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1. What can fund managers do to engage with pension trustees and if necessary, educate them about climate risk and the benefits of investing sustainably for their savers?

Fund managers are already engaging with pension trustees, but we must go further in facilitating our education. Where these engagements fail, a primary cause of failure is the erroneous assumption that climate risk is somehow not directly related to investing and cannot be modelled in the context of a pension fund's liabilities. This does not necessarily indicate a failing on the part of environmental and socio-economic impact measurement, however, but instead a technical and practical failing on the part of orthodox risk and asset allocation models. Engaging with pension trustees in order to clarify that absolute, empirical, forward-looking measures of environmental and social risks and opportunities can in fact be incorporated into relative, retrospective asset allocation models is therefore one of the core means through which fund managers can educate trustees on the benefits of sustainable investing re: the protection of their beneficiaries' income whilst being mindful of trustees' fiduciary duties. The ability to engage in this way, of course, is dependent upon the sophistication of the fund manager's sustainable impact measurement framework, the majority of which continue to be insufficient and non-empirical.

2. What, if any, regulatory rule changes (such as to 'permitted links' under COBS 21.3) are required to assist pension scheme default funds to invest in more ESG funds or investments?

Fully ESG-integrated funds with an active approach to managing risk through stewardship tend to have a higher cost base than the current 0.75% charge cap applied to default arrangements for workplace pension schemes using automatic enrolment. While the cap is there for good reason - to ensure that individuals who are automatically enrolled into a pension scheme are protected from high and unfair charges – it does also preclude access to active ESG strategies.

3. How can we measure the impact of individual green finance choices on the net zero target, and is benchmarking progress possible?

Net Zero decarbonisation pathways are derived from implied national carbon budgets; the 6th UK carbon budget is due in December 2020, and will provide a decarbonisation pathway that will notionally deliver net zero in the UK by 2050. The simplest way of measuring the impact of individual green investment and/or policy decisions upon the net zero pathway is to apportion out the UK carbon budget by sector and regional location of activity (this is referred to as the Sectoral Decarbonisation Approach, or SDA, and allows for the establishment of company or building-level carbon budgets via market share), and to derive sector-level emission intensity pathways from this. Where a given intervention is made, its impact should be compared to the implied required emissions intensity of the relevant sector at that point in time and in the future. Benchmarking is possible and is achieved by monitoring the emissions intensity of sectors subject to intervention over time. It is important to note that no science-based method – including the SDA, and those used by the CCC and IPCC – for deriving net zero decarbonisation pathways produce certain or close to certain outputs; the central weakness of these methods is that they assume that all sectors decarbonise as required at the same time. The UK should therefore focus on the largest emitters first.

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