

**PRESS NOTICE: FOR IMMEDIATE RELEASE**

# **JUSTPENSIONS**

## **Just Pensions launches financial services sector note – the final note in a series of sector notes for pension fund trustees**

In the run up to the UK Government's EU Presidency CSR and Finance Conference, which will be held on 1 & 2 December, Just Pensions – a programme of the UK Social Investment Forum (UKSIF) - has launched a note on the financial services industry - the final note in a series of sector specific notes covering the largest UK industry sectors. In an effort to inform pension fund trustees of non-traditional financial risks, the notes 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.

The financial services sector note offers insightful analysis for pension fund trustees. Some of the short term potentially material SEE risks identified in the note are outlined below.

### **Treating retail customers fairly: Personal finance sector debt**

With mortgages and unsecured lending forming a significant proportion of revenue growth over recent years, personal debt levels in the UK and the US are notably high. The risks presented by customer default may be offset by robust credit assessment procedures (at the time credit is extended) and ongoing monitoring and educational programmes to ensure customer debt levels remain sustainable. Companies that fail to manage the risks of accurately targeting credit, monitoring and managing customer behaviour risk increases in bad debt on their balance sheets.

### **Employee management: Globalisation of the employee base**

A renewed focus on cost reduction is resulting in on-going redundancy programmes in high cost European countries and continued outsourcing of back office functions to lower cost countries. The key risks of such programmes include maintaining strong relations with customers, remaining employees, unions and local communities. Maintaining the support of these groups through rounds of redundancy is thought to be a critical determinant of their success, as protracted negotiations with unions and employee forums can be both costly and damaging to morale for those remaining with the business. It remains to be seen whether the off shoring of customer facing services will reduce costs materially or whether 'stay-at-home' strategies will produce a greater pay-off in terms of improved customer loyalty. However it is clear that the globalisation of the employee base raises a number of employee management risks. The extension of best practice standards to lower cost countries may mitigate many of these risks.

### **Embedding SEE risks into corporate banking and investment activities: Pricing emerging social and environmental risks**

While financial services companies are experienced at pricing risks, social and environmental changes are causing new risks to emerge. Issues such as climate change, environmental liabilities and concerns over human rights violations are creating risks without precedent. These may cause uncertainty and potential financial and reputation downside if not adequately incorporated into loan and investment decisions. Initiatives such as the Equator Principles are helping financial services companies understand and manage environmental and social risks related to financing large projects. Integrating socially responsible investment analysis throughout the fund management system (from fundamental investment research to final investment decision) is another method of reducing exposure to emerging social and environmental risks.

Penny Shepherd MBE, UKSIF's Chief Executive said: *"UKSIF's Just Pensions sector note series provides, for the first time, an overview for pension fund trustees of key social, ethical and environmental risks which may be material to their investments. The financial services sector note is particularly timely as decision makers across Europe gather in London next month to consider Corporate Social Responsibility issues for the Finance Sector."*

The following sectors have been covered in the sector note series: 1) pharmaceuticals, 2) utilities, 3) media, 4) telecoms, 5) food producers and retailers, 6) tobacco, 7) general retailers, 8) construction and building materials, 9) extractive industries, 10) beverages and 11) financial services.

For more information on any of the sector notes or to request either electronic or hard copies please contact 020 7440 9712 or visit the UKSIF website at <http://www.uksif.org>.

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## Notes to Editors

1. *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 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](http://www.justpensions.org).
2. 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](http://www.uksif.org).
3. This series of notes for pension fund trustees has been compiled by the UK Social Investment Forum in collaboration with a group of its members and the Just Pensions programme. Each note covers one FTSE industry sector in which UK pension funds invest. Potentially material social, ethical and environmental risks facing the largest sectors are highlighted and discussed in relation to their potential impact on shareholder value. In addition, one potentially material developing world issue relating to the sector's activities is explored in more detail. The aim of the notes is to help pension fund trustees understand risks that lie outside the realm of traditional financial analysis but may influence the performance of their investments. Additional questions to aid trustees in their discussion with fund managers are also provided. For further information on the series, or to receive any individual sector note, please do not hesitate to contact the Just Pensions programme at [info@justpensions.org](mailto:info@justpensions.org) or on 020 7440 9712.
4. The UK Government's Presidency CSR Conference 'Investing in the Future: A European Conference on Corporate Social Responsibility and the Finance Sector' will be held in Central London on 1 & 2 December. The event is being hosted by the UK Government in partnership with the European Commission, in association with Chatham House and Cambridge Programme for Industry. The conference will address the role the finance sector can play in driving forward CSR and the opportunities and challenges faced by mainstream financial institutions in becoming more actively engaged in adopting CSR. It will focus on public policy challenges such as responsible business practice, financial exclusion, poverty and climate change and will explore the risks and opportunities that these issues present for the sector. The conference will also address the tensions between the long-term thinking required to deliver sustainable development and the pressure on the finance industry to deliver short-term performance. It will take a European perspective and look at ways in which action from the finance sector across the European Union can also enhance the delivery of mainstream EU policy objectives. The conference will be chaired by Rt Hon Lord Holme of Cheltenham CBE and a wide range of speakers and panel members will take part across the two days including: Malcolm Wicks, CSR Minister, UK; Barry Gardiner, Parliamentary Under-Secretary of State for DTI, UK; Stephen Timms, Minister for Pensions Reform, UK; Roberto Maroni, Minister for Welfare, Italy; Vladimir Spidla, European Commissioner for Employment, Social Affairs and Equal Opportunities; and Odile Quintin, Director General, Employment, Social Affairs and Equal Opportunities, European Commission. For further information on the conference is available at <http://www.csr.gov.uk/feature.shtml>.
5. For further information and press enquiries, please contact 020 7440 9712 or email [info@justpensions.org](mailto:info@justpensions.org).