## Linklaters

## TCFD Climate Reporting — timeline of scheme obligations

## By the end of the first Scheme Year, the Trustees must:

- > Select climate change metrics and a target/targets for the Scheme. At least one metric must give the total greenhouse gas emissions of the Scheme's assets, and one per unit of currency.
- > As far as they are able, undertake scenario analysis. This must include at least two scenarios, one of which must correspond to a global average temperature rise of between 1.5 to 2°C on pre-industrial levels.
- > As far as they are able, obtain data required for the selected metrics calculations, calculate metrics and use calculations to identify climate-related risks and opportunities.
- > Measure performance against target, as far as they are able.

After the first year, scenario analysis should be carried out **every three years**.

If, in carrying out the annual review of the most recent scenario analysis (see box below) it is decided that new scenario analysis should be carried out, the three-year cycle is reset to three years.

Guidance suggests that Trustees may wish to update scenario analysis after a significant change to availability of data, investment strategy, liability profile or global policies/regulations.

The Trustees' chosen metrics should be reviewed from time to time. Pensions Regulator guidance suggests that this could be done alongside review of scenario analysis.

Regulations require the Trustee to maintain climate-related risk-management processes. Guidance notes that the Regulator recommends high level risk monitoring a minimum of once a year.

**Subsequent Scheme Years** 

Within seven months of the end of the previous Scheme Year, a TCFD report covering the previous Scheme Year must be published, made publicly available online and members must be notified of its publication.

The Scheme annual report and accounts must also be published within seven months of a Scheme Year end, and this must reference the TCFD report.

Scheme Year 1

Schemes with assets of £5bn or more on the first scheme year-end date to fall on or after 1 March 2020 must meet the climate change governance requirements for the current scheme year from 1 October 2021 to the end of that scheme year.

On an annual basis, the Trustees should:

- > Obtain fresh greenhouse gas emissions data and use that data to calculate their chosen metrics (absolute emissions, emissions intensity and additional chosen metric). This must be done by the end of each Scheme Year. From 1 October 2022, Trustees will also be required to obtain and report on a fourth "portfolio alignment metric", describing the extent to which their investments are aligned with the goal of limiting the increase in the global average temperature to 1.5°C above pre-industrial levels.
- > Use the calculated metrics to identify climate-related risks and opportunities. This must be done by the end of each Scheme Year.
- > Review the most recent scenario analysis they have undertaken and determine whether it is appropriate to undertake new scenario analysis. This must be done by the end of each Scheme Year.
- > Measure, as far as they are able, the performance of the Scheme against any target(s) that has been set, and determine (taking into account the performance of the Scheme) whether the target should be retained or replaced. This must be done by the end of each Scheme Year and, where Trustees decide that a target should be replaced, they must set a new target for the Scheme in relation to one of the metrics which they have selected to calculate.
- · Prepare and publish their TCFD report in respect of the previous Scheme Year, within 7 months of the end of that Scheme Year.

On an ongoing basis, the Trustees should meet the requirements set out in the Regulations and guidance in the following areas:

- > Trustee knowledge and understanding.
- > Governance.
- > Strategy.
- > Risk management.

More detail on these requirements is set out in the appendix.

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