# Sustainable investment working group sets out priorities to free trustees from regulatory burdens and encourage sustainable investment

The new Influence workstream in the Investment Consultants Sustainability Working Group (ICSWG) has published its first paper looking at how trustees can be freed to focus more on impactful investment decisions and less on regulations and report writing.

The ICSWG brings together leading UK investment consulting firms with the aim of seeking to improve sustainable investment practices across the investment industry.

The new workstream was launched last summer and their new paper “*Ideas to help pension scheme trustees focus on more impactful investment decisions*” outlines some of the areas that they will be working on.

The key ideas and areas of focus are:

1. **Simplification of UK pension scheme sustainability reporting -** The group will work with regulators to simplify, reduce and harmonise reporting requirements and regulatory burdens. Their vision is a consolidated regulatory reporting framework under which each scheme publishes a single sustainability policy plus regular reports on the implementation of that policy (annual for large schemes and triennial for smaller schemes).
2. **Action on sustainable investing -** Using direct dialogue with policymakers and regulators to remove barriers to sustainable investing for UK pension trustees. More broadly, to seek a regulatory framework and policy guidance that facilitates such action. The group will be focusing on three strategic topics: double materiality (i.e. consideration of investments’ impacts as well as risks); trustee knowledge and understanding; and assurance of sustainability reporting*.* They will also be looking to get clarification of trustees’ fiduciary duties, contributing to the FRC’s review of the UK StewardshipCode, and encouraging a focus on trustee action in any review of DWP’s stewardship guidance.
3. **Investment into illiquid sustainable assets** - There are several barriers to greater investment in illiquid sustainable assets for DC and DB schemes. For DC, greater clarity from regulators could encourage trustees to phase sustainable options into default funds. For DB, the primary barrier is the tendency of trustees to focus on insurance-based endgames, because illiquid assets are not generally accepted by insurers. The group will explore ways to enable and incentivise insurers to accept illiquid assets as well as finding ways to incentivise schemes to consider a ‘purposeful’ run-on objective as an alternative to insurance-based objectives.

**Claire Jones, workstream Chair, as well as Partner and Head of Responsible Investment at LCP** said: “The workstream was set up to work with regulators and policymakers to help free trustees from tick box exercises and enable them to focus more on sustainable investment, in order to improve outcomes for savers.”

**Alison Leslie, workstream member and Head of DC Investment at Hymans Robertson** said: “In the interests of transparency and best practice, we are delighted to share not only our vision of what needs done, but also potential thoughts and routes to get there. Our positioning paper will guide our work across these three areas in the coming year and give us a clear route and direction”.

**Paul Lee, workstream member and Head of Stewardship and Sustainable Investment Strategy at Redington** said: "It's clear that participants in the investment chain should play a fuller role in policy and regulation, as these frame the well-functioning capital markets on which our clients' financial well-being depends. Redington is pleased to play our part in this through active participation in this ICSWG workstream."

**Iona Young, workstream member and Sustainable Investment Consultant at Isio** said: “We are excited to collaborate with our industry colleagues to engage with regulators and policy makers as part of our commitment to systemic engagement. The position paper lays out the ICSWG’s view of the greatest barriers to a regulatory landscape that facilitates positive, real-world sustainability outcomes, and our thinking on how to make meaningful changes for the benefits of schemes and their members.”

**Gareth Evison, workstream member and Investment Consultant at Gallagher** said: “The cross-consultancy workstream brings together a joint vision when working with regulators to target better outcomes for members and savers through enhanced sustainable investment.”

**Keith Guthrie, workstream member and UK Head of Sustainability for Cardano, a business of Marsh McLennan**said “The ICSWG Influence workstream is focused on simplifying reporting requirements and reducing regulatory burdens thus facilitating sustainable investment decisions. This working paper sets out how we can help make that a reality.”

The paper can be accessed here: <https://www.icswg-uk.org/_files/ugd/b25a61_1f4dd9ab6a964d4eabe6f6c001d2c3aa.pdf>.