

CONSULTATION RESPONSE

DEPARTMENT FOR WORK AND PENSIONS – TAKING ACTION ON CLIMATE RISK: IMPROVING GOVERNANCE AND REPORTING BY OCCUPATIONAL PENSION SCHEMES – RESPONSE AND CONSULTATION ON REGULATIONS

March 2021

SUMMARY OF THE PRI'S POSITION

To deliver an efficient market response to climate change, better information about the risks and opportunities in the energy transition is essential. For asset owners, TCFD recommendations provide a valuable framework to build internal muscle on climate-related issues, test the resilience of the pension fund and structure corporate and asset manager engagement on these issues. As such, the PRI acknowledges and welcomes the Department for Work and Pension's leadership in raising awareness of climate-related risks and in developing and bringing forward the draft statutory regulations and guidance as part of the rollout of TCFD disclosure requirements across the economy.

The UK is one of the more advanced markets globally for asset owner climate reporting. This is consistently borne out in the investor reporting to the PRI, which uses a set of indicator questions that are based on the TCFD recommendations. In the first quarter of this year, 330 UK investors including 55 asset owners reported to PRI against these indicators. This, we believe, can be considered a measure of the capacity on investor climate reporting that presently exists in the UK.

In reviewing the draft regulatory proposal, the PRI:

- 1) Welcomes a number of the revisions made in light of industry feedback on the August consultation¹ last year, namely: bringing forward the interim review to 2023, introducing requirements for Trustees to have a level of climate knowledge, and implementing annual rather than quarterly assessments of metrics.
- 2) Agrees with the proposed revision to the **climate scenario analysis** recommendation so that funds undertake scenario analysis in the first year they are subject to the requirements and every three years thereafter.
- 3) Supports the inclusion of the total GHG emissions in the draft regulation's mandatory **metrics**. A figure for absolute emissions would enable trustees to set a baseline for action on managing climate change-related risks and opportunities, and would complement emission intensity metrics which are used to compare companies within sectors. As the draft regulation notes, climate metrics are still an evolving space and providing updated guidance on this would be a high priority for the interim 2023 review.

For further details on PRI's position, or for more information on TCFD-based investor reporting, please contact:

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¹ [Taking action on climate risk: improving governance and reporting by occupational pension schemes \(August 2020\)](#)