

NEWS RELEASE

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Responsible business behaviour increases in importance for UK pension funds

Responsible business behaviour is becoming more important for UK pension funds, according to research from the Ashridge Centre for Business and Society, commissioned by Just Pensions – a programme of the UK Social Investment Forum (UKSIF).

A major cause of this is the belief amongst pension fund trustees that long term shareholder value is impacted by different areas of corporate behaviour. The research, the third report of its kind was carried out among trustees from 79 UK pension funds in the last quarter of 2005. The research explored the extent to which corporate behaviour in a number of areas would impact on the market value of the FTSE 100 in the short (one year) and longer terms (five to ten years).

Three quarters (76%) of respondents believed that five areas of behaviour will have an impact in the longer term. Quality of customer relations (43% of respondents), good corporate governance (43%), effective environmental management (34%), communication and transparency on social and environmental practices (28%), and good employment practices (26%) are the key issues highlighted. The figures all represent an increase on those found in the earlier 2003 survey.

The research revealed considerable changes in investment practice since 2003, with two areas standing out. Engagement with investee companies to encourage better performance has increased considerably, with 40% of respondents using it a lot, compared to only 26% in 2003. The exercise of voting rights has also grown and 38% of respondents reported exercising their voting rights a lot. About half of respondents reported that over the next three years they will increase their engagement with investee companies (45%) and exercise their voting rights more (48%).

Chris Gribben, one of the authors of the research, concluded: *"These findings demonstrate the increasing importance placed on non-financial performance measures and help to explain the considerable changes that have occurred in investment practice since the first survey in 2003."*

Trustees believe that the Government could do more. As in the 2003 report, the majority of respondents (66%) believed that additional regulation or legislation is needed to require pension funds to report on the implementation of their statement of investment principles in their report and accounts. Over two thirds of respondents (69%) agreed that the UK Government should promote a formal code of best practice for pension funds in dealing with social, ethical and environmental issues.

Penny Shepherd MBE, Chief Executive of the UK Social Investment Forum (UKSIF) reflected: *"Whilst there has been considerable change in the practice of SRI since the first report was published in 2003, there is still much to do to enable and encourage pension funds to take full account of social, ethical and environmental issues in their investment practice. UKSIF will continue to support this important agenda going forward."*

-Ends-

For a full copy of the report, please go to www.justpensions.org.

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Notes to Editors:

Just Pensions (www.justpensions.org)

Just Pensions was established in Autumn 2002. It aims to educate and influence UK pension funds about the importance of integrating socially responsible investment (SRI) into their investment practice. Just Pensions was initiated and originally managed by Traidcraft and War on Want, and subsequently managed by the UK Social Investment Forum (UKSIF).

UK Social Investment Forum (www.uksif.org)

The UK Social Investment Forum (UKSIF) is the UK's multi-stakeholder membership organisation responsible for the promotion of socially responsible investment (SRI) amongst UK investors. UKSIF members include the majority of the top 20 UK occupational pension fund managers.

Ashridge (www.ashridge.com)

1. The Ashridge Centre for Business and Society is a leading authority on relations between business, government and civil society. It aims to further the debate on how issues of corporate governance, employee relations, supplier alliances, business values, environmental responsibility, community investment and government relations impact on the long-term viability of business.
2. Ashridge, one of the world's leading business schools, is an independent, not for profit organisation. Its combination of research, experience and practical application is currently making a difference to individuals and organisations in private and public sectors. Its activities include open & tailored executive education programmes, MBA, MSc & Diploma qualifications, organisation consulting, applied research and online learning.
3. Ashridge is consistently ranked as one of the world's top business schools in the annual *Financial Times* rankings. In the latest FT rankings for tailored executive education (May 2005), Ashridge was ranked 2nd in the UK.
4. What makes Ashridge unique is its philosophy. It believes that all development must make a difference, be practical and based on real issues. The majority of Ashridge's faculty have extensive international business experience, which they are able to bring to the everyday challenges faced by individuals and organisations
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