House of Commons

# Work and Pensions Committee

## Oral evidence: Pension stewardship and COP26, HC 238

Wednesday 14 July 2021

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Watch the Meeting

Members present: Stephen Timms (Chair); Debbie Abrahams; Siobhan Baillie; Steve McCabe; Nigel Mills; Selaine Saxby; Dr Ben Spencer; Chris Stephens; Sir Desmond Swayne.

Questions 36 - 77

### Witnesses

I: Guy Opperman MP, Parliamentary Under-Secretary of State (Minister for Pensions and Financial Inclusion), Department for Work and Pensions; Emma Varley, Head of DC and International Private Pensions Policy, Department for Work and Pensions; and Pete Searle, Director, Private Pensions and Arm's Length Bodies, Department for Work and Pensions.

Written evidence from witnesses:

Department for Work and Pensions:

PSC0022

### Examination of witnesses

Witnesses: Guy Opperman, Emma Varley and Pete Searle.

Q36 **Chair:** Welcome, everybody, to this meeting of the Work and Pensions Select Committee. Thanks, everybody, for joining us and particular thanks to the Minister, Guy Opperman, and his team for being with us today. Minister, do you want to introduce the colleagues you have brought with you?

***Guy Opperman:*** My name is Guy Opperman. I am the Member of Parliament for Hexham. I am also the Minister for Pensions and Financial Inclusion. I have Pete and Emma here, and I think it is probably best if they introduce themselves because they can also describe the specific nature of their portfolios.

***Emma Varley:*** Good morning, everybody. I am Emma Varley and my role is head of the defined contributions pension policy team in DWP.

Today I will be able to provide some more information on some of the policy areas that we are taking forward.

***Pete Searle:*** Please shout, Chair, if my voice is wobbly because my signal seems to be a bit questionable this morning. I am Pete Searle. I am the director for private pensions and arm's length bodies at DWP, so I lead the team working on all private pensions policy at DWP.

Q37 **Chair:** Thank you all very much. We could hear all that loud and clear. Minister, can I put the first question to you? The Pensions Policy Institute reported last December that some trustees are treating regulations on environmental, social and governance matters as merely a tick-box exercise. Do you think that pension schemes are committed to moving to net zero yet? What do you see as the role of government in securing the commitment that is needed?

***Guy Opperman:*** That is a very big question. I will try to give a two to three-minute overview of where I think we are at. Putting it simply, this country, the Department for Work and Pensions and all pension schemes are on a journey. That starts with everything from the Paris climate agreement to the reforms that we introduced in respect of environmental, social and governance, ESG, as they are known. It begins also with the decision by Theresa May to legislate for the UK to be part of the race to net zero by 2050 in law, the first G7 country to do that.

There is no doubt in my mind that we lead the world in respect of ESG, but that does not mean to say that there are not some organisations, as you highlighted, that are going at a slower pace or struggling to comprehend the nature of environmental, social and governance regulations and how they impact upon both their trustees' obligations and more particularly to their purchasing strategy and the way in which they are then dealing with particular points.

If I give you a couple of concrete examples, ever since I introduced the ESG reforms a couple of years ago there has been massive focus on the environmental elements of ESG, and quite clearly rightly so. That is what we will speak most about today. It would be fair to say that what the country and the Government and the pension trustees understand about ESG generally is more limited. You will be aware, Chair, that I recently launched a call for evidence on the social element of ESG because it is quite clear that some schemes do not fully comprehend that. We want to try to work out how we can consult and then take forward a better understanding and better regulation of the social element.

Governance, for example, is something that the easy answer should relate to women on boards and diversity, but it is a bit more than that, isn't it? My view is that it is a journey and there are some schemes that are fully up to speed on this and fully understand; others are taking a longer period of time. There is also a serious point, which is government as well have focused on the environmental aspect of ESG, to be fair, as most countries in the world have, but at the same stage we need to develop ESG and evolve it.

This is a very young child; it has been in existence a couple of years. I will give you one quick illustration of that. I have done this job—you have done this job as well, Chair—for four years. If I had stood up at a pensions conference and discussed ESG four years ago, I would have had fairly blank stares. If it was the case that two years ago I had been discussing this, people would have been interested and would know about it and would know the regulations had just come in, but their impact did not start in reality until 2019. I did an event in February 2020, just before the pandemic, where I was asked to speak on ESG and ESG 2.0: what does the future look like? We will discuss that, I am sure. That is particularly the Task Force on Climate-related Financial Disclosures.

It is rare, Chair—it may have happened to you, but it definitely does not normally happen to me—that people are queuing around the block to hear the pension Minister speak. When I was discussing in the spring of 2020 the nature of ESG and how it was evolving, genuinely people were queuing around the block to get into the event that I was holding in the City of London to discuss ESG, how it affected trustees, and more particularly how it affects asset managers going forward.

In my view, the degree to which people are embracing this, understanding this and applying this is changing literally month by month. I think you said that the Pensions Policy Institute report was based upon data from last year. If you asked it what the situation is now, it would say there is a dramatic improvement. I see that. I see it with asset managers; I see it with pension trustees. Things are changing literally month by month.

Q38 **Chair:** Can you say a little bit more about how you see government's role in this? What can or should government be doing to push things along?

***Guy Opperman:*** We do a number of different things. First of all, we do the outline framework. We legislated for net zero. I cannot overstate—and this is missed by colleagues who are not Ministers, I am afraid—the degree to which COP and the net zero commitment permeate every part of government. It is overwhelming the way in which that is now the dominant force. You may not be feeling it as yet, but every Department and every Minister is genuinely feeling this and understanding it, and it is the right thing to do.

The Government have set that overarching framework. Within DWP in respect of pensions, clearly the most important thing we did was ESG. Implementing that and putting climate change at the heart of pensions and climate risk at the heart of pension decision-making is, in my view, utterly key. That has transformed the way that investments are now made. As I think I have told this Committee before, one of the benefits of the general election in December 2019—aside from the stonking

Conservative win, obviously—was that there was an opportunity to rethink the Pension Schemes Bill.

The team at DWP had done a huge amount of work already, but were then able to bring forward the climate change provisions in the Pension Schemes Bill, which became the Pension Schemes Act. The decision was made by myself and the Secretary of State, after having met with Mark Carney at the Bank of England in January 2020, to implement TCFD. You ask what government can do. Carney is probably the most important person in relation to climate change and the race to net zero on the entire planet today, with the possible exception of Biden.

Our view was that the bold thing that the UK Government could do would be to implement the Task Force on Climate-related Financial Disclosures, TCFD, into law. No country in the world has put that into law. We are the first. I genuinely believe there is much that the UK can be criticised for on various bits of policy, but in respect of climate change and what the DWP is doing on pensions and climate change, we lead the world, without a shadow of a doubt. We are, without any doubt, the leaders on ESG, and on TCFD we are the first country in the world to put that into statute.

You will be aware, for those of you who are not devotees of statutory instruments and devolved legislation, that only last Monday week we did the secondary regulations that brought TCFD into law, which will be in law by 1 October of this year. We can discuss in more detail what that means, but putting it simply, it puts the consumer, the individual and also the pension trustee in charge. There has to be full disclosure in a variety of very detailed ways—which I am happy to give to the Committee in writing—of the extent to which a pension scheme is invested, how it is invested and, more importantly, how that impacts on climate change and the race to net zero. To be the first country in the world to do that shows, in my view, real leadership by the Government.

Q39 **Nigel Mills:** Minister, should pension trustees be investing to get the best pension for their scheme members or should they be investing to meet climate and other objectives? What should their priority be?

***Guy Opperman:*** I was muted by the tech team at the House of Commons there. It wasn’t me, I never touched it. I think that they were so keen to hear you, Nigel, that they muted everybody else, including me, and they were a bit slow to unmute me.

I think that what you are referring to is the issue of fiduciary duty. It is not my view that fiduciary duty should be changed in this particular way. I know that that was the prevailing view of the witnesses who came to you I think on 30 June, who most definitely said that that should not happen. It is not the view of the PLSA or various other trustee organisations or pensions organisations, so I would certainly resist that.

I do think that what government can do, which I have outlined already, is in the context of the investment decisions that a trustee makes and then ultimately the asset manager makes, we need to make sure that due account has been taken of climate risk and climate change in those decisions. Instead of forcing trustees to do X, Y or Z, we require them to consider these matters and then report back as to how that has been considered. Bear in mind that climate risk is a risk to every single asset. There is no asset, effectively, that is immune to climate change and climate risk. These matters are already being considered, but I would wholeheartedly resist a fundamental change to fiduciary duty in the way in which it is being suggested by some.

Q40 **Nigel Mills:** Would you agree that competent trustees and competent asset managers were already competently assessing the various risks in establishing which investments would give the best return and effectively therefore nothing is changing here? They already should have been doing that. All we are doing is making clear that they ought to do what they should have been doing in the first place.

***Guy Opperman:*** In broad terms, yes, I do agree with the principle that you make clear. What we have done by putting the ESG regulations into law and TCFD is we have a very clear metric by which they are then judged and then a very clear reporting of what is going on. Transparency produces better outcomes. Sunlight is the best disinfectant. What you have is a situation where we genuinely can now say, "Explain how it is you are investing and how you take account of climate risk" and then, more particularly, publish that. That has great impact.

The only thing I would say, and it touches upon Stephen's point earlier on about what more government can do, is there are other things that government are doing. There is no doubt that doing a detailed assessment of ESG and TCFD if you are a very small pension scheme is difficult compared to if you are a massive billions of pounds pension scheme. They are much more able to do this. They have much more critical mass, scale and expertise. We are doing a lot to try to persuade schemes to consolidate. We think that is in their best interests and it is in the members' best interests. You will be aware that we have implemented a £1 to £100 million consolidation process, where they have to justify their continued existence on a value for money basis or they have to merge and consolidate with someone else.

