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Sent via email

Response to Defined Benefit code of practice consultation

I am writing to respond on behalf of ShareAction, a registered charity established to promote transparency and responsible investment practices by pension funds and other institutional investors. We are a member organisation and count amongst our members well-known NGOs and charitable foundations, as well as over 26,000 individual supporters. Among other activities, we work with the financial services sector to promote integration of sustainability factors in investment decisions, long-term stewardship of assets and the consideration of the view of clients, beneficiaries and pension scheme members.

Our response addresses Question 12 of the consultation document only, as this pertains to our area of expertise on pension scheme investments.

12) **Do you agree that the actual investment and investment strategy are a relevant factor for scheme funding?**

We agree that it is a relevant factor for scheme funding. In light of recent amendments to the Pension Schemes Bill, TPR's code of practice should reflect the fact that environmental, social and governance (ESG)-related risk, in particular related to climate change, is a factor that investment strategies need to address in greater detail.

Section 124 of the Bill was inserted by a Government amendment during debate in the House of Lords; at time of writing the Bill is due to continue debate in the House of Commons where it is expected to be retained. Section 124 will ultimately require pension schemes to publish reports detailing their exposure to climate-related risk, and their strategies for mitigating this risk. Trustees will retain their operational independence in investment decisions, yet the disclosure requirements should encourage trustees to think afresh about how to best protect scheme assets in the long-term from climate-related risk.

TPR's code of practice should reflect this legislative change. The code's principles should be underpinned by a recognition of the ESG risk will ultimately have a detrimental impact on scheme funding if left unchecked, and so good practice by pension schemes should take account of this risk.

Yours sincerely,

David O'Sullivan
UK Policy Officer, ShareAction

shareaction.org