



**OECD public consultation on draft  
High-Level Principles on Long-Term Investment Financing  
by Institutional Investors  
9 May 2013**

The Global Unions Committee on Workers Capital (CWC) encourages all CWC members and beyond to take part in the on-going public consultation on draft High-Level Principles on Long-Term Investment Financing by Institutional Investors, conducted by the OECD. The draft Principles are posted on the OECD website (URL link:

<http://www.oecd.org/daf/fin/publicconsultationondrafthigh-levelprinciplesonlong-terminvestmentfinancingbyinstitutionalinvestors.htm>).

Comments on the draft should be sent by close of business on 24 May 2013 to Marta Rilling of the OECD Secretariat ([marta.rilling@oecd.org](mailto:marta.rilling@oecd.org)), and forwarded for information to Amanda Card of the CWC Secretariat ([acard@share.ca](mailto:acard@share.ca)).

This is an important initiative. Once agreed by the OECD, the new Principles will be submitted for adoption at the next G20 Summit in Saint Petersburg in September 2013. The current draft contains a number of recommendations which are welcome and should be supported. Draft Principle 3.5 includes reference to ESG reporting and draft Principle 3.6 includes reference to the need for effective use of shareholder rights. The text could be improved however.

The following are suggested recommendations on the substance of the current draft text. It follows among others on a pre-consultation submission by the Trade Union Advisory Committee to the OECD (URL link [http://www.tuac.org/en/public/e-docs/00/00/0C/C1/document\\_doc.phtml](http://www.tuac.org/en/public/e-docs/00/00/0C/C1/document_doc.phtml)).

### **Draft introductory section**

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Paragraph 2 of the draft text lists a number of existing international principles and/or guidelines that are relevant to institutional investors.

CWC suggested recommendation:

- **Reference the UN PRI:** The text should reference the United Nations Principles for Responsible Investment (UN PRI) as a complementary set of international principles to promote long-term investment.

### **Draft Principle 2.2**

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Current draft reads: *“Governments should promote the development of long-term savings through savings mobilisation policies. Such programmes should consider the use of default mechanisms such as automatic enrolment as well as, where appropriate, mandatory arrangements. When relevant, appropriate financial incentives to long-term saving should be provided and tax impediments removed. Governments should also promote the development of long-term savings through increased awareness amongst the population, financial inclusion policies, and the promotion of financial literacy”.*

CWC suggested recommendation:

- **Promote pooled capital collective savings:** The text should promote pooled capital through sector-wide collective savings schemes as a central policy measure for long-term savings. Best practice would require such collective saving schemes to be established by social partners (i.e. collective agreements between employers and trade unions).

### **Draft Principle 3.4**

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Current draft reads: *“The governing body of institutional investors should ensure that conflicts of interest that may affect their investments, including any long-term assets, are identified and addressed.”*

CWC suggested recommendation:

- **Identify asset manager conflicts of interest:** the text should explicitly identify the need for strict rules to prevent conflicts of interest with asset managers, especially where the asset management entity is owned by a large financial conglomerate that cumulates multiple banking and/or insurance services.

### **Draft Principle 3.7**

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Current draft reads: *“The performance of fund managers should be evaluated over a period of years, taking into account asset-liability management objectives and the level of risk implicated. Performance-based elements of fund managers’ remuneration should be based on long-term criteria.”*

CWC suggested recommendation:

- **Highlight contract clauses for long-term performance:** The text should specifically indicate the need for contracts that bind the asset manager to asset owners to outline remuneration and contract clauses to encourage asset managers to take a long-term view on portfolio performance.

### **Draft Principle 5.6**

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Current draft reads: *“Collaborative strategies and resource pooling amongst institutional investors and with other financial institutions should be encouraged and supported in order to facilitate the exchange of know-how and to allow sufficient scale and diversification to be reached for investment in large, long-term projects.”*

CWC suggested recommendation:

- **Include active ownership:** The text should expand on the notion of collaborative strategies to include active ownership strategies by institutional investors, with reference to collaborative engagement networks such as the UN PRI clearinghouse.

### **Draft Principle 7.3**

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Current text reads: *“Institutional investors should disclose information on the extent to which their investment strategies are in line with their investment horizon and the extent to which they address long-term risks”.*

CWC suggested recommendation:

- **Raise ESG risk disclosure:** The high level principles should call for institutional investors to report on environmental, social and governance (ESG) factors throughout the investment chain to enhance risk management for long-term investments.