

## BOOK REVIEW

### SOCIALLY RESPONSIBLE INVESTMENT: A GUIDE FOR PENSION FUNDS AND CHARITIES

by Professor Paul Palmer, Jane Whitfield, Robert Meakin & Charles Scanlan

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This book examines the current state of the law and practice relating to socially responsible investment (SRI) in the UK, and in particular the issues faced by trustees of pension funds and charities in applying or adapting the established principles of trust law in the context of SRI policies.

The book is divided into four parts. The first reviews the historical development of SRI and the related concept of corporate social responsibility, and assesses the strength of the case for adopting an SRI policy. The second chapter examines the common law principles underlying the exercise of fiduciary powers in general and of investment powers in particular, with reference to case law in the USA as well as that of England and Wales. The third chapter focuses specifically on the use of SRI by charities, addressing the practical implications of the leading cases and their relevance to issues of corporate governance and the potential use of SRI as an instrument of political change. The final part considers the interaction of trust law principles and financial services legislation, notably in the form of the Pensions Acts 1995 and 2004 and the various occupational pension scheme regulations, and assesses the extent to which pension fund trustees can take into account social, environmental and ethical considerations when deciding their investment policy or exercising their rights as shareholders. The book concludes with two appendices: an analysis of the results of a survey of UK consulting actuaries' views on SRI and a copy of a recent survey of UK pension funds' approach to SRI in practice.

The authors bring a healthy mix of academic rigour and professional experience to their task. Particular attention is paid to the recent changes in British society that

have gradually led to the more open attitudes of what was historically a relatively closed investment community. A key question, therefore, is whether the law has adapted to these changes in attitude. Given a dearth of UK, and apparently US, case law on SRI (this reader wondered whether the issue has come before the courts in any other jurisdictions), the authors are perhaps inevitably led to draw analogies between SRI and judicial pronouncements on speculative investments and the need for prudence. More encouragingly, they point to positive changes in the attitudes of government and regulators which enable them to conclude that leading cases, such as *Cowan v Scargill* [1984] 2 All ER 750, which were seen initially as inhibiting more progressive investment policies, can be interpreted today in a more favourable light to the extent that it is possible to show that SRI can lead, for example, to 'appreciable benefits' to beneficiaries.

The authors are to be commended for drawing together in a single volume the diverse threads of legal and social attitudes to SRI. This book will serve as a practical aid to assist trustees and their professional advisers to integrate social responsibility into their investment strategies and the promotion of the objectives of their trusts.

**Reviewed by Paul Bater**