We believe that governance can be done better and we have done an awful lot of assistance, to be fair, as the TPR has, to ensure that governance is done better. There are incremental small things that we can do around the edges, but the fundamental is that the trustees are empowered to take decisions on the basis of fiduciary duty and that should stay.

Q41 **Nigel Mills:** You almost tempt me there on the line of consolidation to ask when we might see some regulation for some of the consolidation schemes that are out there.

***Guy Opperman:*** I can answer that. We have done the £1 to £100 million. That has already been done and I will happily send the details to the Committee.

We have then done a call for evidence, I believe, and I will be corrected if I am wrong and it is not a call for evidence. I am pretty sure it is a call for evidence and not a consultation—I am certain it is—on £100 million up to £5 billion in respect of DC. That is very significant, there is no doubt, because clearly there are relatively few schemes that are bigger than £5 billion in DC at the present stage. At the same stage, if you speak to the Australians and take evidence from international quarters, they would say that the appropriate size of DC should be at least £30 billion going forward. Clearly they have a much more developed market than we do, but certainly bigger is definitely better going forward. I have set out the direction of travel, that we are going to be nudging and cajoling these schemes into consolidation on a long-term basis.

Q42 **Nigel Mills:** Do you think that there is a difference between how DB schemes and DC schemes either should or will respond to these climate change and other noble duties or do you think that they should effectively be doing the same things broadly in the same position? Or does the fact that for DB the employer is kind of on the hook if the investment returns go down drive a slight change of behaviour?

***Guy Opperman:*** It is a very difficult question to answer, given the different nature of the individual DB schemes. You and I know that there are mature and non-mature DB schemes. The majority of DC schemes are immature in the sense that most people who are investing post-2012 and the implementation of automatic enrolment in defined contribution would be in a position that they are not going to be doing drawdown and decumulation for 30 years plus.

It is very hard to give a hard and fast approach to this. It is easier and clearer to outline an approach in respect of defined contribution because it is effectively a single product without the complexities of DB. I don't know whether other colleagues on the call want to come in on the differences of implementation between DB and DC, but for my part I do not think you can cherry-pick or outline the differences between very large schemes like USS or BT or others as compared to small DB schemes as compared to hybrid schemes. There is not one size that fits all in respect of DB.

**Chair:** Both Emma and Pete want to come in. Emma, do you want to go first?

***Emma Varley:*** Yes, I will come in first, thank you, on two of those points. On the point about the difference between DB and DC schemes, we do know that certainly in terms of schemes that have already made net zero commitments a number of the larger DB schemes have made voluntary net zero commitments, but some of the mature DB schemes are less likely to set those kinds of targets because they do not expect to be operating by 2050. On the DC side, there has been significant progress. Certainly with voluntary net zero targets, we now see about 85% of DC savers are in a scheme with a net zero target.

The other quick point I wanted to come back on is to confirm what is happening on the consolidation. As the Minister has said, our regulations are about to be brought forward for the value for money assessment for schemes with assets under £100 million, and we do expect those smaller schemes to be doing the value for money assessment starting at the end of this year.

As the Minister said, we do also have a call for evidence out at the moment, which finishes at the end of this month. That call for evidence is looking at how we can accelerate the pace of consolidation within defined contribution schemes. That is not just at the smaller end, but also at the medium to larger end. We are looking at what more we can do for schemes of about £100 million but up to £5 billion, and then we will be listening to the responses we get from the call for evidence over the summer and working on some policy proposals.

***Pete Searle:*** To reinforce those points, Emma has largely touched on what I was going to say, but the consolidation is very important. What we have is that the top 10 defined contribution schemes have all set net zero targets, which cover now 85% of DC members, which is great. But it is consolidation, it is that scale that helps them to do that, so further consolidation I think would enable more to do that in the future. That is why consolidation is very important in this context.

I have one other point on the DB versus DC question. For me, it is probably less about the employer being on the hook and more about how long term those schemes now are. A lot of DB schemes do not see themselves as having a 30-year future, many would see themselves winding down or buying out in the next 10 to 15 years. They absolutely should be committed to climate-conscious investment and be aware of the risks, that the scale, the duration and the long-term nature of them is different for many DB relative to DC.

***Guy Opperman:*** Can I add one other point, Chair? The consolidation point is also key. We are discussing the nature of trustees' obligations, but the outcome that we all seek is getting to net zero. To get to net zero, you need schemes to be able to invest, we hope, into green infrastructure and long-term projects that will assist the net zero journey. To do that, they need scale. It is quite clear that smaller schemes' capacity to invest in the sort of green infrastructure that we all would like people to be investing in and our pension schemes to be investing in—the larger the organisation is, the greater its capability, the greater its expertise. It is not simple stuff to invest in green infrastructure and it is so much easier to be in gilts or bonds or an equity tracker. What we need is consolidated schemes of a sufficient scale that they then can make the investments. That is the outcome that we all seek.

**Chair:** Thank you. Debbie Abrahams had a point, I think.

Q43 **Debbie Abrahams:** It is just a point of clarification. I think that Emma said 85% of DC schemes had a net zero target, and I think that Pete said 85% of scheme members. Can we clarify which it is, please?

***Emma Varley:*** It is the latter, it is the savers, 85% of DC savers.

**Debbie Abrahams:** That is an important one. Thank you.

**Chair:** Thank you for clarifying that. Steve McCabe is coming in next.

Q44 **Steve McCabe:** Good morning. I want to understand a little, Minister, about the Department's role when it comes to explaining or sharing its regulatory approach internationally. I am thinking particularly about the framework that you are trying to develop for pension stewardship and climate change. Is that something that the Treasury largely communicates to our international partners or does the Department have a specific role in sharing and explaining that?

***Guy Opperman:*** Steve, I may be a bit dense here, but I am struggling to understand your question and its implications. Let me see if I can try to answer it and you will tell me if I am going down the wrong track. With some matters like TCFD, that is an international task force set up a number of years ago to try to have climate-related financial disclosure. That was a voluntary task force with voluntary guidance and voluntary understandings. What we have done, we have taken that and we have put that into statute, therefore we have taken it one step further. We are then communicating that in the usual way by statute, debate, information, pension regulator, consultation and then more particularly regulation. We have done a double consultation on that and we have done regulations on that. In respect of things like TCFD, we have done that.

In respect of ESG, the entire planet, in my view, in terms of pension savings and investments, understands and appreciates what ESG is. The wider communication of its implications is a matter of discussion and debate. I do an awful lot of reaching out and breakfasts—I dine for the Department, as someone said to me recently, hence my lockdown stone—trying to explain it to trustees, trying to explain it to commentators and trying to get out there and make the case on what ESG is. Where there are gaps—the social element and what that means for supply chains, for modern slavery and for purchasing power—we try to make that case in a variety of different ways, one of which is the call for evidence. I am not totally sure that I have answered your question, but that is what I think it was about.

Q45 **Steve McCabe:** You have partly answered it. The other part I was trying to clarify was that the obligations that are going to be placed on trustees from October will slightly change the environment for our pension framework. They will have to be much more conscious about the climate implications of what they invest in and they will have much greater duties regarding reporting, which I assume could have a wider effect than just in this country. Is that something that you are engaged in talking about as a Department on a wider front or is it purely an internal matter?

***Guy Opperman:*** The former, most definitely. We are all looking at COP and I know we will probably discuss COP later, but with COP coming up the Prime Minister will be able to stand up in November and say that we all agree that climate-related financial disclosure is a good thing. As the UK, we are the first country to put that into law. It came into law; it will be in law on 1 October. We have done a double consultation on it. Obviously we debated it in Parliament, but we consulted first in outline last year. We did a very rare thing, which is that we did a piece of parliamentary legislation and a consultation at the same time. We consulted on what I would call the broad principles, but we have then done the nuts and bolts this year.

We have led the way on that and there is a huge amount of interest worldwide in what we are doing on TCFD, how it is we are implementing that and what the regulations say, and rightly so, quite frankly, because other countries are going to copy us. In the unlikely event that the Prime Minister wants me to do this job for another four years and in the unlikely event that you are still on the Select Committee, if you were to ask me this question in four years' time, pretty much all of the western world and all of those who deal with pensions and financial affairs will have implemented TCFD, in my view. They are all looking to that.

There are two other quick points, and I won't belabour it otherwise. Obviously our pension schemes invest not just in this country, but in other countries. Certainly we are going out. I spoke recently at a Middle Eastern investors' conference. I went to the UN PRI conference in Paris, when we could travel, discussing, debating and talking about these things.

My third bit—and I should probably have mentioned this earlier—is in respect of stewardship. Clearly TCFD is going to transform pension scheme trustees' stewardship and we may discuss this in more detail. Simon Howard is leading our stewardship council and is reporting back to the Department and to myself in September, having conducted a huge amount of work particularly on voting and on how it is that trustees and then asset managers implement decisions and policies of those trustees. That matters and things like pooled funds matter.

I genuinely believe that there is a huge amount of work being done. Simon and his team are reaching out and engaging on stewardship and seeing how we can drive this forward. Quite clearly stewardship and then implementation of those intentions and voting matters tremendously.

Q46 **Steve McCabe:** Thank you. In the unlikely event that we are both in the position to which you referred a few years hence, how will you judge the success of the measures in the Pension Schemes Act 2021? I am thinking particularly about the obligations on trustees and disclosure.

***Guy Opperman:*** I will judge them as being first in the market. The success is obviously that the proof is in the pudding, clearly. Government passes regulation. We have to make sure it works and it is applied. Taking the Chair's point earlier on, people did not understand ESG in December of last year, as much as I suggest they now really understand it. People are learning at a great pace, because we have gone at great pace, about TCFD and a real understanding of financial disclosure. I cannot overstate the transformation that is taking place among pension scheme trustees and asset managers.

