



# Pension Schemes Act 2021

## 2021 CHAPTER 1

### PART 5

#### FURTHER PROVISION RELATING TO PENSION SCHEMES

##### *Climate change risk*

#### **124 Climate change risk**

- (1) The Pensions Act 1995 is amended as follows.
- (2) After section 41 insert—

##### **“41A Climate change risk**

- (1) Regulations may impose requirements on the trustees or managers of an occupational pension scheme of a prescribed description with a view to securing that there is effective governance of the scheme with respect to the effects of climate change.
- (2) The effects of climate change in relation to which provision may be made under subsection (1) include, in particular—
  - (a) risks arising from steps taken because of climate change (whether by governments or otherwise), and
  - (b) opportunities relating to climate change.
- (3) The requirements which may be imposed by the regulations include, in particular, requirements about—
  - (a) reviewing the exposure of the scheme to risks of a prescribed description;
  - (b) assessing the assets of the scheme in a prescribed manner;
  - (c) determining, reviewing and (if necessary) revising a strategy for managing the scheme's exposure to risks of a prescribed description;

*Status: Point in time view as at 31/05/2021.*

*Changes to legislation: There are currently no known outstanding effects for the Pension Schemes Act 2021, Section 124. (See end of Document for details)*

- (d) determining, reviewing and (if necessary) revising targets relating to the scheme's exposure to risks of a prescribed description;
  - (e) measuring performance against such targets;
  - (f) preparing documents containing information of a prescribed description.
- (4) Regulations under subsection (3)(b) may, in particular, require—
- (a) that assets are assessed by reference to their exposure to risks of a prescribed description, and
  - (b) that an assessment includes determining the contribution of the assets of the scheme to climate change.
- (5) The regulations may require the trustees or managers of the scheme to take into account—
- (a) different ways in which the climate might change, and
  - (b) different steps that might be taken because of climate change.
- (6) Regulations under subsection (5) may require the trustees or managers of the scheme to adopt prescribed assumptions as to future events, including assumptions about—
- (a) the steps that might be taken for the purpose of achieving the Paris Agreement goal or other climate change goal, or
  - (b) the achievement of the Paris Agreement goal or other climate change goal.
- (7) In complying with requirements imposed by the regulations, a trustee or manager must have regard to guidance prepared from time to time by the Secretary of State.
- (8) In this section “the Paris Agreement goal” means the goal of holding the increase in the average global temperature to well below 2°C above pre-industrial levels referred to in Article 2(1)(a) of the agreement done at Paris on 12 December 2015.

#### **41B Climate change risk: publication of information**

- (1) Regulations may require the trustees or managers of an occupational pension scheme of a prescribed description to publish information of a prescribed description relating to the effects of climate change on the scheme (which may include information about matters to which regulations under section 41A may relate).
- (2) Regulations under subsection (1) may, among other things—
- (a) require the trustees or managers to publish a document of a prescribed description;
  - (b) require information or a document to be made available free of charge;
  - (c) require information or a document to be provided in a form that is or by means that are prescribed or of a prescribed description.
- (3) In complying with requirements imposed by the regulations, a trustee or manager must have regard to guidance prepared from time to time by the Secretary of State.

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### **41C Sections 41A and 41B: compliance**

- (1) Regulations may make provision with a view to ensuring compliance with a provision of regulations under section 41A or 41B.
  - (2) The regulations may in particular—
    - (a) provide for the Authority to issue a notice (a “compliance notice”) to a person with a view to ensuring the person's compliance with a provision of regulations under section 41A or 41B;
    - (b) provide for the Authority to issue a notice (a “third party compliance notice”) to a person with a view to ensuring another person's compliance with a provision of regulations under section 41A or 41B;
    - (c) provide for the Authority to issue a notice (a “penalty notice”) imposing a penalty on a person where the Authority are of the opinion that the person—
      - (i) has failed to comply with a compliance notice or third party compliance notice, or
      - (ii) has contravened a provision of regulations under section 41A or 41B;
    - (d) provide for the making of a reference to the First-tier Tribunal or Upper Tribunal in respect of the issue of a penalty notice or the amount of a penalty;
    - (e) confer other functions on the Authority.
  - (3) The regulations may make provision for determining the amount, or the maximum amount, of a penalty in respect of a failure or contravention.
  - (4) But the amount of a penalty imposed under the regulations in respect of a failure or contravention must not exceed—
    - (a) £5,000, in the case of an individual, and
    - (b) £50,000, in any other case.”
- (3) In section 116 (breach of regulations), in subsection (3)(b), after “10” insert “ or under provision contained in regulations made by virtue of section 41C ”.
- (4) In section 175 (Parliamentary control of orders and regulations)—
  - (a) in subsection (1), after “(2)” insert “, (2A) ”;
  - (b) after subsection (2) insert—

“(2A) A statutory instrument which contains the first regulations made by virtue of section 41A or 41C must not be made unless a draft of the instrument has been laid before and approved by a resolution of each House of Parliament.”

#### **Commencement Information**

**II** S. 124 in force at 31.5.2021 by S.I. 2021/620, reg. 2(2)(b)

**Status:**

Point in time view as at 31/05/2021.

**Changes to legislation:**

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