PRESS RELEASE

EMBARGOED UNTIL 0001 THURSDAY 22ND APRIL 2021.

PENSIONS POLICY INSTITUTE
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“Pension schemes need to recognise that a broader ESG focus is required” says Pensions Policy Institute

The Pensions Policy Institute (PPI) is today publishing *Engaging with ESG: Environmental, Social and Governance Factors.* This report, which is the final output in the Engaging with ESG series, explores the way in which pension investment strategies take into account Environmental, Social and Governance (ESG) factors, and considers future opportunities, challenges and proposals for effective support to encourage evolution and improved risk mitigation.

For some time, much of the focus on ESG has been skewed towards climate change. This is unsurprising given that climate change has been at the forefront for both policymakers and society more broadly, as the frequency of extreme climate events and climate change protest movements increase, and the pressure to take action on climate change grows. However, this heavy focus on climate change has, at times, left other ESG factors overlooked. In order to ensure that ESG risks have been appropriately mitigated, schemes and those acting on their behalf must ensure that the full range of ESG risk factors have been considered, not just climate change.

Lauren Wilkinson, Senior Policy Researcher at the PPI said “Events over the course of 2020 and so far in 2021 have emphasised how rapidly social and governance factors and societal attitudes surrounding them can evolve and come to the fore. Issues around public health, equality and labour practices have received increasing attention, accelerated by the COVID-19 pandemic, equality movements such as Black Lives Matter, and corporate insolvencies and court rulings against companies such as Asda and Uber. These social movements emphasise the importance of pension schemes’ investment strategies being flexible and proactive in the way that they approach ESG considerations. All those who are involved in designing and implementing schemes’ investment strategies need to have a good understanding of the way in which these factors can have a financially material effect on outcomes, if they want to avoid putting member contributions at financial risk. Initiatives that have already been successfully employed to improve integration of climate change risks may offer lessons as other ESG factors become more significant. However, schemes may need more support to improve their knowledge and understanding, especially regarding social factors and the way in which available data relates to their own investment strategy.“

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Julian Lyne, Chief Commercial Officer at Newton Investment Management, said: "UK pension schemes are under increasing regulatory pressure to consider Environmental, Social and Governance (ESG) factors in their investment decisions, and to report on how they have done so. As this report identifies, schemes recognise that their work to meet those responsibilities has further to go.

Following a year dominated by the global pandemic and other events which have accelerated the consideration of Environmental, Social and Governance norms, there is no better time than now for schemes to build on the work they have done around climate change when considering ESG factors more broadly in their investment strategy. As active asset managers, we are committed to engaging with schemes purposefully to help them meet these ESG-related obligations."

This report is the final of three publications in the *Engaging with ESG* series, following the publication of *Engaging with ESG: The story so far* in December 2020 and *Engaging with ESG: Climate Change* in February 2021.

This report was kindly sponsored by Newton Investment Management, along with series sponsors Phoenix Group, ABI, Baker McKenzie, PLSA and Scottish Widows.

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Notes for editors

1. **We are an independent educational research charity: The Pensions Policy Institute (PPI)** does not lobby for any particular solution and we are not a think-tank taking politically influenced views. The 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. News and other information about The PPI is available at www.pensionspolicyinstitute.org.uk and via Twitter: @PPI_Research.

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.

We would like to thank our major sponsors of the Engaging with ESG series:

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