

Pension funds keeping us in the dark

Rob Harrison and Simon Birch introduce a new report which exposes an ongoing lack of ethics in the UK pension fund industry.

FairPensions is a campaign group which calls for pension schemes to actively engage with companies in their portfolio about ethical issues, to issue clear mandates to their fund managers, and to disclose information to their members. It was launched in 2005 by a coalition including Amnesty, Oxfam and WWF. In November 2006 it published the results of its latest survey into the state of play at the biggest UK pension funds, and these are summarised in the table below. Points were awarded for the scheme's openness about its responsible investment record.



Matt Eginton | Agency: Dreamstime.com

UK Top 20 Pension Schemes				
Ranked by transparency				
Rank	Pension Scheme	Score out of 7	% Score	estimated size (£ billions)
1	Universities Superannuation Scheme Ltd	5.5	79%	28.2
2	British Telecommunications plc	5.0	71%	34.4
3	Greater Manchester Pension Fund	3.5	50%	8.9
4	West Yorkshire Pension Fund	3.0	43%	5.2
5	Coal Pension Trustees	2.5	36%	18.4
6	BP plc Pension Fund	2.0	29%	10.9
6	Shell Contributory Pension Fund	2.0	29%	9.0
6	Strathclyde Pension Fund	2.0	29%	7.0
9	BBC Pension Scheme	1.5	21%	7.9
9	British Airways Pension Scheme	1.5	21%	9.9
9	Corus UK Ltd British Steel Pension Scheme	1.5	21%	8.1
12	National Grid plc Pension Scheme	1.0	14%	12.8
12	Railways Pension Scheme	1.0	14%	16.0
12	Royal Mail Pension Scheme	1.0	14%	21.9
15	BAe Systems Pension Scheme *	0.5	7%	6.2
15	Lloyds TSB Group plc Pension Scheme	0.5	7%	10.1
17	Barclays Bank plc UK Retirement Fund *	0.0	0%	9.6
17	Electricity Pensions Services Ltd *	0.0	0%	18.3
17	HSBC Bank plc Pension Scheme *	0.0	0%	5.8
17	Royal Bank of Scotland Group Pension Fund	0.0	0%	16.8

* = did not provide information in response to FairPensions' request

"Generally the picture is poor," says Alex van der Velden, chief executive of FairPensions. "With assets of £720 billion the UK pension fund industry in effect owns almost 20% of the UK's public companies and has great power to influence boardroom policies on environmental, social and governance issues. Currently, though, this power is being used to tacitly support companies who have received widespread criticism for their environmental and human rights records."

The research found that:

- Only four of the UK's twenty largest pension schemes disclosed policies on environmental and social responsibility;
- Only one out of twenty disclosed how shareholder votes have been cast on scheme members' behalf. Two more give partial information about voting. Detailed disclosure of voting at AGMs on company websites is now best practice in the insurance industry;

- Although fifteen disclosed their largest shareholdings, only one (the Universities Superannuation Scheme) reveals the full top 100;
- Although thirteen have a website for members, only two of these have a section on responsible investment.

FairPensions is now calling for all pension funds to tell their members just how their money is being invested and to have in place clear policies to ensure active engagement on ethical issues. "For many people their pension is the single biggest investment they will have," says van der Velden. "They deserve to have information about how that investment is being used."

"If people are concerned about these issues then they should start questioning their pension fund," says van der Velden. "Ask them to make available its policy on engaging with companies on ethical issues as well as making available details of how they voted at AGMs in the past year." Ultimately van der Velden believes that pension funds are strategically placed to tackle a whole range of corporate malpractices on ethical issues.

"Pension funds are major institutional shareholders and as such have a direct line of influence right into the boardrooms of huge corporations in a way that other forms of campaigns don't," says van der Velden. "This is an area where ethical investment can bring about real changes."

More information about FairPensions, about how to add your voice and support to its campaigns, is available from www.fairpensions.org, or contact: FairPensions on 020 7403 7800. FairPensions, Fairshare Educational Foundation, Trowbray House, 108 Weston Street, London SE1 3QB.

The full report, 'UK Pension Fund transparency on Social, Environmental and Ethical Issues' November 2006 is available as a PDF from the website.

Universities Superannuation Scheme (USS) - the best performing pension fund

One of the most important environmental, social and governance issues that the USS is now actively engaged in is climate change. "As the Stern Report indicated, climate change has the potential to impact upon the global economic performance over the long-term," says David Russell, Senior Advisor in the ethical investment team at the USS. "As a pension fund we need to be aware of the long-term as this is the time frame over which we will be paying out our pensions."

