"More joined-up approach needed across all stakeholders to achieve climate change goals” says Pensions Policy Institute

The Pensions Policy Institute (PPI) is today publishing Engaging with ESG: Climate change. This report, which is the second output in the Engaging with ESG series, explores the attitudes and approaches currently being implemented in relation to climate change, with the aim of highlighting areas where further support, guidance or intervention could be beneficial in order to improve engagement and implementation of appropriate risk management.

Joined-up goals, strategies and data sources across government and industry will improve scheme engagement with climate change. There are five key areas that may need further work:

- **Integrated goals**: Establishing a consensus on goals and the practical steps needed to achieve them across all stakeholders.
- **Engagement and stewardship**: A greater focus on engagement and stewardship activities to ensure that companies across the board are making progress towards climate change goals.
- **Encouraging innovation from third-parties**: Pressure from government, regulators, industry bodies and schemes themselves on those involved in schemes’ approach to climate change to provide products and strategies that meet needs in integrating climate change risks, as well as improving the data provided to schemes.
- **Increasing knowledge and understanding**: Improving scheme decision-makers’ knowledge and understanding of climate change across the industry, especially around the more practical aspects such as the implications of different investment approaches.
- **Standardised data**: Establishing a centralised data source which can provide a starting point for schemes that are unsure where to start or are overwhelmed by the quantity of data available.

Lauren Wilkinson, Senior Policy Researcher at the PPI said “Focus on ESG has increased in recent years and the landscape for climate change investment especially has been developing quickly. Policy and regulatory change are also putting further pressure on schemes to learn and innovate. Schemes may need to take a more proactive role in engaging with those acting on their behalf, including pension providers and asset managers. A more joined-up approach across government and industry, especially in terms of practical steps, is also likely to be needed.”
Gareth Trainor, Head of Investment Solutions at Phoenix Group, said “On ESG, we risk both too much, and too little leadership. There are many industry groups, regulations, initiatives, and competing propositions to consider, and the industry needs to get their ducks in a row. The ecosystem needs to be simplified for pension schemes and their members. We believe that it is time for industry bodies to pool their collective capabilities and lead the sector by harmonising what best practice looks like”.

This report is the second of three publications in the Engaging with ESG series, following the publication of Engaging with ESG: The story so far in December 2020, to be followed by a third publication on ESG risks in April 2021. This report was kindly sponsored by Phoenix Group, along with series sponsors Newton Investment Management, ABI, Baker McKenzie, PLSA and Scottish Widows.

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Notes for editors

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2. The Engaging with ESG series is kindly sponsored by Newton Investment Management, Phoenix Group, ABI, Baker McKenzie, PLSA, and Scottish Widows. Sponsorship has been given to help fund the research, and does not necessarily imply agreement with, or support for, the analysis or findings from the project.

3. The third output in this series, ‘Engaging with ESG: Environmental, social and governance factors’, to be published on Thursday 22nd April 2021, delves deeper into the investment landscape for other environmental, social and governance risks. While many of the practical steps needed to move further on integration of these risks mirror those identified in the first report, there are lessons to be learned from the steps already taken to develop the integration of climate change risks, as well as specific areas of need for social and governance risks.
We would like to thank our major sponsors of the Engaging with ESG series:

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