The one added point I would say is that it is all very well having policies that are then implemented in investment practices. What does that actually mean in terms of outcomes? It will mean three things, in my view. The first is the nature of your portfolio that you hold will be transformed in terms of the pension schemes that we have, and that matters desperately because the power of your pension is immeasurable and the collective power of UK pensions is massive. We are talking trillions of pounds, and the way that is then applied, the impact is off the charts. I think that that will be transformed.

The second is what that then translates into the investment practices of asset managers and the companies that they buy. That goes to the change in these companies that are moving from fossil fuel producers to clean energy companies. Our pensions will be backing hydrogen, new fuel cells, carbon capture and storage, gigavolt capability, electric capacity, a whole new energy provision, new housing provision and new transport provision. All of these have to be financed and that is what pensions do. They are effectively invested capital to create finance for companies to grow and produce a return for individuals, but also, we hope, to transform the nature of the economy.

The third thing—and I keep making this case to colleagues in government and it really matters to the UK generally—is that it is a massive advantage being first in the market. It does not matter whether you are running a small business or whether you are running a big business or whether you are an innovator. By being first in market, and I think that the UK is the first to market, you have a competitive advantage.

You rightly say by implication that this is a big burden for trustees and asset managers and it is. There is no doubt that they are in a massive sea change. The advantage for the UK over the next couple of years is absolutely clear, and others have already noticed, which is if you want to invest in an ESG-friendly way, if you want to invest in a way that takes due account of climate change, have your portfolio in the City of London. Whatever your view of Brexit, whatever your view of the City of London, we want that metropolis to be the heart of ESG investing on an ongoing basis. How it is that overseas pension funds invest is a matter for them. They do not have to invest it through New York or Frankfurt or overseas, they can use London. Because London is at the front of the queue and knows more about this than anybody else, in my view that gives us a massive opportunity.

Let me take America as a good example. I have to choose my words carefully as a Government Minister. One of the side effects of the Trump Administration was that quite clearly climate change was not an overriding objective in a way that the rest of the world were looking at it. The consequence of that is that very few pension schemes and asset managers in America were focused on ESG, climate change investing, TCFD. There are some honourable exceptions, but by and large it was not a priority because it was not the Government’s priority. It was quite clear that the opposite was the priority. Biden has clearly changed a lot of that, but those four years have allowed us to get a competitive advantage. That, in my view, is the third first-in-market point, which is a massive opportunity for this country in a post-Brexit world.

Q47 **Steve McCabe:** Can I ask one last very quick point? I do not doubt the desirability of what you are advocating, Minister, but it strikes me that over the last few years what this Committee has discovered is how much more we expect of trustees. I am wondering how confident you are that the present group of trustees overseeing most of these funds are equipped to do the things that you are asking of them in this area.

***Guy Opperman:*** I think that we are damned if we do and damned if we don’t. If we do not ask trustees to step up to the plate and embrace the consequences of climate change, we will be massively criticised. If we do ask, some would say this is a big learning curve for them to be engaged in. It is a big learning curve, but there is an awful lot of guidance. There is no question there is a lot of guidance.

There is a genuine issue in terms of long-term compatibility of reporting standards, which we are trying to work on and that is, I hope, a product partly of COP and other things that is being dealt with. I have no doubt whatsoever that the trustees are able to address this particular problem. We have certainly consulted extensively. The degree of engagement on TCFD, ESG and stewardship is off the charts. We never stop talking about it, I promise you.

The other thing I would say, and it goes back to my consolidation point, is that there is no doubt that small schemes will struggle to do all of this, which is one of the reasons why, for a multitude of reasons, we think consolidation is better. Bigger is definitely better. It is better for the members; it is better in outcomes. It is better for reporting and, frankly, it is better for the trustees. I genuinely believe that having consolidated bigger schemes means that the reporting and the situation in respect of trustees, which is an onerous burden and a serious job, is going to be easier. Instead of lots and lots, literally hundreds and thousands of schemes, we are going to have fewer and fewer schemes, both in DC and in DB, whereby they will have a greater degree of expertise. Because they are bigger, they can have a greater capacity to deal with these particular issues and reporting and climate change observance is a big issue.

**Steve McCabe:** Thank you very much.

**Chair:** Did the officials want to come in? I saw you indicating earlier on or has the moment passed?

***Emma Varley:*** I think the moment has, but I suppose to add finally to the Minister's last point about consolidation and size, that is of course why the TCFD regulations, when they come in, will apply to schemes with £5 billion and over assets initially.

**Chair:** Thank you very much. Our next question is from Sir Desmond Swayne.

Q48 **Sir Desmond Swayne:** What is the danger that in order to present their portfolios as increasingly approaching net zero the trustees divest themselves of assets that would be, let's say, prone to emissions rather than being activist investors that would deal with the underlying problems of those industries, which would be much better for climate change ultimately? How might we incentivise them?

***Guy Opperman:*** Desmond, I agree entirely with the premise of your question in the sense that I believe that divestment is the very last resort and is a fundamentally misguided policy.

I believe that what we are doing is we are setting out clear metrics. We have done it in stages and, as I have explained, we have required them to put climate change at the heart of their investment policy. Secondly, we are now doing reporting of climate-related financial disclosure. Thirdly, we are requiring them to have a set policy on stewardship, voting and action with their particular asset managers. That, in my view, is the right way forward.

There is no question that if we were to do mandatory divestment or mandatory net zero targets within one to two years, that would inevitably cause divestment and that would be a disaster for the outcomes that we all seek. We need to support the companies that are going to get us to net zero, whether it is hydrogen, clean energy or all the other things I discussed earlier, but there is also a way to do this through proper stewardship and voting that will genuinely transform these companies.

I do not believe that there is not the capability of dealing with this. There are organisations already dealing with it. I will give you a couple of examples. Look at what Nest is doing, look at what the Church of England pension scheme is doing, look at what Climate Action 100+ is doing and look at the work of organisations like ShareAction and others, who are showing the way in which individual trustees are investing in an appropriate way and holding a candle to those who are not.

Q49 **Chris Stephens:** Good morning, Minister, and good morning to the panel. Minister, I will start off with a question that I asked the pension service providers when they were in front of us a couple of weeks ago. In your view, Minister, are there a range of suitable financial products to make climate-conscious investments or is there more work to be done?

***Guy Opperman:*** I think that there is a suitable range, but it is a work in progress. Again, if you had asked me a year ago, I would have said to you what we really need is a green gilt; it would be a fantastic addition. At the time I was bashing the door down at Treasury saying to them, "You need to sort out a green gilt. I have genuinely hundreds of billions of pounds of pension schemes' money and they wish to invest it in an ESG-friendly way. We, the Government, wish to do that and we also want to show products to do that". One of the examples is a green gilt.

The French, the Germans and the Poles have done this; other countries have done this. We needed to do it. We have done one already and obviously the Chancellor announced it. He gave details literally 10 days or two weeks ago of the green gilt. There is a full description, if you go to my Twitter account, of exactly how it works and what happens, for those of you who follow me. More particularly, that is the first of several. The nature of the green gilt will be the first of many different green gilts coming forward.

There is a need for products. We are also working on the long-term asset fund, whereby we find a capability for defined contribution schemes to invest in long-term assets that are the appropriate ESG-friendly assets, which are then supported in a framework by government so that they can buy into such things. Those are two products I can give you: one has been created, the other is in the process of being created at the present stage.

There is also a need for individual organisations to show that they are capable of being invested in by pension schemes in an appropriate way that will satisfy the criteria that we have set them. If there are organisations out there that would not normally be the location for pension scheme money, but they can show, "This is the journey we are on. We are on a net zero pathway, we are investing in this type of clean energy or this type of renewable technology or this type of thing" that is something that a pension scheme can get behind. That is happening as well. Companies, quoted companies in particular, are realising that if they are going to attract the investments of pension schemes, those investments have to be effectively ESG-friendly.

Q50 **Chris Stephens:** Thanks very much for that, Minister. That is a helpful answer. We were advised by the BT pension scheme when they were in front of us that products that are currently available tend to target companies that already have low carbon footprints. What changes—and I am thinking either by encouragement or by regulation—are the Government looking to introduce that might make people make better climate-conscious investments?

***Guy Opperman:*** Obviously when a Minister appears before an esteemed committee, he is supposed to be able to answer for himself, his Department but also all of government, so I will attempt to answer for all of government. My apologies to Kwasi Kwarteng in particular if I misappropriate or misalign his objectives.

Government need to set out a framework of how we get to net zero and that is not just done by DWP, it is done by Treasury, but BIS is the obvious key location. BIS at the moment is consulting on how it is that private landlords would make their properties net zero and much more energy efficient. BIS is doing a huge amount on energy. The Department for Transport has announced a whole decarbonisation strategy literally this morning. In the car this morning I listened to Grant Shapps talking about the decarbonisation plan.

The key point surely is this: it has to be a cross-government approach. The Government have to set a regulatory framework and a direction of travel into which business can then step in and investors can then step in to support those businesses. In that respect, it is chicken and egg, but it would be wrong of me to say that it is just a DWP thing. You can look at the framework set out by the 10-point plan. You can look at the various consultations that Kwasi is doing in respect of energy in particular, but also vehicles, transport and housing. There is a whole host of different avenues for which this can be taking place.

Q51 **Chris Stephens:** Thanks, Minister. I note your answers about cross-departmental working. Sometimes we see it and sometimes we don't, but we can have that discussion on another occasion.

