

24 November 2022

**LGF Pensions Team**  
**Department for Levelling Up, Housing and Communities**  
**2 Marsham Street**  
**London**  
**SW1P 4DF**

Submitted via email to: [LGPensions@levellingup.gov.uk](mailto:LGPensions@levellingup.gov.uk)

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

Dear Teresa,

BlackRock<sup>1</sup> is pleased to have the opportunity to respond to the Department for Levelling Up, Housing, and Communities (the “**DLUHC**”) consultation on LGPS governance and reporting of climate change risks.

BlackRock manages the pension savings of over 11 million people in the UK and works with all eight LGPS pools. Our role as an asset manager is to help clients overseeing these retirement assets navigate investment risks and opportunities.

We provide our clients with data and analytics, investment insights and thought leadership about the impacts of the energy transition on their portfolios. We offer a range of products and strategies from which they can choose to achieve their desired outcomes, including strategies designed to help clients navigate or accelerate the net-zero transition. We also engage with the companies in which our clients are invested to promote long-term value creation.

Given the role that climate risk and opportunities will play in our clients’ investment portfolios, BlackRock has consistently advocated for providing investors with high quality, globally comparable climate-related disclosures.

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In our view, the foundation for climate-related disclosures is the Taskforce on Climate-related Financial Disclosures (“TCFD”).<sup>2</sup> TCFD is a principles-based approach, developed with input from investors and companies.

We believe that TCFD is the soundest foundation for an investment-driven disclosure framework.<sup>3</sup> Because of its relative simplicity and consistency, TCFD has garnered significant support from governments, central banks, and more than 2,600 organizations as of 2021, a 70% increase from 2020. Indeed, the UK Government was one of the first governments in the world to formally endorse the TCFD.

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<sup>1</sup> BlackRock is a leading provider of investment, advisory and risk management solutions, and has been active in the UK for over 50 years. Our purpose is to help more and more people experience financial well-being.

<sup>2</sup> BlackRock was a founding member of the TCFD. We began engaging companies on TCFD-aligned disclosures once the TCFD’s draft recommendations were published in December 2016. The recommendations were finalized in June 2017. We formally asked companies to publish TCFD-aligned reporting in 2020.

<sup>3</sup> For more information see our August 2022 spotlight: [BlackRock supports consistent climate related disclosures; urges global coordination](#)

# BlackRock

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With this in mind, we are supportive of DLUHC's proposals to bring consistency between LGPS and private occupational pension schemes by requiring administering authorities (AAs) to assess, manage and report on climate-related risks, in line with the recommendations of the TCFD.

We welcome that the proposals mirror the measures introduced for private occupational pension schemes in regulations adopted in July 2021 that entered into force in October 2021. This will create consistency across the pensions ecosystem and allow LGPS to learn from private sector reporting.

However, it is worth noting that while we are supportive of the direction of travel of the proposals, the DLUHC should be mindful of the various reporting requirements that are being placed on AAs. It is also worth bearing in mind the differences in governance budgets of the different AAs and how this might impact their ability to meet the requirements. Finally, we would note that many AAs will be reliant on data from managers which is often received in a variety of formats and can present challenges in aggregating.

In line with this, we are supportive of the language in the proposals which states that AAs are required to comply with these proposals "as far as they are able".

Moreover, we welcome the recognition around persistent gaps in data which prevent the calculation of metrics at the whole fund level. As investors, we use GHG emissions estimates to size an issuer's climate-related exposure. Specifically, we look to companies to provide Scope 1 and 2 GHG emissions disclosures, and meaningful short-, medium-, and long-term science-based reductions targets, where available for their sector.

We use Scope 3 emissions as a proxy metric (among others) for the degree of exposure companies have to carbon-intensive business models and technologies. Given methodological complexity for Scope 3 emissions and the lack of direct control by companies over the requisite data, we believe the usefulness of this disclosure varies significantly right now across industries and Scope 3 emissions categories. For these reasons, while we are supportive of the DLUHC's proposal to require disclosure of Scope 1 and Scope 2 emissions, we encourage a framework in which disclosure of Scope 3 emissions is permitted but not required to account for this significant variation.

Finally, in our experience in supporting private pension clients with climate reporting, we would stress that there is currently no industry standard around the format of climate reports and there is a lack of a prescriptive template. Bearing in mind the aforementioned burdens on AAs and to assist with consistency across LGPS, we would be supportive of DLUHC providing support or guidance on best practice that will make this process easier for AAs preparing reports.

## **Conclusion**

We are supportive of the DLUHC's proposals to bring consistency between LGPS and private occupational pension schemes by requiring AAs to assess, manage and report on climate-related risks, in line with the recommendations of the TCFD.

We welcome the opportunity to continue our dialogue with you on the issues raised by this consultation and will continue to contribute to the thinking of the DLUHC on any issues that may assist in the outcome.

Yours faithfully,

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