PENSIONS AND LIFETIME SAVINGS ASSOCIATION

18 June 2021

Taskforce on Climate Related Financial Disclosures
Email: info@fsb-tcfd.org

Dear Sir/Madam,

I write to you in relation to the consultation currently underway on revisions to the guidance for users of the TCFD reporting framework. Though I note that participation in the survey is preferred, as a trade association representing UK pension funds (rather than direct users of the framework), we wanted to make some general comments about the proposals, and hope that our feedback will be considered alongside the rest of the responses you receive.

The Pensions and Lifetime Savings Association (PLSA) brings together the pensions industry and other parties to raise standards, share best practice, and support our members. We represent over 1,300 pension schemes in the UK with 20 million members and £1 trillion in assets, across master trusts and defined benefit, defined contribution, and local government schemes. Our members also include some 400 businesses which provide essential services and advice to UK pensions providers. Our mission is to help everyone to achieve a better income in retirement. We work to get more people and money into retirement savings, to get more value out of those savings, and to build the confidence and understanding of savers.

Firstly, we would like to note our continued support for the work and ambition of the Financial Stability Board and the TCFD framework. We especially welcome the board's drive towards achieving and standardizing global climate reporting. The PLSA has long sought Government support for TCFD disclosures becoming mandatory in the UK, and we are pleased that a Roadmap to achieve this is now in place for much of the economy. We support mandatory disclosures for both our pension scheme members and throughout the investment chain, and we welcome the work of the board to promote better disclosure on a global basis.

However, in preparing for the first round of mandatory TCFD reporting from October, it's clear to us that meeting the full requirements, as set out in the guidance, is a monumental task for even the largest schemes. This is largely due to the lack availability and standardization of data to report on and monitor many of the areas set out in the framework. Though the UK authorities are currently consulting on extending mandatory reporting requirements to all companies of a certain size, by the time the largest pension schemes in the UK are required to report only a relatively small number of listed companies will be required to provide this information to them. It also remains the case that a significant proportion of UK pension funds are invested outwith the UK, where mandatory TCFD reporting requirements are either behind the UK's, or not likely to happen in the near future.

We believe that consideration should therefore be given to ensuring that industry 'buys in' to the framework as far as possible, and that this should be balanced with setting a high bar in terms of what is expected to be disclosed by those who choose to report voluntarily. Therefore, though it is appropriate to review the requirements in light of evolving data availability, we would urge the board to consider the need for the requirements to also be practical and achievable. We are aware

24 Chiswell Street
London EC1Y 4TY
Tel: +44 (0)20 7601 1700

www.plsa.co.uk

that several UK pension schemes have contacted you separately to note that they are concerned this might not be the case.

We would also like to note that, though the updated guidance sets out different requirements for financial and non financial services, it does not provide a great deal of flexibility for the different parties within those categories. Asset owners will generally have a different set of considerations to companies, and we are concerned that the metrics as set out do not take that into account. We believe, for example, that the focus on average emissions does not reflect the concentration of risk that asset owners need to consider, and carbon pricing is better suited to companies than it is to investors. We also feel that there needs to be more recognition of the fact that a financial orgnisation is dependent on others for access to this data, in the way that a corporate is not. We believe it is important that organsations continue to have some flexibility to report according to the nature of the organization, and in line with what is likely to be most important to stakeholders to effectively scrutinize. This is necessary in ensuring that data acts as a decision making tool, and not used simply to meet compliance expectations.

In particular, we note the new requirement for implied temperature metrics to be provided. Feedback from our members suggests concerns that this will present a complex matter in a simplistic manner and, as well as being expensive to provide, we do not believe it will provide meaningful information to members and stakeholders on the resilience of the portfolio. Given the important role that active ownership has in helping us meeting Paris targets, we fear this might act as disincentive to engage on the part of asset owners.

We recognize the importance of ensuring the TCFD framework continues to be the standard for climate reporting globally and, given the relatively short consultation window, we hope that the board will take time to consider these concerns, and engage stakeholders on how to address them.

We'd be happy to discuss any of this in more detail, and thank the board for the opportunity to comment on these proposals.

Yours sincerely,

Karen Hurst
Senior Policy Adviser, PLSA