That brings me then to the Department's role and the Government's role in encouraging innovation for green financial products. Is there anything that you can tell us about the Government's approach to that? Is it the case, Minister, that essentially what the investors will have to weigh up is the risk of climate change and that risk being less than the Government then stepping in and changing the regulatory framework surrounding the whole industry?

***Guy Opperman:*** There are many parts to that particular question, but let me deal with them stage by stage. The first is that government can try to alleviate the problem of, "I want to invest in an ESG-friendly way but I don't have the products" by identifying products that are government-backed. The green gilt and the long-term asset fund are examples of that. It is a bit like City Deals. When the first City Deal came, everyone went, "That is great, but it is only a small amount of money". I think Manchester is now on its eighth City Deal; London has a whole host of different powers in City Deals. So it will be with green gilts. Government issue gilts and bonds all the time. They have never done a green gilt before so they are on a journey themselves. The expectation is that there will be two green gilts this year and I am expecting that to continue next year. There is going to be a regular availability of particular products that people can invest in.

Government can provide alternative venues and I think that is a good thing. It particularly becomes the case if those then can be linked with specific items of infrastructure investment. That is more complicated and that is a work in progress, but there is no doubt that that can be done and that I think will be done in the future. In my view, there are certain products already in existence that were not there a year ago. They will be massively multiplied over the next two, three or my hypothetical four years that we are all still here working away in our respective posts. In four years' time you would see a vast array of different green gilts and green long-term asset funds that genuinely will be transformational. That will then transform it into specific infrastructure.

Can I touch on one slightly different point, which I think also answers your question? The traditional way that a pension scheme would invest, particularly if it wanted to get a sustained return, but it wanted to do something in renewables—take five years ago. Any Scottish MP will know this. Basically what would happen is a landowner would have a windfarm. They would get the planning permission. They would have a partnership with a developer, who would then flog it on to an energy provider, who at the end of that process would then sell the product on, a 30-year windfarm, to a pension scheme, which would pay a premium price for a known guaranteed return on a long-term basis for a windfarm. There are an awful lot of elements in that particular purchasing process.

What I think that you are going to see a lot more of—it is already happening and I can give you examples, it is definitely happening in Scotland, it is happening in England as well—is that pension schemes, particularly as they get bigger and bolder and as they have greater expertise, will go, "Hang on a second, why would we do that? Why would we wait until it is all produced and all the profit is taken out of the process? Why wouldn't we just take a plot of land, buy it, do the planning application ourselves, build it with a partner ourselves and take the profit for our members, but be active investors in infrastructure, particularly green infrastructure, which we are interested in, on a long-term basis?"

You will see, in my view, going forward way more pension schemes buying and setting up renewable windfarms, solar farms, tidal energy, doing much bigger projects at first instance. That is what, to be fair, the Australian super funds do, as they call them, the defined contribution super funds. They own things like Sydney harbour, parts of Kings Cross, massive infrastructure projects. There is that capability going forward and I certainly feel that that will fill a massive gap.

Again, you keep coming back to this: if you want to do those things, you need larger schemes. We need our defined contribution automatic enrolment schemes to be bigger and consolidated and we need to ensure that the defined benefit schemes have the capability to continue to invest in the infrastructure we want them to.

***Pete Searle:*** To reinforce that point, it is the example that Mark Fawcett of Nest gave you in a previous session about its investment through Octopus Renewables, £250 million in renewables in the UK and Europe, and Nest is clearly one of the bigger master trusts. The speed with which it and other master trusts are growing is extraordinary, understandable, but extraordinary. I think that we will see more and more of that sort of activity as we get more scale.

**Chris Stephens:** Thanks, Pete, and thanks, Minister, for the response. If you can send us examples, that would be very helpful.

Q52 **Selaine Saxby:** Good morning, everyone. What is the risk of creating a green asset bubble?

***Guy Opperman:*** Selaine, it is good to see you. I think that trustees can address this. We are in a situation where full disclosure and an understanding can assist. Consolidation can assist because you have a greater capacity to buy. Again, you are damned if you do and damned if you don't. We encourage people to invest in an ESG green-friendly way and then suddenly everyone begins to invest and the price of such assets can potentially go up. We want that to happen, to be honest. We want people to invest in this particular way.

We need to create alternative products. As I was explaining to Chris, we have created or are in the process of creating two in the last year, whether it is the green gilt or the long-term asset fund. I also think that stewardship and proper management alleviates this. You have to buy the right product, and that in reality is no different to what trustees have always done. All trustees, all stockbrokers, all asset managers are looking for the right product at the right price. In my view, that is still something that they will be able to do, it is just that we are looking at it in an ESG-friendly way.

I think also that slightly the reverse of the question applies. By that I mean—and I am probably sounding a bit opaque now—that the nature of ESG is that the impact of climate change has to be assessed in the nature of the investment. There are some investments that will not have an impact of climate change or will have a minimal one, whereas the vast majority will have an impact and some will have a very large impact. It depends upon the nature of the scheme, how long you are investing for, whether it is a DC or a DB scheme and whether it is a closed or open scheme.

In my view, this is something that we are providing a lot of assistance to trustees with. Stewardship is clearly a massive thing going forward. We are doing a great deal of work and Simon Howard and his team are doing a great deal of work on stewardship. We can update the Committee in September in a great deal of detail on that when Simon reports back, having done all the work he has done.

Q53 **Selaine Saxby:** The pension schemes themselves told us that a long-term, stable and consistent policy approach with cross-party support could help reduce the risk further of green asset bubbles. Have you any plans to work on that and ensure that that is the case?

***Guy Opperman:*** I have to choose my words carefully. I have held this job four years and we have worked on a cross-party basis to a degree, in my view, more than any other Government Department or any other Minister. Jack Dromey, as my wife always keeps pointing out to me, and I would text each other literally every week. He was the shadow Pensions Minister for three years and we had a fantastic working relationship. We fell out about one single matter, which does relate to this issue, which was the decision by the Labour Party to try to do a mandatory net zero target in the Pension Schemes Bill at, I think, Report Stage, where I pointed out to him that that would have induced immediate divestment. Myself, Jack and Jonathan Reynolds, the shadow Secretary of State, had a very robust exchange. Outside the House it was extremely robust; it was fairly robust inside the House. They were manifestly wrong on that one issue. Aside from that one issue, which would have created divestment and huge problems, we have had a very consistent message.

We work so hard to try to convey to the pension scheme trustees, the industry as a whole, that in reality the decisions that the Government are making are also the decisions of the Opposition, by and large, and that these are decisions supported by and large by the Labour Party, the SNP and by the Liberal Democrats. We have tried to make a cross-party approach on almost everything that we have done.

If I give you an example, I cannot remember a single one of the secondary legislation that has been voted against that we have brought forward in the four years I have done. In respect of these matters, the only vote that I can think of on this sort of issue was the one vote on the Pension Schemes Bill, where I think that the Labour Party was manifestly misguided, but that is just my view. On all other matters, that has been a matter of agreement. It passed Second Reading, it passed Third Reading and there has been a huge amount of cross-party consensus.

The Chair has done my job. Anyone who is lucky enough to be the Pensions Minister is doing one of the greatest jobs in government. There are many reasons why, but you are making 30 to 40-year policy and therefore there is a massive responsibility to convey the strength of feeling across the House of Commons in an even-handed way and to include your opposite number, particularly Her Majesty's Opposition. That is what we have gone to great efforts to do.

I hope that if you were to ask pension scheme trustees or representatives of the PLSA or other pension organisations they would have the unquestioned view that we worked and liaised with my opposite numbers on a regular basis and that includes SNP and Liberal Democrat spokesmen as well. I hope that answers your question.

***Pete Searle:*** I will not get into the politics of it, but in terms of the divestment and net zero mandation, back to the green asset bubble, there would be a risk if one did mandate net zero that through divestment of schemes we are running after all the green assets that are available and that would create a green asset bubble.

Q54 **Dr Ben Spencer:** I have a couple of questions on information sharing and accessibility of these schemes. The first one is about scheme members. We have had some evidence that recent surveys have shown that most savers were not aware of pension scheme net zero goals or had never really considered how their pension scheme impacts on that. In a sense, that is fair enough. That has been premised a lot in terms of energy companies but not necessarily in pension schemes. I was wondering what you think needs to happen in terms of helping people understand that a bit better and the accessibility of being able to compare products. For example, how penetrable are the TCFD reports going to be for normal human beings and provide information for customers?

***Guy Opperman:*** It is a great question, Ben. I often joke that my job is to take the wonderful business that is pensions and bring it from the 19th century into the 21st century because there is a serious risk that it has missed out the 20th century entirely. The reason is because most people's pension statements are dozens of pages long and not comprehensible to the man or woman in the street.

What we are trying to do is to simplify pensions on a massive basis. I can give you two easy examples and then I will touch on the information in more granular detail. The first is we are trying to bring your pension to your mobile phone. In the way your bank statement is now on a banking app or your savings is done on a savings app, we are trying to bring pensions to an app or your computer at home so that you can understand it in a simple, comprehensible way. That is the pensions dashboard programme. That is a huge undertaking, but it is a work in progress that will shortly be delivered. That is the online version, which will be simple and accessible and bring all of your pensions into one place that you can see and understand.

The paper version is getting rid of all of the paper versions of various different statements that are all incomprehensible, by and large, to the man or woman in the street and making sure that they are all simple. We are doing what is called simpler statements. Simpler statements will be a two-page simple statement with signposts to key further information for those who wish to know more detail. They will all be universal so that you can compare one to the other, rather than having something that has a different process for each different pension organisation, because people will have a multitude of different pensions, particularly with DC.

