



## UK Social Investment Forum (UKSIF)

### Evidence from the UK Social Investment Forum to the Work and Pensions Committee Inquiry into Personal Accounts

**Summary:** This submission addresses Chapter 5 of the Government's White Paper on Personal Accounts, which covers investment of pension contributions, and specifically its proposals on Social, Environmental and Ethical (SEE) Investment. It builds on our submissions to the Committee's earlier inquiry into the Pensions White Paper.

#### 1. Responsible Investment by the Personal Accounts System as a Whole

1.1 While we welcome the government's proposals in Chapter 5 for personal choice of Social, Environmental and Ethical (SEE) Investment (see below), we are concerned that **there is no mention within the white paper of the adoption of a responsible investment approach for the personal accounts system as a whole** including the default fund.

1.2 **Commitment to a responsible investment approach is becoming the norm for public pension funds and pension buffer funds internationally.** In April, in partnership with the UN Environment Programme Finance Initiative, we plan to publish a set of examples of good practice in responsible investment by major pension funds worldwide. Other sources of information about international practice are given in our submission to your committee's earlier pensions white paper inquiry.

In view of the common misperception that responsible investment requires exclusion of companies from a portfolio on SEE grounds, please note that while some public pension funds (eg. the Norwegian Pension Fund Global) do exclude a limited number of companies as part of their responsible investment policy, this is not the only approach available for public pension funds to implement a responsible investment policy.

Please note also that responsible investment policies are not limited to equity holdings.

1.3 **In 2006, the UN launched its Principles for Responsible Investment.** These have been signed by asset owners (ie. pension funds, etc.) and asset managers (professional firms managing assets for their owners) representing over three trillion dollars of assets. Details are available at [www.unpri.org](http://www.unpri.org). The first report of actions undertaken to implement the Principles will be published later in 2007.

The UN Principles for Responsible Investment state

*As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:*

- 1 *We will incorporate ESG issues into investment analysis and decision-making processes.*
- 2 *We will be active owners and incorporate ESG issues into our ownership policies and practices.*
- 3 *We will seek appropriate disclosure on ESG issues by the entities in which we invest.*
- 4 *We will promote acceptance and implementation of the Principles within the investment industry.*

5 We will work together to enhance our effectiveness in implementing the Principles.

6 We will each report on our activities and progress towards implementing the Principles.

*The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.*

*In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.*

*We encourage other investors to adopt the Principles.*

1.4 **We believe that the personal accounts system should become a signatory of the UN Principles for Responsible Investment.**

1.5 In line with the government's commitment to be a leader within Europe in sustainable public procurement (Sustainable Development strategy 2005), **the personal accounts system should achieve and exceed best practice worldwide in implementing the Principles and practicing responsible investment.**

**2. Personal Choice of Social, Environmental and Ethical (SEE) Investment**

2.1 We **welcome the proposals within the white paper** (Chapter 5, particularly Pages 104-105) which expand on the government's earlier commitment to offer socially responsible investment options.

2.2 SEE investment is becoming of increasing interest to the public. One example of this is the recent launch by M&S Money of the Marks & Spencer Ethical Fund. In the light of this, we believe that **further consideration should be given to including at least one SEE fund in the range of bulk-bought funds.**

2.3 It is important that, during the implementation of the new system, **sufficient publicity is given to the SEE investment options and that sufficient information and advice is available on them.**

**3. UK Social Investment Forum**

3.1 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.

3.2 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](http://www.uksif.org).

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