

Responsible Business: Sustainable Pension

*How the Pension Funds of the UK's Corporate Responsibility Leaders
are approaching responsible investment*

2009

UKSIF Sustainable Pensions Project



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Foreword

Given all of the challenges that have faced pension fund trustees over the last two years I find the overall progress made on implementing Responsible Investment policies very encouraging.

Two years ago the UKSIF Sustainable Pensions project published the results of its first survey into the Responsible Investment practices of corporate pension schemes in the UK. The results gave evidence of the extent to which funds incorporated Responsible Investment policies and provided a benchmark against which future progress could be measured.

It is encouraging that in this second survey there are clear signs of progress in the adoption of Responsible Investment policies. More funds now have a Responsible Investment policy and more significantly of those funds that completed both surveys more than half have achieved a higher ranking this year. Also, for those funds that did not achieve a higher ranking, half were assessed as having made progress over the two years.

One of our objectives is to identify and recognise leading practice. I am pleased that a number of the higher ranked funds have contributed case studies to illustrate how their policies are applied in practice.

Another feature from the results of the survey is the higher level of interest in engagement and voting as part of an

agenda of a growing theme of responsible ownership of equities. Not surprisingly Responsible Investment policies are still concentrated on equity assets although there are some notable exceptions.

I am also pleased that the survey results show an increase in trustee awareness of Responsible Investment issues and a greater level of training in this area.

I would like to thank the members of the Sustainable Pensions Advisory Board and the UKSIF team for their contributions over the past two years. This report will help us to disseminate good practice and focus our work in the months ahead. I am also grateful for the support of Hermes Fund Managers and KBC Asset Management for sponsoring the publication of this report.

Finally I would like to thank all of those who responded to our survey.



Michael Deakin
Chair
UKSIF Sustainable Pensions
Advisory Board

Executive Summary

This second survey of the pension funds of the UK's corporate responsibility leaders found clear and exciting evidence of progress in addressing Responsible Investment.

A group of Responsible Investment champions is now starting to emerge. According to our respondents, this leadership is being driven by trustees. Supported by increasingly well informed investment consultants, they are demonstrating how best practice in Responsible Investment can be achieved in practical and affordable ways.

The BT Pension Scheme remains the only corporate pension fund to achieve our Platinum ranking. The Barclays UK Retirement Fund, BP Pension Fund and HBOS Final Salary Pension Scheme have all progressed to a Gold ranking from Silver in 2007. Thirteen funds achieved Silver ranking.

In total, half now score as Silver or above, compared with a third in 2007. A fifth rank as Bronze in 2009, falling from two fifths in 2007. The proportion ranked at the lowest level, Copper, remains broadly unchanged.

Key results include:

- **Four fifths of funds now have a Responsible Investment (RI) policy, compared with only two thirds in 2007**
- **Almost all the trustees of larger funds now believe that ESG factors can have a material impact on the fund's investments in the long term, increasing from three quarters in 2007.** Overall, trustees of three quarters of participating funds agree, up from two thirds
- **A third of funds give "great" significance to alignment with the plan sponsor's CSR/Sustainability policy, up from a fifth; the total for "great" and "some" significance was unchanged at two thirds**
- **Nine tenths of funds with a RI policy exercise their shareholder voting rights, compared with only three quarters in 2007.** Integration, screened options, collaborative initiatives and specialist mandates have all increased in popularity
- **Four fifths of funds monitored whether their RI policy was being carried out, an increase from three quarters in 2007**
- **Detailed communication to members and other stakeholders about the RI policy and its implementation remains relatively low.** A tenth of funds communicate annual voting records. Less than a tenth disclose the fund's engagement strategy or about participation in collaborative investor initiatives.

This survey was undertaken at a time of both financial and economic turmoil. Within this context, it was positive that the response rate achieved matched that of the previous survey. We remain particularly grateful to those pension funds that have participated in the survey and scored less highly. We would like to highlight and praise their leadership in engaging with this process.

In the light of the survey results, we recommend:

1. **Leadership:** Responsible Investment leadership should come from trustees. This survey demonstrates the positive impact of trustee leadership, drawing on support from investment consultants and pensions managers.
2. **Governance:** Pension funds should work together to agree best practice standards for the governance of Responsible Investment.
3. **Transparency:** Pension funds should increase their transparency to beneficiaries and other stakeholders on Responsible Investment policies and their implementation.
4. **Access to advice:** Pension funds should take advantage of best practice advice on Responsible Investment from their investment consultants.
5. **Continuous improvement, learning and benchmarking:** Pension funds should identify stretch targets for Responsible Investment improvement and monitor their progress in achieving these.

Our survey suggests that those who begin to implement Responsible Investment practices continue to develop and deepen their activities. We hope to repeat this survey for the third time in 2011 to enable pension funds to track their progress over time.

Our results need to be placed within the context of tomorrow's significant challenges. These require today's trustee champions to continue their Responsible Investment journey and more of the pension funds of the UK's corporate responsibility leaders to join them. We hope that this report will provide them with both inspiration and practical support.

Ranking

Approach

Our ranking focuses on both implementation and communication of Responsible Investment practices.

We rank funds using their responses to a subset of the questionnaire, covering:

- the degree to which a fund’s Responsible Investment policy is aligned with the corporate sponsor’s CSR policy
- the percentage of asset classes covered by the Responsible Investment policy
- how the Responsible Investment policy is monitored
- how the Responsible Investment policy’s effectiveness is measured
- how the Responsible Investment policy and its implementation is communicated to members and stakeholders
- whether trustees receive training and advice on Responsible Investment
- whether trustees are aware of specific initiatives relevant to Responsible Investment.

The ranking criteria are outlined in more detail in Appendix II.

Our ranking approach is unchanged from 2007. This enables comparison over time and transparency about our assessment method. It also allows participating funds to monitor and manage their progress.

This ranking aims to highlight exemplars and encourage improvement over time, using a “Name and Fame” model. We therefore identify specific pension funds only with their permission and if they are ranked in the top three of the five levels.

Ranking by Fund (in alphabetical order within category)

Rank	Score	Pension Fund
Platinum	81 - 100 %	BT Pension Scheme (1 of 32 participating funds)
Gold	61 - 80 %	Barclays UK Retirement Fund BP Pension Fund HBOS Final Salary Pension Scheme (3 of 32 participating funds)
Silver	41 - 60%	Bovis Homes Pension Scheme British Airways: Airways Pension Schemes & New Airways Pension Scheme HSBC Bank (UK) Pension Scheme Kingfisher Pension Scheme Lloyds TSB Group Pension Scheme (No 2) Marks and Spencer Pension Scheme Rio Tinto Pension Fund Schroders Retirement Benefits Scheme Shell Contributory Pension Fund Standard Life Staff Pension Scheme TUI Travel plc Pension Scheme Whitbread Group Pension Fund One other fund, who did not wish to be identified (13 of 32 participating funds)
Bronze	21 - 40%	6 of 32 participating funds
Copper	0 - 20%	9 of 32 participating funds

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Ranking by Fund

Once again, the BT Pension Scheme was the only fund to be ranked as Platinum – the highest of our five levels.

The Barclays UK Retirement Fund, BP Pension Fund and HBOS Final Salary Pension Scheme all progressed to a Gold ranking from Silver in 2007.

British Airways (Airways Pension Schemes & New Airways Pension Scheme), Bovis Homes Pension Scheme and TUI Travel plc Pension Scheme (formerly First Choice Holidays plc Pension Scheme) retained their Silver ranking. They were joined by a further ten funds.

Progress

Most funds that start to implement Responsible Investment practices are moving up the rankings over time.

