

# ESG and pension schemes: evolving duties of pension scheme trustees

Kate Granville Smith

Director

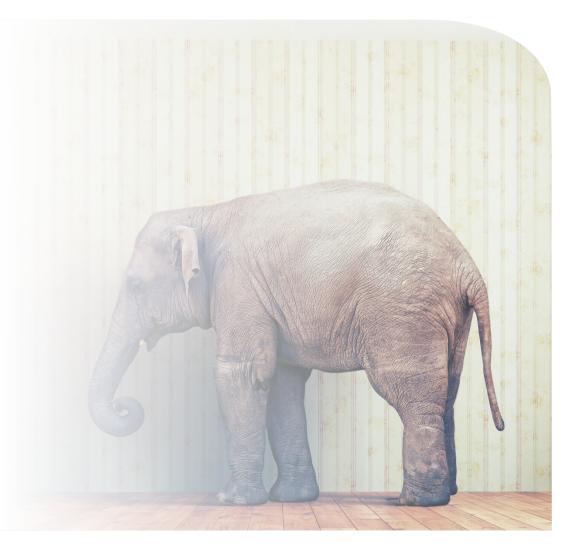
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#### The "Elephant in the room"



*"For too long, too few trustees focused on climate, ESG and wider sustainability issues in any significant detail, however, trustees can no longer ignore the elephant in the room."* 

The Pensions Regulator, 17 May 2023



## **Obligations of pension trustees**



<ul> <li>SIP/IS</li> <li>Financially material considerations</li> <li>Non-financial matters</li> <li>Policy re. exercise of engagement and voting rights</li> </ul>	<b>TCFD</b> <ul> <li>Governance</li> <li>Strategy</li> <li>Risk management</li> <li>Metrics and Targets</li> </ul>	<ul> <li>General Code</li> <li>Familiarity with policies</li> <li>Expectations for investment managers</li> <li>ESOG: consideration of ESG matters</li> <li>Co-operation with other institutional investors</li> <li>Talk to advisers</li> <li>ORA (Own Risk Assessment)</li> </ul>	<ul> <li>Social Factors</li> <li>Task Force on Social Factors</li> <li>Integrate social factors into investment decisions</li> <li>Framework</li> </ul>	<ul> <li>TNFD</li> <li>Voluntary framework</li> <li>Governance</li> <li>Strategy</li> <li>Risk and impact management</li> <li>Metrics and Targets</li> </ul>
<ul> <li>TPR's 2 tests</li> <li>J</li> <li>quantitative qualitative</li> </ul>	<ul> <li>Regulations</li> <li>DWP Statutory guidance</li> <li>non-statutory guidance</li> <li>TPR observations</li> <li>Exxonmobil fine</li> </ul>	<i>"There is no excuse for failing to know what the Regulator expects of them." (TPR)</i>	Social factors are becoming a much higher priority for schemes of all kinds when it comes to their engagement and stewardship activities." PLSA	"Trustees should take into account all financially material risks and opportunities that could impact savers' pensions as part of good governance and stewardship." (TPR)

## **ESG litigation risks**





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#### One Glass Wharf Atria One, 144 Morrison Street 6 New Street Square Bristol BS2 0ZX Edinburgh EH3 8EX **T** +44 (0) 117 939 2000 **T** +44 (0) 131 314 2112

**F** +44 (0) 131 777 2604

London EC4A 3BF **T** +44 (0) 20 7685 1200

**F** +44 (0) 20 7980 4966

**F** +44 (0) 117 902 4400

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