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E-S-G in D-C – find out what it means to me

Our 5 key principles for ESG investing in DC schemes

Who is this for? DC scheme Trustees, Governance Committees and Pension Managers

If 2020 taught us anything, it's that we should all channel our inner Aretha Franklin and show a little more R-E-S-P-E-C-T for one another. The same goes for our planet and environment; DC members agree.

In their July 2020 survey, the (Defined Contribution Investment Forum (DCIF) found that Responsible Investment would make 67% of members want to engage more with their pension, allow 65% to have more trust in their pension, and would make 50% want to pay more into their pension. These numbers have all grown substantially over the last few years, and with COVID-19 changing society as we know it, the scrutiny of how our money is invested has increased even further.

So, if you haven't already come across the term ESG investing (Environmental, Social, Governance) then you've not been speaking with the right consultant! However, understanding the term is one thing, but putting it into practice is quite another.

1. Three pillars for responsible investment

A responsible investment approach, which considers E, S and G factors, including climate change, will add significant value through **managing risk, realising returns** and **unlocking new opportunities**.

2. Consider the entire member journey

DC schemes are **long-term investments**, so ensure you consider ESG **at all stages of a member's journey**.

3. Prioritise the member's default

Focus your attention on managing ESG risks in the **default strategy**, whilst allowing for your Sponsor's values and members' interests where possible. You can then look to offer **ethical or impact funds** within the **self-select range** for those with more specific ESG values.

4. Collaboration is key

Collaboration is key for delivering the greatest ESG impact. DC schemes, governance committees or trustees should seek to align themselves with **ESG bodies** as well as implementing **strong stewardship principles** in order to maximise the impact of their ESG policies.

5. Transparent and purposeful reporting

Transparent reporting on ESG issues will improve member engagement. So look to implement strategies that provide comprehensive reporting on a **range of ESG metrics** and stewardship information, and in turn, find a way to **communicate these issues with DC members** in regular correspondence.

If you'd like to explore these principles in more detail; if you'd like to hear how we rate your provider's current approach to ESG; or even if you'd just like some introductory training on what ESG investing actually is, then:

"All I'm askin";

"is for you to C-O-N-T-A-C-T me";

"to find what DC in ESG could mean for you".

Jacob Bowman is a DC Investment Consultant at Isio.
Jacob.bowman@isio.com

isio.