



**Buckinghamshire
Council**

Buckinghamshire Pension Fund

Directorate for Resources

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Dear Sir

Response to LGPS Governance and Reporting of Climate Risk Consultation

Thank you for the Department's Consultation seeking views on LGPS Governance and Reporting of Climate Risk Consultation. I am responding on behalf of Buckinghamshire Council in its capacity as administering authority of the Buckinghamshire Pension Fund.

Please see below responses to specific questions:

Question 1: Do you agree with our proposed requirements in relation to governance?

The Buckinghamshire Pension Fund agrees with the proposed guidance in relation to governance. We believe that our pool, Brunel, will be critical to our ability to produce our reports in a consistent and comparable way.

Question 2: Do you agree with our proposed requirements in relation to strategy?

The Buckinghamshire Pension Fund agrees the proposal to identify, on an ongoing basis, climate-related risks and opportunities that will impact the investment and funding strategy of the Fund, over the short, medium and long term – including carbon pricing, new technology adoption and extreme weather events.

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

We agree and support the triennial use of at least two scenario analyses regarding our overall investment and funding strategies with one scenario 'below 2°C temperature rise'. There are challenges associated with scenario analysis. Brunel, our pool, has incurred considerable costs in collecting the necessary data for scenario analysis on listed markets, additional costs will be incurred to conduct the scenario analysis itself. Brunel anticipates the cost to collate and utilise the necessary data to produce decision-useful scenario analysis on private markets to be considerably higher.

Financial costs notwithstanding, the outcomes of scenario analyses are very subjective and subject to methodological flaws and gaps in aggregating and applying data. We believe that scenario analysis should be concentrated in the investment areas where the data is most robust, for example listed markets; therefore, we recommend that requirements provide flexibility in scope.

Question 4: Do you agree with our proposed requirements in relation to risk management?

The Buckinghamshire Pension Fund agrees with the proposed requirements in relation to risk management.

Question 5: Do you agree with our proposed requirements in relation to metrics?

The Buckinghamshire Pension Fund agrees with the approach of calculating absolute carbon emissions, carbon footprint, emissions intensity (Weighted Average Carbon Intensity) and data quality metrics. We are supportive of the ambition to include scope 3 emissions; however, we raise the methodological challenges involved in calculating the proposed metrics for scope 3 emissions. We recommend scope 3 emissions are presented separately.

Question 6: Do you agree with our proposed requirements in relation to targets?

The Buckinghamshire Pension Fund agrees with the requirement to set targets against metrics. However, we strongly suggest that further consideration is taken to the language of the guidance and requirements regarding annual monitoring of performance against the targets. We believe that requiring annual consideration to changing targets may encourage behaviours that promote short-term climate-related performance that may not achieve the overarching goals of net-zero by 2050. For example, targets to decarbonise a portfolio in the span of a year may involve a strategy of divestiture in industries, markets and sectors that will be essential in transforming the UK economy to net-zero by 2050.

Question 7: Do you agree with our approach to reporting?

The Buckinghamshire Pension Fund agrees with the overall approach to producing an annual climate risk report, either alongside or with the Fund's annual report.

Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?

The Buckinghamshire Pension Fund does not support some of the proposed requirements around a Scheme level report, we believe that current methodologies are not sophisticated and developed enough to produce meaningful data at a Scheme level. As such we do not believe that the resources and time required to produce such a report would constitute prudent allocation, as the aggregated figures would not be accurate enough to produce meaningful and decision-useful information.

Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?

We believe that our pool, Brunel, will have a very important role to play in facilitating the production of our climate reports. We support the production of a report with narrative alongside metrics which is accessible for non-specialist readers and contains enough detail for industry experts.

Question 10: Do you agree with our proposed approach to guidance?

The Buckinghamshire Pension Fund agrees with the proposal for DLUHC to produce statutory guidance. We agree that a template would be useful, and that common metrics are required, but we would suggest that some degree of flexibility is required for individual Funds to report on their activities in a way that is meaningful for their fund members.

Question 11: Do you agree with our proposed approach to knowledge, skills and advice?

We support the proposal that administering authorities must take proper advice regarding assessing and managing climate risks and the proposal that our pool, Brunel, could jointly procure expert advice on behalf of its partners Funds.

Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?

We support the principle that reports should be provided in accessible formats.

Yours faithfully

Cllr Timothy Butcher

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Chairman of the Buckinghamshire Pension Fund Committee