ShareAction»

General Election 2019
ShareAction Manifesto Asks

ShareAction is a charity established to promote transparency and responsible investment practices by institutional investors. We work with the financial services sector to promote the integration of sustainability factors in investment decisions, long-term stewardship of assets and the consideration of clients' views.

Our financial services sector should be reformed to ensure it meets four key goals:

1. Major financial institutions take responsibility for their impacts on people and planet;
2. Investors, and the companies they invest in, act within safe ecological limits;
3. Investors, and the companies they invest in, sustain a fair, just and healthy society;
4. The investment system is diverse and inclusive at all levels.

For too long the investment system has been seen to operate in a vacuum, with no impact on the society or environment in which it operates. This is patently not true. On the international stage the UK has committed to help achieve the Paris Agreement and the Sustainable Development Goals while domestically the Government has priorities in pensions, infrastructure, climate resilience, energy generation and social investment. A clear and explicit commitment to regulatory reforms focused on sustainable and responsible investment will be a key step in driving progress in each of these policy areas.

The following policy proposals are intended to create the necessary reforms to meet the four goals outlined above.

A Responsible Investment Bill

The most efficient way to meet the four goals outlined above is to introduce a new Responsible Investment Bill. Too often reforms to make our financial system more sustainable are done in piecemeal fashion, reflecting the fact that responsible investment is overseen by several different departments on a cross-Whitehall basis.

- **Consider the wider interests of clients and beneficiaries** – fund managers and pension schemes would be required to take into account savers' wider interests, rather than a narrow focus on maximisation of returns, including in relation to the societal and environmental impacts made by their savings.

- **Due diligence requirements on human rights and the environment** – investors would be required to engage with investee companies on their impact relating to environmental and human rights infringements and gross violations of international standards.

- **Boost transparency in the investment chain** – investors would be required to publish a policy statement setting out the benefits they commit to pursue and report to savers on how well they have been delivered.

The Pensions Bill

All parties have recognised the next government will need to take forward legislation to introduce a pensions dashboard and new collective defined-contribution schemes. This Bill represents a significant opportunity to reform the pensions system to ensure it acts in the interests of savers, society and the environment.

We need the next government to bring forward measures to require pensions schemes to:

- **Align with the objectives of the Paris Agreement** – As major investors, pension schemes have a vital role to play in combatting climate change. This requirement would require trustees to assess whether the assets in their portfolio have a clear strategy to align with the UK's emission reduction timeline and to take appropriate action.

- **Consult with members on key investment policies** – Schemes are investing members' capital and it is right these members should be engaged on the fund's overall investment strategy. This could take many forms e.g. offering to review a draft investment policy to online surveys, webinars or focus groups. Trustees would retain investment primacy.

- **Allow people to choose between auto-enrolment compliant schemes without risk of losing employers' contributions** – Under auto-enrolment, employers choose a suitable scheme for staff meaning providers focus more on the needs of employers than savers, despite savers bearing investment risks. Giving employees the right to change scheme without losing their employer's contribution would incentivise providers to build a better relationship with savers and focus on their needs.

Greening the financial services sector

- **Taskforce on Climate-Related Financial Disclosures** – The Green Finance Strategy made clear the Government "expects" listed companies and large asset owners to disclose in-line with TCFD recommendations by 2022. The next government should make an explicit, early commitment for TCFD reporting to be made mandatory by 2022 at the latest for listed companies, as well as large private companies, pension schemes used for auto-enrolment, asset managers and banks. The Government and financial regulators should work with the industry to provide guidance on TCFD reporting for each of these actors.

- **Contract-based Pension Schemes** – – following the introduction of new rules for trust-based pension schemes, the FCA is now looking at the legal framework under which these contract-based schemes, used for auto-enrolment, operate. All contract schemes should be required to have an investment policy on ESG and climate change, on stewardship, and on how they consider members' views. This would bring them in-line with trust-based schemes.

- **Boosting climate stewardship in fixed income** – while the focus on "greening" finance has rightly centred on listed equity, on average the second largest portion of a fund's investments will be in bond holdings. Bond holders can and should engage on a collaborative basis to change issuers' approaches to consideration of climate change and other sustainability issues, but often cite legal risks as a key obstacle. The FCA should publish clear guidance for fixed-income investors on how they can act as good stewards of capital and help tackle climate change.

Financing a fair, just and healthy society – the next Government should:

- **Corporate reporting** – mandate reporting on relevant issues in order to reduce the number of unhealthy products on the market.

- **Banking** – review the effects of Article 173 in France, particularly on its banking sector, and assess the potential applicability in the UK.

- **Carbon trading, taxes and subsidies** – assess new ways of taxing or trading carbon or make current measures more effective. Consider what signals government policy is sending to financial markets about how they price in externalities such as carbon emissions.

- **Transparency** – fund managers are still not required to publish the way they vote at AGMs. Introduce mandatory disclosure of fund manager votes as a matter of priority.

- **Charity investors** – take measures to clarify the extent to which charity investors must align their investment strategy with their charitable objectives.

- **A healthy society** – explore the role of regulation in boosting corporate disclosure and removing barriers to corporate engagement to support better food environments.