Of the 18 funds who participated in both the 2009 and the 2007 surveys, three quarters achieved a higher score in 2009 than in 2007 (78%; 14 of 18 funds) with over half progressing to a higher ranking as a result (56%; 10 of 18 funds).

At this stage, larger funds are typically more advanced than smaller funds. Four in five larger funds (83%; 15 of 18 funds) ranked as Bronze or above compared with just over half of the smaller funds (57%; 8 of 14 funds).

Across all the participating funds, half ranked as Silver or above, compared with a third in 2007. In contrast, a fifth ranked as Bronze in 2009, falling from two fifths in 2007. The proportion ranked at the lowest level, Copper, remained broadly unchanged at a quarter.

Rank	2009		2007	
	At Rank	At Rank or Above	At Rank	At Rank or Above
Platinum	3% (1 of 32)		3% (1 of 33)	
Gold	9% (3 of 32)	13% (4 of 32)	6% (2 of 33)	9% (3 of 33)
Silver	41% (13 of 32)	53% (17 of 32)	24% (8 of 33)	33% (11 of 33)
Bronze	19% (6 of 32)	72% (23 of 32)	39% (13 of 33)	73% (24 of 33)
Copper	28% (9 of 32)		27% (9 of 33)	

Sponsor Commentaries

Steve Falci

Vice President Sustainable Investment, KBC Asset Management Ltd

As pension funds navigate their course over the coming years, Sustainable and Responsible Investment practices provide essential elements for delivering the requisite long term returns required to meet pension obligations.

Investors are increasingly seeing that consideration of material environmental, social and governance issues are an important component of long term returns. Investments in solutions to our biggest sustainability challenges, from climate change to the assurance of a clean global water supply, have provided investors with strong long term returns and continue to be driven by long term secular trends that our global society must address to assure a sustainable future. Environmental factors, most notably a company's carbon footprint, present risks to a company's future long term earnings potential. Governance failures, that played a role in the credit crisis, have demonstrated repeatedly over the last decade their ability to destroy shareowner value.

Pension funds are the quintessential long term investor and the UKSIF survey demonstrates that there are UK pension funds that are taking a leadership position in Responsible Investment. The survey found that there has been significant progress among survey respondents in approaches to Responsible Investment, including an increase in the number of funds adopting a Responsible Investment policy. The survey also indicates that Trustees have been a driving force in these funds taking leadership positions.

The survey also demonstrates that while progress has been made, there is still much work to be done. The survey response rate remains low, indicating that many firms may not have prioritised Responsible Investment practices in the management of their pension plans or have not recognised its potential value.

Nevertheless, one of the most valuable contributions the Sustainable Pensions Survey makes is to highlight the UK pension schemes who have taken leadership positions in implementing Responsible Investment practices. These leading edge firms I believe are harbingers of best practice in pension investing and will continue to provide valuable examples to their pension fund peers.

KBC Asset Management is very pleased to have sponsored the Sustainable Pensions Survey and we look forward to continuing to work with UKSIF, leading UK pension funds and asset managers to increase awareness of the long term benefits of Sustainable and Responsible Investment.

Rupert Clarke

Chief Executive, Hermes Fund Managers

It is encouraging to see the progress that has been made by pension funds to address the issue of Responsible Investment and to see that more funds, some 84% of those surveyed, are now adopting a Responsible Investment policy. It is welcome that so many are now on this journey, but we must recognise that the expectations on pension schemes and all institutional investors are continuing to increase. The current economic turmoil has thrown a spotlight on institutional investors and their role as owners. Significant value has been lost for all shareholders at companies which were encouraged to binge while the times were good; we are all now suffering the hangover. How much value destruction could have been prevented by more active ownership by pension funds and other institutions? Lord Myners' comment that too many investors behave like 'absentee landlords' should be ringing in all of our ears.

How can we respond to this challenge, how can we be more effective owners of companies so that we can protect and enhance value for our beneficiaries? The key challenge is one of resourcing. With investments across thousands of companies, pension funds will simply not be able effectively to engage with their diverse portfolios of companies. But pension funds need to find ways to send signals through their agents that this is something which matters. The results of this survey demonstrate that trustees have a greater knowledge of, and appetite for, Responsible Investment, but the challenge which we all face is how to turn that appetite into concrete action which changes the approach of fund managers and other agents who work on all our behalf's.

For asset managers to be constructive in this work and extend their activities beyond more than just voting, they will need to expand their resourcing of this area. They need to be able properly to understand the issues and explore solutions before they sit down with the companies concerned, and be informed, insistent, persistent and productive when they do. We believe that Hermes' owner, the BT Pension Scheme, achieved its Platinum ranking in the survey because of the sizeable investment we have made in developing the in-depth engagement services which Hermes provide, and to which we commit a large resource.

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Unless standards such as those developed by the Institutional Shareholders Committee are integrated into investment mandates, the incentives for asset managers to improve their engagement efforts are limited. The value of engagement typically flows to the client rather than to the fund manager – not least as this is a long-term activity rather than one which drives short-term performance against the benchmarks on which asset managers are usually measured.

As the end asset owners, it's up to institutional investors such as pension funds to overcome these barriers, and the results of this survey suggest that the appetite is there. To avert the sort of value destruction we have recently seen, to drive long-term value for their beneficiaries, and to put their appetite for Responsible Investment into effect, they need to rise to the challenge of their responsibilities to encourage better governance and long term performance. They need to stop being absentee landlords and instead be more active stewards of their investments, across all of their asset classes, not just equities. If pension funds can ensure that their investment mandates are awarded to the asset managers who are able to demonstrate a high integrity commitment to Responsible Investment, governance and engagement, they will better serve the long term interests of their beneficiaries and ensure a growing alignment between assets and their owners.

Expert Commentaries

David Paterson

Head of Corporate Governance, NAPF

The results of the 2009 Survey offer two important messages: firstly, that there has been an improvement in pension funds' approach to Responsible Investment since 2007; and secondly that trustees of pension schemes have played a key role in driving the uptake of Responsible Investment by their managers. The NAPF welcomes these trends which are consistent with the conclusions of its review of the Myners' principles in 2008 and its paper on Responsible Investment which was published earlier this year. It is particularly encouraging that the progress has occurred coincidentally with the downturn in the economy, rather than following it. Previous cycles have been followed by a review of corporate governance and the introduction of a number of reforms. The Survey results suggest that this time Responsible Investment is rising up the trustee agenda despite the significant pressure from a growing workload.

In most cases trustees delegate investment management to a third party and with it responsibility for voting and addressing environmental, social and governance factors. However it is for them to decide what policies should be implemented and how their application should be reported by the manager. Many schemes have adopted the ISC principles which cover voting and engagement and provide guidance on reporting. This Survey goes further in that it helps trustees to identify the benefits of Responsible Investment and through the examples and case studies it should help them understand how to implement Responsible Investment, including the important environmental and social issues which can be hard to measure.

The financial crisis and subsequent recession has again raised questions about the effectiveness of the UK's corporate governance regime. While we believe that a substantial overhaul of the Combined Code is not required at this time, we do expect pension schemes and trustees to come under pressure to demonstrate that, through their agents, they are holding companies to account for the delivery of the sustainable business model which is in the long-term interests of the pension fund investor. The results of this Survey and the experience of its participants are invaluable to the industry as it addresses the growing importance of Responsible Investment.

Will Oulton

Director, Responsible Investment, FTSE Group

The investment landscape of 2009 is very different to that of 2007 when the first UKSIF Sustainable Pensions Report was released. Today with weak markets and difficult trading conditions for many companies it would have been disappointing but understandable if the number of respondents had decreased. I am delighted however to see that the overall response rate has been maintained and the quality of responses has increased despite a very challenging economic environment.

