

25 March 2011

Joanna Bibby-Scullion
Savings and Investment Team
Room 3.20
HM Treasury
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Dear Joanna Bibby-Scullion

UKSIF response to 'Simple financial products: a consultation'

Thank you for the opportunity to comment on the government's proposals. We have responded only to "Question 1: The Government would welcome general comments on the vision and objectives for a new regime of simple products".

Vision and Objectives

Consumer understanding, better choices and competition are important objectives for simple financial products. It is also important that simple financial products are designed to be resilient and to deliver good outcomes for consumers and broader society over the long-term. We believe that the vision and objectives for these projects should be expanded to include these aspects.

To achieve this, these products should address not only traditional financial characteristics but also more recent considerations such as responsible asset ownership and transparency on environmental, social and governance issues.

We have listed below a range of recent developments which we believe that the government should take into account in considering this recommendation.

In particular, we believe that the government should look to the investment policy launched today by the National Employment Savings Trust (NEST) when setting the vision and objectives for simple financial products.

Analogy with Supermarket Ranges

In its consultation document, the government compares simple financial products to supermarket ranges that carry labels like "essential" or "basic". We welcome this analogy. In particular, we believe that the government should consider the full range of significant features of such supermarket products.

For example, when Waitrose launched its "Essentials" range in 2009, its press release said "The introduction of a new range from Waitrose is set to raise the bar on own label quality standards ... staple grocery items with the quality and welfare standards you would expect from Waitrose - at prices you wouldn't."¹ (emphasis added). This highlights that that 'basic' brands compete not only on price but also on their approach to issues like health, transparency and responsibility.

In addition, societal expectations about responsibility features like front of pack nutritional labelling extend to these ranges as much as to other grocery products.

¹ <http://www.waitrose.presscentre.com/content/Detail.aspx?ReleaseID=921&NewsAreaID=2>

European PRIIPS Consultation on ESG disclosure

UKSIF has worked recently with our pan-European umbrella organisation, the European Sustainable Investment Forum, to respond to the European Commission consultation on Packaged Retail Investment Products (PRIIPs). This consultation included questions about improved transparency about the social and environmental impacts of investments and also about risk rating (where there is an increasing recognition of the importance of environment and social risks to resilient investments).

For example, the consultation asked “Q30: What detailed steps might be taken to improve the transparency of the social and environmental impacts of investments in the KIID for PRIIPs?”²

Research for the Financial Services Consumer Panel recommended ethical choice

“Section 13: Socially responsible and ethical investment” (on Page 73) in the report ““Safer” Products: Research for the Financial Services Consumer Panel by David Severn”³ published in November 2010 says “If “safer” investments were to be developed it seems to me that among other things there should be a sufficient fund choice that would allow consumers to reflect any ethical or religious views they have”.

National Employment Savings Trust (NEST) as a benchmark for simple financial products

NEST’s announcement⁴ of its investment approach includes

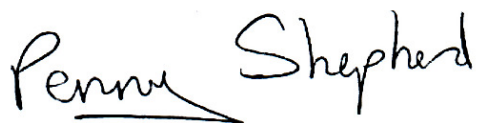
1. The second of NEST’s seven published investment beliefs is “as long-term investors, incorporating environmental, social and governance (ESG) factors within the investment process is in the best interests of our members.”
2. NEST will seek to apply responsible investment principles across all the assets in which it invests.
3. NEST will become a signatory to the UN-backed Principles for Responsible Investment and the UK Stewardship Code.
4. The range of five fund choices initially available (in addition to the default fund) will include the NEST Ethical Fund and the NEST Sharia Fund.

UKSIF – the Sustainable Investment and Finance Association

UKSIF, the sustainable investment and finance association, promotes responsible investment and other forms of finance that support sustainable economic development, enhance quality of life and safeguard the environment. We also seek to ensure that individual and institutional investors can reflect their values in their investments. We aim to support the UK finance sector to be the world leader in advancing sustainable development through financial services.

UKSIF was created in 1991 to bring together the different strands of sustainable and responsible finance nationally and to act as a focus and a voice for the industry. UKSIF’s 250+ members and affiliates include pension funds, institutional and retail fund managers, banks, financial advisers, research providers, consultants and non-governmental organisations. For more information about UKSIF, please visit www.uksif.org.

With best wishes



Penny Shepherd MBE

Chief Executive

UKSIF – the sustainable investment and finance association

² http://ec.europa.eu/internal_market/consultations/docs/2010/priips/consultation_paper_en.pdf

³ http://www.fs-cp.org.uk/publications/pdf/safer_products_report_0910.pdf

⁴ <http://www.nestpensions.org.uk/investment-approach.aspx>