

The Scottish Government
St Andrew's House
Edinburgh
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Sent via online form

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Scottish Government Draft Public Engagement Strategy for Climate Change: Consultation response

This submission is on behalf of ShareAction, a registered charity established to promote responsible investment and sustainable capital markets. We are a member organisation and count amongst our members well-known NGOs and charitable foundations, as well as over 26,000 individual supporters. Our response covers questions 9, 10 and 13 in the consultation document.

9) What are your views on our approach to encouraging action?

We support the overall approach to encouraging action on climate change. We advocate including a specific focus on personal finance and how this relates to the climate crisis. As noted on page 16, Scotland's National Performance Framework measures 'the environmental impact of our economic activities'. Fostering greater understanding of how people's finances interact with the wider economy – in particular via pension schemes – would enhance the Scottish Government's approach to encouraging action. At UK level, private pension schemes invest £3 trillion annually. A large amount of this capital is invested in high carbon industries, but many pension schemes and their fund managers are diversifying their portfolios to invest in the low-carbon economy. While it is not appropriate for the Scottish Government to advocate a particular investment strategy, it can encourage people to engage in dialogue with their pension providers about the climate crisis and what they are doing about it. Such a dialogue could foster discussion of the risks of climate change to assets over the long-term, and the investment opportunities as well, e.g. low-carbon transport or housing projects. ShareAction has worked with many pension schemes, both to educate their members about how climate change impacts on their savings, and to engage with their trustees on how to mitigate climate-related risk. We would be happy to support the Scottish Government if it seeks pursue initiatives of this kind.

10) Are you aware of any practical examples of case studies of good practice for encouraging climate change action that could be useful for informing our approach?

ShareAction has established constructive relationships with pension schemes and fund managers to discuss how capital can be used to tackle climate change. Our climate change action we have taken together has been hugely varied; it has included discussions with pension schemes trustees on updating the scheme's risk register to include climate change and biodiversity, to filing shareholder resolutions at investee companies, with the support of pension schemes/fund managers, calling for the company's board of directors to go further in tackling the climate crisis. This is illustrative of the wide range of actions that can come about from initiating a dialogue with asset managers. For the Scottish Government's part, it should encourage people to use their

assets to help drive the low-carbon transition, and start talking to their pension scheme. The key matter of concern is that whilst many people are engaged on the issue of climate change, the specific link between climate change and the fact their pension savings can make a difference to it is not apparent. Encouraging them to use their assets to tackle climate change would be a positive step. The proposal on page 27 to set up 'local action hubs' is a welcome idea; local authority pension funds should have a seat at the table in these discussions, as they are well placed to engage in this way.

Shareholder activism has been a mainstay of ShareAction's campaign work since it was founded, and has been highly effective in encouraging climate change action among the general public. We participate in AGMs of listed companies to raise questions about their decarbonisation plans, request meetings with company directors, and sometimes to file shareholder resolutions. The general public must be encouraged to use their rights available to them as shareholders (which may be via their pension schemes' investments, or by buying an individual share) to take climate action.

13) Are there other initiatives that the Scottish Government consider joining or supporting ahead of COP26?

We would like COP26 to showcase thought leadership and policy action on sustainable finance. As financial services regulation is not devolved to the Scottish Government, we appreciate the UK Government has prime responsibility in this aspect of the summit. Nonetheless, in the run-up to COP26 the Scottish Government should use its unique position to advocate for greater action in this area. There is a particular role to play here for the Scottish Finance Secretary, given her remit of Scottish financial services and the low-carbon economy. We would also encourage the Finance Secretary to work with the Scottish Public Pensions Agency, to ensure the different pension schemes covered by the Agency are taking appropriate steps to decarbonise their assets.

The Paris Climate Agreement made at COP21 in 2015 was a ground-breaking achievement in climate policy. In the years since then, we have not seen the UK financial services sector align with the aims of the Paris Agreement. We need capital markets in the UK and beyond to align with the Agreement if we are to deliver on its objectives. The UK should lead by example and introduce legislation to mandate financial institutions to align with the Paris Agreement. In the run-up to COP26, we would encourage the Scottish Government to use its powers to engage with both its UK counterparts, and the Scottish financial services sector, on how Paris alignment can be achieved.

Yours sincerely,

David O'Sullivan
UK Policy Officer, ShareAction