UKSIF

UK Sustainable Investment and Finance Association

G7 commitment to decarbonisation of the economy only credible if the UK Government acts on fiduciary duty

- **Pension funds need regulator to mandate consideration of climate change**
- **Finance sector welcomes G7 commitment but calls for necessary restating of pension fund investment duties to back it up**
- **Significant opportunities in investing to support the low-carbon economy**

London, 9 June 2015 – The UK Sustainable Investment and Finance Association (UKSIF) today welcomed the agreement by G7 leaders on specific emission reduction targets over the next century, but warned that the UK Government must seize an imminent opportunity to ensure pension funds, invest in line with that commitment.

The 2014 Law Commission report *Fiduciary Duties of Investment Intermediaries* made it clear that when investing pension fund trustees *should* take into account financially material factors including environmental, social and governance (ESG) factors.

Following discussion of a DWP consultation on the report at an April meeting in London, financial service providers overwhelmingly called for regulatory changes to clarify the extent of the powers and duties of pension fund trustees in accordance with the Law Commission view. Such a change would be in accord with yesterday's G7 statement and would show the new Government's commitment.

Simon Howard, UKSIF Chief Executive, said *"The G7 commitment to stretching targets in respect of COP 21 and emissions reduction before 2050 is essential. But, the exciting new commitment to decarbonisation by the end of the century is only credible if COP21 delivers. The good news is that UK sustainable finance in the form of asset owners like pension funds, fund managers and banks is increasingly ready to play its part in financing the necessary changes."*

"Successive UK Governments have put in place regulatory criteria which have let the UK become a leader in sustainable investment. The new Government must continue this approach; the first opportunity will come in the new outline of pension fund trustee duties coming from the recent consultation by the Department of Work and Pensions. This must make it clear that trustees should be considering factors like climate change and guiding them in doing so, and this will have the effect of stimulating the flow of capital to the many emerging opportunities in low-carbon investment. ".

-ENDS-

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Interviews with Simon Howard, Chief Executive, UKSIF, are available on request.

Notes to Editors:

UKSIF's response to the DWP consultation on changes to the investment regulations can be found at http://uksif.org/policy/responses-representations/

About UKSIF:

UKSIF is the membership network for sustainable and responsible financial services in the UK. We promote and support responsible investment and other forms of finance that advance sustainable economic development, enhance quality of life and safeguard the environment. We also seek to ensure that individual and institutional investors can reflect their values in their investments.

UKSIF was created in 1991 to bring together the different strands of sustainable and responsible finance nationally and to act as a focus and a voice for the industry. UKSIF's 240+ members and affiliates include financial advisers, institutional and retail fund managers, pension funds, banks, research providers, consultants and NGOs. For more information about UKSIF, please visit www.uksif.org.

About the DWP consultation:

The 2014 Law Commission report *Fiduciary Duties of Investment Intermediaries* made it clear that pension fund trustees *should* take into account financially material (ESG) factors. To ensure trustees understand the extent of the investment powers and duties, the Coalition Government published a consultation document in February 2015. The UKSIF response highlighted the significant risk ESG factors could have on investments and made clear the law relating to occupational pension scheme investment should be clarified. It also called for guidance from relevant regulators on any amendments to the regulations and for trustee boards to be sent information on how any changes may affect them.

The response to the consultation is expected to be published by the new Government no later than autumn 2015.