

Consultation on Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks

The table below provides a summary of the key proposals included in the Government Consultation on Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks that was published by the Department for Levelling Up, Housing and Communities (DLUHC) on 1 September 2022.

Summary of Key Proposals

Overall	Each Local Government Pension Scheme (LGPS) administering authority (AA) will be required to complete the actions listed below and summarise their work in an annual Climate Risk Report.
Scope and Timing	The proposed regulations will apply to all LGPS AAs. The first reporting year will be the financial year 2023/24, and the regulations are expected to be in force by April 2023. The first reports will be required by December 2024.
Governance	AAs will be expected to establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities. They must also maintain a process or processes by which they can satisfy themselves that officers and advisors are assessing and managing climate-related risks and opportunities.
Strategy	AAs will be expected to identify climate-related risks and opportunities on an ongoing basis and assess their impact on funding and investment strategies.
Scenario Analysis	AAs will be required to carry out two sets of scenario analysis. This would involve an assessment of investment and funding strategies. It will be a requirement for one of the scenarios to be Paris-aligned (meaning it assumes a 1.5 to 2 degree temperature rise above pre-industrial levels) and the other scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.
Risk management	AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.
Metrics	<p>AAs will be expected to report on metrics as defined in the supporting guidance. The proposed metrics are set out below.</p> <p>Metric 1 will be an absolute emissions metric. Under this metric, AAs will be required to, as far as they are able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions.</p> <p>Metric 2 will be an emissions intensity metric. All AAs will be required to report the Carbon Footprint of their assets as far as they are able to. Selecting an alternative emissions intensity</p>

Appendix 1 – Summary of Proposals

	<p>metric such as Weighted Average Carbon Intensity (WACI) will be permitted, but AAs will be required to explain their reasoning for doing so in their Climate Risk Report.</p> <p>Metric 3 will be the Data Quality metric. Under the Data Quality metric, AAs will report the proportion of the value of its assets for which its total reported emissions were Verified, Reported, Estimated or Unavailable.</p> <p>Metric 4 will be the Paris Alignment Metric. Under the Paris Alignment Metric, AAs will be required to report the percentage of value of their assets for which there is a public net zero commitment by 2050 or sooner.</p> <p>Metrics must be measured and disclosed annually.</p>
Targets	<p>AAs will be expected to set a target in relation to one metric, chosen by the AA. The target will not be binding. Progress against the target must be assessed once a year, and the target revised if appropriate. The chosen metric may be one of the four mandatory metrics listed above, or any other climate related metrics recommended by the Taskforce on Climate-related Financial Disclosures (TCFD)</p>
Disclosure	<p>AAs will be expected to publish an annual Climate Risk Report. This may be a standalone report, or a included as a section in the AA's annual report. The deadline for publishing the Climate Risk Report will be 1 December, (which is the same deadline for the AA's Annual Report), with the first Climate Risk Report due in December 2024. AAs will be required to inform scheme members that the Climate Risk Report is available in an appropriate way.</p>
Scheme Climate Report	<p>The Scheme Advisory Board will be required to prepare an annual Scheme Climate report including a link to each individual AA's Climate Risk Report (or a note that none has been published) and aggregate figures for the mandatory metrics and targets which have been adopted by the AAs.</p>
Proper Advice	<p>AAs will be required to take proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.</p>