

PQM Standards Review to Provide Further Boost for UK Responsible Investment

- *The PQM has announced a consultation which will make criteria to receive PQM and PQM Ready accreditations more stringent.*
- *It proposes that schemes wishing to attain accreditation must have approaches to ESG and stewardship assessed and made public.*
- *Consultation the latest in a tide of initiatives which propose more on ESG and stewardship.*

London, 18th July 2017 – The Pension Quality Mark (PQM) has recently announced a [wide ranging consultation](#) on the future standards for defined contribution (DC) pension provision in the U.K. The consultation covers both PQM for individual employer schemes and the PQM Ready for multi-employer schemes.

The changes proposed in the consultation document have the potential to bring about tangible positive change and represent a real boost for savers. Over 220 schemes currently hold the PQM, covering 1.3 million savers and representing £194bn assets. 12 master trusts are currently accredited with PQM Ready, supporting more than 25,000 employees employers covering more than 7.3 million savers and representing £476bn of assets under management.

The consultation, which closes on 4th August, represents the latest in an increasing tide of initiatives and regulatory developments which promote the many benefits of more responsible ways of doing finance i.e. by integrating environment, social and governance (ESG) factors into the investment process and continuing dialogue and engagement with investee companies and other investments. Other such recent initiatives have included:

- The Law Commission's reports in 2014 and 2017 which called for pension schemes to outline their approaches to ESG and stewardship and for the FCA to publish guidance on it for contract-based schemes;
- Recent changes to rules for LGPS schemes which came into force in April and require administering authorities to state their positions on ESG, stewardship and social investment;
- The Pensions Regulator published two pieces of investment guidance for trustees of DC and DB pension schemes which said they are 'required' to consider all financially material factors and 'need' to consider ESG where it is financially material.

In response to this consultation Fergus Moffatt, Head of Public Policy at UKSIF commented:

"We fully support the PQM's decision to review the standards required to achieve the PQM and PQM Ready accreditations and have engaged with them for some time on this excellent initiative. In particular the proposals on extending the standards to include an assessment of scheme approaches to corporate stewardship and environmental, social and governance issues. It is important that pension schemes take into account the positive impacts that can arise from incorporating these factors into their investment strategy. Both these and other areas under review by the consultation are essential for the provision of good quality defined contribution pensions in the UK and as such it is important that as many interested parties as possible respond."

It is time for the pensions industry to reflect on its current position and ask difficult questions such as what defines excellence in DC pension provision. We look forward to responding to the PQM consultation and would urge other interested parties from across the sustainable investment industry to participate ahead of the 4th August deadline."

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Notes to Editors:

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.

- The PQM consultation is available on its website [here](#).
- The Law Commission's 2014 report on the Fiduciary Duties of Investment Intermediaries is available [here](#).
- The Law Commission's 2017 report on Pension Fund and Social Investment is available [here](#).
- An UKSIF brief on LGPS rule changes is available [here](#).
- An UKSIF brief on TPR's new guidance for DB schemes is available [here](#).