



## **World Bank Treasury Asset Management & Advisory Sustainable and Responsible Investment Statement**

### **1. Introduction**

**The mission of the World Bank Group (the “Group”) is defined by the twin goals of ending extreme poverty and promoting shared prosperity.** Since 2016, together with the wider international development community, the Group also agreed to support a more ambitious and broader development agenda, including the Sustainable Development Goals (SDGs) and helping countries mitigate and adapt to climate risks, for example through the Climate Change Action Plan (CCAP)<sup>1</sup>.

The World Bank Treasury (TRE) Asset Management & Advisory Department (TREAA) assists with the achievement of these goals by formulating and implementing sound investment and risk management policies and practices for funds held in trust and funds managed on behalf of clients. Preservation of capital at high levels of confidence over the investment horizon is TREAA’s overarching guiding principle in pursuing reasonable risk-adjusted returns.

This Sustainable and Responsible Investment (SRI) Statement (the “Statement”) complements the existing documentation governing investment activities by TREAA by considering and incorporating environmental, social and governance (ESG) factors in a pragmatic, yet holistic manner, across investment processes.

The purpose of the Statement is to provide information and clarity about the management of the investment portfolios (the “Portfolios”) managed by TREAA with due regard for ESG factors as an integral part of the investment analysis and decision-making process. The principal goal of the Statement is to ensure stakeholders understand that consideration of ESG factors contributes to more comprehensive decision making, while aligning the investment management business with the Bank’s core values and mission on the Environmental, Social and Governance agenda. The Statement defines TREAA’s philosophy, rationale and approach to Sustainable and Responsible Investment (SRI) and sets out the long-term roadmap for SRI for TREAA.

This Statement is approved by the Treasurer and Vice President (TREV) and reviewed from time to time as required.

### **2. Guiding Principles**

**TRE leadership is committed to aligning TREAA’s investment procedures and practices with the World Bank’s (WB) overall mission and goals in sustainable development to the extent possible, while continuing to manage Portfolios in accordance with TREAA’s fiduciary and principal mandates.** TREAA believes that ESG factors can have an impact on the risk and return of investments, while

---

<sup>1</sup> World Bank Group Climate Change Action Plan 2021-2025: Supporting Green, Resilient, and Inclusive Development, <https://openknowledge.worldbank.org/handle/10986/35799>

acknowledging that the materiality of the ESG factors and, consequently, the size of the impact can differ across asset classes and investment horizons.

In line with TREAA's commitment and beliefs, integration of ESG considerations throughout the investment process is an integral component of the overall approach to investment management. TREAA believes that ESG Integration enables better informed decision making which may help identify and manage risks and opportunities, supporting the investment objectives of the portfolios TREAA manages for its investment management clients.

### **3. Approach to Sustainable and Responsible Investment**

**TREAA's approach to SRI for investment management will be *ESG Integration*, which will apply to all the portfolios that TREAA manages.** At present, ESG Integration is the most appropriate strategy for the mandates under TREAA's management and it can be applied to the universe of eligible assets authorized by the IBRD/IDA General Investment Authorizations and clients' investment guidelines stipulated in the Investment Management Agreements.

ESG Integration is an extension of traditional financial analysis to explicitly consider ESG issues in investments, and as such is an additional tool intended to improve financial outcomes for portfolios. In the context of TREAA's asset management activities, and with due consideration of the fiduciary duties and the mix of investment management mandates that TREAA manages for its investment management clients, ESG integration is considered the approach that provides an appropriate balance of ambition with respect to alignment with the WB's operational ESG agenda, the WB's fiduciary duty and practicalities of implementation.

Use of ESG Integration falls within the existing governing authority, investment processes, and procedures that TREAA currently uses for portfolio management.

### **4. Statement Review and Long-Term Roadmap**

**SRI and the implementation of relevant approaches are a process, not an event.** The availability of ESG data, the development of appropriate technology to make use of this data and the evolution of stakeholder views and preferences mean that there is likely to be ongoing progression in the Responsible Investment agenda and architecture. Therefore, the Statement will be reviewed at least annually to ensure its continued relevance and usefulness. TRE's Senior Management will oversee the implementation of this Statement and will consider TREAA's recommendations for amendments or updates, as necessary, for the Treasurer's approval.

TREAA aims to be able to respond to client needs and expectations with regards to ESG-oriented investment approaches insofar as those needs and expectations are in line with applicable investment authorizations and guidelines. Furthermore, TREAA aims to support clients in the understanding and selection of appropriate SRI approaches and investment approaches, considering the clients' liquidity profile as well as all relevant Responsible Investment and financial considerations. In doing so, TREAA will also strive to strike a balance between bespoke solutions and cost-effectiveness for the benefit of its client base.

October 2021

Recognizing the growing relevance and awareness of ESG issues and factors in investment management, TREAA aims to utilize the full range of its internal resources and expertise to support clients in developing and implementing their own Responsible Investment policies, processes and procedures.

October 2021

**Disclaimer**

This statement should be treated confidentially and not shared or disclosed to any parties outside of your institution. Any views, beliefs or opinions expressed are those of the World Bank Treasury and may not represent those of the World Bank Board of Directors. The information provided herein should not be interpreted as constituting investment advice.