In line with their ethical investment policies, the USS is taking a pro-active lead on climate change and is a strong supporter of the Carbon Disclosure Project, a collective investor campaign which encourages the world's biggest corporations to go public on their carbon emissions with the aim of getting them to take steps to reduce them.

ASFO of the month

Citigroup

Our second Anti Social Finance Order goes to Citigroup, the US-based banking conglomerate. In January 2006 Citigroup was awarded the Public Eye Taxes prize for corporate irresponsibility in Davos, Switzerland. Citigroup was nominated for its prize by the Tax Justice Network for its facilitation of tax evasion and money laundering by dictators and its collusion with them to deprive governments of tax proceeds for redistribution. Former and current customers of the bank in this respect were said to include Chilean former dictator General Pinochet, being investigated for human rights crimes, former dictator of Paraguay General Alfredo Stroessner, daughters of former Indonesian dictator Suharto, husband of deposed Pakistani PM Benazir Bhutto, and dictator of Gabon Omar Bongo.

Where an ASFO is awarded, Ethical Consumer calls on consumers to avoid a company's products for twelve months, to help persuade them to stop helping people who wish to avoid making a fair contribution to shared social costs.

Tax Justice Network www.taxjustice.net

Berne Declaration Public Eye Awards www.publiceye.ch/en/



Climate change bond launched

Triodos Bank has launched a new limited-issue savings account, the Triodos Bank Renewable Energy Bond. The bond offers interest of 4.5% fixed for two years with a minimum investment of £2,500 and a maximum investment of £10,000. Money deposited in the bond will be used to finance renewable energy projects including small, environmentally-sensitive hydro-electric projects and community backed wind farms. Further information www.triodos.co.uk 0500 008 720

Triodos Bank

TRIODOS renewable energy bond

New ethical child trust fund launch

One of the UK's largest friendly societies, Family Investments, has launched a new ethical stakeholder child trust fund. Prior to the launch, only one other ethical stakeholder child trust fund was available through the Children's Mutual. Market research by YouGov for Family Investments found that 64% of parents said they



Child Trust Fund

would choose an ethical child trust fund over a standard one. Family's child trust fund offers active management of invested funds by New Star Asset Management and assurance that funds will not be invested in companies that generate significant turnover from: export of armaments and nuclear weapons; animal testing of cosmetics and toiletries; alcohol and tobacco sale or production; trade in prohibited pesticides; manufacture or supply of ozone depleting chemicals; extracting or importing tropical hardwood; pollution of waterways; using intensive farming methods; and pornography.

Further information: www.familyinvestments.co.uk 0800 616695

Norway dumps Wal-Mart

The Norwegian Government Pension Fund, currently worth about \$250billion, is one of the biggest pension funds in the world. Earlier this year the fund's Council on Ethics advised it to sell \$430million worth of stock held in Wal-Mart Stores Inc, Wal-Mart de Mexico and Freeport McMoran Copper & Gold Inc. The Council on Ethics claimed that an "extensive body of material indicates that Wal-Mart consistently and systematically employs minors in contravention of international rules, that working conditions at many of its suppliers are dangerous or health-hazardous, that workers are pressured into working overtime without compensation, that the company systematically discriminates against women in pay", and that attempts to organise workers into unions are stopped. Its research on Freeport found that the company, which operates one of the world's largest copper mines on the Indonesian half of the island of New Guinea, uses a natural river to dispose of 230,000 tonnes of mine waste a day. The Council found the environmental damage caused by the company's operations to be "extensive, long-term and irreversible... with considerable negative consequences for the indigenous peoples residing in the area". When approached by the Norwegian finance ministry neither company chose to provide evidence refuting the allegations and the fund sold NOK2.5 billion of Wal-Mart stock and NOK116 million of Freeport stock. The fund has previously dumped stock in companies involved with nuclear weapons and land mines including Boeing, Honeywell International and Northrop Grumman. According to officials, the clean-up campaign has only just begun and the fund's portfolio of 3,500 overseas companies is being screened for further companies involved in human rights abuses and environmental damage.



Fixed rate bonds

Fixed rate bonds	ethiscore
Triodos Bank Renewable Energy Bond	15.5
Coventry Building Society Fixed Rate e-Bonds	13
London Scottish Bank High Interest Bond	12.5
Northern Rock Fixed Rate Bonds	12.5
Skipton Building Society Fixed Rate Bonds	12.5
The Derbyshire Fixed Rate Bonds	12.5
Birmingham Midshires Fixed Rate Bonds	7
Co-op Bank Fixed Term Deposit	7
egg Fixed Rate Bond	6
Halifax Guaranteed Reserve	6