



UK Social Investment Forum

Working with others to promote
Socially Responsible Investment

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**UKSIF submission:
31 October, 2003**

UKSIF Response to CP185: The CIS sourcebook – A new approach

Our response to CP185 is informed by our retail product provider and IFA members and focuses on those aspects which we believe affect the ethical/ socially responsible investment market.

UKSIF's response to the preceding consultations, [CP166](#), [CP170](#) and [DP19](#) can be viewed on our website at www.uksif.org

UKSIF would like to comment on the two main points in the executive summary of the consultation paper with reference to further points throughout the document.

- **Construct a regime of product regulation for CISs that delivers appropriate protection for investors and promotes confidence in authorised CIS products, recognising that consumers are different in terms of their experience and expertise;**

UKSIF believes that disclosure and transparency are key aspects for promoting consumer confidence in CIS products. To ensure transparency and accountability, UKSIF recommends that all CISs, disclose the extent (if at all) to which social, ethical and environmental (SEE) issues are taken into account in the selection retention and realisation of investments; and their policy (if any) relating to the exercise of rights (including voting rights) attaching to investments.

With particular reference to the CIS Foundations table in 3.12 – “There must be appropriate disclosure about the fund before the point of sale and regularly thereafter”. This could be legitimately interpreted as offering scope for SRI disclosure in line with pension schemes. UKSIF feels investors should be aware whether or not anything is excluded on ethical grounds and whether or not the fund manager aims to influence the behaviour of the companies that they are investing in. Around four out of five people believe financial services companies should encourage the companies they invest in to take social, ethical and environmental issues seriously (NOP/Friends Provident 2003). They could also legitimately expect regular updates regarding voting activity.

UKSIF supports the focus on informing customers, rather than consulting with them (point 4.15), however we should point out that with this should be a duty to disclose information of interest to clients, and not only that which the fund manager is happy or accustomed to producing. (The NOP/FP 2003 research indicates that 'over one in five of the public are not aware that most fund s invest money into all types of companies irrespective of their social, ethical or environmental policies' and that 'almost 3/4 of people would not like their money invested in companies which have poor social, ethical or environmental policies'.) Investors want and have the right to know what fund managers are doing about these types of issues.

- **Remove, wherever appropriate, prescriptive material in the current rules that, so as to provide a more flexible framework within which operators can provide CIS products to meet a variety of consumer needs;**

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As nearly 500,000 individuals (>5% of the investing population in the UK) now hold ethical/ socially responsible investments, UKSIF feels that there should be space for ethical/ socially responsible investment information within this section. UKSIF also believes that providing consumers with shorter more regular reports is a sound idea. However research done in early 2003 by Jupiter Asset Management revealed that 90% of investors in its SRI funds believe it is important to have detailed information on where their money is invested and how investment decisions are made. A good balance of information will be necessary for the investor.

UKSIF believes that Q3 (5.22) will be of great relevance to present and future investors. It notes that an AFM should be required to explain how he has used the investment powers of the fund, and that this should be in the short report, with further detail in the long report if required. UKSIF believes that this should also include powers to vote at AGMs and EGMs and powers to influence companies to encourage improved business practices - including SEE practices, where this is in the best interest of investors (akin to Myners recommendations and the ABI guidelines).

UKSIF is grateful for the opportunity to respond to CP185. Our response is based on the Forum's mission to support and encourage the development and positive impact of ethical/ socially responsible investment. It does not necessarily reflect the views of every Forum member.

UKSIF will be addressing these issues within our '*Retail Revolution*' programme. As part of this work programme we will help promote the adoption of the European Sustainable and Responsible Investment Forum's pan-European transparency guidelines for retail SRI funds. Further details of current programmes are provided in the enclosed [Review of Activities](#) [PDF, 200kb].

Should you have any questions regarding the issues raised above, please do not hesitate to contact me.

Yours sincerely

Helen Wildsmith

Executive Director

UK Social Investment Forum

The UK Social Investment Forum (UKSIF) is the UK's membership network for stakeholders in socially responsible investment (SRI). UKSIF's 250+ members and affiliates include institutional investors, product providers, independent financial advisers, banks, consultants, NGO's and individuals interested in SRI. UKSIF also provides the secretariat to the All-Party Parliamentary Group on Socially Responsible Investment. Further details on our aims, activities and membership can be found on our website at www.uksif.org or in the enclosed [2002/3 Review of Activities](#) [PDF, 200kb].

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