



## UK Social Investment Forum

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Socially Responsible Investment

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**UKSIF Press Release: July 23, 2004**

### Fund managers to pilot transparency guidelines on active shareholding

Next week UKSIF will release a consultation draft of transparency guidelines on active shareholding. Following consultation with trustees and investment consultants, a dozen fund managers will pilot the resulting guidelines from October 2004.

Helen Wildsmith, Executive Director at UKSIF said:

“Fund manager reporting to pension fund trustees that highlights how activism objectives and approaches are prioritised, and how managers assess the impact of their activism, should help to address the trustee scepticism and inaction highlighted by this week’s DWP/HMT report on the impact of the Myners Principles and the 2000 SRI disclosure amendment”

The DWP/HMT report found that:

- Less than ten per cent of pension schemes have acted on activism and either established their own policy, or been influenced in their choice of fund manager by the policies they offered in this area.
- Three-quarters of pension schemes that had taken some action in the area of activism were relying on the policies of their fund managers.
- 52 per cent of schemes simply accepted the SRI policies of their fund managers.

The report also notes that *“some schemes do not necessarily accept [activism] as a valid part of their agenda to improve investment decision-making”, despite the fact that “the Government has endorsed an industry code produced by the Institutional Shareholders’ Committee in October 2002, designed to give guidance to institutional investors as to when and how they should exercise their considerable market power to improve the performance of companies in which schemes invest. This code is also relevant where shareholder activism might be an appropriate means of maintaining shareholder value through improved corporate social responsibility on the part of the companies”.*

The DWP/HMT report asks whether *“there is a role for the greater use of disclosure requirements to reinforce voluntary compliance”.* Given that the report highlighted that only 40 per cent of pension schemes had documented in their SIP (or another document accessible to members) the extent to which the scheme followed the Myners Principles (and only 22 per cent documented the extent to which the scheme had departed from the Myners Principles, and why), reporting clearer has a role to play.

UKSIF has spoken to the Pensions Minister about the need for reporting to be highlighted in the guidance that will be produced by the new Pensions Regulator. The Government plans to reach conclusions and announce next steps in the early autumn.

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## Editors Notes:

***The DWP/HMT report “The Myners Principles and Occupational Pension Schemes: Volume 2 of 2 – Findings from quantitative research” can be found at:***

- [Research Summary](#) [PDF, 31kb on [www.dwp.gov.uk](http://www.dwp.gov.uk)]
- [Executive Summary & Chapters 1 - 5](#) [PDF, 197kb on [www.dwp.gov.uk](http://www.dwp.gov.uk)]
- [Chapters 6 - 9](#) [PDF, 304kb on [www.dwp.gov.uk](http://www.dwp.gov.uk)]

### ***Other highlights from the report include:***

On average, trustees spent 10.6 hours per year in board meetings and, of those, devoted fewer than four hours per year to investment matters. This varied from 2.3 hours in Small schemes (12-99 members) to 5.3 hours in Large schemes (1000 - 4999 members) and 9.4 hours in Very Large schemes (5,000 or more members).

Only 25 per cent of schemes said their trustees took part in formal training programmes other than induction training.

On the Myners Principle of Effective Decision Making, it was confirmed that pension schemes rarely challenge the views of their investment consultants (only 15 per cent of schemes had overruled a consultant recommendation during the review

Amongst the subsample of the survey that answered questions on the Myners Principle of Clear Objectives, only half (49 per cent) were meeting the legal obligation to disclose their SRI policy, or lack of one, in their SIP.

Less than half of all schemes (44 per cent) put the Myners Principles on the board's agenda and carried out a full review of compliance, Principle by Principle, a further 38 per cent reviewed compliance informally.

**The UK Social Investment Forum (UKSIF)** is the UK's membership network for socially responsible investment (SRI). UKSIF's primary purpose is to promote and encourage the development and positive impact of SRI amongst UK based investors.

UKSIF believes that all material social, environmental and ethical issues should be integrated into standard investment practice, and that individual investors should be able to reflect their values in their investments.

UKSIF's 250+ members and affiliates include retail and institutional fund managers, financial advisers, SRI research providers, consultants, trade unions, banks, building societies, community development finance institutions, NGOs and individuals interested in SRI.

In addition to programmes and parliamentary work, UKSIF prepares newsletters, briefings, and co-ordinates a wide range of events, from small seminars to conferences on topics reflecting the full spectrum of interest in SRI.

### ***For further information***

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