I believe that in the accessibility and understanding there is a lot of work going on. We are also going to do a statement season. It is a work in progress, but at the moment your tax return is done in January and it is done to an April date. You get your exam results in August. Your pension statement should be sent at the same time so that everybody has an understanding that it is coming to you at that particular stage and a better understanding.

Dealing with the specifics of climate risk investments and how people understand that, all of these things that I have just outlined will help, but then making sure that there is a common metric for climate-related financial disclosure and that that is published and can be measured. At the moment here is not a version of Moneysupermarket.com. Obviously as a Government Minister I should say there are lots of other providers that do this in different spaces, but there is no provider out there that does a compare and contrast. Which? does a bit, some other organisations do a bit, which are consumer organisations, but they do not really exist at the moment. But as we get public education of climate financial disclosure, that will then follow and you will then to be able to say, "I am invested in this fund and these metrics apply and this is what this means". You will be able, for the first time—and we will be first in law to do this—to measure that and hold trustees and shareholders to account for those actions.

There is a bunch of other stuff. We support something called the International Financial Reporting Standards Foundation programme and I am sure colleagues can give more details. There is a huge amount being done in getting a sustainable metric that everybody can understand in a simple and comprehensible way, which will then effectively encourage a price comparison approach. In my view, that is clearly going to empower the consumer a great deal better than they presently are.

**Chair:** Thank you. Emma wants to come in on the point.

***Emma Varley:*** I will just expand briefly on the point of the accessibility of the TCFD reporting. The statutory guidance on the TCFD regs will set out an expectation that the report should be written in a way that does allow a reasonably engaged pension saver to be able to read it, having a plain English summary there that is aimed at all savers. That is probably one of the key ways that we are going to do that.

In terms of some of the other more cross-government and broader ways of clearly defining which activities count as environmentally sustainable, that is where the UK's green taxonomy comes in and then the sustainability disclosures requirements regime, which has recently been announced. They are something that are being developed jointly by DWP with Treasury and BEIS. That is to provide the mechanism for green taxonomy disclosures by pension schemes and it goes much broader to UK companies and financial services. The key point to make is that these disclosures will be consumer-facing. The idea is that they are going to be there to help savers understand the sustainability credentials of their savings.

***Pete Searle:*** To add to that, one of the things that the Minister is thinking about for the future is that Paris-alignment reporting could help with member engagement. In the past we have not gone down that road because we did not think the standards were clear enough, but as of the last consultation on some new potential measures around that—we will keep a close eye on that, but it could allow us to mandate Paris-alignment reporting. That would give additional insights on how green investments are for the future—not today, but for the future—but also potentially lead to measures such as, "Is your portfolio consistent with 1.5 degrees, 2 degrees, 3 degrees or 4 degrees?" so accessible measures for consumers and savers.

Q55 **Dr Ben Spencer:** Thank you, that is very helpful. My other question was looking at information sharing from the other end, which is from companies that people are looking to invest in in terms of producing these reports. We have also had written evidence that getting the data around climate impacts from companies, there are all sorts of gaps. There are issues about the impacts of activities further down the supply chain. One can imagine that at the bottom of the supply chain there is a huge impact, but not necessarily being translated into what is being disclosed by the company at the top. What are your thoughts on that, Minister, in terms of your plans for fixing that and making these regs work as best as they possibly can?

***Guy Opperman:*** There are a number of points to make. The first is to expand upon Pete's point, which is that clearly once you are able to get Paris-alignment measuring and you have the metrics to be able to do that, then people can measure a company's investments on a Paris alignment. I think that will be a very easy yardstick that everybody can understand, whether it is 2 degrees, 3 degrees or 4 degrees. That is a work in progress.

Secondly, I would flip it around. If a company wants a pension scheme to invest in it, either by way of stocks and shares or by way of long-term investment or by way of venture capital, which they are now permitted to do so in a particular circumstance, they are going to have to be able to show that such an investment is an ESG-friendly investment.

There are gaps and you rightfully identified the supply chain as a good example of a gap. Our colleagues, Gareth Davies and Anthony Mangnall, have done a huge amount of work on the modern slavery implications of investment practices and I know that they are working with the Home Office and debating and raising these matters on an ongoing basis.

The way I have looked at it is that I would not say we have the answer to that question, hence why I have done a call for evidence. The document that I would particularly refer to—and I will submit to the Committee quite happily—is the consultation that we have done on the social element of ESG. To most people, that would entail an examination of what is the social impact of your investment practice. The obvious example of that is supply chain. That quite clearly though can have impacts wider than supply chain. That consultation closed on 16 June—it opened in early May and closed on 16 June—and we are considering the responses and I am going to publish a full response to that at some stage in the autumn. But the simple point is that we are on that, in my view. It is a work in progress.

If the Government were to say they had definitely the answer as to what is the social impact of ESG investing, we would be consulting and setting it out in more detail. We do not is the honest truth, so what we are trying to do is to ask industry, third sector, charities and the like and the key organisations in this space to talk to us and give us an ability to then articulate what that social impact is.

**Debbie Abrahams:** I have a quick follow-up. It is very encouraging, Minister, listening to your evidence today, so congratulations on that.

***Guy Opperman:*** Very good, stop there.

Q56 **Debbie Abrahams:** Having been a Work and Pensions Select Committee member on and off for 10 years now, I remember the issues that there were with comparative metrics for fees and charges—administrative charges—that I remember one of your colleagues, Harriett Baldwin, felt particularly aggrieved that it was taking so long. It is important that we have comparative metrics for investors and consumers to be able to compare the products that they have. Emma said that the Government and different Departments—BEIS, HMT and DWP—are developing these comparative metrics. Will the industries themselves be involved and also the regulator? Can you give an indication in terms of the process and when these comparative metrics will be available?

***Guy Opperman:*** I echo your scepticism that these things take time and that this is a work in progress and that we have heard these things before, because these are not simple things. I accept that and I accept it is difficult. One of the big challenges going ahead is going to be how it is you have certain international standards. This is why TCFD works so well, because it is an international standard that we are then applying in government and is relatively easy for us to do. Other things, like green taxonomy, are going to be harder because different organisations—the American, the EU, the UK—have slightly different priorities and are at different stages of development.

There is going to be harmonisation going forward, but that is a work in progress and that is something that I would hope that COP and the Climate Action Implementation Committee, which is run fundamentally by Alok through the COP team, would be very much looking to see what they can try to do. To be fair, America was miles behind and has now done a huge leap forward because of the election of Biden. There has been a transformation in the way in which it is now looking at this. It is accelerating its process to catch up with us. Trying to get all those international comparators is exceptionally difficult.

You asked about the UK green taxonomy and the way this is working here. The degree to which we have engaged pension scheme trustees is, in my view, off the charts. I genuinely feel that. I am meeting the regulator later today. The regulators are literally involved in every part of this, partly because they are the ones that are going to be implementing it on an ongoing basis.

There are a variety of international financial reporting standards that are doing programmes of work. I can give you all the tech stuff, things like the green technical advisory group, upon which many, many different trustees and organisations sit. There is a whole host of advisory organisations. In terms of things like stewardship, one of the reasons that we are doing so much work with Simon Howard and his team—and I met only yesterday with organisations like the PLSA and the Investment Association—is to understand how it is they approach this and making sure that they do not feel in any way left out. I would like to think that the Department has reached out to the sector in a variety of different ways, both directly and indirectly, through the work we are doing. My colleagues can possibly give you more detail on this.

**Chair:** Thank you. Pete, you had your hand up earlier on. Did you want to chip in?

***Pete Searle:*** Yes, one thing briefly on that is the Minister talked about a green technical advisory group. Treasury and the Chancellor have committed to legislate for the first set of technical screening criteria, which essentially sets out the detail of when economic activities make substantial contributions to environmental objectives by 2023. That is a bit of a timeframe for you flowing from the green taxonomy.

The point I wanted to make for clarification is the Minister was talking about the timing of the consultation on the ESG call for evidence. That ran from 24 March of this year through to 16 June, just a slight correction on the start date of that for you.

***Guy Opperman:*** The one add-on I would say to Debbie—I am reading from my copious notes here, so apologies if it is a little technical—the green technical advisory group provides independent, non-binding advice on developing and implementing green taxonomy in the UK context. It is carried by the Green Finance Institute. It is made up of financial business stakeholders, taxonomy data experts and draws evidence from academia, WWF, the Environment Agency and the Committee on Climate Change. I genuinely feel that we are not short of input into the development of policy. I will not say that it is government by committee too much, but definitely we are reaching out to a massive degree.

Q57 **Chris Stephens:** Minister, can I bring you back to your answer to Selaine's question in terms of cross-party support? Could you say a bit about discussions with devolved Administrations and local government, which will have significant pension funds themselves? I am thinking of myself as a member of the Strathclyde Pension Fund. Could you say a bit more about discussions at that level and making sure that they are climate-conscious investments?

***Guy Opperman:*** There are two things there. The first is in relation to the devolved Administrations. I spoke with my opposite number from Scotland during the early pandemic, but civil servants are constantly liaising with the devolved Administrations on an ongoing basis. That is happening literally on a weekly basis. Most of the products that I have described are UK-wide as well, I should make the point.

In respect of local government, there is a slight anomaly and I am very happy to take a steer from the Work and Pensions Select Committee. The Local Government Pension Scheme is administered and run by the Department for Local Government, DCLG. It is not run by DWP. Personally I think that is wrong. I think it should be run by DWP. That is my own personal view, that is not a government view, but it would be my view that it would be better to have all such pension schemes under one house. There are clearly good reasons why this has evolved as part of local government, because it is clearly part of local government in terms of all the day-to-day dealings that DCLG has with local government up and down the country.

