

10 March 2021

Dear Sir/Madam,

The international business of Federated Hermes' is delighted to share this response to the DWP's Consultation "Taking action on climate risk: improving governance and reporting by occupational pension".

## **1. About the International Business of Federated Hermes and EOS at Federated Hermes**

The International business of Federated Hermes is a global leader in active, responsible investment. We are guided by the conviction that responsible investing is the best way to create long-term wealth. We provide specialised capabilities across equity, fixed income and private markets, in addition to multi-asset strategies and proven liquidity-management solutions. Through our world-leading stewardship services, we engage companies on strategic and sustainability concerns to promote investors long-term performance and fiduciary interests. Our goals are to help individuals invest and retire better, to help clients achieve better risk-adjusted returns, and, where possible, to contribute to positive outcomes in the wider world. As of 31 December 2020, the International business of Federated Hermes had £39.5bn assets under management. EOS at Federated Hermes ('EOS') is a leading stewardship service provider. Our engagement activities enable long-term institutional investors to be more active owners of their assets, through dialogue with companies on environmental, social and governance issues. We believe this is essential to build a global financial system that delivers improved long-term returns for investors, as well as better, more sustainable outcomes for society. EOS represents £938.5bn of assets under advice as of 31 December 2020. EOS conducts proactive and reactive engagement with the companies in which its clients invest on a regular basis on environmental, social, governance and strategy, risk and communications concerns. Our team engages in active stewardship on behalf of clients, voting at AGMs and other shareholder gatherings to achieve our clients' responsible ownership aims and fulfil their fiduciary duty to be active owners. EOS is a stewardship services provider and does not carry out regulated activity.

## **2. Response**

We continue to welcome the clarity that the DWP's proposed regulations will bring to the fiduciary expectation of regulated pension funds in relation to climate change risk management. In relation to the specific questions posed, our response to each is that we agree with the proposals made and find that the proposals would seem to meet the policy intent.

In relation to specific elements that have been revised or firmed-up:

- The decision to lower the threshold for inclusion from £1bn to £500m with a review of this in 2023 seems proportionate.
- The decision to require regulated entities to undertake scenario analysis as far as they are able is sensible in the first instance.
- The decision to include ‘as far as they are able’ clauses to the requirement to report on two emission-based metrics (relative and absolute) and one further metric of their choosing is sensible in the first instance. As is the shift to requiring annual reporting.
- On targets the proposals are fine as far as they go, but it is a missed opportunity not to require the setting of a 2050 net zero target, given the UK Government’s legal commitment to this goal and the market-based momentum in this area.

Yours sincerely,

Ingrid Holmes  
Head of Policy and Advocacy  
Federated Hermes International