

Pensions Climate Risk Industry Group  
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1<sup>st</sup> July 2020

Dear sir/madam,

I am writing in response to your consultation on draft guidance for pension schemes, 'Aligning your Pensions Scheme with the TCFD Recommendations'. The UK Sustainable Investment and Finance Association (UKSIF) is the membership organisation for those in financial services committed to growing sustainable and responsible finance in the UK. Our vision is a fair, inclusive and sustainable financial system that works for the benefit of society and the environment. UKSIF was created in 1991 and has over 240 members and affiliates including financial advisers, institutional and retail fund managers, pension funds, banks, research providers, consultants and NGOs.

We welcome this guidance, which will provide timely, practical and realistic help as schemes seek to step up how they manage the financially material risks of climate change to savers' future retirement incomes.

In preparing this response we sought our members views about the draft guidance. The responses from members have been overwhelmingly positive. Members tell us that the guidance is sensible and realistic, and will be a valuable resource for trustees approaching climate risk management.

However, in one respect we believe the guidance could be improved. In our recent report *Changing course?*, we analysed trust-based DC pension schemes' approaches to managing climate-related financial risk in relation to their revised statutory obligations to prepare a statement of investment principles. We found a high degree of reliance by trustees on their managers and consultants when approaching ESG issues, as well as a difficulty among some trustees to influence their investment manager's behaviour, policies and practices. We therefore welcome the draft guidance's detailed advice for trustees on incorporating consideration of asset managers' approaches to climate risk when selecting, evaluating and making decisions about whether to retain an asset manager's services. We believe the guidance could be improved by expanding the list of items that the trustee should ask about and consider during this process.

We would also encourage DWP to consider offering trustees who do report on the basis of this guidance the opportunity to submit their reports to the department for publication in a central register. Public disclosures have many uses, including communicating to scheme members the action the scheme is taking to protect their money. But it also provides industry peers with an opportunity to see what others are doing, and to consider improvements to their own processes. One of the challenges facing the industry as a whole is a lack of education and understanding of climate risk management. This guidance is an excellent step towards overcoming that, but the ability to see how peers have interpreted and implemented the guidance could also be helpful to trustees who seek to implement this guidance with little prior knowledge about climate risk.

Yours sincerely,

Ben Nelmes  
Head of Public Policy  
UK Sustainable Investment and Finance Association