

[home](#) > [features](#) > [story](#)

[news feature](#)

[analysis](#)

[interview](#)

[investment focus](#)

[the 25-year-old pioneer that's still going strong](#)

One of the catalysts for today's socially responsible investment scene, the Stewardship Fund was launched in 1984. Mike Scott asks the fund's current manager, Karina Litvack, for an update

A quarter of a century ago, responsible investment as we know it today was born with the launch of Friends Provident's Stewardship Fund, which is managed by F&C.

From that initial £1million fund, the sector had grown to a £6.8bn sector by the end of 2008. When the Stewardship Fund was launched in June 1984, the concept of ethical investing was restricted to churches avoiding 'sin' stocks such as tobacco, alcohol, pornography, armaments and gambling, says Karina Litvack, head of governance and sustainable investment.

What the Stewardship Fund did was, firstly, to make such an approach available to retail investors and secondly, to introduce a new panoply of behavioural screens relating to issues such as environmental management, employment practices and doing business with oppressive regimes. Recently, as the sector has matured, these benchmarks have been extended to other asset classes such as bonds and real estate.

'At the time, this was regarded as off the wall, but it has become an enormous commercial success and spawned a host of imitators and variations on the theme,' Litvack says. These variations include the concept of active ownership and the advent of thematic investments in areas such as climate change, water and forestry.

The fund also pioneered the concept of investor engagement, says Litvack. 'The fund eventually broadened out to include companies that would never have a chance of getting in the fund. One fund withdrawing its investment is not going to make a difference to the cost of capital, so we have to persuade companies that this [consideration of CSR] is in their own interests.'

Engagement remains most effective in the UK. 'Europe is more difficult, verging on challenging. In Germany and Scandinavia, companies are very committed to the environment, but the idea that shareholders would comment on their policies strikes them as bizarre.'

The US remains hostile territory because of the culture of litigation, although progress has been made. 'Ten years ago, it was almost impossible to have discussions. It is still a more confrontational culture, but it has changed.' The new frontier of emerging markets has proved to be 'a bit of a slog. There is a genuine interest in not repeating the mistakes of others but there is quite a bit of "who do you think you are?"'

As the sector has developed, the fund has changed substantially, becoming much more sophisticated. 'In 1984, there was a fairly simple approach to what was a positive company. Basic necessities were important and food was one of these, so any supermarket company would be in. These days, we look at health and nutrition strategies, policies on advertisements, labelling, the origin of products – we look at so many different things now to separate the good, the bad and the ugly.'

Many of the early concerns of the responsible investment sector have become so mainstream that they are seen as anodyne, such as health and safety in the oil and gas sector. 'Ethical investors always argued that these non-traditional performance drivers were important and that companies needed to be mindful of them,' says Litvack. 'That rings especially true today given some of the governance failures exposed by the recent financial crisis, and more and more mainstream investors are waking up to the need to become more active shareholders.'

[Subscribe now](#) | [News](#) | [Events](#) | [CSR jobs & SRI jobs](#) | [Marketing Services](#) | [Contact](#) | [About us](#)

[^ back to top ^](#)

Copyright © ethicalperformance.com. All rights reserved.
Use of this site is subject to our terms & conditions