



# ESG for Pension funds

## Mission statement

Our mission is to deliver innovative solutions to the challenges facing pension funds as they seek to incorporate factors that promote good governance and a positive social and environmental impact (“ESG”) into their scheme management, policies and decision-making.

## Contacts

**Katie Banks**Partner | London  
katie.banks@hoganlovells.com**Edward Brown**Partner | London  
edward.brown@hoganlovells.com**Duncan Buchanan**Partner | London  
duncan.buchanan@hoganlovells.com**Bernd Klemm**Partner | Munich  
bernd.klemm@hoganlovells.com**Claire Southern**Partner | London  
claire.southern@hoganlovells.com**David Olstein**Partner | New York  
david.olstein@hoganlovells.com

## The Issue

ESG considerations impact pension funds at four levels: the fund’s own management and governance; the ESG policies of the fund’s service providers and the way in which those services are provided; the fund’s investment activities; and for defined benefit (DB) schemes, how ESG impacts the strength of the sponsoring employer.

The extent to which pension funds can lawfully, or should, use their financial power to facilitate social, political or intergovernmental goals has been debated for many years and varies from one jurisdiction to another. Increasingly though, ESG risks and

opportunities are seen as legitimate financial factors which pension funds should properly consider when making investment decisions. Where national or international ESG goals (such as the United Nation’s Sustainable Development Goals) and the interests of institutional investors align, we are seeing calls for properly structured investment opportunities to harness the power of pension funds and others to combat climate change and promote ethical and sustainable business practices.

## What we do

- Helping pension clients ensure good governance of their funds is at the heart of our advisory practice. Appropriate investment; proper selection of pension trustees or directors; fiduciary duties to beneficiaries and robust governance procedures are just some of the areas which our clients must manage.
- Pension funds are already tightly controlled and heavily supervised, but the increasing focus on ESG from worldwide legislatures has prompted a spate of new rules and regulations for funds to contend with. Our close involvement with pension industry professional bodies, working with our strong public policy practice, ensures that we are in the best possible position to understand and, where appropriate, influence the development of new regulatory requirements.
- By taking a proactive approach to incoming policy and regulation, we help our clients stay ahead in this rapidly evolving and increasingly regulated space.
- Our offering extends beyond the purely legal. We help our clients to communicate effectively with their service providers and the members of their funds so that their ESG policy is clear and transparent. We understand the importance of bringing ESG and impact investing into the whole scheme management and investment process – and then communicating this focus to key stakeholders.

## Our impact

We have partnered with pension fund clients across multiple industries to achieve their goals in relation to good scheme governance and ESG investing. Representative experience includes advising:

- Pension funds across jurisdictions on how they might develop and document their ESG policies
- Defined contribution (DC) pension schemes on the choice of investment funds offered to their membership, including self-select ethical or other ESG-oriented funds, or setting ESG investment criteria for their default fund
- UK master trusts on how they might react to social campaigns demanding more transparent, sustainable investment policies
- Impacted investors on regulatory developments following President Biden’s order countering the Trump Administration’s rule which forbade fiduciaries of US retirement plan assets from

considering any factors aside from performance/ financial when evaluating investment options.

### Pension trustees on:

- ESG-related disclosure requirements and updating trust governing documentation to incorporate ESG in the trustees’ decision-making process
- Compliance with their TCFD reporting requirements
- Risk, potential disputes and legal issues stemming from increasing pressure on trustees to focus on ESG



## Useful links

- Pension Engage
- Our ESG practice
- Hogan Lovells Global Vision
- HER: The Hogan Lovells ESG Risk Reader