

Call for Evidence launched on the Social element of ESG investing

The impact of social factors on pension scheme investments will be scrutinised by the government, as a Call for Evidence is launched today (24th March 2021).

This will help increase policymaker and industry understanding of what is currently being done, and what more could be done, to ensure both the risks and opportunities presented by social factors are adequately considered by pension schemes.

Minister for Pensions Guy Opperman, launching the Call for Evidence, said:

I'm proud of the progress we have made in bringing environmental and climate issues up the pensions agenda, helping make pensions fit for 21st century challenges.

But climate change should not be trustees' sole consideration. Financially material social factors also pose risks to schemes' investments, which is why we're launching this Call for Evidence to understand what more can be done by industry and policymakers to protect savers.

By considering the risks – and opportunities – relating to supply chains and communities, employees and business models, local economies and landscapes, investment strategies can better deliver long-term value.

In February 2021, the Minister wrote to 40 of the largest schemes seeking information about their ESG policies and stewardship practices.

Today's Call for Evidence builds on this, asking stakeholders and schemes for input on the effectiveness of current policies, alongside assessing how trustees understand "social" factors and how they are integrating considerations of financially material social factors into their investment and stewardship activities.

Social factors include issues of diversity, gender and the empowerment of women.

Nimco Ali, CEO of The Five Foundation, The Global Partnership To End FGM, said:

The issues of diversity, gender and the empowerment of women are pivotal to global prosperity. Economic justice for women – especially those we work with in Africa – is one of the biggest opportunities we have for unleashing a new wave of investment growth, while, at the same time, reducing violence and discrimination against women and girls such as female genital mutilation (FGM) and sexual violence. It is truly a win-win situation.

Today's Call for Evidence will help us to identify opportunities where pension funds not only provide healthy economic returns for investors, but can also contribute to women's economic empowerment. This review will benefit all of us and I hope it is responded to enthusiastically.

The Call for Evidence period begins on 24 March 2021 and runs until 16 June 2021.

In October 2019, the government introduced its first ESG policies, requiring pension schemes to explain how they considered climate risk, as well as other environmental, social and governance factors in their investments. The recently passed Pension Schemes Act took things further – requiring schemes report on the climate risk associated with their investments from this Autumn.

Additional information

- A 12-week Call for Evidence launched today will seek views on how pension scheme trustees understand social factors and how they are included in their Environmental, Social, and Governance (ESG) policies.
- Social factors can present a wide range of potential risks to a scheme's investments, but they can also present lucrative investment opportunities.
- Responses will help inform Government on the steps needed to ensure that trustees are better able to meet their legal ESG obligations.
- The full Call for Evidence – Consideration of social risks and opportunities by occupational pension schemes – can be found [here](#).

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