

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

Sustainable Pensions Corporate Pension Fund Survey 2009 Launched

['Responsible Business: Sustainable Pensions'](#)

UKSIF's biannual survey of the responsible investment approaches of pension funds of the UK's corporate responsibility leaders was launched at the Professional Pensions Investment Conference in early June.

The survey findings are given below and are being discussed at a breakfast seminar on 9th July. For details, email events@uksif.org.

II. The UKSIF Sustainable Pensions Project (SPP)

Corporate Pension Fund Survey shows trustees leading progress on responsible investment

The 2009 UKSIF ['Responsible Business: Sustainable Pension'](#) report finds clear evidence that a group of responsible investment champions is beginning to emerge from UK corporate pension funds. Trustee leadership is driving this change. BT Pension Scheme retained its Platinum ranking in this second bi-annual survey, while the Barclays UK Retirement Fund, BP Pension Fund and HBOS Final Salary Pension Scheme all progress to a Gold ranking from Silver. Three quarters of repeat respondents achieved a higher score this year than in 2007. The high ranking funds were awarded a logo.

It found that trustees of three quarters of surveyed funds now believe that environmental, social and governance (ESG) factors can have a material impact on the fund's investments in the long term and two thirds thought it was important to align the plan's RI policy with the fund sponsor's CSR policies. The report was sponsored by Hermes Fund Managers and KBC Asset Management. Visit www.uksif.org/sustainablepensions.

UKSIF calls on government to use pensions disclosure to implement Myners agenda

UKSIF's response to DWPs consultation on pension scheme information disclosure called for online disclosure on SIP implementation to help beneficiaries hold schemes to account. Contact sustainablepensions@uksif.org.

10th Anniversary celebration of the "ESG disclosure" regulation: Mon 28 June 2010

UKSIF will be holding an evening reception at the House of Commons to celebrate the 10th anniversary of the "ESG disclosure" regulation for occupational pension funds. Rt Hon John Gummer MP is kindly acting as our host. Further details will be available closer to the date.

III. Pension Funds and Responsible Investment

1. UK Pensions

Personal Accounts Delivery Authority (PADA) investment consultation addresses RI

PADA's consultation on the most appropriate investment approach for the Personal Accounts Scheme includes a section on responsible investment. The consultation is open until 7 August. Visit www.padeliveryauthority.org.uk.

NAPF survey finds pension schemes plan to spend more time on engagement

'Pension Funds' Engagement with Companies 2009' has been conducted by the National Association of Pension Funds (NAPF). The survey found that 49% of pension funds intend to spend more time examining the engagement activities of their fund managers as a result of the financial crisis. Visit www.napf.co.uk.

Local authority pension funds set out governance reform agenda and push on climate change

As long term investors, members of the Local Authority Pension Fund Forum (LAPFF) have issued a public statement calling for a menu of governance reforms in response to the financial crisis. LAPFF has also supported international investor initiatives engaging with US companies on their responses and strategies in dealing with climate change. Visit www.lapfforum.org.

2. International Pensions

Philips Dutch Pension Fund announces sustainable investment strategy

The €13 billion fund has announced the new strategy to accompany its signing of the UN-backed Principles for Responsible Investment (PRI). The approach includes an engagement strategy to lobby companies that fall short on sustainable business strategies, integration of ESG analysis in investments across asset classes and an allocation to specific environmental themes. Visit www.philipspensioenfondsen.nl.

State of California to purchase €229 million of World Bank green bonds

The investment represents the State's first in climate change solutions and follows on from discussions at the P8 Washington Summit. The bonds are part of the World Bank's second issue of green bonds and the first to be denominated in US dollars. Visit www.sebgroup.com.

Norwegian Government Pension Fund announces €20 billion sustainable investment plans

The €260 billion fund has outlined plans which include allocating over €20 billion to environmental investing and a programme aimed at sustainable growth assets in emerging markets. Visit www.regjeringen.no/en.

Australian superannuation funds launch ESG research initiative

HESTA and VicSuper have launched the ESG Research Australia (ESG RA) initiative to promote ESG research in Australia's financial industry. Visit www.hesta.com.au or www.vicsuper.com.au.

Swedish government to enshrine ESG into AP pension buffer funds

The Swedish government plans to introduce ESG investing rules into the legal framework of the management of the country's AP pension funds. Visit www.ap3.se.

3. Collaborative Initiatives by Pension Funds

PRI issues eight-point plan for institutional investors to respond to the current crisis

In a joint statement, the Board of the PRI, which consists mainly of pension fund representatives, has called on asset owners to accept their share of responsibility for the current financial crisis. The PRI urged asset owners to work together to improve risk management practices and become more active owners. Visit www.unpri.org.

Pension fund leaders sign letter to Gordon Brown on eve of

G20 to support 'green' recovery

A group of major UK investors wrote to the Prime Minister, as Chair of the London Summit, supporting a strong 'green' element in programmes of fiscal stimulus undertaken by governments. Signatories included Mark Taylor of LPFA and Howard Pearce of the UK Environment Agency. The letter was co-convened by UKSIF. Visit www.uksif.org.

USS joins with other pension funds in supporting Private Equity Council (PEC) RI guidelines

A number of pension funds, including USS, CalPERS and CalSTERS have supported the development of RI guidelines for private equity firms by the PEC. PEC is a Washington based centre whose members include some of the largest private equity houses. Visit www.privateequitycouncil.org.

IV. Research Highlights and Other Initiatives

Watson Wyatt research paper calls on trustees to be more engaged share owners

['No action no option: A new era for active share ownership?'](#) highlights that active ownership can help enhance long-term shareholder value. The paper offers suggestions to pension funds on becoming more engaged owners. Watson Wyatt has also published a paper on 'Environmental Opportunities: The investment case'. For more information or to request a copy contact jane.goodland@watsonwyatt.com.

Mercer produces report on integrating ESG factors into emerging markets investments

It finds that fund managers in emerging markets are increasingly considering ESG factors in their investment decisions. The research was commissioned by the IFC. Visit www.mercer.com/ri.

FTSE creates new tools to help investors identify and gain exposure to environmental markets

The FTSE Environmental Markets Index Series includes seven new equity indices which use the world's first global environmental markets classification system. Visit www.ftse.com.

TUC produces 'Engaged Investment' guide for trustees

['Engaged Investment: A TUC Trustee guide'](#) highlights how investors can engage with the companies they invest in and the importance of doing so. Visit www.tuc.org.uk.

FairPensions report calls on pension funds to improve risk management and accountability

['Responsible Pensions? UK Occupational Pension Schemes'](#) Responsible Investment Performance 2009' finds that major UK pension funds are acknowledging the importance of ESG issues. However, many have not implemented key strategies to deal with ESG risks. Visit www.fairpensions.org.uk.

LAPFF report highlights lack of ESG risk management by passive fund managers

The LAPFF study, by RImetrics, assessed the ESG competencies of the leading passive asset managers. It found a lack of ESG risk management in a significant proportion of equity holdings. Visit www.lapfforum.org.

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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