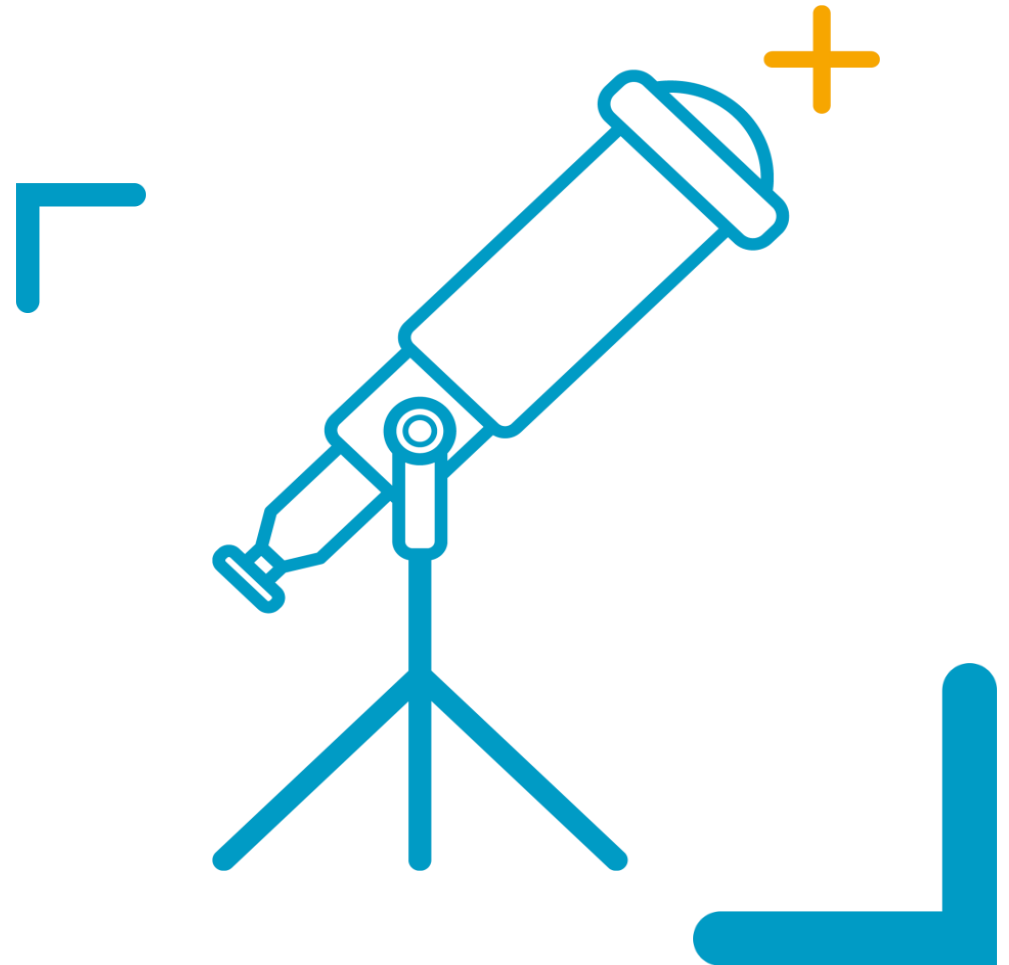


University of Bristol

*ESG – what are clients
doing to address
increased member and
regulatory focus*

Lizzie Potter & Philip Audaer

11 February 2020



Contents

- What is 'Responsible Investment' ("RI") ?
- Why the increased focus?
- SIP requirements for trust-based schemes (FYI)
- What are other clients doing?
- What should the Governance Committee be doing?

What is RI?

LCP uses RI as an umbrella term for ESG and stewardship

RI aims to improve long-term risk-adjusted returns by:

- *Incorporating **ESG*** factors in investment decisions*
- *Exercising **stewardship**, eg voting, engagement*

Note: not to be confused with 'ethical' investing

Examples of how these factors affect fund performance

Environmental

- Biodiversity
- Climate change
- Energy efficiency
- Pollution
- Waste management
- Water scarcity

Social

- Community relations
- Diversity and inclusion
- Human rights
- Labour standards
- Product safety
- Training

