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Task Force on Climate-related Financial Disclosures (“TCFD”)

Time to consider

Kent County Council Superannuation Fund

November 2020

Tony English

welcome to brighter

What are climate-related risks and opportunities?

An investment perspective

The Investor Zone

The Climate Zone

2020 2050 2100

Risk Factors

Transition

SPENDING - TECHNOLOGY

POLICY

Physical Damages

AVAILABILITY OF NATURAL RESOURCES

IMPACT OF NATURAL CATASTROPHES

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

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Why consider climate risks and opportunities?

A pension fund perspective

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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	Earlier 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	Earlier 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**

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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.

The framework aims to:

- ✓ Improve climate-related data quality
- ✓ Increase focus on climate change
- ✓ Enable more informed decisions
- ✓ Provide a consistent framework for comparison

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

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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

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