



UK Social Investment Forum

Working with others to promote
Socially Responsible Investment

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**UKSIF submission:
March, 2003**

Response to the Socially Responsible Investment (SRI) Issues in "Simplicity, Security and Choice: Working and Saving for Retirement"

To: Pensions Strategy Team, Department for Work and Pensions

The UK Social Investment Forum (UKSIF) is grateful for the opportunity to respond to the Department of Work and Pensions' Green Paper, entitled 'Simplicity, Security and Choice: Working and Saving for Retirement'. Our response is informed by consultations with representatives from UKSIF's diverse membership base and two recent reports: 'Do UK Pension Funds Invest Responsibly?' published by *Just Pensions* (JP) and 'Enabling Business in Resource Management', a DTI-sponsored report by the Innovation and Growth Team (IGT), which are enclosed.

In addition, UKSIF welcomes the assessment the Government is undertaking of institutional shareholders' responses to Paul Myner's call for greater shareholder activism (we have noted that the Institutional Shareholders' Committee's new voluntary code 'The Responsibilities of Institutional Shareholders and Agents - Statement of Principles' includes the need for shareholders to 'intervene where necessary' (including intervention concerning 'the company's approach to Corporate Social Responsibility'), 'evaluate the impact of their activism', and 'report back to clients/beneficial owners'). UKSIF also welcomes the Government's consultation regarding Ron Sandler's proposed suite of stakeholder products (including pensions), and we will be responding in due course.

UKSIF believes that a new Pensions Act provides:

1. The opportunity to strengthen the current SRI disclosure requirements: In July 2000, the amendment to the 1995 Pensions Act came into force, requiring all occupational pension funds to disclose in their statement of investment principles (SIPs) the extent to which social, environmental and ethical (SEE) issues are taken into account. The JP report '[Do UK Pension Funds Invest Responsibly?](#)' (July 2002) found that two years later, the majority of pension funds were exposed to criticism because they had failed to adequately translate their SIPs into action, with only a handful of larger pension funds taking the lead. *A new Pensions Act provides the opportunity to require pension funds to report annually on the implementation of their investment policy, as a means of ensuring that material SEE issues are taken seriously.*

This suggestion reflects the findings and recommendations made in a recent DTI-sponsored report by the Innovation & Growth Team (IGT) entitled 'Enabling Business in Resource Management'. Recommendation 3c in the report states that the Government should make it clear that the awareness of environmental risks and the benefits of environmental good practice is part of the duty of pension fund trustees and urges the Government to encourage pension funds to report annually on the implementation of their investment policy regarding SEE issues. For further information, please visit www.jemu.org.uk/igt.

In addition, ensuring that pension fund members and beneficiaries have easy access to their funds' SIP would help them play a role in encouraging full implementation of any SRI policies. Ideally, SIPs should be sent to

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members every year, but there should be a requirement that SIPs are given to new members and for SIPs to be available on an ongoing basis through the sponsoring organisations' intranet (or similar medium).

2. The opportunity to ensure access to ethical and SRI options in DC schemes: We believe that employees should be able to select ethical and SRI options within company sponsored defined contribution pension schemes. Nearly 500,000 individuals (>5% of the investing population) have ethical/SRI investments, and many of them are unable to invest ethically or responsibly through their employers' defined contribution scheme. There is also likely to be demand for ethical and SRI options amongst a wider group of employees. For example, a recent survey of managers undertaken by Ashridge Management College found that 62% of the 700 respondents thought that their pension fund should use social and/or environmental criteria in its investment decisions.
3. The opportunity to raise awareness about saving through a debate about SRI: Our work with the Personal Finance Education Group (www.pfeg.org), the FSA and others indicates that a debate about SRI can help engage individuals with what can otherwise be seen as a very dry topic.

If you have any questions about the opportunities outlined above, please do not hesitate to contact me.

Helen Wildsmith

Executive Director

UK Social Investment Forum

About UKSIF & Just Pensions

The UK Social Investment Forum (UKSIF) is the UK's membership network for socially responsible investment (SRI). UKSIF's 250+ members include institutional investors, pension funds, investment consultants, trade unions, NGOs and individuals interested in SRI. For a full list of UKSIF members, please see UKSIF's 10th Anniversary Review of Activities, which is enclosed. *Just Pensions* (JP) was established in September 2000 by Traidcraft and War on Want. Since October 2002, JP has been managed by UKSIF as a full-time programme and is part-funded by the Department for International Development (DFID).

JP aims to promote the development and awareness of SRI amongst pension trustees and fund managers to advance international development. JP was formed in response to the amendment to the 1995 Pensions Act, which came into force in July 2000, requiring all occupational pension funds to disclose in their statement of investment principles (SIPs) the extent to which pension fund trustees take into account social, environmental and ethical (SEE) considerations. In addition to UKSIF's programmes, the Forum also provides the secretariat to the All-Party Parliamentary Group on SRI.

For further information, please visit

- www.uksif.org (home page of this website) and
- www.uksif.org/justpensions
- www.jemu.org.uk/igt

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