

2022 No.

PENSIONS

The Occupational Pension Schemes (Climate Change Governance and Reporting) (Amendment, Modification and Transitional Provision) Regulations 2022

Made - - - - - ***
Laid before Parliament ***
Coming into force - - - 1st October 2022

The Secretary of State for Work and Pensions, in exercise of the powers conferred by sections 41A(1), (2), (3)(a) and (b), (4), (5) and (6), 41B(1) and (2), 124(1) and 174(2) and (3) of the Pensions Act 1995(a), makes the following Regulations.

In accordance with section 120(1) of the Pensions Act 1995, the Secretary of State has consulted such persons as the Secretary of State considers appropriate.

Citation, commencement, extent and interpretation

1.—(1) These Regulations may be cited as the Occupational Pension Schemes (Climate Change Governance and Reporting) (Amendment, Modification and Transitional Provision) Regulations 2022 and come into force on 1st October 2022.

(2) These Regulations extend to England and Wales and Scotland.

(3) In these Regulations “the Principal Regulations” means the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021(b).

Amendment of the Principal Regulations

2.—(1) The Principal Regulations are amended as follows.

(2) In the Schedule, Part 1 (climate change governance etc. requirements)—

(a) in paragraph 15—

(i) at the end of sub-paragraph (b) omit “and”;

(ii) after sub-paragraph (b) insert—

“(ba) one portfolio alignment metric; and”;

(b) after paragraph 19, insert—

“19A. Trustees must in each scheme year, as far as they are able—

(a) 1995 (c. 26). Sections 41A and 41B were inserted by the Pension Schemes Act 2021 (c. 1), section 124(2). Section 124(1) is cited for the meaning it gives to “prescribed” and “regulations”.

(b) S.I. 2021/839.

- (a) obtain the data required to calculate their selected portfolio alignment metric;
- (b) use the data obtained to calculate that metric in relation to the scheme’s assets; and
- (c) use the metric they have calculated to identify and assess the climate-related risks and opportunities which are relevant to the scheme.”;
- (c) in paragraph 21, after “paragraphs 18” insert “,19A”;
- (d) in paragraph 26—
 - (i) in the definition of “additional climate change metric”, at the end, insert “or a portfolio alignment metric”;
 - (ii) after the definition of “greenhouse gas” insert—

““portfolio alignment metric” means a metric which gives the alignment of the scheme’s assets with the climate change goal of limiting the increase in the global average temperature to 1.5 degrees Celsius above pre-industrial levels;”.
- (3) In the Schedule, Part 2, paragraph 27(n) (metrics information to be included in a report under regulation 6), after “paragraphs 18” insert “, 19A”.

Modification of the Principal Regulations

3.—(1) The following modifications apply in respect of trustees of a trust scheme who, by virtue of regulation 3(1), 4(1) or 5(1) of the Principal Regulations (trustees to whom climate change governance etc. requirements apply), must comply with requirements in Part 1 of the Schedule to those Regulations before 1st October 2022, and who remain subject to the requirements on that date.

(2) For the purposes of the amendments made by regulation 2(2)(a) of these Regulations, paragraph 15 of the Schedule to the Principal Regulations is to be read as if for “the first scheme year in respect of which the requirements of this Part apply” were substituted “the scheme year which is underway on 1st October 2022”.

(3) For the purposes of the amendments made by regulation 2(2)(b) and (c) of these Regulations, paragraph 21 of the Schedule to the Principal Regulations is to be read as if—

- (a) for “the first scheme year in respect of which the requirements of this Part apply” were substituted “the scheme year which is underway on 1st October 2022”;
- (b) for “that first scheme year” were substituted “that scheme year”;
- (c) for “any day before the requirements apply” were substituted “any day before the requirements under paragraph 19A apply”.

Transitional Provision

4.—(1) The amendment made by regulation 2(3) does not apply in respect of a scheme year which ends before 1st October 2022.

(2) For the purposes of this regulation, “scheme year” has the meaning given by regulation 2 of the Principal Regulations.

Signed by authority of the Secretary of State for Work and Pensions

Date

Name
Parliamentary Under Secretary of State
Department for Work and Pensions

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make amendments and modifications to the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (S.I. 2021/839) (“the Principal Regulations”). The Regulations also make transitional provision.

Regulation 2(2) amends Part 1 of the Schedule to the Principal Regulations (climate change governance etc. requirements) to introduce a requirement that trustees must select and calculate a portfolio alignment metric for the assets of their scheme.

A portfolio alignment metric is a metric which gives the alignment of the scheme’s assets with the goal of limiting the increase in the global average temperature to 1.5 degrees Celsius above pre-industrial levels.

Regulation 2(3) amends paragraph 27(n) in Part 2 of the Schedule to the Principal Regulations (metrics information to be included in a report under regulation 6), to require that trustees include specified information about their portfolio alignment metric in the report they are required to produce and publish under regulation 6 of those Regulations.

Regulation 3 makes modifications to Part 1 of the Schedule to the Principal Regulations for trustees who were subject to requirements in Part 1 of the Schedule before the date on which this instrument comes into force, and who remain subject to the requirements on that date.

Regulation 3(2) modifies paragraph 15 of the Schedule to the Principal Regulations to provide that for the purposes of the amendments made by regulation 2(2)(a) of this instrument, paragraph 15 is to be read as requiring the trustees to select a portfolio alignment metric in the scheme year which is underway on 1st October 2022, rather than in the first scheme year in respect of which the requirements of Part 1 of the Schedule apply. The modification is made because for these trustees, the first scheme year in respect of which the requirements of Part 1 apply may have already passed when this instrument comes into force.

Regulation 3(3) modifies paragraph 21 of the Schedule to the Principal Regulations to provide that for the purposes of the amendments made by regulation 2(2)(b) and (c) of this instrument, paragraph 21 is to be read as applying in respect of the scheme year which is underway on 1st October 2022. This ensures that paragraph 21 will apply in respect of the first scheme year in which the trustees are required to select and calculate the portfolio alignment metric.

Regulation 4 makes transitional provision. It provides that the amendment made by regulation 2(3) of this instrument does not apply in respect of a scheme year which ends before 1st October 2022. Trustees are not required to calculate a portfolio alignment metric in scheme years ending before 1st October 2022. Regulation 4 therefore provides that the amendment made by regulation 2(3) – which would require trustees to include specified information about the portfolio alignment metric in the report they must produce and publish under regulation 6(1) of the Principal Regulations – will not apply in respect of those scheme years.

[A full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sectors is foreseen.]