

Investment, Governance and Engagement Sub Committee

MEETING 12TH OCTOBER 2020 ITEM 4 PAPER C

TCFD CONSULTATION UPDATE

Background

1. On the 26th August, DWP published a consultation to seek views on policy proposals to require trustees of larger occupational pension schemes and authorised schemes to have effective governance, strategy, risk management and accompanying metrics and targets for the assessment and management of climate risks and opportunities. It also invites responses on proposals to disclose these in line with the recommendations of the international industry-led Task Force on Climate-related Financial Disclosures (TCFD). The consultation, details of which can be found at <https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes>, concluded on the 7th October.
2. It is proposed that among the activities required for private sector schemes would be calculating the 'carbon footprint' of pension schemes and assessing how the value of the schemes' assets or liabilities would be affected by different temperature rise scenarios, including the ambitions on limiting the global average temperature rise set out in the Paris Agreement. The disclosures would be required to be made publicly available, referenced from the schemes' Annual reports and Accounts, and pension savers informed of the availability of the information via their annual benefit statement.
3. The Pensions Minister has expressed the intention to enact the Pension Schemes Bill which includes provisions, amongst other things, for private sector schemes to report against TFCF recommendations, by this Christmas. On that basis, the expectation is that draft regulations will be published for consultation in the New Year; made in the Summer and come into force in October 2021. The consultation on DWP regulations will make it clear that the provisions do not apply to the LGPS.
4. Although the LGPS is outside the scope of DWP's consultation and the subsequent regulations, it has been made clear by DWP and MHCLG officials that the scheme will be expected to apply the same principles and policy objectives as those that will apply to private sector schemes, albeit specific to the particular circumstances of the LGPS. MHCLG expect to consult on LGPS provisions by the end of the 2020/21 financial year.

Consideration

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5. The Secretariat met with officials from MHCLG and DWP on the 29th September to discuss how the provisions stemming from the Pension Schemes Bill for private sector schemes might translate to the LGPS.

6. It was the clear view of both MHCLG and DWP that the LGPS must take steps to mirror the private sector provisions albeit reflecting the particular circumstances of the scheme where deviations or additions may be appropriate.

7. In a discussion about the potential obstacles in taking forward LGPS provisions the following issues were raised :-

- How robust is the information on measuring carbon footprint to enable administering authorities and their pools to report objectively on their performance?;
- Should there be an industry standard for such measurement and reporting?
- Would such reporting be against Scope 1,2 or 3 emission targets?
- Reporting disclosures on assets held outside of the UK may not be of the same standard;
- How do you achieve a single carbon footprint measure across multiple asset classes?
- How do you achieve a standard reporting regime from asset managers and how do you enforce any such standard?
- If league tables on carbon footprint reporting evolve, how can objectivity and consistency be achieved across all administering authorities and pools?

Next Steps

8. The Secretariat will assist MHCLG in the preparation of their consultation paper and continue to liaise with DWP on developments that might impact on the LGPS' position.

Recommendation – that the committee notes the above and agrees that the Secretariat should continue to liaise with MHCLG and DWP and report back to the committee on progress.