

# The Responsible Asset Allocator Initiative

Executive Summary - April 2019



## The Responsible Asset Allocator Initiative

The Responsible Asset Allocator Initiative (RAAI) at New America is focused on mobilizing capital from the world's largest institutions toward responsible investing and the achievement of the Sustainable Development Goals (SDG) of the United Nations. It is a window into the future of investing, a world where global savings institutions deploy funds not only to achieve financial returns but also to address the broader social and environmental challenges we face today.

The RAAI index provides the first comprehensive analysis of how the world's largest long-term investors are developing sophisticated new strategies to manage environmental, social and governance (ESG) issues. The index, developed in partnership with the Fletcher School at Tufts, analyzes and rates approximately 200 Sovereign Wealth Funds (SWF) and Government Pension Fund (GPF) comprising \$21 trillion in assets, on their responsible investing practices. The RAAI publishes "The Leaders List: The 25 Most Responsible Asset

Allocators," which ranks the top 25 scorers in the index, and also identifies the Finalists, the next highest scoring 25 firms. Together this group of asset allocators sets a global standard for leadership in responsible investing and provides a benchmark for the investment community to follow.

## Activities of the Responsible Asset Allocator Initiative include:

- Analyzing the investment practices of the top 200 SWF/GFP and rating them against principles and criteria for responsible investing specifically designed for asset allocator needs.
- Selecting the top 25 scorers for the "Leaders List: The 25 Most Responsible Asset Allocators" in the world, providing a benchmark of best practices for peers.
- Gathering together the Leaders List, Finalists and other asset allocators to share knowledge and coordinate collective action.

- Providing case studies and a matrix of responsible investing practices.
- Setting a policy agenda and advocacy program to facilitate greater investments into the SDG.
- Advocating for responsible investment action on climate change.

## SWF and GPF

SWF and GPF invest capital on behalf of the people of their states to pay for their retirement benefits, healthcare and long-term savings. Because of their size and scope, when these institutions invest, they exert a gravitational pull on companies, projects and capital markets and can affect real change on issues such as climate change, sustainable infrastructure, and access to education, food, clean water and healthcare. For example, just a one percent allocation of the AUM of the asset allocators rated in the RAAI would be 2.3x greater than all official development assistance extended by the World Bank Group in 2018.

Incorporating long-term environmental, social, and governance related concerns into the investment decision-making process helps SWF/GPF optimize returns, reduce risks, and identify opportunities for future growth, all while aligning portfolios with broader goals of society.

## The 2019 Leaders List: The 25 Most Responsible Asset Allocators

RAAI constantly seeks to refine its processes and outputs. As a result, researchers increased the number of criteria for evaluation from 12 in 2017 to 20 in 2019 with two criteria for each of the 10 principles: Disclosure, Intention, Clarity, Integration, Implementation, Commitment, Accountability Partnership, Standards, and Development. In addition, researchers expanded the scope of coverage from 121 SWF/GPF rated in 2017 to 197 funds rated in 2019.

By assessing and scoring the performance of asset allocators against these principles, and highlighting the performance of the Leaders, the RAAI provides a benchmark of peer excellence that serves as a catalyst to unleash greater capital toward responsible investing. The world is shifting toward more socially conscious and environmentally friendly investing practices. The RAAI supports this trend, monitoring the progress of the world's largest investors toward responsible investing and providing a benchmark for future growth.

## Principles and Criteria

### I. Disclosure

The Fund should publicly disclose information on its a) organizational structure and b) investment policy and performance.

### II. Intention

The Fund should a) make a statement of intent on responsible investing and b) publish a stand-alone report.

### III. Clarity

The Fund should a) define the organization's objectives for responsible investing and b) explain the strategies it intends to employ to achieve these goals.

### IV. Integration

The Fund should a) integrate ESG into the investment decision-making process across the portfolio and b) provide information on how ESG is integrated.

### V. Implementation

The Fund should provide a) details on specific responsible investments and b) information on how it measures and monitors responsible investments in the portfolio.

### VI. Commitment

The Fund should a) disclose resources and staff dedicated to responsible investing and b) socialize a culture of responsible investing throughout the organization.

### VII. Accountability

The Fund should a) provide information on financial returns of responsible investments and b) report on progress toward achieving responsible investing goals.

### VIII. Partnership

The Fund should a) partner with recognized organizations on responsible investing and b) take a leadership role to advocate for policy change and reform.

### IX. Standards

The Fund should a) adopt recognized standards for its responsible investing practices and b) provide guidelines for its external managers.

### X. Development

The Fund should a) reference the UN Sustainable Development Goals and b) invest in smaller emerging markets, applying responsible investing practices.

