

The
Sustainability
Forum
Zürich

Lagerstrasse 33
P.O. Box
CH-8021 Zürich
Switzerland
Phone +41 44 299 95 99
Fax +41 44 299 95 98
info@sustainability-zurich.org
www.sustainability-zurich.org

Media information

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7th International Sustainability Leadership Symposium on 31 August & 1 September 2006

“From Short- to Long-Term: Who cares?” Institutional Investors, Beneficiaries and Investees in Dialogue

Long-term oriented investment strategies – current issues and trends discussed at the International Symposium

Although long-term oriented investment would make sense from the perspective of pension policyholders, their trustees often invest these assets with the objective of short-term returns. This dilemma and other fundamental questions concerning the efficiency of the international investment business are being discussed at the International Sustainability Leadership Symposium in Rüschlikon (Zürich). Approximately 150 international experts from the worlds of finance, business, and academia are spending two days debating current issues relating to long-term oriented investment strategies, the role of pension funds, and the influence of investors on sustainable business practice.

The event is organised by The Sustainability Forum Zürich (TSF), a dialogue platform for the promotion of sustainable business models.

Conflicts of interest between policyholders and asset managers

As the Swissfirst case also illuminates, the discussions at the Symposium show that the interests of policyholders, or insureds, are often insufficiently taken into account by asset managers: According to the experts attending the Symposium, policyholders lack the foundations, i.e., the understanding, the transparency, and the relevant information, to assess the performance of their asset managers. At the same time, too few incentives exist to follow and monitor the management of the trustees. As Dominique Biederman, Director of the Ethos Foundation, says: "In Switzerland, policyholders would have the possibility of using their employee representatives on the board of directors to influence the asset managers in such a way that their long-term interests would be taken into account. Unfortunately, this possibility is still not used as often as it should be."

Peter Forstmoser, Chairman of the Board of Directors of Swiss Re and President of The Sustainability Forum Zürich (TSF), the organiser of the event, recommends the following three measures to strengthen trust: "What is necessary are selective adjustments to insider law, securing good governance through effective self-regulation, and especially more transparency."

Influence of investors on sustainable business practice

In the view of the experts, the dominance of short-term profit objectives in the investment process also influences the practices of companies. The imperative to satisfy the market each quarter leaves companies' top management torn between two contrasting courses of action.

The question of what possibilities institutional investors and shareholders can employ to exert influence on the company – especially in the direction of longer-term, sustainable management – is being discussed intensively at the Symposium. Options are being presented that range from exclusion and positive selection of companies to the active exercise of voting rights. According to Wim Vermeir, Member of the Executive Committee of Dexia Asset Management, "Socially Responsible Investments" in particular have a longer horizon and "therefore meet the needs of long-term oriented investors, such as pension funds." Abby J. Cohen, Managing Director and Vice President of Goldman Sachs, is even more explicit: "We believe that ESG investing – that is an investing that focuses on the environment, social responsibility and governance – is a real movement and is something that is no longer a niche form of investing".

Long-term interests of policyholders versus short-term financial market mechanisms

The actual owners of the steadily growing investment volumes of institutional investors – particularly pension policyholders – are interested in long-term, stable returns. Reto Ringger, CEO of SAM Sustainable Asset Management, an asset management company with a focus on sustainable investments, emphasizes: "Especially demographic developments and the problem of long-term funding of social welfare and retirement mechanisms underscore the necessity of long-term oriented investment strategies."

The presentations and workshops at the Symposium make clear, however, that incentive systems predominate in the financial services sector that promote short-term investing. Stefan T. Bichsel, Partner at the private bank Lombard Odier Darier Hentsch, states: "Short-term monitoring and reporting mechanisms cause short-term nervousness and corresponding behaviour by the market participants, even in a long-term oriented context." According to J. Frank Brown, Dean of the renowned INSEAD business school, short-term behaviour is primarily driven by the strong emphasis placed by companies on quarterly results. This pressure in turn "is exerted by the analyst community, hedge funds, institutional investors and the like."

Inquiries:

Dr. Thomas Streiff, +41 (0)79 358 19 81

(Thursday 31 Aug between 3pm and 4:30pm / Friday 1 Sep between 1:30pm and 2:30pm)

Additional materials and information at www.sustainability-zurich.org

Organiser:

The Sustainability Forum Zürich (TSF) is a partnership between private industry, universities, and the public sector. The platform, founded in 1999, which brings together the relevant "sustainability protagonists" on the Zurich market, fosters the exchange of innovative ideas and experiences on sustainable business models. In an open and constructive dialogue process with leading representatives from business, science, administration, and politics, impulses for the implementation of sustainability principles are created for practical application, and thus responsible entrepreneurship.



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