Your Strathclyde scheme I suspect is administered by the local government equivalent of the Scottish Government rather than the DCLG in London, because I think that is an English-only implementation. Slightly I do take the view that it would be better, with our sustained expertise at DWP—and we are driving this forward—if the Local Government Pension Scheme was administered by DWP. That is a matter, however, way above my pay grade, as I am sure you will understand. Obviously were the Work and Pensions Select Committee to make a recommendation on that, I would be interested to know about it.

The only thing I would say, off the top of my head, is that the Local Government Pension Scheme is also consulting on TCFD and is also consulting on ESG. It is a little bit behind DWP and what we are doing, but it is not far behind. The truth is we are leading the way, Treasury is following us in terms of ESG and the implementation of things and the Local Government Pension Scheme is following as well. The precise dates I can find out and send to the Committee quite happily, but basically it is a year or two behind us.

***Emma Varley:*** Just briefly to give you a little bit more information on the MHCLG, the Department there, we as DWP officials work very closely with officials in MHCLG, and they are planning to consult on the TCFD later this year.

Q58 **Chris Stephens:** Thanks for that, Emma. Minister, I think we will take away your suggestion. The point that I would be making of course is that the public sector has substantial pension schemes and they should be fully aware of their responsibilities.

Can I take you now to your answer to Debbie's question? It was something I was going to ask about the common measurement approach. The EU is embedding into future legislation the approach of double materiality, which is whereby companies should consider the impact of their activities on the environment rather than just the impact of the climate on them. Are the Government considering a similar legislative approach?

***Guy Opperman:*** I am not totally sure, off the top of my head, what our position is on that. I know that the taxonomy approach—and this effectively comes under taxonomy—is being led by Treasury. You would probably be best placed to ask Treasury on that. I know that the harmonisation and the extent to which we will either have a better system or a different system to what the EU is doing and to a certain extent what the Americans are doing—as I explained to Debbie, the Americans are playing a massive degree of catch-up in this particular sphere—and the degree to which there then is a harmonisation worldwide is a work in progress, to be frank. I hope there is going to be discussion and debate at COP and post-COP so that we can understand the way in which that is working.

I am definitely satisfied that we are ahead of the European Union in respect of implementation of ESG and TCFD. In respect of taxonomy, it is doing other stuff. Whether that is stuff that the UK Government are going to adopt fundamentally starts with the Chancellor. Clearly I will be consulted in that. I know that there is already ongoing consultation. How much I can talk about it, I am not sure. Certainly I do not have the expertise to be able to give you a detailed answer to that, I am afraid.

Q59 **Chris Stephens:** Thanks, Minister. We can take that up with Treasury. We are hoping to have them in front of us at a future occasion.

We are told that certain asset classes such as sovereign debt are very difficult to assess. Minister, how big is that a challenge and how can you overcome it?

***Guy Opperman:*** Sovereign debt is again a Treasury issue. I presume you are referring to the acquisition of a gilt or a bond or the purchase of a debt as part of a pension investment. You would be best speaking to Treasury about that. The nature of a gilt, for example, gilts and bonds are what pensions have bought for years and years and years and years as part of a balanced portfolio. I do not see that there is any fundamental difference in gilt and bonds that they have bought in the past and a gilt and bond that they are going to buy in the future. I would be curious to see what the problem is on that. I am not aware of any particular problem, but you will have to take it up with Treasury.

**Chris Stephens:** Thanks, Minister. Pete, do you want to come in on this point around certain asset classes?

**Chair:** Quickly if you would, Pete, because we are struggling a bit for time.

***Pete Searle:*** Very, very quickly. Yes, this is the sort of thing that the green taxonomy will cover. You will look at different sorts of assets and think about the metrics and how one can measure the impacts of those. Treasury's work on that will be absolutely key.

Q60 **Steve McCabe:** Minister, I did want to ask you what you thought would be the major difference between the approach adopted by the EU under its Sustainable Finance Disclosure Regulation and our approach, but having heard what you said to Chris Stephens, is there any more you can say on that or did you answer that there?

***Guy Opperman:*** I think I did. Rishi, the Chancellor, has alluded to this. He would say this, wouldn't he? It is just like a politician's answer. He said that we can do a better version of it. I am paraphrasing his speech at Mansion House in a lot of detail, but it is a matter that the Chancellor is taking the lead on. You will get an answer, but that is a woolly answer from me.

Q61 **Steve McCabe:** That is fine. I thought that was broadly where you were with that. Let me ask you something slightly different. It sounded like you said the DWP has a role and you are kind of consulted in the construction of the green taxonomy, if I understood you correctly. How will you avoid what Morten Nilsson, the CEO of the BT pension scheme management, described as greenwashing? He is making the point about companies that will all be for products and things that they describe as green. One example that we had was about Toyota hybrid cars. How would you avoid the problem about greenwashing, if you take it in that context, while at the same time not restricting opportunities to invest in browner assets that could potentially turn green?

***Guy Opperman:*** It starts with the individual company. He cited Toyota and a hybrid, therefore I presume what he is implying is that his organisation was invited to invest in Toyota as a shareholder and take a stake in that on the basis that it was a green investment, so it starts with the company. Surely the company has to satisfy the trustee that the investment that the pension scheme is going to make, or any acquirer of shares or investments or VC, that that is an ESG-friendly investment that takes due account of climate change.

It is simple, in my view. If that company cannot so satisfy it, they are not going to get that investment, so you start with the company itself. These companies are going to want our continued support in terms of capital, venture capital and continuing support for their shares. Most pension schemes do not do original investment or VC. Some are, but not much. The majority is in terms of a shareholding that they hold as equity in a particular company. FTSE 100 is a good example.

That company is going to have to do very, very detailed reporting, which we have gone into copious detail about, climate change financial disclosure, how it is that company is evolving, how it is that company and the asset manager votes in respect of the company decisions and its policy decisions and the stewardship of that company. My personal view is we look at it from the wrong end of the telescope. The people seeking the capital are the companies and they are going to have to satisfy the investor, the pension schemes, that this is not a greenwashed investment.

Q62 **Steve McCabe:** Sorry to interrupt, but I want to understand that. Could we end up in a situation where one pension fund is persuaded by the arguments of the company seeking the investment that this is a transition project and on the way to being green and another pension fund is not or will the Treasury rule what is green in terms of the taxonomy and what is not?

***Guy Opperman:*** You are mixing your examples, but I will try to address both.

**Steve McCabe:** I am always guilty.

***Guy Opperman:*** I am just as guilty. It is up to an individual. We go back to the fiduciary duty of the pension scheme trustee to make the investment that is in the best interest of his members, with due account to the rules and requirements that the Government have set, namely ESG. It has to be, putting it simply, an investment that takes due account of climate change. If that is the case, then the pension scheme trustee can make that investment and it is not for the Government to intervene and say, "You can't do that". I would be resisting that.

Different pension scheme trustees may—I think it would be unlikely, but may—take a differing approach in respect of individual investments. Particularly as you get better reporting, better stewardship, better understanding of the obligations, which goes back to your training of trustees point, I think there will be a consistency of approach. You are also going to get much greater and better reporting and comparison. There is clearly a market. I have to be careful not to create a market as encouraged by a Government Minister, but there is clearly a market for somebody to measure the nature of those investments and how they compare to Paris alignment, how they compare to other different interpretations. I am not sure it is for the Government to intervene and say, "That is particularly green, that isn't particularly green".

The flipside of that is that there will be some examples. With the green gilt, there are some countries, particularly as they have developed a green gilt, where they have identifiable projects. The nature of a green gilt can be twofold. You can have a green gilt that is invested in broad terms for green purposes, as defined by the Government. By investing in a green gilt you feel like you are ticking the box that this is an ESG-friendly investment, clearly. But you can get a second lever in that the individual Government can say, "Your investment will go to particular projects and these are the sorts of projects that we approve". I will give you a hypothetical example of a windfarm, which is clearly an ESG-friendly investment. That is the sort of approach that the Government can take, but by and large the Government are not in the business of picking winners and losers.

**Steve McCabe:** Emma had some quick points, Chair, and then I will leave it.

***Emma Varley:*** Yes, I am conscious of the time, so I will be brief. To clarify on the green taxonomy and the point about tackling greenwashing, the green taxonomy is intended to play an important role in tackling greenwashing. To be clear, what the green taxonomy will do is define which economic activities count as environmentally sustainable. Yes, of course Treasury is leading this but DWP is closely involved in this, to reassure you, and we do have observer status as well on the GTAG group, which has already been referenced. We are involved in this and working closely with them.

**Chair:** Thank you. Is that your point as well, Pete?

***Pete Searle:*** That was most of my point. To emphasise, the Minister is right that the Treasury is not going to say that this particular investment is green and this particular one is not, but the taxonomy is designed to enable people to measure and provide metrics to assess different investments. The taxonomy is crucial. There is a whole system here but the taxonomy gives you the measures and the metrics and then TCFD says that you have to disclose the information. You put the whole thing together and you can build up a picture that gives a much richer set of information about how green investments really are.

***Guy Opperman:*** Can I add one point, which is in answer to Debbie's point and also Steve's point? I am looking at my notes here. Part of the Mansion House speech is that the Chancellor outlined that he would take the EU technical screening criteria as the base of the UK taxonomy, but we then want to ensure that the taxonomy works in a UK context. It is fair to say that we are very aligned with what the EU technical screening criteria are, but then we are looking at whether this particularly works with the UK. That is a work in progress. The other point I should say is this clearly was discussed—way above my paygrade—at the G7 when the Chancellor met with a variety of the G7 leaders and this is a very significant work in progress.

**Chair:** Thank you very much.

Q63 **Siobhan Baillie:** We have already spoken a lot today about international standards and the fact that the UK is leading the way, the first in the G20 to introduce the disclosure, but in your view, Minister and team, what is the limits of the TCFD and what could be improved?

