PRESS RELEASE

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PENSIONS POLICY INSTITUTE
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Pensions Policy Institute to explore ways of overcoming barriers to scheme consideration of ESG

The Pensions Policy Institute (PPI) is launching a research series to identify practical ways to improve ESG engagement among trustees and contract-based scheme providers. The research will explore the financial implications of ESG, climate change and stewardship, explore how schemes are approaching the consideration of these issues, highlight gaps in method and approach, identify barriers to further engagement and set out the possible avenues for greater engagement.

Since October 2019, trust-based DC schemes have been required to set out, in their Statement of Investment Principles (SIP), their policies in relation to 'financially material considerations', which includes ESG risk factors. In October this year regulations will be strengthened, with DC schemes required to produce implementation statements explaining how they have followed and acted upon the stated investment principles set out in their SIP. This trend towards increased regulation of ESG risk factors looks set to continue. Yesterday (26th August), the Government announced a consultation to require the 100 largest occupational pension schemes (those with £5bn or more in assets and all authorised master trusts) to publish climate risk disclosures by the end of 2022.

Despite regulatory changes to schemes' obligations, there is concern that not all schemes are engaging with these issues in a meaningful way. Although understanding among trustees and within contract based schemes has been increasing since the new regulations were implemented, there is still confusion around the financial materiality of ESG factors, the best way to integrate these considerations into investment strategy, and even the very definition of ESG, given the complexity and lack of consistency in language used across the industry.

The PPI will publish an introductory Briefing Note in late 2020, setting out the key developments in regulation, industry and global trends. This will be followed in 2021 by two full reports exploring schemes' consideration of climate change and another delving into ESG risk-factors in greater depth. The research will include analysis of a brand-new survey gathering evidence on trustee opinions and behaviour in relation to ESG.

This project is kindly sponsored by Phoenix Group and Newton Investment Management as main report sponsors, and the Association of British Insurers (ABI) and Scottish Widows as series sponsors. There is still space available for more consortium members; should any organisations be interested in getting involved, please get in touch.

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Notes for editors

1. **We are an independent educational research charity: The Pensions Policy Institute (PPI)** does not lobby for any particular solution and we are not a think-tank taking politically influenced views. The PPI is an educational research charity, which provides non-political, independent comment and analysis on policy on pensions and retirement income provision in the UK. Its aim is to improve the information and understanding about pensions policy and retirement income provision through research and analysis, discussion and publication. Further information on the PPI is available on our website www.pensionspolicyinstitute.org.uk.

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