This report provides encouraging evidence of increasing awareness by trustees and CSR practitioners of Responsible Investment. This appears to be driven in part by industry backed initiatives and high profile reports such as the UN PRI and the Stern Review respectively. At FTSE, due to the FTSE4Good Index, we receive a great deal of feedback from corporate leaders and CSR practitioners regarding their pride in being recognised for their responsible business practices. Similarly, the increased significance some respondents gave this year to alignment with the plan sponsor's CSR/Sustainability policies and practices is encouraging.

As the goal of a pension fund is to secure long term and sustainable returns for its beneficiaries, the increasing interest by CSR professionals in making the link between environmental social and corporate governance issues and the pension fund's investment process is a very welcome trend. By highlighting the leaders in the field, this report should provide valuable encouragement to other CSR practitioners to take an interest in the question of how "responsibly" their pension fund assets are being managed.

Emma Hunt
Mercer

In today's troubled economic climate, implementing responsible ownership principles is a crucial part of the solution. As we move into 2010, trustees are better equipped than ever to take action. This survey provides some excellent examples for trustees as they plan and execute their much-needed investment response.

Jane Goodland
Watson Wyatt

We believe that active ownership can help enhance long-term shareholder value and congratulate those funds that have shown leadership in this year's survey. However, there remains considerable scope for improvement by many other pension funds and we encourage them to become more active and transparent about their approach in future.

Tim Currell
Hewitt Associates

This survey shows that Responsible Investment remains a low priority for UK pension schemes. However when the lessons come to be learnt from the current crisis, the case studies in this survey will become a valuable template for good practice amongst a growing number of pension schemes.

Survey and Analysis Process

Survey

UKSIF surveyed the 238 corporate pension funds of UK listed companies in FTSE4Good and/ or the Carbon Disclosure Leadership Index (CDLI) 2008 at January 2009. The number approached was 40 less than the 278 contacts surveyed in 2007.

The number of companies in FTSE4Good and/or CDLI in 2009 was unchanged from 2007, but 74 of the companies were different. This was a result of changes to either listed company status or to achievement against revised FTSE4Good and/or CDLI criteria. It was notable that companies joining the eligible group were less likely to have a pension fund than those that had left. Companies without a corporate pension funds were identified by the 2007 survey or subsequent research.

As in 2007, pension fund contacts were sent a covering letter, explaining the project's background and aims, and a questionnaire. The UKSIF Sustainable Pensions Advisory Board supervised the development of the survey materials. The survey content (see Appendix I) was unchanged from 2007 to enable comparative analysis. At the same time, FTSE wrote to the CSR managers (or equivalent) at FTSE4Good plan sponsors about the survey.

Responses

Of the 238 pension funds (2007: 278 funds) which were sent the questionnaire, 32 pension funds (13%) responded with a completed questionnaire, of which all were usable (2007: 12%; 34 responses of which 33 were usable). This report is based upon these 32 responses.

In addition, 11 pension fund contacts (5%) said that they had no pension scheme, 7 (3%) stated that it was company policy not to participate in surveys, 10 (4%) declined to participate due to time pressures and 13 (5%) declined to participate for other reasons such as staff changes and fund reviews. The remaining 166 (70%) did not respond.

Analysis and Ranking

Where relevant for our analysis, we grouped the participating funds into two categories:

- Smaller funds (up to £1bn in assets)
- Larger funds (over £1bn in assets)

In addition, we undertook a ranking exercise to identify both the leading corporate pension funds in their approach to Responsible Investment and the proportion of respondents falling into lower categories. The aim was twofold:

- to identify leaders from whom others can learn
- to provide a tool that corporate pension funds can use, both individually and collectively, over time to assess their progress in implementing Responsible Investment practices.

We compared the 2009 ranking with that from the 2007 survey. The results are given in the Ranking section of this report.

Survey Results

1. Coverage

1.1 Responsible Investment Policy

Four fifths of participating funds have a Responsible Investment (RI) policy. This is an increase of more than a tenth since the 2007 survey. Larger funds continue to be more likely to have a RI policy than smaller funds.

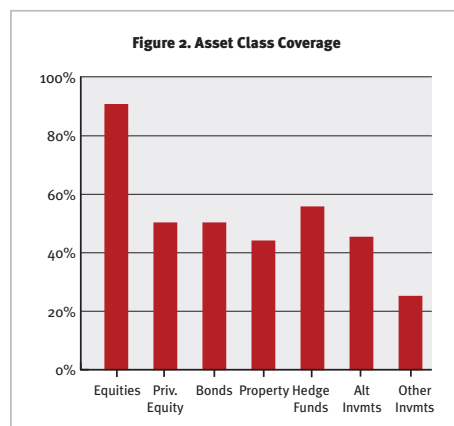
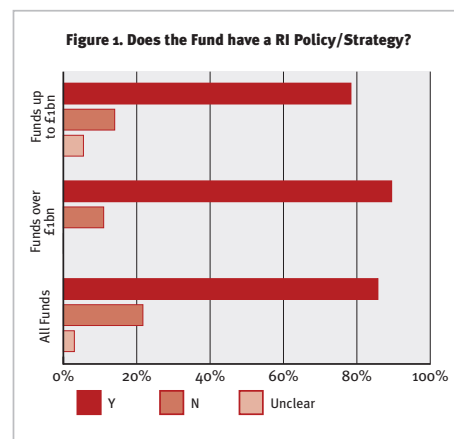
Table 1.1	2009		2007	
All funds	84%	27 of 32	73%	24 of 33
Larger funds	89%	16 of 18	86%	12 of 14
Smaller funds	79%	11 of 14	63%	12 of 19

1.2 Asset Class Coverage by the Responsible Investment (RI) Policy

Public Equities continue to be covered by the RI policy for almost all funds.

Where Private Equity, Bonds, Property, Hedge Funds and Alternative Investments are held, they are covered by the RI policy in about half of the cases. This was broadly unchanged from 2007.

Table 1.2	2009		2007	
Public Equities	92%	24 of 26	92%	22 of 24
Private Equity	50%	7 of 14	54%	7 of 13
Bonds	50%	12 of 24	57%	13 of 23
Property	43%	9 of 21	56%	10 of 18
Hedge Funds	56%	5 of 9	63%	5 of 8
Alternative Investments	44%	4 of 9	50%	4 of 8
Other Investments (including Infrastructure, Commodities)	25%	2 of 8	33%	2 of 6



2. Corporate Social Responsibility (CSR) Alignment

2.1 Importance of Environmental, Social and Governance (ESG) issues for trustees

Almost all the trustees of larger funds believe that ESG factors can have a material impact on the fund's investments in the long term. In 2007, only three quarters of larger funds said their trustees held this view.

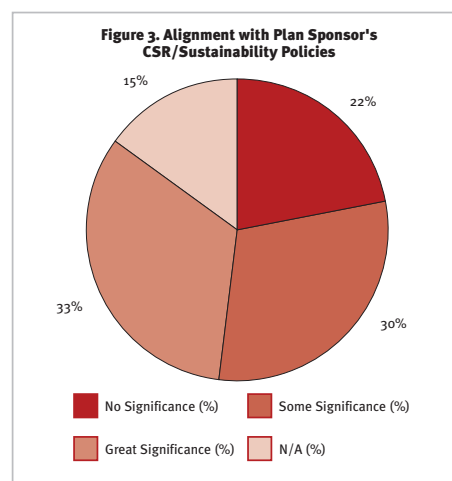
Overall, three quarters of trustees agreed with this statement this year, more than in 2007. This fell to half for smaller funds.

