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Dear Sinead and Vicky,

Pension trustees: clarifying and strengthening investment duties

Thank you for the invitation to respond to the above document. Good Energy supplies 100% renewable electricity and carbon-neutral gas to homes and businesses across the UK. Good Energy is working towards a 100% renewable future, helping to support technologies including wind, solar, biofuel, hydro and tidal. Our purpose is to power the choice of a cleaner, greener future together.

Overview

- Climate change represents an unprecedented level of risk to investors, and wider society.
- Trustees must be supported to take the risks posed by climate change into account in investment decisions.
- Transparency is essential in supporting informed choices around pension providers.

In addition to the environmental and social risks associated with climate change, it poses a significant long-term financial risk, which is often not adequately reflected in short-term investment decisions. Therefore, any steps that can be taken to require consideration of such risks by those making investment decisions are very welcome.

It is essential that all opportunities are taken to ensure that trustees take a long-term view, properly reflective both of their duties to those whose funds they manage, as well as to wider society. The renewables sector, once a niche investment, is now one example of a mature green investment opportunity. Investment in renewables is consistent with providing both strong near-term returns, and a long-term risk-averse approach. However this latter aspect is often not sufficiently reflected in investment appraisals. Steps must be taken to drive consideration of the long-term environmental and social risks, and impacts, of investments.

Transparency is of particular importance in the investment space. Investors must be able to easily understand the investment decisions that are being made on their behalf, and on what basis they are made. This is fundamental to making decisions regarding who to trust to manage a fund. Wherever trustees choose not to take account of the views of their members, investors must be able to easily understand that this is the case, and therefore able to consider revising their pension arrangements. This will mean that those taking a long-term view, mindful of the significant risks posed by climate change, will be better able to ensure that their pension provision reflect their views.

I hope you find this response useful. If you have any questions, please do not hesitate to contact me.

Kind regards,

Dr. Tom Steward