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UK parliamentary motion says BP disaster shows need for better pension fund ESG reporting

Early Day Motion calls on government to improve environmental risk assessment in investment.



by **Hugh Wheelan** | June 10th, 2010

A cross-party group of UK Members of Parliament (MPs) has called on their parliamentary peers to push UK pension funds to do more to look at environmental risk in their investment as a result of the ongoing BP Deepwater oil spill disaster. Three UK MPs, Zac Goldsmith (Conservative), Martin Horwood (Liberal Democrat) and Caroline Lucas (Green Party) have lodged an Early Day Motion – an open discussion book for comment by MPs – that calls on the government to make pension funds report fully on their policy and practice regarding environmental, social and governance (ESG) risks. The motion says uncertainty over BP's share price and quarterly dividend as a result of the Deepwater disaster will hit ordinary pension savers. It adds: "This incident clearly demonstrates that environmental risks are also financial risks....pension funds should do more to integrate environmental risk assessment into their investment practices." Further discussion on the responsibility of UK pension funds on ESG issues has

also taken place in the House of Lords. Labour peer Lord Harrison, asked whether the new UK coalition government would consider strengthening the reporting by pension funds to shareholders of ESG risks. In response, Lord Freud, Parliamentary Under-Secretary of State at the Department for Work and Pensions, said: "BP is a major dividend payer. I think that last year it paid approximately 14% of all dividends in the FTSE 100. This raises the question that the noble Lord has just asked: to what extent are pension funds acting responsibly with regard to their ownership responsibilities to companies? There have been improvements in that over the past decade, but the question that we need to consider is whether they have improved enough."

BP, whose share price has dropped by more than 40% – wiping billions off the company value – since the Deepwater explosion, will announce its next dividend payment on 27 July. Any dividend cut would be the first made by the company in 18 years.