

October 7, 2020

Bloomberg response to UK Department for Work and Pensions Consultation Paper: Taking action on climate risk: improving governance reporting by occupational pension schemes

Q1: Do you agree with our policy proposals?

Yes, we agree with these policy proposals. We feel however that the government should consider broadening this scope in the future, ideally following the results from the 2024 review on whether to extend the measures to smaller schemes.

Q2: Do you agree with our policy proposals?

Yes, we agree with these policy proposals. The proposals on timing are in line with the Government's commitment set out in the 2019 Green Finance Strategy for larger occupational pension schemes and authorised schemes under The Pensions Regulator to disclose in line with TCFD by the end of 2022, followed by all occupational pension schemes with £1 billion or more in net assets a year later. The Impact Assessment highlights that the staged approach would 'allow small/medium-sized schemes to learn from the largest schemes who set industry standards and are in a better position to meet the new requirements and disclose' – we also share this view.

Q3: Do you agree with our policy proposals?

Yes, we agree with these policy proposals. We urge the Department for Work and Pensions to carry on with its intention to review the scope of application in 2024, and to do so in consideration of any future developments to be set by the UK joint TCFD taskforce relating to climate change disclosures by occupational pension schemes.

Q4: Do you agree with our policy proposals?

Yes, we agree with these policy proposals. As stated in the Impact Assessment, 'trustees are already required to take into account all financially material risks, including climate change, as part of their fiduciary duty, which therefore necessitates having an effective system for doing so'. The TCFD recommendations provide such a system, as they are now widely considered the key global framework for climate reporting. As of this year, the total number of TCFD supporters is close to 1,500, with financial firms responsible for assets of \$151.5 trillion. Using TCFD recommendations as the foundation for climate reporting addresses the growing investor demand for climate-related information in a framework that investors are increasingly asking for, which could ultimately reduce the number of climate-related information requests received.

Q5: Do you agree with our policy proposals?

Yes, we agree with these policy proposals. As with the governance proposals addressed in Question 4, trustees should already be identifying climate-related risks and adapting their investment strategies to these risks, in line with their fiduciary duty.

Q6: Do you agree with our policy proposals?

Yes, we agree with these policy proposals.

Q7: Do you agree with our policy proposals?

Yes, we agree with these policy proposals. Adopting and maintaining a risk management process, and disclosing such process, for climate-related risks allows users of climate-related financial disclosures to evaluate the organisation's overall risk profile and risk management activities.

Q8: Do you agree with our policy proposals?

Yes, we agree with these policy proposals.

Q9: Do you agree with our policy proposals?

Yes, we agree with these policy proposals.

Q10: Do you agree with these proposals? Is there a better way to notify members of where to find this information? For example, for DB schemes, might the summary funding statement required by regulation 15 of the Disclosure Regulations be a more appropriate way to signpost members to this information?

Yes, we agree with these proposals.

Q11: Do you agree with this approach?

Yes, we agree with this approach.

Q12: Do you have any comments on the new regulatory burdens to business and benefits, and wider non-monetised impacts we have estimated and discussed in the draft impact assessment?

No further comments.

Q13: Do you have:

- (a) Any comments on the impact of our proposals on protected groups and how any negative effects may be mitigated?**
- (b) Any evidence on existing provision made by trustees in response to requests for information in alternative accessible formats?**
- (c) Any other comments about any of our proposals?**

Items (a) and (b): No further comments.

Item (c): We strongly support the UK Government's decision to use TCFD as the primary framework for climate reporting, and encourage the UK to continue do so across the broader ESG policy agenda. With that, we also welcome the recent correspondence between the Financial Conduct Authority and Department for Work and Pensions on working towards a coordinated approach on implementing TCFD. For pension schemes to successfully risk assess their assets relative to their long-term liabilities in the scheme, they will need better and more comprehensive TCFD-aligned disclosure from the corporates they invest in. Therefore, TCFD-aligned corporate disclosure of the investee companies is needed in order to support the pension scheme's risk assessment.