

JUSTPENSIONS

“From Crop to Shop” Investors highlight food sector risks to trustees

Just Pensions today launches the fifth in a series of notes aimed at highlighting non-traditional financial risks to pension fund trustees. The note focuses on the **Food producers and retailers sector** and highlights risks related to their operations, including:

***Changing consumer preferences:** long term, consumer trends are moving towards healthy, convenient and indulgent foods. As the education of consumers regarding healthy eating has improved, and concern over obesity and its health effects grows, so too has consumer demand for convenient healthy food products. As purchasing decisions shift to favour lower fat, lower sugar, and fresher foods in the long term, food producers with a narrow product portfolio may risk losing step with consumer preferences.*

***Sustainable agriculture:** The food production and retail sectors are fundamentally linked to the ecological systems which produce their raw materials. The decoupling of food production from long term management of natural resources inevitably leads to a break down in productivity, undermining the long term viability of the sector. Producers and retailers, together, need to support an evolution towards a more holistic system of agriculture to ensure the sustainability of food resources in the long term. Inaction may expose the industry to risks of limited supplies and rising prices, as well as reputation damage if the consumer associates the producer/retailer with the degraded environment.*

Questions for trustees to ask their fund managers are suggested. The questions focus on the incorporation of short term risks into company analysis, and long term risks into engagement activities with companies. These will help trustees understand the extent to which the risks are being incorporated into investment strategies of their pension funds.

The note also highlights the topic of sustainable rural livelihoods, which is a development concept that aims to tackle rural poverty by encouraging profitable agricultural techniques which minimise environmental and social costs. Investors believe that food companies can play a key role in assisting the transfer of innovative technology and ideas through their supply chains to help farmers produce higher quality products.

This food sector note has been produced in collaboration with 9 of UKSIF's fund management members: CIS, Henderson Global Investors, Insight Investment, Jupiter Asset Management, Morley Fund Management, RCM, Schroder Investment Management, Storebrand and USS.

The series is planned to run for two years, with the next note focusing on the tobacco sector due for release in September 2004.

-ENDS-

Notes to Editors

1. This series of notes, covering the largest UK industry sectors, identify potentially material social, ethical and environmental (SEE) risks facing each sector in the long and short term, i.e. **risks that have the potential to impact on shareholder value**, and are therefore of interest to all investors. All the notes are available at www.justpensions.org
2. *Just Pensions* is a programme of the UK Social Investment Forum (UKSIF) - the UK's membership network for socially responsible investment (SRI). *Just Pensions* aims to educate and influence UK pension funds

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and other institutional investors about the importance of international development issues in their practice of SRI. In addition to its education and awareness raising activities, *Just Pensions* co-ordinates in-depth research to assess current practice and works to address the blocks to the growth of SRI generally and pro-poor SRI in particular. *Just Pensions* also provides SRI toolkits for trustees, and engages with stakeholders on SRI best practice. Together with UKSIF and Eurosif, *Just Pensions* aims to raise SRI on the public policy agenda in the UK and Europe. *Just Pensions* draws upon the expertise of a multi-stakeholder advisory board of SRI practitioners and other industry specialists and currently receives core funding from the Department for International Development (DFID). For further information, visit www.justpensions.org.

3. 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 (SEE) issues should be integrated into standard investment practice. The Forum was launched in 1991 to bring together the different strands of SRI nationally and to act as a focus and a voice for the industry. 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 UKSIF's programmes and parliamentary work, the Forum prepares member newsletters and briefings, as well as co-ordinating a wide range of events, from small seminars to conferences on topics reflecting the full spectrum of interest in the SRI field. UKSIF also works to educate the public and Government about SRI. For further information, visit www.uksif.org.

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