Table 2.1	2009		2007	
All funds	75%	24 of 32	67%	22 of 33
Larger funds	94%	17 of 18	79%	11 of 14
Smaller funds	50%	7 of 14	58%	11 of 19

2.2 Significance of Alignment with the Plan Sponsor's CSR/Sustainability Policies

A third of funds with a RI policy said that “great significance” was given to alignment with the plan sponsor’s CSR/Sustainability policy, an increase from a fifth in 2007. The proportion giving this “some significance” fell to three tenths in 2009 from two fifths in 2007. The total for the two remained broadly unchanged at two thirds of funds. A fifth gave this “no significance”, compared with a tenth in 2007.

	2009		2007	
Great significance	33%	9 of 27	21%	5 of 24
Some significance	30%	8 of 27	42%	10 of 24
Great or some significance	63%	17 of 27	63%	15 of 24
No significance	22%	6 of 27	13%	3 of 24
N/A	15%	4 of 27	25%	6 of 24



3. Implementation

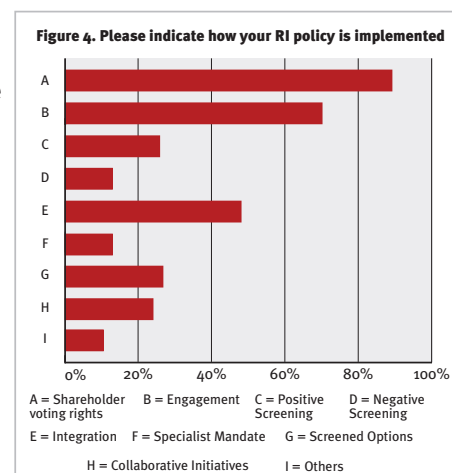
3.1 Implementation of the Responsible Investment Policy

Exercising shareholder voting rights remains the most popular approach to implement the RI policy. It is now practiced by all larger funds with a RI policy (100%; 16 of 16 funds). Overall, it is practiced by nine tenths of funds (89%; 24 of 27 funds), an increase from three quarters in 2007 (75%; 18 of 24 funds). In 2007, it was practiced by almost all larger funds (92%; 11 of 12 funds).

Engagement with investee companies remains the second most popular option, being practiced by over two thirds of funds (70%; 19 of 27 funds). However, this remained broadly unchanged from 2007 (67%; 16 of 24 funds).

Integration, screened options, collaborative initiatives and specialist mandates all increased in popularity as ways to implement the RI policy.

	2009		2007	
Integration	48%	13 of 27	38%	9 of 24
Screened options	30%	8 of 27	17%	4 of 24
Collaborative initiatives	26%	7 of 27	8%	2 of 24
Specialist mandates	15%	4 of 27	0%	0 of 24



Delegation to fund managers remains the most popular way to manage implementation. Three quarters of funds do this (74%; 20 of 27 funds), up from three fifths in 2007 (58%; 14 of 24 funds).

About three fifths of funds said that RI featured in the assessment, appointment, evaluation or remuneration of fund managers and that RI requirements were incorporated in the Investment Management Agreement. This was broadly unchanged from 2007.

	2009		2007	
Assessment, etc of fund managers	59%	16 of 27	67%	16 of 24
RI requirements in Investment Management Agreement	59%	16 of 27	63%	15 of 24

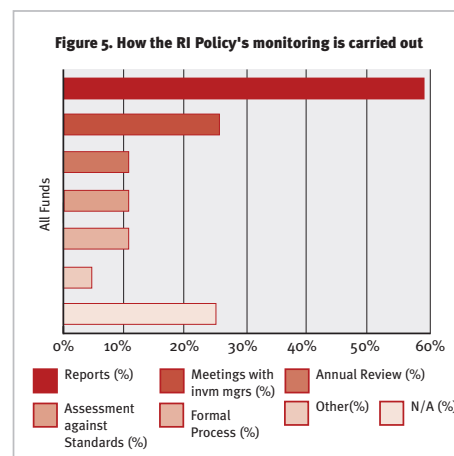
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3.2 Monitoring the Responsible Investment (RI) Policy

Four fifths of funds said they monitored whether their RI policy was being carried out, an increase from three quarters in 2007.

Use of reports remains the most popular form of monitoring. This approach is now used by three fifths of funds, up from two fifths in 2007. Meetings with investment managers have increased in popularity and are now used by a quarter of funds.

	2009		2007	
Monitoring	85%	23 of 27	75%	18 of 24
Reports	59%	16 of 27	42%	10 of 24
Meetings with investment managers	26%	7 of 27	13%	3 of 24



4. Communication

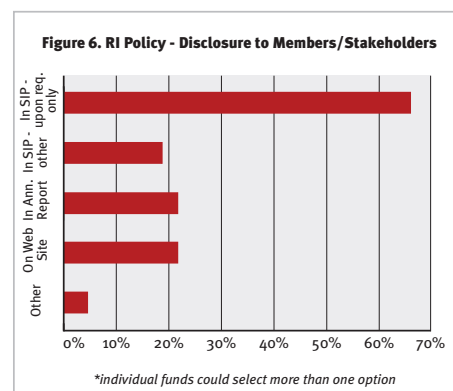
4.1 Communicating the Responsible Investment (RI) Policy to fund members and stakeholders

Funds are legally required to communicate their RI Policy by making the Statement of Investment Principles available to members on request.

Two fifths of funds undertook further activities to communicate about the RI policy to members and other stakeholders, **an increase from a third in 2007**.

Funds that communicate are using, on average, a smaller range of communication approaches than in 2007. The proportion of funds using each specific type of communication was broadly unchanged from 2007. For example, a fifth referred to their RI policy in their Annual Report and the same proportion posted details on web sites.

	2009		2007	
Only in SIP "upon request only"	59%	16 of 27	67%	16 of 24
At least one other approach	41%	11 of 27	33%	8 of 24
In SIP – other	19%	5 of 27	25%	6 of 24
In Annual Report	22%	6 of 27	21%	5 of 24
On web site	22%	6 of 27	21%	5 of 24
Other	4%	1 of 27	4%	1 of 24



4.2 Communicating the Implementation of the Responsible Investment (RI) Policy

Two fifths of funds communicate to fund members and stakeholders how their RI policy is implemented. This proportion is broadly unchanged from 2007.

A tenth disclose the fund's annual voting record (11%; 3 of 27 funds). Less than a tenth disclose about the fund's engagement strategy (7%; 2 of 27 funds) or about participation in collaborative investor initiatives (7%; 2 of 27 funds).

A fifth disclose about the integration of RI policies in investment mandates (19%; 5 of 27 funds) while a sixth disclose the top 100 equity investments held (15%; 4 of 27 funds).

Table 4.2	2009		2007	
	Communication of RI implementation to fund members and stakeholders	41%	11 of 27	38%

5. Training and Awareness

5.1 Trustees' Training and Advice on Responsible Investment

Four fifths of funds with a RI policy said that their trustees received specific investment training or advice on RI from at least one source. This was an increase from two thirds in 2007.

Investment consultants continued to be the most popular source of RI training or advice. In-house staff have increased in popularity, overtaking fund managers as the second most popular source of RI training or advice.

