

Embargoed

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UK investment consultants publicly back UK Pensions Regulator guidance to consider environmental and social issues

- **Twelve influential advisory firms back key guidance on Regulator's expectation that pension funds will consider environmental, social and governance (ESG) factors in investment decision making**
- **Increased consideration of ESG issues by trustees through a robust advisory framework will add value to investment portfolios and ultimately benefit savers, say AMNT**
- **AMNT, UKSIF and these leading investment consultants partner to ensure important new sustainability guidance is taken to pension fund clients**
- **Leading investment consultants acknowledge and make public commitment to incorporate financially material ESG issues into their client offering**

Twelve leading investment consultants have agreed to ensure clients are made aware of The Pensions Regulator's (TPR) guidance that pension schemes take into account environmental, social and governance (ESG) factors where they are financially material. This commitment could mark a significant acceleration in the growth of long-term, sustainable, investment strategies.

The **Association of Member Nominated Trustees (AMNT)** and the **UK Sustainable Investment and Finance Association (UKSIF)** acted on behalf of members to convene leading UK investment consultants to ask how their firms will act upon the guidance issued by TPR in March[1]. The AMNT and UKSIF are delighted that twelve firms have committed to action in a public statement (below).

The TPR guidance and this initiative reflect growing recognition that ESG factors will affect the value of pension funds: the Governor of the Bank of England has suggested that climate change may affect the value of a third of shares and bonds; shares in Volkswagen fell sharply as the governance scandal unfolded; and the public seems more likely to boycott firms that fall short in employment standards. Pension funds typically rely on guidance from investment consultants to make their investments, and this work means these new and emerging risks will be better addressed to the benefit of millions of pension savers.



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Twelve UK investment consultancies made the following statement:

“(Name of company) is happy to join with the Association of Member Nominated Trustees and the UK Sustainable Investment and Finance Association in recognising that the recent investment guidance from The Pensions Regulator marks a major development in TPR’s approach to how trust based DC and DB pension schemes need to address risks around long term sustainability, including environmental, social and governance issues.

“We agree that this change, reflected in the TPR’s statement to trustees that ‘We expect you to assess the financial materiality of these factors and to allow for them accordingly in the development and implementation of your investment strategy’ puts trustees and their advisers under an obligation to react.

“We believe that ESG is a fundamental part of success in long-term investing, therefore we are drawing the guidance to the attention of UK pension fund clients through a variety of routes such as putting consideration of ESG on trustee meeting agendas, issuing briefings and/or holding training sessions. We also recognise the significant role that client-facing consultants can play in ensuring that our clients are well informed on the issues.”

The firms (in alphabetical order) are:

Allenbridge
Aon Hewitt
Barnett Waddingham
bfinance

Cardano
Hymans Robertson
JLT Employee Benefits
Lane Clark & Peacock LLP

Mercer
Quantum Advisory
Redington
Willis Towers Watson

Janice Turner, co-chair of AMNT, said:

“We were really concerned that our members, many of them small pension funds, would not be told of this absolutely vital advice from The Pensions Regulator. We are delighted that so many consultants – representing such a significant percentage of the market- have agreed to raise the issue with their clients.”

Simon Howard, Chief Executive of UKSIF, said:

“We are delighted at the positive response from these important players in pensions. The Pensions Regulator’s guidance makes it clear that savers are entitled to have their money protected from visible threats such as climate change, and we hope that the commitment from leading investment consultants to brief and help clients will accelerate the process. We look forward to working with all parties to make sure it does.”

Leanne Clements, Campaign Manager for Red Line Voting at the AMNT, said:

“This public commitment represents a significant step forward for the investment consultant industry for which I applaud all participants. We look forward to working together to ensure that this message reaches the client facing consultants who have the most interaction with pension schemes. Only with their support at grass roots level can we create the kind of shift in thinking on these issues that the regulator and we are looking for from trustees.”

Dawn Turner, Chief Executive Officer of Brunel Pension Partnership Ltd., said:

“This public commitment represents a major step forward in ensuring a greater mass of trustees get guidance on ESG issues, especially trustees of smaller more resource-constrained funds. Brunel looks forward to working with AMNT, UKSIF and the investment consultant industry in the coming months to ensure this initial positive step serves as a catalyst to ensure ESG issues are at the heart of the client offering to the investment consultant industry.”



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Fred Berry, Lead Investment Consultant at TPR, said:

"We welcome this initiative from the AMNT, UKSIF and the signatory organisations. We know from our research with trustees that many, particularly lay trustees, rely on their advisers to keep them up to date with our news and guidance. We expect investment consultants and others advising pension schemes to support trustees to manage risks to member benefits, including risks to the sustainability of the scheme's investments."

Notes

The Association of Member Nominated Trustees (AMNT) is a not-for-profit company limited by guarantee, set up by and for member-nominated trustees, member-nominated directors and employee representatives, of UK based occupational pension schemes in the private and public sector. Set up in 2010 it now has nearly 700 members from pension schemes with collective assets totalling more than £650 billion.

The Association is dedicated to providing those Member Nominees (MNs) with support, which underpins their critical role in ensuring that their pension scheme is governed in the best interests of the scheme members in consultation with their sponsors.

The AMNT will enable MNs to build their skills and knowledge, voice their opinions, share best practice, become part of a like-minded community and be better recognised for the good and important work they do.

The AMNT has introduced a new approach to responsible investing, Red Line Voting, which enables pension scheme trustees to:

Play a proper stewardship role with regards to the companies in which they invest, including pension schemes investing via pooled funds meet their fiduciary duties in line with the recent guidance from The Pensions Regulator and the Law Commission, It does this by allowing pension schemes to set environmental, social and governance (ESG) voting policies at "best practice" level. For more details, please refer to: <http://redlinevoting.org/what-is-red-line-voting/>

UKSIF is a membership organisation for those in the finance industry committed to growing sustainable and responsible finance in the UK. Our vision is a fair, inclusive and sustainable financial system that works for the benefit of society and the environment. We work to achieve this by supporting our circa. 240 members representing over £7,000bn under stewardship to grow sustainable and responsible finance in the UK.

[1]TPR guidance published in March 2017 states: "Most investments in pension schemes are exposed to long-term financial risks...These can relate to factors such as climate change, responsible business practices and corporate governance. We expect you to assess the financial materiality of these factors and to allow for them accordingly in the development and implementation of your investment strategy." <http://tpr.gov.uk/trustees/db-investment-strategy.aspx>

Leanne Clements

Campaign Manager for
Red Line Voting, AMNT
07825 278430
leanne.clements@amnt.org

Simon Howard

Chief Executive, UKSIF
0207 749 9950
simon.howard@uksif.org

Shirley Collyer

Lansons
07711 142147
shirleyc@lansons.com

Lorna Russell

Lansons
020 7294 3609
lornar@lansons.com



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Email: mail@amnt.org

www.amnt.org

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