

**EMBARGOED: 0.01am Monday 4<sup>th</sup> June 2018**

## **Parliamentary Committee Calls for Government Action to Curb Climate Risk to Economy**

- *EAC report follows detailed inquiry into financial risks posed by climate change to the UK economy.*
- *Key recommendations include clarification of investors' fiduciary duties and boosting the corporate reporting regime around climate change disclosures.*
- *FCA targeted as a key player which should act "by end of year".*
- *UKSIF welcomes the report following years of lobbying to implement these recommendations.*

**London, 4<sup>th</sup> June 2018** – The Environmental Audit Committee has today published its report *Greening Finance: embedding sustainability in financial decision making*. The report follows a months-long inquiry and makes various recommendations surrounding two key ways of factoring environmental risks such as climate change into financial decisions. As well as focusing on boosting the company reporting of recommendations on climate-related financial disclosures, the EAC has called for clarification of pension fund trustees' fiduciary duty (including updated rules and guidance for pension funds).

The EAC found a disparity between the guidance on consideration of environmental risks available for trust-based schemes, for whom The Pensions Regulator has published two separate pieces of investment guidance, and for contract-based schemes, for whom the FCA has not provided any guidance. The EAC is "deeply concerned" with this, noting it 'is the result of the FCA's apparent reluctance to act on the Law Commission's recommendations'. It states that 'the FCA should rectify this by the end of the year'. Next month the Government and the FCA will publish a joint-response to the Law Commission's recommendations, which will be the first opportunity to see the extent to which the FCA is willing to provide guidance for contract-based schemes – if at all.

UKSIF has campaigned to have the concept of fiduciary duty clarified in law for years and strongly welcomes the EAC's report, including recommendations around boosting climate-related financial disclosures to better enable investors to understand their exposure to climate risk.

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

*"I welcome the Select Committee's excellent report and was delighted UKSIF was able to contribute both written and oral evidence to the inquiry. Clarification of investors' fiduciary duty is an essential step to better enabling UK finance to deal with issues such as climate change risks, and to creating more robust investment policies for savers. The Government has already shown leadership by saying it is "minded" to introduce such changes for trust-based schemes which is good news, the FCA has thus far been reluctant to clarify the duties on contract-based schemes.*

*Fiduciary duty is about acting in the best interests of savers, who have long-term investment horizons. The evidence shows this isn't happening and schemes are mistakenly pursuing maximum returns over the short-term. This is bad for savers, bad for the economy and bad for the environment. Integrating all financially material factors into investment decisions can help reduce risk and enhance returns and it's about our financial regulators understand this and act upon it.*

**Fergus Moffatt, Head of Public Policy at the UK Sustainable Investment and Finance Association said:**

*The EAC's report rightly draws attention to the disparity in guidance on how to consider climate change risk and wider ESG risks between trust-based schemes and contract-based schemes. The Committee has given the FCA until the end of the year to rectify this situation by publishing such guidance – as recommended by the Law Commission – and I look forward to hearing how it intends to do this when it responds to the Law Commission later this month. It's time for the FCA to enter the 21<sup>st</sup> Century and break its silence on this crucial issue.*

-ENDS-

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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](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](#).