



Investment Principles and Socially Responsible Investment (SRI) Framework

9 November 2015

Policy Version Control and Document History:

Title	Investment Principles and Socially Responsible Investment (SRI) Framework
Version	1.0
Source language	English
Responsible Unit	Finance
Developed by	The Global Finance Unit
Date approved	9 November 2015
Approved by	Director General
Purpose	The policy outline the investment principles adhered to by IUCN and the associated Socially Responsible Investment (SRI) framework used to guide investment decisions
Is part of	IUCN Policies and Procedures Framework
Related Documents	IUCN Cash Management and Investment Policy
Distribution	All IUCN staff / Public website

Document History

Version 1.0	Released 9 November 2015

For further information contact:
Global Finance Unit, Gland

IUCN's Investment Principles and SRI Framework

1. Investment principles

IUCN invests funds according to the following principles:

1. Preservation of capital

Ensure the preservation of the value of invested capital in the operational currencies of IUCN.

2. Liquidity

Ensure that sufficient cash or cash substitutes are available to meet operating cash expenditure requirements without having to sell long term investments at short notice.

3. Return on Investment

Earn a reasonable return on investments without taking on an undue level of risk that could significantly compromise the preservation of capital or liquidity objectives.

4. Socially responsible investment (SRI)

Invest in socially responsible investments, particularly those with an environmental aspect, provided this is compatible with the return on investment objective, liquidity and preservation of capital objectives.

2. SRI Framework

a) Investment universe

IUCN invests in the following categories:

- i. Direct investments in individual companies
- ii. Actively managed pooled funds
- iii. Exchange traded funds

b) Exclusions

IUCN aligns the portfolio with its mission each time it is possible to do so without compromising IUCN's financial performance.

For direct investments, the following exclusions are systematically applied:

- All extraction industries (oil, gas, mining) and any company that engages, for a substantial part of its business, in activities that are detrimental to the environment.
- Companies involved in the production or distribution of controversial weapons.
- Financial instruments directly linked to 'essential food commodities' (wheat, rice, soya, corn).

When investing through actively managed pooled funds, IUCN seeks to follow the above mentioned exclusion criteria wherever possible. As a general rule, IUCN avoids any investment that would imply a reputational risk for IUCN.

IUCN recognizes that investments made through passively managed Exchange Traded Funds (ETF) may from time to time include certain small indirect exposures to companies not in compliance with the above exclusions. IUCN's investment reporting process enables such exposures to be identified and monitored.

c) SRI Scoring

Direct investments and the constituent elements of pooled funds are rated according to Environmental, Social and Governance Criteria (ESG).

E - Environment: Actions taken to preserve the environment including emissions reduction, sustainable use of natural resources, product innovation.

S – Social: Actions towards social progress including respect for human rights, community impact, client/product responsibility, workforce diversity, health and safety, training and career development.

G- Governance: Demonstration of fair governance in terms of board of directors' functions and structure, directors' compensation policy, shareholders rights, strategy integration.

In addition, companies are measured according to a Consciousness – Actions – Results (CAR) framework:

C – Consciousness: Is the company just “conscious”, e.g. setting ESG general policies, participating in international organizations and workshops, marketing?

A - Actions: What “actions” are being taken, e.g. developing reporting tools, implementing ESG policies into the business, increasing transparency and reporting, including ESG into corporate strategy?

R- Results: What results are being achieved, e.g. reducing environmental impact, improving social balances, improving governance structure?

d) Application of guidelines

To comply with the guidelines the following process is applied:

1. The exclusions are systematically implemented for all direct investments.
2. Whenever possible, investments are made in companies with the best ESG/CAR scores.
3. On a regular basis companies in the portfolio are checked for involvement in controversies.

E-Controversies: Controversies relative to environmental issues

S-Controversies: Controversies relative to social issues

G-Controversies: Controversies relative to governance issues

Controversies are also rated:

Level 0: no evidence of controversies

Level 1: minor controversies

Level 2: recurring controversies, minor impacts on stakeholders, weak operational procedures

Level 3: serious controversies with major impact on stakeholders but not a structural issue of the company

Level 4: several controversies with major impact on stakeholders

Level 5: complicit violations of human rights, serious forms of corruption or fraud, serious environmental crimes

Companies with level 4 and level 5 controversies are closely monitored and excluded from the portfolio if they do not undertake action to remedy the situation causing the controversy.

SRI scoring methodology and controversy analysis does not cover government related instruments, external funds and index derivatives.

e) Oversight by IUCN Council

ESG reporting is reviewed regularly by the Finance and Audit Committee of Council to ensure that the above-mentioned principles are being applied by IUCN's investment managers.