

CSR and Sustainable Pensions: Five Frequently Asked Questions by CSR Managers

This FAQ has been produced for corporate responsibility / sustainability managers of leading companies by UKSIF's Sustainable Pensions Project. In 2009, the Project is surveying the pension funds of corporate responsibility leaders on their approach to Responsible Investment in order to identify leading practice. This repeats our 2007 Survey.

1) What is Responsible Investment (RI)?

Responsible Investment reflects the views that:

- Environmental, Social and Corporate Governance (ESG) issues can affect the performance of investment portfolios
- Responsible ownership practices (e.g. responsible use of voting rights) are important

2) How does Responsible Investment relate to my pension fund?

Pension funds generally have long-term investment objectives as they must meet their obligations to members over a long period. There is a growing view among investment professionals that ESG issues can affect the long-term performance of investment. Moreover, RI is progressively being perceived by legislators, the media, beneficiaries and other stakeholders as simply being part of responsible ownership and asset stewardship.

Furthermore, for pension funds of companies that are leading the way on corporate responsibility the rationale for adopting RI may be similar to the corporate sponsor's rationale for its approach to CSR, sustainability and climate change. Namely, that it makes business sense to align corporate responsibility to core business strategy.

3) Are there issues common to both CSR and RI?

Our 2007 Survey identified notable examples of RI achievement amongst the corporate pension funds of CSR leaders. It found that funds were likely to have trustees who believe that ESG issue can have a material impact on the fund's investments in the long-term and trustees who give significance to the plan sponsor's CSR/Sustainability policies. There were also significant levels of monitoring of RI policy implementation amongst participating funds.

However, the Survey found that active communication of the policy and implementation to pension fund members was rare. Given that transparency and stakeholder engagement are key components of CSR, this was a noticeable finding. It raises questions about commitments to transparency and accountability, particular when compared to fund sponsors' good practice.

4) What can a company's CSR team offer its pension fund?

There are a number of ways that a pension fund can benefit from its fund sponsor's CSR expertise. This expertise may be able to provide resources that help the pension fund build an understanding of corporate responsibility and sustainability issues that may be material to their investment decisions. Corporate responsibility expertise can also be drawn on to help with policy development, improve transparency and communication with stakeholders.

5) As a CSR Manager what can I do?

- Where appropriate, you may consider becoming a trustee of the corporate pension fund (or support a director with corporate responsibility expertise to do so)
- You can encourage your pension fund to complete the Sustainable Pensions survey
- You can learn more about how pension funds can benefit from Responsible Investment, for example, by visiting www.uksif.org/sustainablepensions.