



PENSIONS FOR PURPOSE
Paris Alignment Forum

All-stakeholder event

DWP Climate and Investment Reporting Consultation

Tom Rhodes, Policy Advisor DWP and Mel Jarman, RI Team DWP

25 November 2021

This blog by Mike Rogers is part of a series from the Pensions for Purpose team.



Paris Alignment Forum All-Stakeholder Events

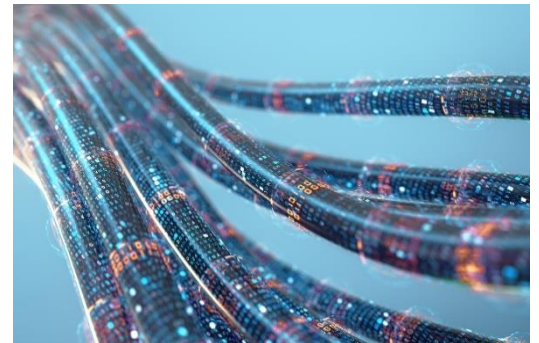
The Paris Alignment Forum runs quarterly events which are open to all members. In this, our fourth event of the year, we were delighted to welcome Tom Rhodes and Mel Jarman, from the Department of Work and Pensions (DWP), to outline the Climate and Investment Reporting Consultation. The ensuing industry-wide discussion, with pension funds, trustees, asset managers, consultants, and climate specialists, was one of our most lively discussions to date.

Keynote address

DWP Climate and Investment Reporting Consultation

Tom Rhodes, Mel Jarman

Tom Rhodes, Policy Advisor at the DWP, worked on the DWP's climate clauses in the Pension Schemes Act 2021 and the original climate change governance and reporting clauses which came into force on 1 October this year. He started the keynote address by outlining the DWP's consultation around climate metrics and in particular the introduction of a fourth climate metric. (A copy of the presentation can be found [here](#).)



Summary of key points made:

- 4th metric measuring alignment against at 1.5°C target
- Policy rationale – final part of TCFD package
- Methodology including binary, benchmark alignment and implied temperature metrics
- Data and the balance between acting now on imperfect data and waiting
- Benefits to schemes and to members

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Mel Jarman, who leads on stewardship in the DWP's Climate Change and Responsible Investment Team, continued the keynote addressing the Stewardship aspects of the DWP consultation. She covered the following topics:



Summary of key points made:

- Why produce draft guidance? To provide more clarity and support effective stewardship
- Guidance objectives: improving SIP policies, developing best practice for implementation statement reporting, allowing schemes to use disclosures from other frameworks (e.g. UK Stewardship Code), improving consistency of reporting
- Other stewardship activities (e.g. Taskforce on Pension Scheme Voting Implementation)
- As a reminder, responses to the consultation are invited by 6 January 2022.

Q&A Session

The DWP Consultation



The Q&A session picked up on questions that were raised in the “chat” as Tom and Mel were speaking. Some of the themes that were covered are outlined below

- **Support for a forward looking metric.** The current absolute emissions and emissions intensity metric are backward-looking and a forward-looking metric is desirable in order to help identify the future rate of decarbonisation
- **Is alignment relative to 1.5°C helpful?** Given that currently there are very few scenarios which align with 1.5°C there was concern that there might be a disconnect between the metric and real-world progress which might distort investment behaviour and risks eroding pension fund members' confidence. This was debated further in the breakout rooms
- **Support for guidance on policies and stewardship.** It was recognised that guidance around SIPs and Implementation Statements would be helpful, particularly to avoid these documents becoming “tick-box” compliance exercises. The details around this and potential concerns around the governance burden were taken up in the breakout rooms.



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Breakout room discussions

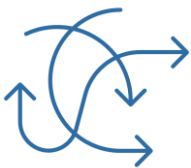
Our sponsors Invesco and Redington hosted six small-group breakout discussions. The discussions included asset owners, consultants and asset manager representatives and provided a great opportunity to share experience and engage in vigorous debate. Discussions focussed round three questions:



1. What thoughts do you have on the proposed definition of a portfolio alignment metric?

Participants described this discussion variously as “lively” and “passionate”. There was general support for an alignment metric and a general sense of urgency to accelerate de-carbonisation of economies.

The debate focussed around whether the metric should be 1.5°C aligned or above. Those in favour of a 1.5°C aligned metric argued that this is in line with policy intention and ambition is needed rather than timidity. Reservations included the misalignment with real-world scenarios. This might create a tension between real world investment opportunities and alignment which may in turn distort investment portfolios and impact member outcomes. Furthermore, concern was raised around the behavioural aspects. How will missed alignment be communicated to members and will Trustees feel compelled to take knee-jerk reactions (e.g., disinvesting from carbon intensive but economically important sectors)?



2. Do you have any comments on the proposal that the SIP and Implementation Statements should be trustees’ statements, not a statement drawn up by their consultant?

There was a sense amongst participants that many of these statements had become compliance focussed. Questions were raised around the level of membership engagement in the statements (and indeed whether they are targeted for members). In practice, many trustees need to rely on their consultants to produce their statement, but this can lead to a “boilerplate” approach. Suggestions were put forward for improving the efficiency of reporting from asset managers, for example introducing a standard data template.



3. Do you have any comments on the proposal that trustees should be able to include material from voluntary disclosures, eg Stewardship Code reporting

A common theme discussed was the level of administration and governance around reporting. In some cases, the reporting overlaps (e.g. Climate reporting, UK stewardship code and UNPRI) so attempts to streamline and improve the level of communication were welcomed by participants.

Would you like to join future events?

The Paris Alignment Forum hosts a range of events including online interactive training; afternoon tea discussions; Chatham House asset-owner discussions as well as the quarterly all-stakeholder meeting.

Please see the [Paris Alignment Forum Home Page](#) for details of future events.

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BLOG: Paris Alignment Forum: *All-Stakeholder Event*

Would you like to join the Paris Alignment Forum?

If you are an asset owner or independent trustee/adviser, and would like to join us, please by complete the Affiliate application form [here](#). If you are an asset manager/consultant/lawyer or climate specialist, and would like to receive information about future Paris Alignment Forum events, or if you would like to consider sponsorship, please e-mail [Mike Rogers](#).

Mike Rogers

3rd December 2021

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