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UKSIF

*the sustainable investment
and finance association*

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Responsible and Sustainable Investment Update

In This Issue

[I. Key Responsible Investment Highlights](#)

[II. The UKSIF Sustainable Pensions Project \(SPP\)](#)

[III. Pension Funds and Responsible Investment](#)

[IV. Research Highlights and Other Initiatives](#)

Quick Links

[Contact Us](#)
[About Us](#)
[Related Topics](#)

Welcome to UKSIF's quarterly update for pension funds and their advisers.

It is produced as part of UKSIF's Sustainable Pensions Project which assists occupational pension funds to adopt more responsible and sustainable investment strategies.

I. Key Responsible Investment Highlights

UKSIF is holding a Parliamentary Reception to celebrate 10 years of Pensions Disclosure RI Regulation

The Reception being held in the House of Commons celebrates the 10th anniversary of the UK's groundbreaking responsible investment disclosure regulation for occupational funds. This event is addressed to representatives of pension funds and industry leaders. We would like to thank our sponsors: Aviva Investors, Baillie Gifford & Co, F&C Asset Management, Henderson Global Investors, Hermes Equity Ownership Services, Hewitt Associates, Jupiter Asset Management, KBC Asset Management, Newton Investment Management, RCM (UK), Sarasin & Partners LLP and Standard Life Investments. For further information contact events@uksif.org.uk.

II. The UKSIF Sustainable Pensions Project (SPP)

UKSIF responds to the Stewardship Code consultation

UKSIF's response to the Financial Reporting Council's (FRC) consultation on the Stewardship Code for Institutional Investors is now on our website. The response follows our discussion with the FRC and our consultation seminar with pension funds and other institutional investors. Penny Shepherd commented on the Code in the Financial Times and presented alongside the FRC in a UN PRI webinar. Contact penny.shepherd@uksif.org.

Sustainable Pensions Library updated

The Sustainable Pensions Library provides trustees and advisers with an overview of key responsible investment documents and initiatives. Visit www.uksif.org/splibrary.

III. Pension Funds and Responsible Investment

1. UK Pensions

Environment Agency Pension Fund tenders for ESG emerging markets equity mandate

It is seeking one or more managers to run an emerging markets equity portfolio, valued between £50m to £150m. The Environment Agency is expecting managers to incorporate ESG criteria. Visit www.environment-agency.gov.uk.

Railpen and USS form shareholder voting alliance

The pension funds have forged a UK joint voting policy alliance to coordinate their share voting at company meetings. Their aim is to create a global voting resource to be used by other pension funds. The alliance will initially cover companies in the FTSE All Share index. Visit www.railpen.co.uk and www.usshq.co.uk.

Pension Protection Fund (PPF) extends its RI commitment

PPF is broadening its commitment to RI to cover global equities. It will also be working with its fund managers to incorporate its RI policy across all asset classes. Previously the policy applied only to its UK equities. Visit www.pensionprotectionfund.org.uk.

Strathclyde Pension Fund to increase the RI focus of its property portfolio

Strathclyde's recent review of its property investments included increased consideration of the application of its RI strategy. It plans to provide more regular reporting on RI issues. Visit www.spfo.org.uk.

Pensions Trust study finds that charity workers want RI issues high on pensions investment agenda

The Pensions Trust, the multi-employer pension fund for the charity sector, has found that 72% of charity workers believe investment in companies that operate responsibly is one of the most important pension attributes. It surveyed charity workers views on pensions in the UK and found that RI is becoming an influential and key deciding factor in choosing pension funds. Visit www.thepensiontrust.org.uk.

2. International Pensions

PGGM launches new environmental benchmark for commercial real estate

The benchmark by the Dutch pension fund analyses 700 listed property companies and fund managers. It finds that environmental engagement is not yet actively managed in real estate investment. Investors from UK, Sweden and Australia are mentioned for best practice in property investment. Visit www.pggm.nl.

3. Collaborative Initiatives by Pension Funds

BP and Shell shareholders express concerns on tar sands

The AGM resolution calling on BP to provide greater transparency about their involvement in tar sands was supported by 6% of shareholders with 9%

abstaining. The Unison Staff Pension Scheme co-sponsored the resolution. A similar resolution was filed at the Shell AGM with 11% of shareholders either voting for the resolution or abstaining. Visit www.fairpensions.org.uk.

IIGCC launches climate change guide for private equity investors

Institutional Investors Group on Climate Change (IIGCC) publication, 'A guide on climate change for private equity investors', aims to improve the private equity sector's understanding of the risks and opportunities posed by climate change and related policy developments. Visit www.iiqcc.org.

IV. Research Highlights and Other Initiatives

Global investors collaborate on climate change asset allocation study

The study considers a variety of climate change scenarios and outlines the potential effects these could have on returns for various asset classes. 14 institutional asset owners and investors, including the Environment Agency Pension Fund, CalPERS, CalSTRS and the Norwegian Government Pension Fund participated. Mercer was also involved in the study. Visit www.mercer.com/ri.

HSBC and WRI launch research on financial impacts of climate change

Three reports published by World Resources Institute (WRI) analyse the investment implications of environmental risks in South and Southeast Asia. They look at the food and beverage, power and building sectors. Visit www.wri.org.

Green Bonds pushed by World Bank, EIB and Development Finance Institutions

The European Investment Bank (EIB) and European Development Finance Institutions have established a joint climate change fund aimed at projects in emerging markets. The EIB has also issued a Climate Awareness Bond for Japanese investors. Earlier this year, the IFC issued its first green bond to support climate friendly projects in developing countries. It follows a water bond issued by the Asian Development Bank. The World Bank has also announced that since its inaugural issue in 2008, it has issued an equivalent of approximately US\$1.5 billion in Green Bonds. Visit www.eib.org and www.ifc.org.

IoD response to the Stewardship Code calls for more investor engagement

The Institute of Directors (IoD) recommends that institutional investors with more than a 1% stake in listed firms should write to corporate chairs detailing their engagement policy. Visit <http://press.iod.com>.

For more information about the project or past copies of this newsletter visit www.uksif.org/projects/sustainable_pensions. Do please pass this update on to colleagues or other interested parties.

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