



UK Social Investment Forum (UKSIF)

Response from the UK Social Investment Forum to the Marathon Club Consultation Paper on Long-Term, Long-Only Investing – June 2006

Thank you for the opportunity to comment on your consultation paper. We see an improved approach to long term investment as essential to meeting the needs of pension fund beneficiaries and welcome the Marathon Club's focus on this area.

About the UK Social Investment Forum (UKSIF)

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 and that individual investors should be able to reflect their values in their investments. Information on UKSIF is available at www.uksif.org.

Aims of Pension Funds

Pension funds need to deliver long-term sustainable financial security for the pensioners of tomorrow by supporting rather than reducing future quality of life and economic success. Increasingly louder voices are highlighting that only strategies which sustain a critical mass of social and environmental capital are congruent with fiduciary responsibility.

Pension funds are by their very nature long-term investors as they have long term liabilities to their end-beneficiaries, the pensioners. UKSIF seeks to encourage the pensions supply chain to shift from its current focus on short-term return to support long-term sustainable economic success. This will involve changing the incentives for fund managers, expanding the current focus on corporate governance to address a broader approach to responsible ownership of companies and other investments, and encouraging investment that directly supports sustainability.

While some extra-financial issues are currently material for investments, UKSIF believes that the relevance of others is expected to appreciate over time. These extra-financial issues are likely to have a material impact on long-term value which the market is not pricing accurately and which may therefore be of particular significance to long-term investors.

Definition, Aims and Investment Strategies of LTLO Investment

In order to meet the needs of pension fund beneficiaries, LTLO investment must also be sustainable investment. It is not sufficient to focus purely on the financial return of the LTLO portfolio. The degree to which this financial return comes from investments which create or exploit negative externalities which deplete the economic, social and environmental resource base or create positive externalities which enhance and protect the resource base are also important.

We would therefore recommend that

- the definition of LTLO investment used should be modified to incorporate this aspect;
- the potential aims of LTLO mandates should include also protecting and enhancing the economic, social and environmental resource base for future wealth creation;
- investment strategies may also be designed around contributing to sustainable development as a responsible owner and capital provider.

Penny Shepherd MBE
Chief Executive

UK Social Investment Forum
Holywell Centre, 1 Phipp St, London EC2A 4PS
Tel: 0207 749 9950, Email: info@uksif.org