

## Responsible and Sustainable Investment Update

### In This Issue

[I. Key Responsible Investment Highlights](#)

[II. The UKSIF Sustainable Pensions Project \(SPP\)](#)

[III. Pension Funds and Responsible Investment](#)

[IV. Research Highlights and Other Initiatives](#)

### Quick Links

[Contact Us](#)

[About Us](#)

[Related Topics](#)

Welcome to UKSIF's quarterly update for pension funds and their advisers. It is produced as part of UKSIF's Sustainable Pensions Project which assists occupational pension funds to adopt more responsible and sustainable investment strategies.

### I. Key Responsible Investment Highlights

#### UKSIF/CIPFA survey finds strong RI commitment amongst local authority pension funds

The UKSIF and CIPFA survey assessed the extent to which RI is being addressed by local authority pension funds. It found that that 80% of funds agree or strongly agree that considering RI is part of their fiduciary duty and that for 75% of funds their increased commitment to RI is being driven by the need to protect and enhance fund value. The survey also found a high level of awareness for the UKSIF/CIPFA/LAPFF self-assessment template. The results were presented by Mike Taylor of London Pensions Fund Authority at the LAPFF Annual Conference. Contact [adam.ognall@uksif.org](mailto:adam.ognall@uksif.org).

### II. The UKSIF Sustainable Pensions Project (SPP)

#### UKSIF to celebrate 10th Anniversary of the "ESG disclosure" regulation

UKSIF will be holding a reception at the House of Commons to celebrate the 10th anniversary of the "ESG disclosure" regulation for occupational pension funds on 28 June. Contact [penny.shepherd@uksif.org](mailto:penny.shepherd@uksif.org).

### III. Pension Funds and Responsible Investment

#### 1. UK Pensions

#### PADA investment consultation finds strong support for responsible ownership

PADA has published, 'Building personal accounts: designing an investment approach: Key findings of the public consultation', based on findings from the consultation. It found strong support for both responsible ownership across all NEST investments and member choice of religious and ethical options. Visit [www.padeliveryauthority.org.uk](http://www.padeliveryauthority.org.uk).

### **Environment Agency pension fund wins ESG award and issues "green" bond mandate**

The fund was awarded Best Investor in ESG at the IPE-TBLI ESG Leaders Awards in Amsterdam. This is the third year in a row that the fund has won this award. The fund is also looking to award a global bond mandate that integrates environmental, social and governance (ESG) factors. It may include allocations to green bonds, climate change bonds and other sustainability bond products. Visit [www.environment-agency.co.uk](http://www.environment-agency.co.uk).

### **UK council pension fund tenders for corporate governance and environment overlay mandate**

East Sussex County Council Pension Fund issued a tender for a corporate governance overlay manager, including for voting and engagement with a focus on environmental impacts. Visit [www.eastsussex.gov.uk](http://www.eastsussex.gov.uk).

## **2. International Pensions**

### **73% of Dutch pension schemes have an RI policy**

A survey of 90 Dutch pension schemes, undertaken by three of the country's umbrella pensions organisations, found that the number of schemes with an RI policy has more than doubled since 2006. Visit [www.vb.nl](http://www.vb.nl).

### **Pension funds participate in World Bank's \$130 million third green bond issue**

World Bank green bonds support projects that meet specific criteria for low carbon development. Investors in the bond include CalSTRS, Swedish AP2 and AP3 Funds and the UN Joint Staff Pension Fund. Visit [www.treasury.worldbank.org](http://www.treasury.worldbank.org).

## **3. Collaborative Initiatives by Pension Funds**

### **Institutional investors urge governments to implement strong climate change policies**

A number of investor networks, including the Institutional Investors Group on Climate Change, have issued a statement calling on countries not to wait for a global treaty but to move quickly in adopting strong climate change policies. The statement was announced at the Investor Summit on Climate Risk on 14 January. Visit [www.iigcc.org](http://www.iigcc.org).

### **Investors file BP and Shell shareholder resolution regarding tar sands operations**

A coalition of investors, including UNISON Staff Pension Scheme, has filed shareholder resolutions with BP and Shell requesting information on the investment risks associated with their Canadian tar sands projects. Visit [www.fairpensions.org.uk](http://www.fairpensions.org.uk).

## **IV. Research Highlights and Other Initiatives**

### **Walker Report recommends a Stewardship Code for institutional investors**

'A review of corporate governance in UK banks and other financial industry entities: Final recommendations' calls for reforms to strengthen governance and increase disclosure on pay. It recommends that the Financial Reporting Council (FRC) take responsibility for a new Stewardship Code for institutional investors, including independent oversight of an annual engagement survey. Following the report, the FRC has now begun consultation on the content, operation and oversight of the code. Visit [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk) and [www.frc.org.uk](http://www.frc.org.uk).

### **The Pensions Regulator updates responsible ownership section in trustee toolkit**

As part of the Pensions Regulator review of the code of practice and scope guidance of the trustee knowledge and understanding (TKU) requirements, reference and new guidance on responsible ownership of assets has been added to the trustee toolkit. Visit [www.trusteetoolkit.com](http://www.trusteetoolkit.com).

### **Eurosif investment consultant report highlights growing demand for ESG advisory services**

'Investment Consultants & Responsible Investment' examines the investment consultants' role in shaping investors' strategies and investment practices. The study found that 89% of consultants anticipate an increased client interest in ESG issues. Visit [www.eurosif.org](http://www.eurosif.org).

### **Roger Urwin of Towers Watson predicts financial benefits from sustainable investing**

Speaking at the NAPF seminar on corporate governance, Roger Urwin argued that pension funds could save up to 100 basis points in investment costs annually by adopting a broad sustainability approach. The savings would come through longer-term investment briefs and better cost and risk management. Visit [www.napf.co.uk](http://www.napf.co.uk).

### **Paul Myners calls for establishment of corporate governance activist group of long-term investors**

The group would consist of UK long-term institutional investors. The group's aim would be to raise awareness of corporate governance, engagement and stewardship as investment strategies. Visit [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

### **Mercer produces RI and fixed income white paper**

Mercer's white paper on RI and fixed income addresses how institutional investors can access responsible fixed income opportunities. Visit [www.mercer.com/ri](http://www.mercer.com/ri).

### **FairPensions report considers UK fund managers' actions and attitudes around climate change**

'Preparing for the storm? UK fund managers and the risks and opportunities for climate change' found that 56% of asset manager respondents cited lack of demand from pension funds and others as a barrier to incorporating climate change issues into investments. Visit [www.fairpensions.org.uk](http://www.fairpensions.org.uk).

For more information about the project or past copies of this newsletter visit [www.uksif.org/projects/sustainable\\_pensions](http://www.uksif.org/projects/sustainable_pensions). Do please pass this update on to colleagues or other interested parties.

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