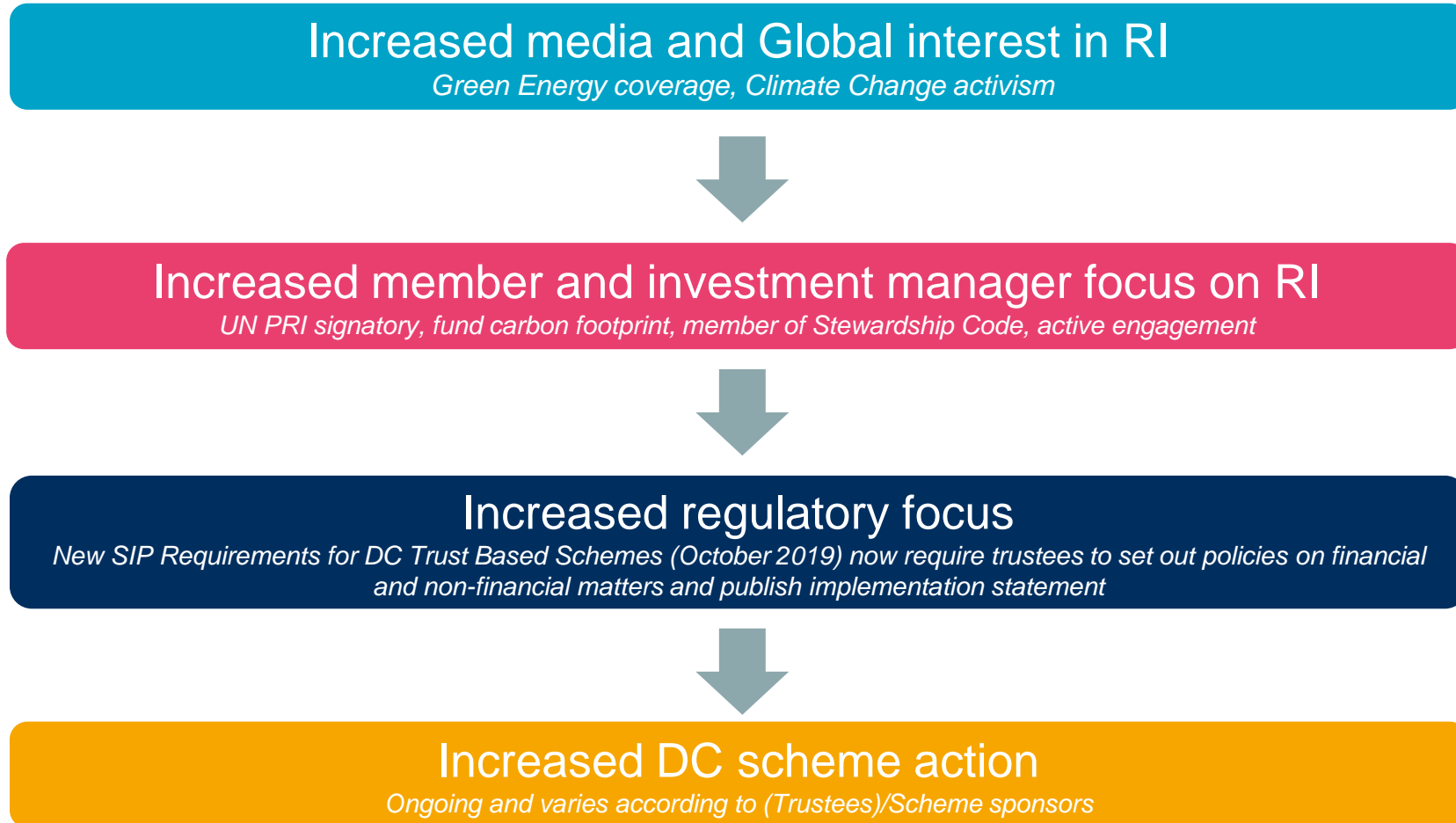
Governance

- Board composition
- Bribery and corruption
- Compliance
- Executive remuneration
- Lobbying
- Succession planning

Committee members may have different views on ESG, but all should be satisfied that their investment manager (i.e. L&G) is considering the major risks when making investment decisions

Why the increased focus on RI?

Catalysts for change



New SIP requirements – for trust schemes

By 1 October 2019, all trustees must have updated their SIP to set out their policies on **financially material considerations** (usually including ESG issues and climate change), the extent to which **non-financial matters** are taken into account (if at all) and undertaking **engagement** activities.

Trustees of DC schemes also need to **publish the SIP online** and link it from member benefit statements.

From 1 October 2020, trustees of DC schemes will need to produce and publish an annual **implementation statement**.

What this means for the GPP Governance Committee

- Before October 2019 requirement to reflect the above in the Plan SIP **(trust schemes only, so N/A)**
- Continue to be cognisant of developments from L&G in offering RI / ESG funds and offer any suitable funds as part of any manager selections undertaken **(relevant to the GPP)**
- Continue to liaise with L&G regarding their engagement and stewardship **(relevant to the GPP)**

What are other LCP clients doing?

Over 50% of schemes we advise now offer an ethical self-select solution to members.

Three schemes (all trust based) now offer a climate-tilted equity fund as the sole accumulation fund for their lifestyle.

A number of clients are currently reviewing their lifestyle in light of recent regulation

Two clients (trust) are currently selecting an active 'impact' fund to add to the members' self-select range.

What should the Governance Committee be doing?

- As this Scheme is a GPP, the regulations that apply to trust-based schemes is less stringent / relevant. In particular, it is not a regulatory requirement to;
 - Articulate ‘investment beliefs’ in relation to financial and non-financial factors; and
 - Report on them to members on an annual basis.
- That said, the Governance Committee should note the trajectory of both media, regulatory and investment focus in this area.
- There has already been evidence of engagement with members on this issue (Pat’s email of 3 December 2019 refers).
- L&G has already supplied a newsletter and video for distribution.
- The GPP offers access to the **L&G Future World Fund range**
- The Governance Group could use this as an opportunity to re-assess the fund options available to members, either;
 - As part of the default;
 - As a ‘promoted fund’; or
 - As part of a wider communication programme to members (see above).

Use of our work



Philip Audaer
Principal

philip.audaer@lcp.uk.com
020 7432 6777



Lizzie Potter
Investment Analyst

lizzie.potter@lcp.uk.com
020 7432 7256

This work has been produced by Lane Clark & Peacock LLP under the terms of our written agreement with the University of Bristol ("Our Client").

This work is only appropriate for the purposes described and should not be used for anything else. It is subject to any stated limitations (eg regarding accuracy or completeness). Unless otherwise stated, it is confidential and is for your sole use. You may not provide this work, in whole or in part, to anyone else without first obtaining our permission in writing. We accept no liability to anyone who is not Our Client.

If the purpose of this work is to assist you in supplying information to someone else and you acknowledge our assistance in your communication to that person, please make it clear that we accept no liability towards them.

Our experts work in pensions, investment, insurance, energy and employee benefits.



Join us at our next event
www.lcp.uk.com/events



Share our insights and opinions
on our viewpoint
www.lcp.uk.com/our-viewpoint



Watch and listen to our
comments on topical issues
[Our YouTube channel](#)



Connect with us for updates
[@LCP_actuaries](#)



[LinkedIn](#)