***Guy Opperman:*** It is a fantastic start. I genuinely feel that we have gone at great speed in the four years that I have been in post. To be fair to the DWP, it would not have mattered who the Minister was. The DWP has been driving this forward. We are leading the way.

There is a legitimate point that we have to let these things bed in. Anybody who is first in the market and who implements things first needs to allow people to understand them, appreciate them, apply them and then potentially tweak them and improve them as we see where we are going. We have two particular metrics—ESG and TCFD—that are effectively worldwide understood and that we are applying at the front of the queue. The taxonomy, as we have just discussed, is a work in progress and that is a worldwide approach to that.

The other point is that investments are made overseas. A lot of what UK pension members are investing in is not necessarily UK-based. It works both ways. We want to know that that is invested in an appropriate way abroad, but we also want overseas pension schemes to invest in the UK and to invest in UK companies and UK infrastructure, so it is a work in progress.

There are a whole host of various organisations that are working in this space to try to take it forward. Harmonisation on a global scale of the international standards over and above TCFD is going to be the work in progress that a lot of people are going to try to be achieving. Obviously Biden being in the White House makes a massive difference because the Americans are now taking this more seriously than they were previously.

Q64 **Siobhan Baillie:** I have a follow-up, if we have time. I have been reading about the international sustainability standards board. Who in the UK is responsible for monitoring and sharing best international practice in this area? Is there a particular group or organisation or is it the Government?

***Guy Opperman:*** I think it is the Government as a whole, but I will take officials' greater knowledge of that. DWP has given public support to the proposals of the ISSB and so have other UK Government Departments, but I do think it is a work in process with the FCA. I am a visiting attendee of the Climate Action Implementation Committee. It is also doing that and I am certain that COP would be very involved in that as well, so it is a cross-government approach. There is not one particular Department that is driving it forward, although, as I said before, you cannot overstate the importance of Alok and the COP team to everything the Government are now doing. The scale to which they are permeating every part of government is off the charts.

Q65 **Chair:** Thank you very much. Minister, can I ask you a final question on this subject, and then there are two or three other things we would like to raise with you while we have the opportunity? On this topic you have mentioned COP a number of times. Beyond what you have already said, are there things in your portfolio that you particularly want to come out of COP?

***Guy Opperman:*** I would hope that other countries—I would say this, wouldn't I—would get on board with the direction of travel that we are taking, putting it bluntly. This country, to its massive credit, under successive Governments, under the Blair-Brown Government, under the coalition and under the Conservative Government, has embraced the combat of climate change, dating from the 2008 Act and beyond, the Paris agreement and all the work we are doing. I would hope that others would get on board with what we are doing and others would see that we have taken on TCFD and would embrace that as well.

The key is then the international metrics on the Paris alignment. That is the most important thing. Getting the world on track to Paris agreements limiting global temperature rise to well below 2 degrees is obviously the most important thing. That requires some heavy lifting. The extent to which China has changed its tune recently is very welcome, but it has to do more. There is some proper international diplomacy that various Departments are engaged in. Those would be the main things. We can learn from other countries that are first in the market on a green gilt, for example, and we can do things bigger and better than necessarily the £15 billion green gilt, which is our first one. But mainly it is getting all the countries around the table, if they are able to attend, and making sure that there is common alignment going forward.

In DWP I see my role—which is a very different role to a traditional DWP Minister—as selling the expertise of the City of London, the asset managers and the pension scheme trustees. I genuinely feel this very strongly. We have an opportunity to showcase that we are ahead of the game here and we are implementing things ahead of everybody else and that we have the expertise. Steve was questioning whether we are going too fast for trustees. We have that expertise, we have that capability to invest in an ESG-friendly way that many, many other countries just do not have. I certainly am going to be trying to make the case to sovereign wealth funds of overseas countries that if they want to invest in an ESG-friendly way, they should be investing in London.

Q66 **Chair:** Do you think there is going to be much discussion specifically around pension funds at COP?

***Guy Opperman:*** That is a work in progress. I genuinely asked a question this week to what extent are pension Ministers—I speak to colleagues around the world. If this were a normal COP, if this was Paris, then you would probably expect a whole other bunch of Ministers to accompany the Prime Minister and the COP Minister—in our case the PM and Alok—to Paris to have a series of bilateral and quadrilateral agreements. I need to sit down with the Americans and with the Japanese and Indians and the like to try to discuss these things. I am not sure that is going to happen. If COP goes ahead—it is way above my pay grade and I am not making any policy about that—I do not envisage that large numbers of delegations will be coming in the usual way that that has been done in the past. I do not know is the honest truth.

There is a lot that you can do, even with the delights of Zoom and other things like that, but in truth you need to have a proper sit-down. Certainly it is my intention to try, subject to travel capabilities, subject to enjoying the confidence of the Prime Minister, to engage with international colleagues on an ongoing basis to try to drag this forward.

Q67 **Chair:** Would you hope that COP will provide a bit of an opportunity to do that?

***Guy Opperman:*** Yes. It focuses everybody's minds. I genuinely think in some respects that people will say, "If the UK can do TCFD, why can't we?" That is a clear, easy example. I think everybody will acknowledge that taxonomy and harmonisation of international reporting standards, for what are international pension fund investments, is something that is important and is a work in progress. It is a difficult job to do, but it is still doable.

Q68 **Chair:** Thank you very much. As I mentioned, there are a number of other points we would like to raise with you. I have one, Steve McCabe has one and Nigel Mills has one. I mentioned to you, Minister, I have to go sharp at 11.30 am, so if we are still talking at that point, Nigel will take the Chair.

The question I want to raise arises from your response to our report on pension scams. Thank you for providing us with that. In that you said Project Bloom, "Could benefit from being placed on a more formal footing within the existing partnership". Could you tell us a little bit more about what you envisage happening there, what this more formal footing for Project Bloom might look like? Would it involve Project Bloom having its own dedicated funding, would it have a statutory status, would it get a name that does not appear to have something to do with horticulture? Could you tell us how Project Bloom might be developed?

***Guy Opperman:*** I can be blamed for many things, but I cannot be blamed for the fact that Bloom is named after a horticultural matter. I am not even sure why it was named Project Bloom, but there you are, I inherited it. Everybody is in agreement that Project Bloom and the nature of its remit needs improvement. I do not think there is any doubt whatsoever. We are all in agreement there. I can tell you that we have done a number of different things. Officials have engaged across Departments. I have met the Home Office and other colleagues, even within the confines of pandemics and Zooms and things like that. We had a ginormous Zoom meeting with all the Departments and all of the agencies who are representative to try to drive forward a greater degree of working. That is a work in progress. It would be wrong of me to say that we have it fixed and we know what we are going to do for certain.

My personal view is that this needs to be linked. You need bigger membership. There was a criticism in your report that HMRC, for example, were not part of it. Before that I had had a meeting with HMRC to ask why it was not a part of this. It is now part of it. There was criticism that certain other organisations were not part of it; they are now part of it. I feel like we have beefed membership.

The process of the Select Committee has focused a lot of people's minds. We have done huge amounts of work with the Pension Scams Industry Group to get full compliance by individual schemes and signing up to what it is doing and the great work that Margaret Snowdon and her team are doing.

The bit I would push back on is that this does not necessarily need to be statute, and even if it was going to be statute, that is many years down the track. You know and I know how government legislation has to be consulted upon and bid for, so the idea of Project Bloom being in statute is some considerable way off and I am not sure it needs to be. I am interested in outcomes. It needs to be better, but I remain to be convinced that it needs to be in statutory form.

What I do genuinely think needs to happen though is that it needs to have the full backing of the police agencies and the Home Office in the way in which there is pursuit of those who abuse those individuals who we represent. Project Bloom has lacked the criminal investigatory capacity that everybody would like to see. That does not necessarily mean that it is a police force itself. What it means is that they and Action Fraud and the Home Office and the City of London Police have to work a lot closer together and be a lot more effective at tracking down and then prosecuting and imprisoning people who are scammers and agencies have to work better together.

There is no guaranteed fix to the problems of scammers in the way in which they operate, because they operate across different regulatory jurisdictions. Some are civil liability matters, some are criminal, but there is a lot of working going on to try to make sure that it is better. It is a work in progress is the short answer.

Q69 **Chair:** Thank you. The element of strengthening that the Committee felt most strongly about was that it should have dedicated funding, that it should not be simply voluntary contributions by the members towards its budget and therefore a lot of uncertainty from one year to the next about how much funding it had. It ought to have dedicated funding provided by the Government, possibly taken from the other institutions, but a certain and definite and committed budget so that it knew how much resource it had available.

***Guy Opperman:*** There are two approaches to that. The first is that it would have to come from levy funding, which means it comes from members. You will be aware that both the DWP and this Select Committee would have identified lots and lots of different organisations that should receive more funding from the levy. Ultimately that comes from members, so that is an issue that we are looking at. Clearly the levy is strained and it always comes back to individual member contributions on the levy. That is an issue because things like the Pensions Regulator and other organisations are funded by the levy as well and those budgets have increased. The Pensions Regulator budget has increased by nearly

100% over the last five or six years. These things have gone up over time.

The alternative way is to find dedicated taxpayers' money out of pre-existing budgets. That is a difficulty because clearly budgets are set some considerable time in advance and it is not the case that suddenly I have a pot of money to dip into at DWP or that the Home Office has such a pot of money. The flipside of that is I know, for example, that the Home Office has a fraud action plan that it is looking at and that there is a lot of work being done to look at how it is that we tackle fraud, which is what this is, on an ongoing basis. The solutions are not going to be simple. I am not promising you that there will be an all-singing, all-dancing revamp of Project Bloom within a matter of weeks or even months. This is something that is proper cross-government working. As you rightly say, extra funding has to be found, has to be budgeted for, has to survive a spending review and so on. That is a work in progress, particularly with the impacts of the pandemic.