Table 5.1	2009		2007	
	Received training or advice	81%	22 of 27	67%
Received training or advice from investment consultants	48%	13 of 27	58%	14 of 24
Received in-house training or advice	37%	10 of 27	25%	6 of 24
Received training or advice from fund managers	33%	9 of 27	33%	8 of 24

5.2 Trustees' Awareness of Climate Change and Collaborative Initiatives

Funds were asked whether their trustees were aware of the following initiatives:

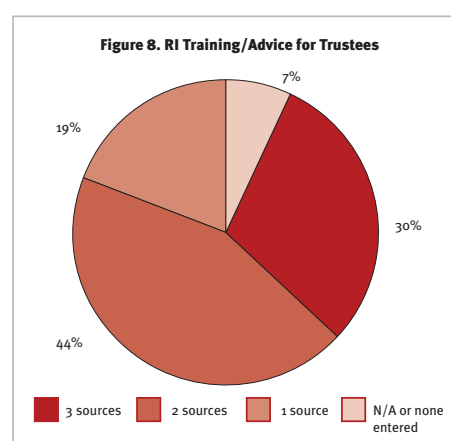
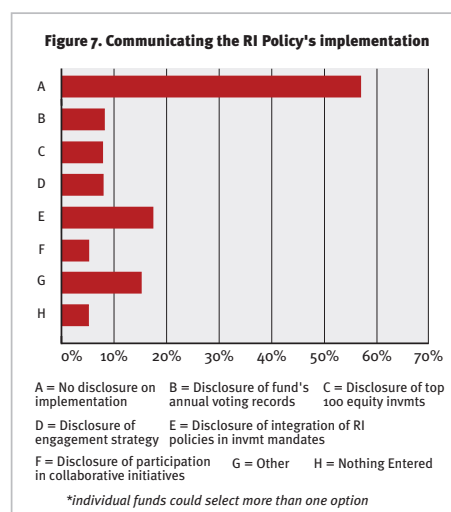
- The Stern Review on the Economics of Climate Change
- The United Nations-backed Principles for Responsible Investment (PRI)
- The United Nations Environment Programme Finance Initiative (UNEP FI) and law firm Freshfield's report ("Freshfields Report") on trustees' fiduciary duties in regards to ESG.

Awareness of these key initiatives has deepened since 2007. Three tenths of participating funds said their trustees were aware of all three initiatives, up from one fifth in 2007. Those aware of at least two was unchanged at half of the funds, because the proportion aware of only two had dropped by a corresponding amount.

Trustees of over half of funds are now aware of the PRI compared with under one third in 2007. Awareness of the "Freshfields report" had also increased significantly.

Table 5.2.1	2009		2007	
	Aware of all three	31%	10 of 32	21%
Aware of two	19%	6 of 32	30%	10 of 33
Aware of two or more	50%	16 of 32	52%	17 of 33
Aware of one	13%	4 of 32	21%	7 of 33

Table 5.2.2	2009		2007	
	Stern Review on the Economics of Climate Change	50%	16 of 32	52%
The United Nations-backed Principles for Responsible Investment (PRI)	56%	18 of 32	30%	10 of 33
"Freshfields report"	38%	12 of 32	21%	7 of 33



6. Participation

Industry Sectors

The plan sponsors of the pension funds approached were drawn from thirty three FTSE industry sectors. Responses were received from half of these industry sectors (52%; 17 of 33 sectors).

The industry sector with the highest number of participating funds was Banks (13%; 4 of 32 funds) followed by General Financial, Travel & Leisure, Support Services (each 9%; 3 of 32 funds).

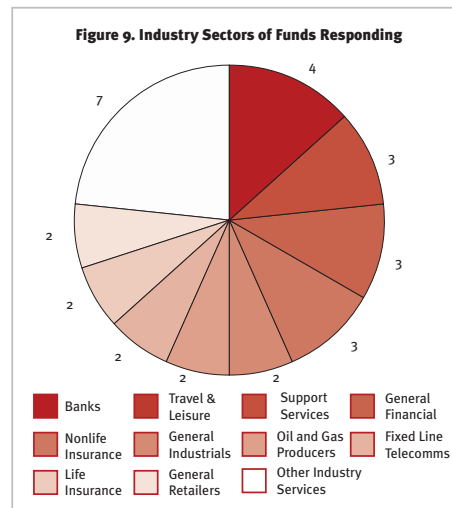
A third of the industry sectors had a response rate of at least 1 in 4 of the pension funds approached (30%; 10 of 33 sectors). Of these, the sectors with the highest response rates were were:

Banks (67%; 4 of 6 funds)
Oil & Gas Producers (67%; 2 of 3 funds)

The following sectors had more than ten eligible employers but no responses:

Media (18 employers)
Real Estate (18 employers)
Software & Computer Services (11 employers)

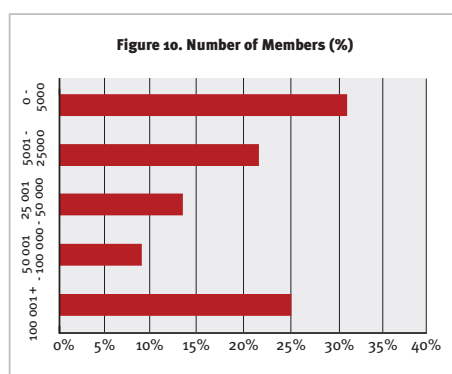
For some sectors, this nil response rate may be the result of a typical employer profile of low employee numbers and/or no in-house pension fund.



Assets under Management

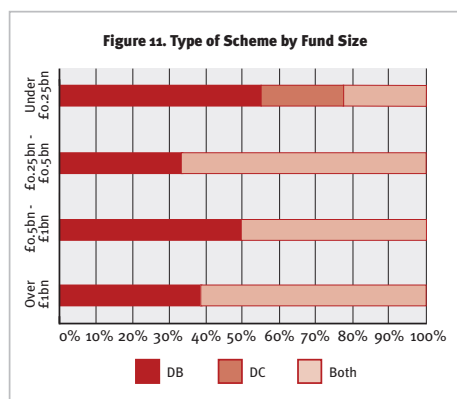
Participating funds were divided nearly evenly between larger and smaller funds. There was a slight bias to larger funds in 2009; and a slight bias to smaller ones in 2007.

	2009		2007	
Larger funds	56%	18 of 32	42%	14 of 33
Smaller funds	44%	14 of 32	57%	19 of 33



Number of Members

As in 2007, there was a good spread of fund membership sizes.

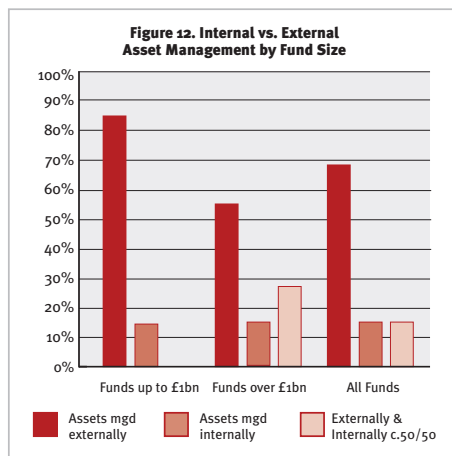


Types of Scheme

Most funds administered either DB only pension schemes or both DB and DC schemes.

Type of Asset Management

Nearly three quarters of funds have their assets managed externally (69%; 22 of 32 funds). The relatively high proportion with assets managed internally is due, in part, to financial sector pension funds.



Case Studies

Barclays Bank UK Retirement Fund

“The Trustee of the Barclays Bank UK Retirement Fund believes that ownership of assets imparts important responsibilities, and we strive to ensure that the standard of governance across all the asset classes and managers we use is of the highest quality. We also remain committed to communicating with our membership to help them understand our policies and how we implement them, and we’re delighted that the UKSIF has chosen to recognise the work we do in this area with a Gold award”.

Mark Hyde Harrison, CEO

BP Pension Fund

“We are delighted to achieve a Gold ranking in the survey. Our recent work has revealed the challenges which still lie ahead in implementing our policy. In particular, we are working out how best to respond to the call for owners to be more active. However, we have made significant progress in articulating our priorities and exploring the options open to us. Our plan sponsor’s insights into governance and engagement from the corporate perspective have been particularly valuable.”

