

FairPensions is the campaign for responsible investment of UK pension funds

Welcome to the first quarterly update from FairPensions. We want to use this opportunity to tell you how we are campaigning for responsible investment and how you can help. These are interesting times for those of us who believe that investment should be a force for good as well as just generating returns – there have been developments in politics and the law, and our growing campaign is now forcing funds to look at their policies.

What FairPensions is campaigning for...

UK pension schemes are very powerful investors, controlling around one fifth of the UK stock market, equal to nearly five times the value of annual exports for the whole of Africa. This power means that pension funds are able to influence company behaviour on human rights, workers rights, the environment and other issues (by, for example, using their block vote at shareholder meetings).

We ask that pension funds should use this power responsibly, not by refusing to invest in certain companies (except as a last resort), but by using their votes and influence as company investors. This approach has already produced real victories for human rights and environmental causes, for example, lowering the price of anti-AIDS drugs in southern Africa and forcing companies to consider their climate change impact.

Research has shown that, overwhelmingly, people do not want their money invested in practices that exploit people and damage the environment. (A survey by leading investment company Friend's Ivory and Sime showed that 75% of us think our money should be invested ethically.) This is why we are calling for pension funds to be led by the values of their members.

We ask pension funds to do three main things:

1. Let their members know what their money is invested in
2. Ask their members which issues they are concerned about, by conducting an annual survey
3. Where there is a consensus of fund members, on a specific issue, engage with the companies involved to improve their behaviour, and let members know the results

We have seen that pension funds who act responsibly can make real improvements to company behaviour. We know that most people want to see their money invested responsibly. With your support, we can make responsible investment accepted practice for UK pension funds.

Changes to state pensions: Help make this an opportunity for responsible investment

A Parliamentary committee on Work and Pensions is presently considering proposals for a National Pensions Savings Scheme, as part of the reform of state pensions. We believe that any national scheme should be invested in a responsible manner, to "match or exceed European best practice in sustainable investment".

It is vital that this aspect of pensions reform is not

ignored - you can help by contacting your MP, requesting that they ask the Work and Pensions Committee to take this opportunity to ensure that our pensions are invested responsibly.

(Parliament has a webpage where you can find your MP's details, at www.locata.co.uk/commons. more details on the issue are available at www.uksif.org)

FairPensions keeps up pressure on the UK's second-largest fund

In 1999 the Universities Superannuation Scheme (USS) adopted a Socially Responsible Investment policy, following a campaign by university and college staff, students, charities and other organisations. This fund is the UK's second-largest, worth £25 billion.

FairPensions was launched to continue the good work that the USS campaign (Ethics for USS) had begun, and to persuade other major pension funds to follow USS' example.

USS was amongst those that helped to secure commitment to cut-price AIDS drugs, showing what could be achieved by implementing meaningful responsible investment. One of FairPensions' roles is now to

maintain pressure on USS to continue to turn its policy into action. We currently have thousands of supporters within USS, and in a recent survey we conducted of them, 100% of respondents agreed that action should be taken to challenge companies who work with, or sell arms to, oppressive regimes.

We are now lobbying USS staff, challenging them to take action on the human rights issues which we know their members are concerned about, but where little or no action has been taken. At a recent meeting we presented a list of actions we want USS to carry out. At the time of writing we are still awaiting USS' response. We will continue to keep up the pressure.

Legal report finds that pension funds must listen to members

There are a number of reasons why pension fund trustees have been reluctant to adopt best practice on responsible investment. One of these is the belief that they are legally obliged to concentrate solely on financial performance. This belief has now been strongly challenged by a legal report prepared for the United Nations Environment Programme Finance Initiative by city lawyers Freshfields Bruckhaus Deringer.

The report found that the legal precedents which are often used to

dismiss calls for responsible investment have actually been “misunderstood” and “cannot be relied upon to support the single-minded pursuit of profit maximisation”. The report went further than this, stating that “it may be a breach of fiduciary duties to fail to take account of ESG [environmental, social and governance] considerations that are relevant and to give them appropriate weight, bearing in mind that some important economic analysts and leading financial institutions are satisfied that a strong link between good ESG

performance and good financial performance exists”.

The overall tone of the report is one which finds that members’ ethical as well as financial interests should be taken into account and that there is evidence that good ethics and good financial returns are likely to go hand in hand.

FairPensions is investigating how this report can be used as a tool for persuading funds to adopt responsible investment, so expect to hear more in the future!

CAMPAIGNS

Watching the BBC: a step forward

The BBC prides itself on its news and documentaries, which expose environmental issues and human rights abuses. We would like to see the BBC Pension Scheme displaying the same concerns about its investment portfolio.

Our campaign has prompted the scheme to promise to release details about environmental, social and governance issues to its members. This is a good step

forward, but there remains much to be done.

The BBC Pension Scheme is one of the UK’s 20 most powerful pension funds, worth around £6 billion, and to date has made no effort to let its members know what they are investing in or to consult members about their concerns. The scheme’s investment portfolio includes a number of companies who have received widespread criticism for

their environmental and human rights records, including Shell, BAE Systems and Rio Tinto.

FairPensions has now entered into a dialogue with the BBC pension scheme, and are urging it to adopt a responsible investment policy. This dialogue is presently at an early stage; we will keep you informed about any developments.

A growing campaign

Later in the year we will be launching a major campaign to persuade specific large pension funds to adopt responsible investment, in addition to keeping up the pressure on those funds which we are already in dialogue with. A majority of people already support ethical investment, and we aim to persuade pension funds to give their

members a say over how their own money is invested.

We will also launch a media campaign, to make sure that trustees and managers of pension funds, as well as their members, are aware of the benefits of responsible investment, and are encouraged to

make it happen in their own pension funds.

Most people are not encouraged to ask what happens to the tens of thousands of pounds of their money in pension funds, and are never asked for their opinion on how it is used. With your help, we can change that.

Campaign for responsible investment needs investment

Major pension funds have the potential to have a significant positive effect on corporate behaviour, and FairPensions is

committed to ensuring they do just that. FairPensions is run from a small basement office on a very small budget, and relies on your

support to continue our campaigns. Your support is vital – please consider helping us by making a regular donation (form enclosed).

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If in the future you would like to receive these updates by email only, please let us know. Email us at info@fairpensions.org.uk.