diploma in Sustainable Business**

A flexible and modular programme where topical and emergent leadership responses to sustainability in a business context are explored.

### **Postgraduate Certificate in Sustainable Business or Sustainable Value Chains**

The 9-month, part-time courses which help students integrate sustainability thinking into business actions and provides the skills required to establish sustainable value chains.

# Member benefits

- Being part of a small group of leading companies across the investment value chain
- An easy way to exchange knowledge and experiences with other business leaders
- Participate in pooling Sustainable Finance R&D efforts
- The opportunity to design a project that addresses critical investment challenges and co-develop new research
- Associated early benefits gained through participation in pilots
- The ability to transfer and apply methods developed, supported by guidance notes and other practical outputs
- Patronage of HRH The Prince of Wales
- Connections to and expertise in finance, policy and climate
- Access to CISL's academic networks including thought leadership from the University of Cambridge
- Links to a wider network of over 40 financial institutions (including insurers and banks from our sustainable finance platforms) and over 30 corporations, as well as the extensive CISL network of individuals working across the globe in government, private sector and civil society

Membership of the Group is limited to allow deep engagement and to develop robust new approaches.

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