Sally Bridgeland, Chief Executive Officer

The BP Pension Fund has assets of about £11bn. It uses in-house investment management and also has a trustee Chief Executive Officer and support team.

The BP Pension Fund has evolved its responsible ownership policy over the last two years, working in a project team which drew on the combined expertise of the trustee, the investment managers, and the sponsor’s corporate and social responsibility and financial risk experts. The project team developed a questionnaire to help establish the strength of the beliefs held by the different stakeholders.

The Trustee is a long term investor and believes that:

- Good corporate governance results in enhanced shareholder value. Poor governance is detrimental to returns
- Environmental and social issues can impact a company’s ability to generate returns and the financial risks of investing in a company.

The Trustee used the fund manager benchmarking service provided by RI Metrics to compare the in-house team to third party leaders. This revealed some strong core values about what constitutes a well-run company and a desire to integrate this into long-term investment decisions.

The BP Pension Fund has an equity bias in its investment allocation, including about £4bn invested in UK equities. Its current priority is to exercise its ownership rights through voting and engagement to reduce shorter term risks and improve long term performance. Its in-house manager generally votes in line with ISS recommendations (NAPF guidelines in the UK) and aims to inform companies about their reasons for voting against management.

The Trustee acknowledges the considerable effort required to become more active and responsible owners and to develop its own policy on particular issues. It recognises the value of collaboration with like-minded investors and engages with industry bodies and other corporate pension funds on responsible ownership best practice.

Responsible Business: Sustainable Pension

HBOS Final Salary Pension Scheme (FSPS)

“The key priority of the HBOS Final Salary Pension Scheme is to ensure that accrued benefits can be paid and we strongly believe Responsible Investment is entirely compatible with this fiduciary responsibility. We absolutely recognise and support the need for effective corporate governance and the management of environmental, social and governance issues in protecting the long-term financial performance of Scheme investments. “

Roger Boyes, Chairman of the Investment Sub-Committee

The HBOS Final Salary Pension Scheme is a Defined Benefits scheme with £6.8bn of assets under management and just under 80,000 beneficiaries at the end of 2007. It is closed to new entrants.

The Trustees delegate responsibility for the management of investments to external managers and believe that it is in the Scheme’s interest that these managers take due regard of environmental, social and governance (“ESG”) issues in their investment decision-making. In support of this, the Trustees require that each investment manager defines their policy detailing their handling of ESG issues and how they will ensure that the interests of members are promoted going forwards.

The Trustees expect that investment managers’ ESG policies should meet current regulatory and investment industry best practice and include:

- Monitoring of the performance of companies invested on ESG issues
- Incorporation of ESG issues into investment analysis and decision-making processes
- A commitment to actively engage with and encourage companies to meet standards of best practice in relation to ESG issues
- Exercising of all rights attaching to investments on behalf of the Scheme wherever possible
- Reporting regularly to the Trustees on engagement and voting activities carried out on behalf of the Scheme.

The Trustees apply weight to consideration of the ESG policy and associated processes at the time of appointment and monitoring of performance against policy also form part of the manager compliance review process.

Whitbread Group Pension Fund

Throughout its history, Whitbread has demonstrated an ability to take advantage of new market and consumer trends, making it one of the most respected businesses in the UK. We believe that corporate responsibility is a significant opportunity and a moral imperative for our business and that we must be strategic in responding to a fast moving and broad agenda.

Whitbread’s pension fund Trustee works closely with the business and wanted to ensure that its policies were aligned with Whitbread’s corporate responsibility agenda. The Trustee was particularly sensitive to employees’ desire for a responsible employer and noted that 44% of employees surveyed in 2008 felt that Whitbread could improve its social and environmental performance.

During 2008, with a focus on equity managers, the Trustee conducted a study of its managers and their attitude and ability to follow a sustainable investment approach. Having assessed the feasibility the Trustee developed a policy to encourage managers to adopt sustainable business practices and high standards of corporate governance with the aim of protecting and enhancing long-term shareholder value. The Trustee recognises that it may take time for all managers to comply with all the aims of the policy, but has issued a written policy to all managers and encouraged them to work towards compliance. Managers are monitored regularly through reporting, where possible, and some have taken steps to change their reporting packages and even, in one case, the management agreement to begin to comply.

The Trustee now includes the question of compliance with its sustainable investment policy as one of its criteria when selecting new managers. The policy will be reviewed annually and managers will also be approached each year as part of that review. The Trustee intends to consider the scope of the policy over time with a view to extending it to other asset classes where practical.

Conclusions and Recommendations

Conclusions

This second survey of the pension funds of the UK's corporate responsibility leaders found clear and exciting evidence of progress in addressing Responsible Investment.

A group of Responsible Investment champions is starting to emerge. According to our respondents, this leadership is being driven by trustees.

Most funds that had started to address Responsible Investment in 2007 have deepened their approach by 2009. Of the 18 funds who participated in both the 2009 and the 2007 surveys, three quarters achieved a higher score in 2009 than in 2007 with over half progressing to a higher ranking as a result.

Almost all the trustees of larger funds now believe that ESG factors can have a material impact on the fund's investments in the long term, the survey found. This is an increase from three quarters in 2007. Overall, there was a rise in the proportion of trustees agreeing with this statement to three quarters of participating funds from two thirds. This view is being translated into action.

Four fifths of participating funds now have a Responsible Investment policy, compared with only two thirds in 2007.

In our ranking, half now score as Silver or above (17 funds), compared with a third in 2007 (11 funds). In contrast, a fifth rank as Bronze in 2009 (6 funds), falling from two fifths in 2007 (13 funds). The proportion ranked at the lowest level, Copper, remain broadly unchanged at a quarter (2009: 9 funds; 2007: 9 funds).

The British Telecom Pension Scheme remains the only corporate pension fund to achieve our Platinum ranking. The Barclays UK Retirement Fund, BP Pension Fund and HBOS Final Salary Pension Scheme have all progressed to a Gold ranking from Silver in 2007.

British Airways (Airways Pension Schemes & New Airways Pension Scheme), Bovis Homes Pension Scheme and TUI Travel plc Pension Scheme (formerly First Choice Holidays plc Pension Scheme) retain their Silver ranking and are joined by a further ten funds.

Across all funds participating in 2009, this survey found the following additional notable differences from the 2007 results:

- The proportion of funds giving "great" significance to alignment with the plan sponsor's CSR/Sustainability policy increased to a third from a fifth, although the proportion giving this either "great" or "some" significance remained unchanged at two thirds
- Nine tenths of funds with a RI policy exercise their shareholder voting rights to implement their policy, compared with only three quarters in 2007. All larger funds now exercise these rights. In addition, integration, screened options, collaborative initiatives and specialist mandates have all increased in popularity as ways to implement the RI policy
- Four fifths of funds monitored whether their RI policy was being carried out, an increase from three quarters in 2007. Reports are now used for monitoring by three fifths of funds, up from two fifths in 2007. Meetings with investment managers have increased in popularity and are now used by a quarter of funds
- Two fifths of funds exceeded minimum legal requirements in communicating about the RI policy to members and other stakeholders, an increase from a third in 2007
- Trustees of four fifths of funds with an RI policy received specific investment training or advice on RI from at least one source, up from two thirds in 2007. In-house staff have increased in popularity as a source of RI training or advice, overtaking fund managers
- Trustees of over half of funds are now aware of the UN-backed Principles for Responsible Investment (PRI), up from less than a third in 2007. Trustee awareness of key initiatives had deepened with trustees of three tenths of funds aware of all initiatives listed, up from a fifth in 2007.

