ECPA

Employer Covenant Practitioners Association

News Release

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Top tips for considering ESG risks and opportunities in the employer covenant process

29 June 2022: A scheme's investment and funding decisions should reflect the ability of the sponsoring employer to support it financially both now and in the future. Assessing the strength of the employer's covenant should therefore be part of an integrated approach to risk management for defined benefit (DB) occupational pension schemes. The covenant process requires trustees to consider the sponsor's ability to address a range of likely future scenarios. These include the impact of climate change, biodiversity threats, inequality and other challenges. ESG-related risks may impact:

- The sponsor's financial capacity to support the scheme, due either to the magnitude of ESG-related risks or the capacity of the sponsor to absorb that risk on an ongoing basis.
- The strength of the sponsor's covenant over time and in particular, for the time horizon over which a sponsor might be needed to support the scheme.

Accounting for Sustainability (A4S) and the **Employer Covenant Practitioners Association** (ECPA) have produced a guide for trustees and their advisers on the 'why' and 'how' to embed ESG-related considerations into the employer covenant process.

To download a free copy of the 'Top tips' go to **HERE**

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About the Employer Covenant Practitioners Association (ECPA)

The **Employer Covenant Practitioners Association** was originally established in 2012 as the Employer Covenant Working Group (ECWG) to discuss issues relevant to providing financial advice to clients on matters connected with the employer covenant, to participate in discussions with bodies such as the Pensions Regulator and Pension Protection Fund and to raise standards in the employer covenant financial advisory industry generally.
As well as making representations to Government and other bodies on covenant issues arising from proposed changes in regulation and legislation, the Association has produced a number of guides for advisers and sponsors, including principles of covenant assessment for scheme valuations; guidance on transactions in distressed and non-distressed environments and developing best practise on Integrated Risk Management. All guides and a list of members are available at the Association's website https://ecpa.org.uk/