**Chair:** It is quite an urgent one, I think, given the problems that we are seeing.

***Guy Opperman:*** I do not dispute that. The only flipside is that I am utterly satisfied that the Project Bloom that you assessed in the spring of this year when you took your evidence is very, very different from that which it was then. Already we have made a massive difference to personnel, approach, intervention, attitude, support and so many other things. There is more to do, but it is very different from what it was.

Q70 **Steve McCabe:** I want to ask quickly about the exercise to identify those who suffered from the pension underspend. In particular, there seem to be two groups who are missing out: married women whose husbands turned 65 before 17 March 2008 and then divorced women, especially those who divorced post-pension age. Do you have any intention or consideration to expand your exercise to include those two groups?

***Guy Opperman:*** I certainly was not given any notice of this question so I am going to do this totally off the top of my head. I think you are referring to the changes implemented in 2008 by the Brown Government and the changes that came in in terms of how the state pension was dealt with in 2008.

Q71 **Steve McCabe:** Both those groups of women, if I am right, would be entitled to enhanced pension, additional pension, but would have to have notified the Department. Clearly most of them did not because they did not know about their entitlement.

***Guy Opperman:*** I can give you two answers to that. The first is that this Government will implement the law as it exists and as it has existed since 2008 when the Labour Government changed that law. It is still the case that if anybody feels that they have an entitlement to a pension and have not claimed it, they should claim it.

As with all entitlements, these things have to be claimed for. All we are doing is continuing the process that the Labour Government and, to be fair, previous Governments had in terms of making sure that individuals do claim that. I do not anticipate any widening of this particular process or change of the law in that respect, if that is what you are asking. I am not totally clear.

Q72 **Steve McCabe:** I am asking that because you are already engaged in an exercise that is identifying people who got less pension than they were entitled to. I am saying these are two other groups who probably have got less pension than they were entitled to and would not have asked for the additional pension because they would not have known of their entitlement. Since you are already engaged in the exercise, I wondered if you had any intention to expand it to cover those, but you are telling me that they are still going to have to be subject to making the application themselves. Is that right?

***Guy Opperman:*** I am merely implementing the law that has existed under the Labour Government.

Q73 **Steve McCabe:** Yes, I hear you. One other point on that. If people from either of those groups, women from either of those groups, do come forward, they would now be limited to only 12 months of extra pension because they did not apply within the statutory timescale, but you have discretion to increase that payment if you were to choose. For people who come forward outside the 12-month period, will you consider discretionary payments to recognise just how much money they have lost?

***Guy Opperman:*** I am not sure that your question is factually correct. All we are doing is implementing the rule that was brought in under the Labour Government in 2008. That has always been the case. Every benefit needs to be applied for by the applicant concerned.

Q74 **Steve McCabe:** As I understand it, it says, "Where a payment has been delayed, the DWP can consider a payment to recognise any erosion in the value of money under the discretionary special payment scheme". These people's payment would have been delayed because they could not possibly have the knowledge of their entitlement. You will be aware of this, Minister. I am asking it on the back of your predecessor, Steve Webb, advising these people to go to the ombudsman and suggesting that the Department should find a way of putting things right.

***Guy Opperman:*** There is much I could say about Sir Steve Webb.

**Steve McCabe:** Just tell me about this bit.

***Guy Opperman:*** He was the one who reformed the state pension. As always is the case in so many of these examples, I am attempting to rectify mistakes that took place long before I became the Minister, long before the coalition even existed. All we are doing is implementing the law as it stands. You are distinguishing between the individual having to apply on an ongoing basis—which applies today, applied in 2008, applied in 2000, applied prior to 1997—for any entitlement to which they are so entitled. The delay in those particular circumstances is not a delay by the Government. The delay is in respect of the individual applying. That is where I think we are at odds.

**Steve McCabe:** Okay, I have gone as far as I can with it, Chair. Thank you very much.

Q75 **Chair:** Steve, just a point I would make about this. We know that there is a big exercise underway to identify these cases, some hundreds of people working on them, but there is very little information about how it is going and what sort of progress the exercise is making, how many cases have been dealt with. Is there any possibility the Committee might get some regular updates, not weekly but from time to time, every couple of months or something, on how that exercise is getting on?

***Guy Opperman:*** I can make three points to that. The first is I would refer you to the answers by the Permanent Secretary, Peter Schofield, and by the Secretary of State, who came to see you last week on this particular point. They outlined that when this process was originally started, it was expected that it would take many, many years to resolve. The two updates that I have provided in written ministerial statements to the House of Commons in March and then April have outlined that we believe that this process will be completed by the end of 2023. Partly that is manpower. We have managed to recruit or are in the process of recruiting many hundreds of staff to assess these very dated legacy claims, which need to be assessed on an individual basis and we believe that we can resolve this by 2023.

It is definitely the case that we propose to try to give a much more detailed update, but you will understand that trying to give definitive facts and figures as we are progressing is exceptionally difficult, given that this was a process that we thought would take many years. We now think it will be completed by 2023. We thought that this would involve hundreds of thousands of people and significant amounts of money. We think it probably will not be that much, but trying to give you definitive figures is simply not possible at this stage. We can only give ballpark figures, hence the approach that the Government have taken is that we would give six-monthly updates and written ministerial statements in the intervening period. That is partly because I do not want to give you figures that would incorrect and I could not give you a definitive figure today.

**Chair:** Thank you. The last questions come from Nigel Mills. Perhaps I can at this point hand the Chair over to Nigel to take us to the end of the meeting.

*[Nigel Mills took the Chair]*

Q76 **Chair:** Minister, it is probably fair to say we shared with you your objective of increasing the take-up of Pension Wise, but we probably have some differing views on the best way of achieving that. Can we welcome your consultation on the Stronger Nudge and could you talk us through what you are hoping to achieve with those proposed regulations?

***Guy Opperman:*** Sure. I will give the short answer and then I will let Emma come in if necessary, because I know that she has done some work on this.

Originally the Stronger Nudge consultation was published in the late part of summer last year and then was debated as part of the Pension Schemes Bill. I well remember your speech, Nigel, at the Second Reading, where you made the point that you wanted people to be made aware of the Pension Wise guidance, how good it was, and then only if they genuinely wished to avoid that or had sought advice elsewhere so that they were sufficiently informed could they then proceed with any particular transaction. The Chair submitted a very robust amendment that said that it should be automatic for every single person. We do not think that is right, with respect, and we resisted that at Report and Third Reading stage.

I did feel very strongly. I went away from the Act passing at Christmas and felt very strongly that there was more potentially that we could do. It is very, very rare that you consult on something and then change the policy post the end of the consultation. It is the first time that I have ever heard of it and that is what we have gone and done. I went away and I had to speak to Treasury colleagues, go to a cross-government approach. We had to do some trials and some testing, but we have come back and we have published a beefed-up version of what is called the Stronger Nudge. It adds in an extra element whereby the individual will have to make a conscious decision and then communicate that in a separate way that they do not require Pension Wise guidance.

It is unquestionably the case that our testing shows that this will enhance the take-up of Pension Wise guidance. It goes to the heart of what you said at Second Reading, Nigel, that it should be something that they are informed about and then make a conscious and willing decision, upon sober reflection—not at the time, they have to go away and think about it—to reject such advice in circumstances where we think many people would have benefit of it.

I believe that we have created a hybrid model that is not what the Government originally proposed and is more robust. We have published it very recently. If I have not sent it to the Committee, I will send a copy to the Committee. That is a fair description of a more detailed process.

**Chair:** Thank you. You were going to hand over to Emma to add some further comments or Pete.

***Pete Searle:*** Not too much to add, but the consultation began last Friday, 9 July, and runs through to 3 September. As the Minister says, it requires people, if they want to opt out, to do so through a separate communication. They cannot opt out in the initial call, they have to proactively come back to the scheme, the managers, the trustees, and say, "I hear what you say about this great guidance but I'm choosing to opt out". That forces them to make a conscious decision around this rather than just a kneejerk one.

The other point to add is addressing inertia risks by the trustees or the managers in the initial call proactively offering to set up the appointment with Pension Wise for them. They can do that then and there and give them the appointment. Someone could say, "No, I'd rather do it myself". That is fine, they can do that, but then you come back to you cannot proceed with the application until they have either said they are opting out in a separate communication or they have confirmed that they have had the guidance through a Pension Wise appointment.

***Guy Opperman:*** Nigel, if it assists, what I would propose to do is that I have a short note on this, which I am happy to send to the Committee, with details of what it says. It also particularly contains a very helpful customer journey flowchart, which is a series of boxes where it goes from A to B to C to D.

Q77 **Chair:** That would be very helpful. In your covering comment when you issued this you said that you wanted as many people as possible to take up Pension Wise. What did your testing suggest would be the take-up percentage of people if you did go ahead and implement what you are now proposing?

***Guy Opperman:*** I cannot give you the definitive figures off the top of my head, but it would be a significant improvement upon the numbers that are in the 12% to 14%, as I recall, from the original Stronger Nudge consultation. There is no doubt that the testing that we did showed that the process of going away and thinking about it and then making a conscious decision of, "Do I want to take up this guidance or not" and having to communicate that conscious decision would definitely encourage many more people either to take the guidance or to do it with a much more measured approach.

**Chair:** Perhaps you can write to us if you can recollect—

***Guy Opperman:*** I will send you the data on that.

**Chair:** If there is nothing else from anybody, I thank you and your officials for your time, and we will see you after the summer, no doubt.

***Guy Opperman:*** A pleasure, as always. Thank you very much.