In the light of this progress, detailed communication to members and other stakeholders about the RI policy and its implementation remains relatively low:

- A fifth of funds referred to their RI policy in their Annual Report and the same proportion posted details on web sites
- A tenth of funds communicate annual voting records, while less than a tenth disclose the fund's engagement strategy or about participation in collaborative investor initiatives.

A number of other features remained broadly unchanged from 2007:

- A pension fund's Responsible Investment policy is almost always applied to public equities. In addition, about half of the pension funds with a Responsible Investment policy that invest in non-equity asset classes apply the policy to those asset classes
- Engagement with investee companies continues to be practiced by over two thirds of funds.

Responsible Business: Sustainable Pension

We are committed to a “name and fame” model of highlighting examples of good practice rather than criticising those who have done less. Within this context, we remain particularly grateful to those pension funds that participated in the survey and scored Bronze or Copper. While not naming them, we would like to highlight and praise their leadership in engaging with this process.

This survey was undertaken at a time of both financial and economic turmoil. Within this context, it was positive that the response rate achieved matched that of the previous survey in 2007. Nevertheless, this continuing response rate of just over a tenth of the funds surveyed continues to raise concerns about the level of transparency on environmental, social and governance issues of the pension funds of these leading companies compared with their plan sponsors.

While conducting the survey, we noticed significantly increased interest from CSR staff in plan sponsor organisations compared with 2007. This included plan sponsor CSR managers whose pension fund preferred not to participate in the survey this year. We would encourage pension managers to draw on this interest, expertise and support.

We found that a smaller proportion of UK listed companies in FTSE4Good and/or CDLI had occupational pension funds compared with 2007, resulting in a reduced number of pension funds contacted. This was particularly due to companies joining these indexes being less likely to have pension funds than those leaving. Nevertheless, the combined assets under management of the pension funds of the UK’s corporate responsibility leaders remains significant, as does their potential to act as a positive force to encourage long-term Responsible Investment and sustainable capital markets.

Recommendations

Leading Responsible Investment champions, supported by increasingly well informed investment consultants, are now demonstrating how best practice in Responsible Investment can be achieved in practical and affordable ways. This needs to be placed within the context of today’s significant challenges. These include the current economic crisis, an increasing focus on the plan sponsor covenant and the looming transition to a low carbon, resource efficient and socially sustainable economy. All require today’s trustee champions to continue this journey and more of the pension funds of the UK’s corporate responsibility leaders to join them.

Increasingly, pension fund trustees are being challenged by government ministers and regulators to take responsibility as asset owners for behaviours in the investment supply chain between them as beneficial owners of capital on the one hand and the users of that capital on the other. The current financial crisis has illustrated graphically the wider impact of irresponsible investment practices. As Donald MacDonald, Chair of the Board of the United Nations-backed Principles for Responsible Investment Initiative (PRI), has said about the financial crisis - “As clients and part owners of the financial institutions at the core of this crisis, institutional investors should accept some shared responsibility for the behaviours that led to the crisis.”

Within that context, we make the following key recommendations to pension funds and their plan sponsors from the evidence provided by this second survey:

- 1. Leadership:** Responsible Investment leadership should come from trustees. This survey demonstrates the positive impact of trustee leadership, drawing on support from investment consultants and pensions managers. Trustee boards should aim to include at least one appropriately skilled Responsible Investment champion. Plan sponsors might be asked to identify appropriate employer nominated trustees to ensure this. The Environment Director, HR Director or CSR Manager may all be suitable candidates.
- 2. Governance:** Pension funds should work together to agree best practice standards for the governance of Responsible Investment, including model clauses for Investment Management Agreements and mechanisms to assess the Responsible Investment performance of external and internal fund managers. Pension funds should audit their investment supply chains for conflicts of interest and perverse incentives that inhibit long-term Responsible Investment practices and work to eliminate these.
- 3. Transparency:** Pension funds should increase their transparency to beneficiaries and other stakeholders on Responsible Investment policies and their implementation. Pension funds should work together to identify best practice transparency guidelines, comparable to environmental, social and governance reporting by companies that are corporate responsibility leaders.
- 4. Access to advice:** Pension funds should take advantage of best practice advice on Responsible Investment from their investment consultants. There is now considerably enhanced capacity available within the major investment consultancies for trustees to draw on.
- 5. Continuous improvement, learning and benchmarking:** Pension funds should identify stretch targets for Responsible Investment improvement and monitor their progress in achieving these. This includes expanding RI policy implementation beyond public equities. They should join with others in initiatives like the UN-backed Principles for Responsible Investment to learn together, benchmark their performance and implement processes for continuous improvement.

Appendix I – Questionnaire Topics

CORPORATE PENSION FUNDS RESPONSIBLE INVESTMENT PRACTICES SUMMARY OF SURVEY QUESTIONNAIRE

Responsible Investment (RI) refers to investment where environmental, social and corporate governance (ESG) considerations are taken into account in the selection, retention and realisation of investment and the responsible use of rights (such as voting rights) attached to investment.

- Q1** Do the trustees believe that environmental, social and governance (ESG) factors can have a material impact on the fund's investments in the long term?
- Q2** Do the trustees consider responsible/sustainable investment to be part of their fiduciary duty?
- Q3** What do the trustees think are the biggest impediments to adopting and implementing a Responsible Investment strategy?
- Q4** Does the pension fund have a Responsible Investment policy or strategy? If yes, please mention where it is stated and please describe or attach. If not, can you please state why not or indicate if you intend to develop one in the next 12 months.
- Q5** When deciding on the appropriate RI policy/strategy for dealing with environmental, social and governance issues for your fund, how significant was each of the following:
- Alignment with the plan sponsor's CSR/sustainability policies
 - Members' views (e.g. through consultation/survey or other). Please describe how
 - Advice from investment consultants
 - Advice from legal advisers
 - Fund managers' RI policies
 - Trustees' recommendations
- Q6** How often do you review your Responsible Investment policy? And when doing so, do you have a process in place to keep abreast of industry developments in this area to ensure you stay in line with emerging good and best practice?
- Q7** Please indicate which asset classes are covered by your Responsible Investment policy.
- Q8** Please indicate how your Responsible Investment policy is implemented. Please distinguish between asset classes if appropriate:
- Exercise of shareholder voting rights
 - Engagement with investee companies to encourage better performance
 - Positive screening (i.e. selecting best performing companies or sectors for investing)
 - Negative screening / Exclusion (excluding certain sectors or companies)
 - Integration (i.e. including material ESG risks and opportunities in traditional financial analysis)
 - Assets invested in specialist mandates (clean technology/low carbon funds, micro-finance, social housing, etc.)
 - Screened ethical investment option(s) available to members for Defined Contribution (DC) and Additional Voluntary Contribution (AVC) schemes
 - Participation in collaborative initiatives such as CDP (Carbon Disclosure Project) or signatory of the UN Principles for Responsible Investment. Please list below
 - Others
- Q9** Please indicate how the implementation of your Responsible Investment policy takes place:
- Managed in-house
 - Delegated to proxy voting agencies
 - Delegated to engagement overlay service providers
 - Delegated to your fund managers
- Q10** If delegated to your fund managers: Does RI feature in your assessment/appointment/evaluation and/or remuneration of your fund managers? Are your RI policy requirements incorporated in your Investment Management Agreement?
- Q11** Do you monitor whether your RI policy is being carried out? If so, please describe how you do this.

Responsible Business: Sustainable Pension

Q12 How do you assess the effectiveness of your RI policy and/or measure its impact on the value of your investments?

Q13 What benefits do you derive from doing RI? Please provide examples if available.

Q14 Please indicate how you communicate your RI policy to the fund members and stakeholders.

