

UK LAW COMMISSION CALLS FOR NEW INVESTOR CODE OF CONDUCT

Report finds that trustees need to take into account ESG factors that are financially material

The UK's Law Commission released a report this week calling for a new code of conduct governing long-term investment behavior. The [report concludes](#) that trustees should take into account factors which are financially material to the performance of an investment. While the commission said the trustees are not obliged to take account environmental, social and governance (ESG) matters, as these were often "ill-defined" and covered a number of risks, where trustees think ethical or environmental, social or governance (ESG) issues are financially material they will be required to take them

into account. In addition, the code will require pension trustees to disclose whether or not they have a stewardship policy in their Statement of Investment Principles (SIPs).

Whilst the pursuit of a financial return should be the predominant concern of pension trustees, the law is sufficiently flexible to allow other, subordinate, concerns to be taken into account. The law permits trustees to make investment decisions that are based on non-financial factors, provided that: (1) they have good reason to think that scheme members share the concern; and (2) there is no risk of significant financial detriment to the fund.

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NEW SASB STANDARDS RELEASED

Last week the Sustainability Accounting Standards Board (SASB) released its [latest voluntary guidelines](#) for the Non-Renewable Resources sector. The guidelines are intended to help resource companies, such as ConocoPhillips and Alpha Natural Resources, report on climate change, supply chain and other sustainability issues that may impact their financial accounting with the SEC. SASB has already released guidelines for Health Care, Financials, and Technology & Communications. Draft standards for Transportation are already underway.

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SAMSUNG REPORTS LABOR VIOLATIONS AT DOZENS OF CHINESE SUPPLIERS

External supply chain audit of the smartphone maker finds violations

Samsung may be under fire again after an external audit found labor violations at 59 of its supplier plants in China. The world's largest smartphone maker released findings this week that [detailed labor violations](#) including failure to provide safety gear and excessive working hours. The company, along with other industry giants such as Apple, are undergoing supply chain audits to ensure compliance with China's labor policies,

avoid "conflict minerals", and generally improve their impact on the environment. Labor violations include letting minors handle chemicals and not compensating part-time workers for overtime work. The South Korean company comes under scrutiny as more attention is paid to worker safety through the supply chain—especially following last year's garment factory collapse in Bangladesh. Samsung has subsequently taken action to avoid labor violations by implementing an inspection checklist to measure supplier's compliance.

NBIM AND OTHER INVESTORS AWAITING RESPONSE FROM OECD ON ACCOUNTABILITY ON HUMAN RIGHTS ABUSES

Letter originally sent in May 2013; A response is expected in Q3 of this year

Norges Bank Investment Management (NBIM) released a statement this week saying that it [expects a response](#) to its letter to the OECD asking for clarification on the OECD's Multinational Guidelines for human and labor rights abuses at companies they invest in. NBIM, the investment management company that manages the money of the USD 758Bn Government Pension Fund of Norway, sent a letter to the OECD in May 2013 rebutting an attempt to hold shareholders—not the board—accountable in investigations into labor rights abuses. Investors in the 34 member countries of the OECD are watching this issue carefully.

NBIM's position is outlined by William Ambrose, Global Head of Business Risk at NBIM: "In principle, we believe the company board is responsible for these issues and it is important that the right people are held to account." He suggested that the case has become an interpretation struggle between the OECD's Principles of Corporate Governance and its Guidelines on Multinational Enterprises: "The OECD Principles of Corporate Governance are explicit that the board is the entity that speaks on behalf of the company. We believe there needs to be some clarity between what is said there and what is being said in the Multinational Guidelines."

STAT OF THE WEEK

Renewable energy may get as much as [two-thirds of the \\$7.7 trillion](#) investment forecasted for building new power plants by 2030 as declining costs make it more competitive with fossil fuels, Bloomberg reports.

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MSCI LAUNCHES GREEN BOND INDEX WITH BARCLAYS AND BUYS GMI RATINGS

We reported recently on the growth and popularity of [green bonds](#). MSCI and Barclays announced that they will offer a new [Green Bond Index](#) to fund projects with environmental benefits. The MSCI ESG Research team will

offer objective evaluation of Green Bond securities to determine if they meet Green Bond classification. Meanwhile, MSCI also announced this week that it will buy [GMI Ratings](#) for \$15m, further consolidating the ESG data industry.

BELIEVE IT OR NOT

In China's latest attempt to combat pollution, the country is deploying drones to identify factories that violate China's green laws.

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