

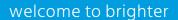
Task Force on Climate-related Financial Disclosures ("TCFD")

Time to consider

Kent County Council Superannuation Fund

November 2020

Tony English



What are climate-related risks and opportunities?

An investment perspective

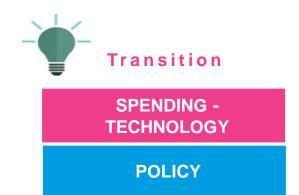


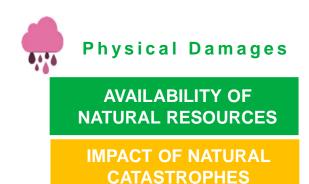
The Investor Zone The Climate Zone



2020 2050 2100

Risk Factors





Opportunities from the low carbon transition

Sector performance divergence - energy and utilities most impacted

Physical risks increasingly dominate over longer term

Sudden asset re-pricing risk



Why consider climate risks and opportunities? A pension fund perspective





Regulatory climate disclosures proposed timelines DWP consultation on TCFD – for information

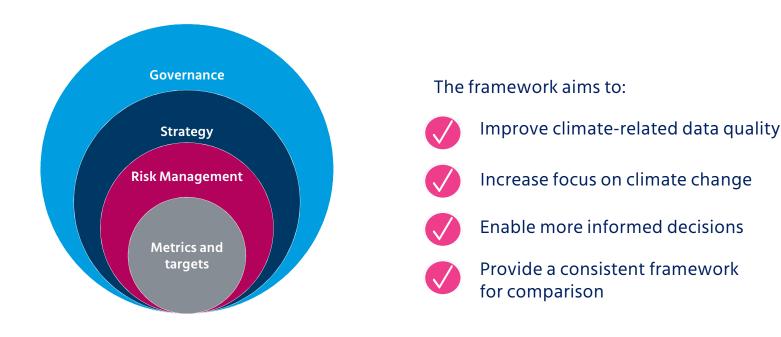
Value of fund assets at scheme year ending after	First reporting period	First disclosure deadline (in Report and Accounts and on a public website)
1 June 2020 are >=£5bn	Period from 1 October 2021 to scheme year end after that date	 Farlier of: 7 months after scheme year end post 1 October 2021 or by 31 December 2022
1 June 2021 are >=£1bn	Period from 1 October 2022 to scheme year end after that date	 Farlier of: 7 months after scheme year end post 1 October 2022 or by 31 December 2023
All other schemes	No requirement at present but DWP will carry out a review in 2024 before determining how and when to extend rollout to smaller pension schemes	

- In our view, although the DWP consultation does not apply to the LGPS, there is a strong likelihood that the broad pensions industry will support the adoption of TCFD for large occupational pension schemes
- MHCLG is expected to make provision for the LGPS broadly in line with these regulations. However, the above dates are not expected to be applicable for the LGPS



How to look at climate-related risks and opportunities TCFD framework

The Taskforce on Climate-related Financial Disclosures (TCFD) recommends a framework for disclosing how climate-related risks and opportunities are measured, monitored and managed by companies, asset managers and asset owners.



We recommend that the TCFD framework is used to understand, manage and monitor the Fund's exposure to climate risks and opportunities

TCFD Reporting Enhancing the Fund's reputation

The Committee & Board is already doing a lot of what is involved with TCFD reporting



Governance

- Review your climate-related investment beliefs.
- Prioritise actions and understand the roles and responsibilities.



Strategy

- Consider climate change scenario analysis on investment and funding strategy.
- Understand the sponsor's exposure to climate risk and how they are adapting.



Risk Management

- Include climate risk in the scheme's risk register.
- Asset managers: how are they voting/engaging on climate change?
- Annual review of Mercer manager ESG ratings for your managers.
- Consider sustainable asset allocations.
- Consider low carbon or ESG indices.



Metrics and targets

- Carry out carbon foot-printing on equity and corporate bond portfolios.
- Consider non-emissions based metrics, such as green revenues.
- Consider setting target(s) to manage climate-related risks.

Formally adopting TCFD reporting could further enhance the Fund's governance and reputation



Important notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2020 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualised investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterestMercer





welcome to brighter