PENSIONS POLICY INSTITUTE
PPI

PRESS RELEASE
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"Pension schemes who do not integrate ESG into investment strategies risk legal difficulties, higher compliance costs and potentially reduced returns in the future" says Pensions Policy Institute

The Pensions Policy Institute (PPI) is today publishing *ESG: past, present and future,* a report which explores what ESG is, how it has been used until now and how it might be used in future. This report is informed by qualitative research with those responsible for managing, overseeing or advising on the investments of Defined Benefit and Defined Contribution Schemes (both trust and contract based) and the report has been sponsored by Redington.

Recent years have seen a greater focus on environmental, social and governance (ESG) factors when investing pension funds. The Government is strengthening the obligation on pension scheme trustees to consider ESG factors in investment decisions and the FCA plan to consult on corresponding requirements for workplace personal pensions.

As a result pension schemes could face legal difficulties as a result of non-compliance with regulations, higher admin and legal costs, and potentially reduced returns in the future as a result of not taking financially material ESG risks into account.

However there are many potential barriers for full ESG integration including lack of consensus regarding definition and implementation, impact upon smaller schemes resources, and availability of products for the schemes.

Trustees and IGCs would benefit from more concrete guidance and support. Smaller schemes may also need more support in order to make consideration of ESG factors easier.

Chris Curry, Director at the PPI said "The world is changing and this needs to be reflected in the way we make investments. Nobody can predict potential future economic consequences of local and global trends such as climate change, social movements, and increased regulation but there are patterns which are emerging. However there is a lack of consensus regarding the financial implications of these factors for investors.

There is also a lack of agreement regarding the definition of ESG. This leads to some confusion among trustees and IGCs, advisers and investment managers, as to the purpose and benefits of any ESG in investment framework. As well as potentially missing out on sustainable long-term investment returns, those not fully appreciating and utilising ESG run the risk of regulatory non-compliance, and additional costs. "

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For further information please contact -

Danielle Baker, PPI: 020 7848 4467 or 07714250910, email: press@pensionspolicyinstitute.org.uk

Notes for editors

1. The Pensions Policy Institute (PPI) is an educational research charity, which provides non-political, independent comment and analysis on policy on pensions and retirement income provision in the UK. Its aim is to improve the information and understanding about pensions policy and retirement income provision through research and analysis, discussion and publication. Further information on the PPI is available on our website www.pensionspolicyinstitute.org.uk.

2. This report was sponsored by Redington. Redington was co-founded 12 years ago, by entrepreneurs Dawid Konotey-Ahulu and Robert J Gardner. Since 2006 the firm has disrupted the traditional pensions and savings industry helping secure the benefits of millions of members. Under the leadership of CEO Mitesh Sheth, Redington, a Sunday Times Top 100 Small Companies to Work For, is on a mission to make 100 million people financially secure. We want to provide advice, solutions and technology to the entire demographic from school children and teachers, to working/saving adults, to those approaching retirement and pensioners as well, not just here in the UK but around the world.

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3. 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.

4. The report cover 3 main areas segmented into 3 chapters:

   Chapter one explores the definition of Environmental, Social and Governance (ESG) and discusses how ESG factors can affect investment risks and sustainability.
   Chapter two considers current, historical and future regulation, legislation, guidance and best practice relating to ESG.
   Chapter three explores current trends in use of ESG and barriers to consideration of ESG factors.