

## Hot topic

June 2022

### £1bn plus schemes – are you ready?



The climate-related governance and reporting regulations, [the Occupational Pension Schemes \(Climate Change Governance and Reporting\) Regulations 2021](#) (the Climate Regulations), have applied to master trusts and £5bn+ schemes since 1 October 2021 (for more information on these requirements, see our [Guides](#) and [Alert](#)). The Climate Regulations are being phased in and, from 1 October this year, will also apply to schemes with assets of £1bn+.

Trustees of schemes in scope must put in place appropriate governance arrangements to manage climate-related risks during the first scheme year in which the Climate Regulations apply to them. For schemes with a 31 December year end, this means as little as three months from the Climate Regulations first applying. Trustees must then produce and publish a report on how they have complied (the Report) within seven months of their scheme year end date. Compliance is monitored and enforced by TPR, and schemes face a mandatory penalty of at least £2,500 for failure to publish a Report.

Early preparation during the summer of 2022 will be key to meet these deadlines. The table below summarises the actions schemes will need to build into their business plans from Q2 2022 onwards.

#### Preparatory actions by 1 October 2022

##### Suggested actions

Arrange training to ensure trustees are able to understand the outputs of activities such as scenario analysis and calculating emissions-based metrics

Identify individuals and advisers who will undertake and advise on relevant governance activities on behalf of the trustees

Decide who will be responsible for the oversight of climate-related risks and the scheme, eg the full trustee board or a sub-committee

Consider possible options for climate-related metrics and targets, and engage with investment managers on the available data

Establish and document governance and risk management processes. This should include updated trustee investment beliefs and, once agreed, the chosen metrics and targets for the scheme

Identify time periods and climate-related risks and opportunities, and assess impact on strategy

##### Example timing

Trustees should aim to complete these actions by Q2/Q3 2022, and will need to keep them under review on an ongoing basis (see ongoing compliance)

## £1bn plus schemes – are you ready? cont.

### Analysis to be carried out by end of scheme year

#### Suggested actions

Select climate-related metrics and targets and agree dates for data capture

Select approach to scenario analysis and who will carry it out

Undertake scenario analysis

Obtain emissions data, calculate metrics and use to identify climate-related risks and opportunities

Measure performance against agreed target(s)

#### Example timing

Work will need to be carried out during Q3 and Q4 2022, especially for schemes with year ends of 31 December 2022 or 31 March 2023

### Reporting by 7 months from end of scheme year

#### Suggested actions

Prepare Report and publish online

Link to the Report from annual benefit or funding statement

Notify members

#### Example timing

For schemes with a 31 December year end, first Report to be prepared by 31 July 2023

For schemes with a 31 March year end, first Report to be prepared by 31 October 2023

**Note:** If the annual benefit or funding statement is issued before the first Report is published, trustees should, if possible, state the website location where the Report will be published and the deadline for publication

### Ongoing compliance

#### Suggested actions

**Ongoing:** Governance, strategy and risk management requirements

**Annually:** Obtain data, calculate metrics, measure performance against target(s), review target(s) (and metrics as appropriate), publish Report

**Triennially (plus annual review):** Scenario analysis

Other activities to be carried out/reviewed at specified intervals

#### Example timing

Actions should be built into the scheme's business plan at the appropriate times



If you have any questions on any of the above, please speak to your usual Sackers contact. You can also visit [www.sackers.com](http://www.sackers.com).