Q15 Please indicate how you communicate the implementation of your RI policy to the fund members and stakeholders.

Q16 Please indicate if the trustees get specific investment training or advice on Responsible Investment from:

- Investment consultants
- ESG Research Providers
- Fund managers
- In-house staff

Q17 Please indicate if the trustees are aware of the following initiatives:

- The Stern Review on the Economics of Climate Change
- United Nations Principles of Responsible Investment (UN PRI)
- The UNEP FI and law firm Freshfield's report on trustees' fiduciaries duties in regards to ESG issues.

Appendix II - Ranking Criteria

Q 5 - When deciding on the appropriate RI policy/strategy for dealing with ESG issues for your fund, how significant was its alignment with the Sponsor's CSR Policy?

Answer	Great Significance	Some Significance	No Significance
Ranking	A	C	E

Q 7 - Indicate which asset classes are covered by your RI policy (Criterion: How many of their asset classes are covered).

Answer	81% - 100%	61% - 80%	41% - 60%	21% - 40%	0 - 20 % ¹
Ranking	A	B	C	D	E

Q 11 - Do you monitor whether your RI policy is being carried out?

Answer	Ranking
More than two of the below with frequency and details	A
Annual or quarterly face to face meetings or reviews with fund managers	B
Six-monthly or quarterly reports; Annual or quarterly written fund mgr review (i.e. not face to face)	C
Monitoring and/or reports without frequency indicated	D
Nothing entered / "Not applicable"	E

Q 12 - How do you assess the effectiveness of your RI policy and/or measure its impact on the value of your investments?

Answer	Ranking
Frequency / Reports / Assessment against any standards / Formal process	A = all four / B = three / C = two / D = one
Nothing entered or "Not applicable"	E

Q 14 - Please indicate how you communicate your RI policy to fund members and stakeholders

Answer	Ranking
Easily accessible in the public domain: On website / In annual report / In the SIP (all in the public domain)	A = 2 or more / B = 1
Easily accessible to members; accessible to other stakeholders with difficulty: On website / In annual report / In SIP	C = At least 1
SIP easily available to members, but not the general public	D
SIP available to members upon request only / No disclosure	E

Q 15 - Please indicate how you communicate the implementation of your RI policy to fund members / stakeholders. Do you disclose:

- integration of RI policies in investment mandates: Fund managers reporting requirements and/or fund managers' monitoring
- engagement strategy: Engagement undertaken / Engagement results
- participation in collaborative initiatives
- the top 100 equity investments in the scheme
- the fund's annual voting records

Answer	Five or more	Four	Three	One or two	No disclosure
Ranking	A	B	C	D	E

Q 16 - Please indicate if the trustees get specific investment training or advice on RI from...

Answer	Ranking
Investment consultants / Fund managers / ESG research providers / In-house staff	A = At least one
Nothing selected	E

**Q 17 - Please indicate if the trustees are aware of the following initiatives:
Stern Review / UN PRI / UNEP FI and Freshfield's report**

Answer	Three initiatives	Two initiatives	One initiative	None or "N/A"
Ranking	A	B	C	E

Appendix III – Resources for Trustees from the Sustainable Pensions Project

The Sustainable Pensions Project provides support and free resources to pension funds. These include:

Quarterly E-newsletter

A short update email giving summaries of key developments in responsible and sustainable pension investment as well as new resources available.

Sustainable Pensions Library

An online library that provides trustees with an overview of key responsible investment documents and initiatives, including:

- NAPF Responsible Investment Guidance: March 2009
- The UN Principles for Responsible Investment
- The Stern Review on the Economics of Climate Change
- UNEP Finance Initiative including the “Freshfields Report”

Other Sustainable Pensions Reports

Sustainable Alternatives - looks at the growth of sustainable investment opportunities in alternative asset classes.

Local Government: Responsible Pension - includes a self-assessment template which takes trustees of local authority pension funds through key responsible investment issues (published with CIPFA and LAPFF).

Responsible Investment in Focus: How leading public pension funds are meeting the challenge - case studies of leading practice globally (published with UNEP FI).

To access these resources and to register for the e-newsletter visit:

www.uksif.org/sustainablepensions.

Your investment consultant

The leading investment consultancies have been building specialist support and services for this area in recent years. Your investment consultant should have access to colleagues with specialist knowledge and experience.

Appendix IV – About the Organisations Involved

UKSIF

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. It also seeks to ensure that individual and institutional investors can reflect their values in their investments. Its more than 200 members include pension funds, banks, asset managers, investment consultants, research providers, financial advisers and non-governmental organisations.

UKSIF Sustainable Pensions Project

The UKSIF Sustainable Pensions Project was launched in 2006 to assist UK occupational pension funds to adopt more sustainable and responsible investment strategies. It seeks to encourage pension schemes to consider environmental and social and governance issues in their investment decisions, with the goal of protecting and enhancing long-term shareholder value and financial returns for the scheme beneficiaries. The Project is overseen by an independent Advisory Board.

Hermes Fund Managers

Hermes is a multi boutique asset manager with a truly long-term and responsible approach to delivering investment returns. As a multi boutique it offers its clients the best combination of specialist investment teams and products along with a robust operating platform from which to run them. Hermes offers investment solutions which range from alternative strategies such as fund of hedge funds, commodities and our engagement focus funds to real estate, private equity and specialist equity products. Hermes invests assets on behalf of 204 clients across these product areas and has £27.5bn under management. Additionally, it helps pension funds meet the highest standards of responsible long term ownership through its innovative Equity Ownership Service, which has over £50 billion of assets under stewardship (all as at 31 December 2008).

Hermes is the advisor and principle investment manager for the BT Pension Scheme (BTPS) and BTPS is also the 100% owner of Hermes. This unique relationship gives Hermes a long term parent whose requirement for investment excellence is perfectly aligned with that of all of its other clients and provides a privileged insight which informs its product development.

KBC Asset Management Ltd

KBC Asset Management believes that a wave of investment and innovation is underway in response to key mega-trends that are shaping the way we live. Dramatic population growth, increased urbanisation and industrialisation, together with global warming are creating tremendous pressure on our eco system and the ability to sustainably supply precious resources such as water, energy and arable land.

KBC Asset Management has been one of the earliest pioneers in managing environmental thematic strategies focused on investing in companies providing solutions to these global sustainability challenges. KBC Asset Management launched its first Environmental Strategies in 2000 and has a long term strategic commitment to environmental thematic and sustainable strategies. The commitment was fortified in 2008 with the addition of three new members to our specialist Environmental Team and with the creation of our dedicated Sustainable Strategies Group, lead by Steve Falci. KBC Asset Management Ltd is part of the Belgian based KBC Asset Management Group, which manages over EUR162.2bn in assets (as at 31 December 2008). It has been delivering competitive products and services for over 25 years.

FTSE Group

FTSE Group (“FTSE”) is a global independent company, whose sole business is the creation and management of indices and associated data services on an international scale. It calculates and manages a comprehensive range of equity, fixed income, real estate and investment strategy indices, including a number of environmental and responsible investment indices, such as the FTSE4Good Series. Licensing revenues from the FTSE4Good Series are contributed to UNICEF, the global children’s charity.

Carbon Disclosure Project (CDP) and the Carbon Disclosure Leadership Index (CDLI)

CDP is an independent not-for-profit organisation which holds the largest database of corporate climate change information in the world. The data is obtained from responses to CDP’s annual Information Requests, issued on behalf of institutional investors, and others. CDP includes the companies responding to the Information Requests with the highest scores in the two categories of the carbon-intensive sectors and the non-carbon-intensive sectors.



UKSIF

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Asset
Management

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