



UK Social Investment Forum (UKSIF)

Evidence from the UK Social Investment Forum to the International Development Committee Inquiry into Private Sector Development

1. UK Social Investment Forum

- 1.1 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.
- 1.2 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 200+ 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. Information on the UK Social Investment Forum is available at www.uksif.org.

2. UKSIF financial services members and International Development

- 2.1 UKSIF members provide and use financial services, and related services, which support international development in a range of ways. Examples include:
 - 2.2 **Investment in the shares of international companies operating in developing countries**
 - 2.2.1 These investments may be held in segregated mandates or in pooled investment vehicles such as ethically-screened funds. In some cases, social responsibility criteria are used to select the investments held. In others, the investment institution engages with these companies as responsible owners in order to monitor and, where necessary, improve their policies and practices in relation to developing countries. Screening and engagement may be used to deliver long-term shareholder value, for example by reducing potentially material social, environmental and ethical risks (see 3.2 below), and/or to address the personal values of investors.
 - 2.2.2 The Just Pensions programme (described below) addressed the important but challenging agenda of influencing corporate behaviour by means of working with institutional investors on international development and socially responsible investment.
 - 2.3 **Providing finance for microcredit, fair trade and similar purposes**
 - 2.3.1 For example, *Barclays* has recently launched its Microbanking Service in Ghana; the *Co-operative Bank* and *Standard Life* were members of the \$75M Global Commercial Microfinance Consortium launched in November 2005; *Shared Interest* provides trade finance for fair trade as well as raising £5M in a series of micro-credit bonds to support micro-credit lending; The International Development Investment Unit of *Triodos Bank* finances fair trade and microcredit in developing countries.
 - 2.3.2 Shared Interest will shortly be publishing their first Social Accounts. Conclusions from the draft version of these accounts include:
 - Ethical Funds which finance trade achieve a multiplier effect. Even though some of Shared Interest's members' capital is invested in the UK for liquidity purposes, the value of trade flows financed was 110% of the value of members' capital invested. In addition, providing finance in this way to 364 fair trade exporters (producers) facilitates their trade with 38 importers (buyers) potentially benefited the lives of some half a million artisans, workers and growers.

- Fair trade finance does impact the lives of the poor - if not so much the poorest. Plotting trade finance payments against UNDP's Human Development Index (HDI), Shared Interest found that most payments (c.66%) went to medium HDI countries. Low HDI countries received c.16-18% with the balance going to the poorer parts of HDI countries or to processors or wholesalers in developed countries. This lower percentage to low HDI countries was to be expected because the poorest lack the infrastructure to engage competitively in international trade.

2.3.3 It is likely that there would be investor appetite for appropriate opportunities to channel further finance into microcredit, fair trade and similar purposes. Such opportunities include further major investments such as November's consortium fund.

2.4 Taking account of social and environmental issues in project finance

2.4.1 UKSIF members such as *Barclays* and *HSBC* are among the financial institutions that have adopted the Equator Principles, the voluntary guidelines for managing social and environmental issues in project financing.

2.5 Providing other support

2.5.1 For example, *Triodos Bank* is helping six developing country banks in which they have an investment to introduce sustainable reporting under the Global Reporting Initiative (GRI) guidelines. This enables these banks to communicate performance results and impacts with regard to the social economic and environmental aspects of their agenda as well as the financial.

3. UKSIF Evidence from the Just Pensions Programme

3.1 One of the principal aims of Just Pensions was to educate and influence UK pension funds and other institutional investors about the importance of international development issues in their practice of socially responsible investment, with the aim of thereby influencing the behaviour of companies investing in or trading with less developed countries.

3.2 Just Pensions was initiated in autumn 2000 by the development charities Traidcraft and War on Want as a two-year project funded by the Community Fund. It became a programme of the UK Social Investment Forum in 2002. The 2002-2005 Just Pensions programme received core funding from the Department for International Development (DFID).

3.2 Just Pensions produced a range of material about pension investment and international development. These are available at www.justpensions.org. Materials include:

- A series of independent surveys on responsible investment by UK pension funds
- Eleven "sector notes", compiled with asset managers, to help trustees to understand potentially material social, ethical and environmental risks in key FTSE industry sectors. Each includes an international development focus.
- "An Assessment of SRI Engagement: A Study on Supply Chain Labour Standards" (December 2005). The study outlines the circumstances in which SRI engagement is most likely to be effective in contributing to corporate change, both generally and specifically on supply chain labour standards issues. It concludes by highlighting key best practice recommendations for asset management houses.
- Policy submission to the Department for International Development "Making Socially Responsible Investment work for the Poor" (January 2002). This paper sets out the kinds of issues that need to be addressed in answering the central question: 'How can the SRI trend be made to work most effectively to achieve poverty reduction in developing countries?'

3.3 An independent evaluation of the Just Pensions programme was carried out by Ashridge in the second half of 2005. Its report will be available on www.justpensions.org from late February 2006. The evaluation concluded that

- Trustees believe that there is a strong need for organisations to raise awareness and understanding on integrating international development and social/environmental issues into investment practice.

- Trustees believe that change in investment practice is occurring, although this is difficult to achieve, takes time and requires influencing a broad range of groups.
- Given the challenges involved, Just Pensions has been an effective programme.
- A sustained commitment will be required for a further five to ten years, working across the investment community, to deliver the changes needed. This needs to place raising awareness and understanding about international development issues within the context of raising awareness and understanding of the importance of integrating social / environmental issues more generally into investment practice.

3.4 Responding to this requirement for a sustained commitment addressing a broad range of social / environmental issues, UKSIF plans to launch a follow-up programme in Spring 2006 to continue to influence pension funds and institutional investors. This will use and build on the materials and learning from Just Pensions.

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