



Investment Consultants Sustainability Working Group (ICSWG) launches a trustee guide for assessing consultants' climate competency

London, UK – Friday, 29th January 2021 The Investment Consultants Sustainability Working Group (ICSWG) has launched a guide to support trustees to assess their investment consultants on their climate competency. The ICSWG is a collaboration between 17 firms formed in 2020 taking action to support and accelerate sustainable investment initiatives in the UK.

Developed through collaboration between all 17 member firms with input from ShareAction, The Pensions Regulator and the PRI, the guide is a practical response to the 2020 Pensions Climate Risk Industry Group (PCRIG) consultation, which recommended that pension scheme trustees require their investment consultants and asset managers to demonstrate climate competence.

The guide sets out five themes against which trustees should expect their investment consultants to demonstrate their climate competency. These are:

1. Firmwide climate expertise and commitment
2. Individual consultant climate expertise
3. Tools and software (to support climate-related risk assessment and monitoring)
4. Thought leadership and policy advocacy
5. Assessment of investment managers and engagement with them

Examples of 'positive' and 'best practice' indicators are proposed for each theme to help trustees assess their consultants in each area, underscoring the commitment of the ICSWG to ongoing improvement of climate change practices.

Ian Gamon of LCP and the ICSWG's Regulation team says: "Climate change is fast becoming the defining issue of our time and trustees of pension schemes need to know their advisers are on the front-foot with this issue. We are really pleased to be publishing this new guide to give trustees a practical way to assess the capabilities and approach of their investment consultants on climate change."

Luba Nikulina, of Willis Towers Watson and co-Chair of the ICSWG says "The indicators are deliberately stretching with the aim of raising investment consultants' standards and it should be acknowledged that some of these indicators will be aspirational. However, this is an important step towards developing good practice and practical guidance for schemes, in particular those seeking to align with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD)."

Amanda Latham, of Barnett Waddingham and Lead for the ICSWG's Stewardship team, says: "This guide represents a powerful example of what can be achieved through a collective commitment to improvement and collaboration in the delivery of meaningful change. But, it doesn't end here. We will be engaging with trustees, regulators and action groups, to measure the impact of the guide and will share progress later this year."

Brian Henderson, of Mercer and the ICSWG's Regulation team says: "We are pleased to have developed the climate competency framework to help deliver better outcomes for our clients. The



framework illustrates areas where clients can hold consultants to account in terms of their competency in supporting evidence-based climate change related decisions. It is important that pension scheme trustees ask their consultants and asset managers to demonstrate a best practice approach to climate competence. We are already in the decade of transition and to deliver returns for our clients we need to understand the risks and opportunities that the transition will bring. The framework is a step in the right direction and we look forward to the value it will add to our industry.”

The guide is supported by the member firms.

John Belgrove, Senior Partner at Aon, says: “This new and powerful initiative underscores the importance the UK consulting industry places on the urgent climate change challenge and on its role in supporting all market participants to play their part. It is a further demonstration of Aon’s commitment to the industry working together to drive ever-higher standards and collective accountability. We look forward to putting the climate competency framework into practice.”

Celene Lee, Principal at Buck, says: “We view this as an important step forward to helping our clients assess their Investment Consultant’s commitment to this field. We have seen growing demand from clients for practical, evidence-based solutions to ESG and believe this is an important move towards consensus on best practice. Buck are committed to supporting our clients as they tackle these issues which will continue to grow in importance in the coming years”

Annachiara Marcandalli, Head of Sustainable Investing for Europe, Cambridge Associates, says: “We are investors, not scientist, but we also think like scientist, and what we are seeing in our data is that climate change is affecting both risks and opportunities for asset owners. Adding the dimension of climate resilience to both asset allocation and manager selection is a necessary step towards building greater resilience and long term out-performance.”

Keith Guthrie, Deputy CIO of Cardano, says: “Integrating climate change risk assessment into trustee decision making and covenant advice has become essential. This guide will help trustees be sure that their advisors are appropriately equipped and engaged to do so.”

Simon Jones, Head of Responsible Investment at Hymans Robertson, says: “The whole of the financial services industry has a role to play in addressing climate change. As progress is made and action taken, so the expectation must be that trustees, asset managers and investment consultants all raise their game and do more. Society demands this. We’re happy to support the publication of this climate competency framework and, in line with our own climate pledge, will continue to ensure that we consider climate change in all that we do.”

Claire Jones, Head of Responsible Investment at LCP says: “LCP believes climate change and the global transition to a low carbon economy present significant financial risks as well as opportunities for pension schemes. Trustees of pension schemes need assurance that their investment consultants are skilled and experienced in this important area which is why we were actively involved in developing this climate competency guide.”

Nick Samuels, Head of Manager Research at Redington, says: “To tackle the challenges of climate change we all have to do more. Asset managers, asset owners and investment consultants. The competences are the first step by investment consultants to deliver a framework to all our clients to



be held accountable against. Only by practicing all these competences are we walking the walk, and truly acting in the best interests of our clients, and society."

Sarita Gosrani, Head of ESG Research, XPS says: "The ICSWG framework of climate competency is timely and a great first output of the working group, as trustees will look to their investment consultants to help them navigate through upcoming regulations and the complexities of the mitigating climate risks within the pension scheme."

Notes:

About the Investment Consultants Sustainability Working Group

ICSWG is a body of 17 investment consultant firms, all providing investment consulting services to UK asset owners. Its aim is to improve sustainable investment practices across the UK investment industry and seeks to do this by delivering to six commitments:

Engage across a broad range of stakeholders, including asset owners, asset managers and regulators
Seek investment outcomes which are genuinely sustainable and not treat sustainability as a tick box exercise

Align with, and support, existing industry bodies and initiatives

Support their respective clients who are too small to meaningfully engage with industry initiatives

Create a guiding set of principles that indicate good practice with practical advice

Be a body where regulators and other stakeholders can seek input when they need a view from investment consultants.

Member firms of the Investment Sustainability Working Group are:

Aon, Barnett Waddingham, bfinance, Buck, Cambridge Associates, Cardano, Hymans Robertson, ISIO, LCP, Mercer, MJ Hudson Allenbridge, Momentum, Redington, River and Mercantile, SEI, Willis Towers Watson, XPS Investment.

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