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Department for Work and Pensions  
Strategy Policy and Analysis Group  
Private Pensions and Arm's Length Bodies Directorate  
Ground Floor North  
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16<sup>th</sup> July 2018

Dear Sinead and Vicky

**Clarifying and strengthening trustees' investment duties**

Redington Ltd is delighted to respond to the above consultation. We are broadly supportive of the proposals set out in the consultation and welcome the proposals to clarify trustee's responsibilities around investment.

Redington is an independent consultancy based in London. We advise a range of long-term investors, including DB, DC, private wealth and insurance clients. Our mission is to make 100 million people financially secure.

Yours sincerely,



Jonathan Parker, **Director**  
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## RESPONSE TO CONSULTATION QUESTIONS

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**Q1. We propose that the draft Regulations come into force approximately 1 year after laying, with the exception of the implementation report, which would come into force approximately 2 years after laying.**

**a) Do you agree with our proposals?**

Yes, we agree with the proposed timescales. It will provide sufficient time for trustees to discuss and implement the proposals.

**b) Do you agree that the draft Regulations meet the policy intent?**

Yes.

**Q2: We propose to require all trustees of all schemes which are obliged to produce a SIP to state their policy in relation to financially material considerations including, but not limited to, those resulting from environmental, social and governance considerations, including climate change.**

**a) Do you agree with the policy proposal?**

We are generally supportive of the policy proposals, particularly around using the SIP as the mechanism by which trustees demonstrate compliance. There are a broad range of factors which could have a financial impact on an investment strategy and we support the proposal to explicitly refer to climate change as an important influence on future asset returns.

**b) Do the draft Regulations meet the policy intent?**

Yes.

**Q3: When trustees prepare or revise a SIP, we propose that they should be required to prepare a statement, setting out how they will take account of scheme members' views.**

**a) Do you agree with the policy proposal?**

Yes we agree with the policy proposal, although we think a distinction could be made between DB and DC. For DC schemes, there is typically more perceived individual ownership over pension assets and potentially higher levels of member engagement. In addition, there are lower proportions of deferred members and pensioners. The Law Commission usefully summarises the differences in objectives between DC and DB in the Fiduciary Duties of Investment Intermediaries report

Crucially, it is also not possible within a DB fund for an individual to make individual investment choices in order to take account of non-financial matters which they might consider important (the exception would be if groups or individual members were to request to transfer out their benefits). Therefore we feel that it is important to make a distinction between DB, DC and within DC between the default strategy(s) and self-select options.



Finally, we feel that it would be helpful if there was clear guidance on how trustees are expected to fulfil this proposal: what does appropriate engagement with members look like and guidance for how/under what circumstances this should be reflected into the investment strategy.

**b) Do the draft Regulations meet the policy intent?**

Yes. Importantly the regulation is clear that trustees are still responsible for setting the investment policy. As mentioned in 3.a) in order for the policy intent to be achieved in practice we feel there needs to be clear guidance on how trustees are expected to fulfil this proposal: what does appropriate engagement with members look like and guidance for how/under what circumstances this should be reflected into the investment strategy.

**Q4. Do you agree with our proposal not to require trustees to state a policy in relation to social impact investment? If not, what change in legislation would you propose, and how would you address this risk of trustee confusion on this point?**

Yes, we agree with this proposal. We are supportive of the reference to social impact in the definition of non-financial factors. This should give sufficient comfort and guidance to trustees who wish to invest with impact. In the interest of clarifying the duty of trustees to consider financial factors including ESG factors we believe that the current proposal (i.e. focusing on financial factors) is the best approach.

**Q5: We propose that trustees should be required to include their policy in relation to stewardship of the investments, (including monitoring, engagement and voting) in the SIP.**

**a. Do you agree with the policy proposal?**

Yes, we agree with this proposal. We are supportive of the intention to split out three activities: monitoring; engagement; and voting. This makes it clear that stewardship is an important element of responsible investment and that stewardship extends beyond equity and into asset classes such as fixed income where there are no voting rights but nevertheless, opportunities to engage and to monitor.

**b. Do the draft Regulations meet the policy intent?**

Yes.

**Q6: When trustees of relevant schemes produce their annual report, we propose that they should be required to: - prepare a statement setting out how they have implemented the policies in the SIP, and explaining and giving reasons for any change made to the SIP, and - include this implementation statement and the latest statement outlining how trustees will take account of members' views in the annual report.**

**a) Do you agree with the policy proposal?**

Yes, we agree with this proposal.





**b) Do the draft Regulations meet the policy intent?**

Yes.

**Q7: We propose that trustees of relevant schemes should be required to publish the SIP, the implementation report and the statement setting out how they will take account of members' views online and inform members of this in the annual benefits statement.**

**a) Do you agree with the policy proposal?**

Yes, we agree with this proposal. Transparency should help to improve standards across the industry and may contribute to improve member engagement.

**b) Do the draft Regulations meet the policy intent?**

Yes.

**Q8: Do you have any comments on the business burdens and benefits, and wider non-monetised impacts we have estimated in the draft impact assessment?**

If the proposed new regulations are to be given proper consideration by trustees, some of the assumptions in the draft impact assessment feel low. For example, we would expect the proposals to result in many schemes spending more time discussing and implementing the policies, which we fully support.

**Q9: Do you have any other comments on our policy proposals, or on the draft Regulations which seek to achieve them?**

We have no further comments.

**Q10: Do you agree that the revised Statutory Guidance clearly explains what is expected of trustees in meeting their duty to publish the SIP, implementation statement, and statement of members' views?**

Yes.

**Q11: What evidence or views do you have of how well the other requirements in the SIP are working? What areas for further consideration and possible future change would you suggest?**

Sponsoring employers should be consulted when there are changes to the SIP. In our experience – and particularly with multi-employer schemes – this process does not occur as diligently as it should and reinforces the commentary in the consultation that the SIP, in general, has not been given due prominence.

