

## **Landmark change as Government says pension trustees must state policy on ESG risks**

- *DWP proposes rule amendments to require pension trustees to publish their approach to ESG, ethical investment and stewardship.*
- *FCA also responded to Law Commission report stating it will consider rule changes for contract-based schemes.*
- *UKSIF has campaigned for fiduciary duty clarification for years.*

**London, 18<sup>th</sup> December 2017** – The Department for Work and Pensions has today published its interim response to the Law Commission’s report Pension Funds and Social Investment. Crucially, it responds to recommendations that would require trust-based pension schemes to report on their approach to environmental, social and governance (ESG) factors, ethical investment and stewardship, saying it is “minded” to introduce the changes. The FCA, at whom similar recommendations were aimed, has responded saying it will “consider” the Law Commission’s report and what “form of rule changes may be appropriate”.

UKSIF has campaigned to have the concept of fiduciary duty clarified in law for years and strongly welcomes the Government’s announcement. This is the second time in three years that the Law Commission has made these recommendations for rule changes in trust-based pension schemes and an important opportunity to cement this thinking in law. The FCA, who is more cautious about amending its rules, will announce a response alongside the Government’s final response to the report next summer.

**Simon Howard, Chief Executive of the UK Sustainable Investment and Finance Association said:**

*“This is a good day for UK pensions. UKSIF welcomes today’s publication of the Government’s interim response to the Law Commission’s report on Pension Funds and Social Investment. In particular we are delighted that the government is “minded” to amend the law to require trust-based schemes to outline in their SIPs their policies in relation to ESG factors, on consideration of non-financial concerns, and on stewardship. UKSIF has met the Government and the Law Commission on many occasions over the past few years to discuss this issue, and today’s news represents another important step towards more robust investment strategies which consider financially material environmental, social and governance factors.*

*The Government’s support for the Law Commission’s view that schemes should consider members’ views on non-financial concerns is welcome, particularly since Good Money Week polling showed that 47% of UK savers want to both make money and make a positive difference to the world. Stewardship is a crucial part of creating better long-term returns by influencing more responsible behaviour in investee firms. We fully back DWP’s position that good stewardship presents schemes with the opportunity to better serve beneficiaries.*

*The Law Commission report called for the FCA to impose broadly similar requirements on contract-based schemes. Today the FCA says it is considering what form of changes in its regulations are needed and that it will have an answer in the first half of 2018. UKSIF hopes the FCA will respond to the leadership shown by DWP in these crucial areas.*

*UKSIF looks forward to working with its members, the DWP and the FCA in early 2018 ahead of the Government’s final response to the Law Commission’s report.”*

**Contact:**

Fergus Moffatt, Head of Public Policy, 020 7749 9950, [fergus.moffatt@uksif.org](mailto:fergus.moffatt@uksif.org)

**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](http://www.uksif.org).

- DWP's response to the Law Commission report is available [here](#).
- The Law Commission's 2017 report on Pension Fund and Social Investment is available [here](#).
- The Law Commission's 2014 report on the Fiduciary Duties of Investment Intermediaries 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](#).