

Dear Sir/Madam,

I am writing to you with regards to the UK Department for Work and Pensions consultation on proposals to improve governance and reporting of climate risk by occupational pension funds.

The Institutional Investors Group on Climate Change (IIGCC) has more than 250 members, mainly pension funds and asset managers, across 15 countries and representing over €33 trillion in assets under management, with approximately half our members based in the UK. Over the last four years we have supported our members to incorporate climate risk into decision-making by boards and trustees, and to undertake scenario analysis in order to assess climate risks and disclose in line with the Task Force on Climate-Related Financial Disclosure's recommendations.

The IIGCC strongly supports efforts by the UK government to encourage TCFD disclosure, including by UK pension funds. We therefore welcome the proposals put forward in the consultation and agree with many of the elements therein. Following engagement with a number of our UK based pension fund members, we would like to highlight 3 issues in relation to the current proposals which we would encourage DWP to reflect on in responding to the consultation and finalising its proposals:

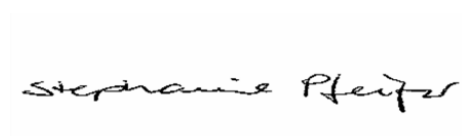
- 1) A number of members questioned the frequency with which scenario analysis and reporting against emissions and non-emissions metrics and targets and given the industry is moving away from some short term (quarterly) reporting requirements, and annual updates to scenario analysis may not generate significant improved information. We would encourage DWP should review the balance of cost and benefits of this frequency in finalising their proposals.
- 2) Members also raised the challenges of data availability and quality, given the limited disclosure of relevant information from companies and assets that will be necessary to implement the proposed analysis and reporting. We would encourage DWP to clarify how implementation may be expected to evolve over time as data improves, and to work with other relevant government bodies to ensure that relevant regulation to improve disclosure by other parties is undertaken alongside this proposed regulation.
- 3) Members noted the importance of the forthcoming statutory guidance in defining the many of the specific requirements and expectations in terms of information, data, and metrics that will be required. We would therefore welcome the opportunity to engage in the development of this guidance to ensure it is clear, proportionate and represents best practice.

IIGCC has also worked with 70 members over the last year, through the Paris Aligned Investment Initiative, to look at methods and approaches for measuring and undertaking alignment of investment portfolios with the goals of the Paris Agreement. The conclusions of this work highlighted a number of data and methodological challenges with reporting alignment of portfolios based on an implied temperature rise metric. We are therefore cautious about the DWP proposal to require pension funds to report against such a metric in the future. However, we welcome the broader objective to encourage pensions funds to assess and report on their alignment with the goals of the Paris Agreement, and

would be keen to engage with DWP to share the learning and conclusions of the PAII to support development of effective policy in this regard.

We would welcome the chance to discuss these suggestions with you and engage further as you take forward the proposed regulation and develop associated statutory guidance outlined in the consultation.

On behalf of IIGCC,



Stephanie Pfeifer

IIGCC CEO

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