## The 2019 RAAI LEADERS LIST: THE 25 MOST RESPONSIBLE ASSET ALLOCATORS

Fund Name	Country	Region	Origin	AUM (\$bn)	AUM Date
Alberta Investment Management Corp.	Canada	North America	2008	104	2018
AP Funds	Sweden	Europe	1960	177	2017
APG Groep	Netherlands	Europe	1922	565	2017
Australian Super*	Australia	Australasia	2006	100	2018
BCI	Canada	North America	1999	110	2018
CalPERS	USA	North America	1932	354	2018
CalSTERS*	USA	North America	1913	224	2018
CDC Group	France	Europe	1865	231	2017
CDPQ	Canada	North America	1965	235	2018
CPPIB	Canada	North America	1997	283	2018
ERAFP	France	Europe	2003	26	2017
Fonds de Reserve pour les Retraites*	France	Europe	2001	40	2017
Government Pension Fund – Global	Norway	Europe	1990	1058	2018
Government Pension Investment Fund*	Japan	Asia	2006	1492	2018
Khazanah Nasional Berhad	Malaysia	Asia	1994	39	2018
New Zealand Superannuation Fund	New Zealand	Australasia	2003	30	2018
Ontario Teachers' Pension Plan	Canada	North America	1990	147	2018
PensionDanmark*	Denmark	Europe	2002	32	2018
PGGM	Netherlands	Europe	1969	262	2018
Public Investment Corp.	South Africa	Africa	2005	150	2018
RPMI Railpen*	UK	Europe	1965	38	2018
Strathclyde Pension Fund*	UK	Europe	1972	26	2018
UC Regents Investment Funds*	USA	North America	1933	110	2017
United Nations Joint Staff Pension Fund	Global	Global	1949	66	2018
Victoria Funds Management Corp. *	Australia	Australasia	1994	44	2018

**Note:** Funds marked with \* are new to the Leaders List in 2019

## Why the Leaders Matter

The total assets controlled by the top 25 funds on the Leaders List—\$5.9 trillion—is...

- Larger than the GDP of **every country** in the world except the United States and China.
- Larger than the **combined GDP of 145 countries**.
- **37 times bigger** than all official development assistance (ODA) extended in 2017.
- **28 times bigger** than total loans and disbursements of the ten key multilateral development banks (MDB) in 2017.

Channeling just 1 percent of the total capital of the Leaders toward responsible investing and related sustainable development goals would create a pool of resources...

- Larger than the **GDP of 107 countries**.
- Equivalent to **130 percent of total loans, grants, investments, and guarantees** provided to developing countries by the World Bank in FY 2018.
- **Almost three and a half** times all financial services extended to developing countries by the International Bank for Reconstruction and Development (IBRD) in 2018.
- **More than four times** the amount of interest free loans and grants to the world's poorest countries extended through the International Development Association (IDA) in 2018.

The 25 asset allocators on the Leaders List...

- Received an average total score of **96 (out of 100)** on the Responsible Asset Allocator rating system.
- Represent funds from Africa, Asia, Australasia, Europe, and North America.
- Punch above their weight, comprising 12.5 percent of total funds but **30 percent of total assets of the 197 asset** allocators that were rated.

## About New America

The RAAI was founded at New America, an organization dedicated to renewing America by continuing the quest to realize the nation's highest ideals, honestly confronting the challenges caused by rapid technological and social change, and seizing the opportunities those changes create.

### About us

**Scott Kalb** is the Founder and Director of the Responsible Asset Allocator Initiative at New America. Mr. Kalb is the founder and CEO of KLTI Advisors, a firm dedicated to working with the sovereign and government fund community on long-term investment solutions. In addition, Mr. Kalb serves as the Chairman of the Sovereign Investor Institute, a membership organization of Institutional Investor and leading forum for sovereign and government funds around the world. Prior to this, Mr. Kalb served as the CIO and Deputy CEO of the Korea Investment Corporation (KIC), Korea's US\$130 billion Sovereign Wealth Fund, during 2009-2012, and is one of the few foreigners appointed to manage another country's SWF portfolio. Mr. Kalb has an MA Degree from Harvard and a BA degree from Oberlin College.

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Dr. **Tomica Tillemann** chairs the Responsible Asset Allocator Initiative at New America. In addition, he is the Founder of the Blockchain Trust Accelerator at New America, which works with organizations including the Rockefeller Foundation, State Department, Coca-cola, Harvard and Levi Strauss to deploy blockchain solutions in governance and social impact applications worldwide. He chairs the Global Blockchain Business Council and advises Bitfury and other leading technology companies. He previously served at the State Department and Senate Foreign Relations Committee as a speechwriter and advisor to Hillary Clinton, John Kerry, and Joe Biden. He was educated at Yale and Johns Hopkins and is a co-holder of four patents.

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