

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND INVESTMENT PANEL	
MEETING DATE:	20 November 2020	AGENDA ITEM NUMBER
TITLE:	Task Force on Climate-related Financial Disclosures	
WARD:	ALL	
OPEN		
List of attachments to this report: Appendix 1 – TCFD report by Mercers Appendix 2 – TCFD Core Recommendations checklist		

1 THE ISSUE

- 1.1 Given the recent DWP consultation on the matter, it is expected that “large” pension funds will be required to provide climate-related financial disclosures in the future. For funds with assets of £5bn or more, it is expected that the reporting period would start from 1 October 2021, with the report required by late 2022. Assuming this is to become law, MHCLG would be expected to make provision for the LGPS broadly in line with DWP regulations.
- 1.2 The Task Force for Climate-related Financial Disclosures (TCFD) framework is considered best practice and is widely adoptable and applicable to organisations across all sectors and countries. Use of this framework to improve the Fund’s disclosure was discussed as part of the Fund’s strategic review in 2019/20; it was agreed the Fund would consider adopting the TCFD’s recommendations as soon as it was practical.
- 1.3 Mercers will present on TCFD at the meeting (see Appendix 1).

2 RECOMMENDATION

- 2.1 **That the Panel notes the intention to adopt the TCFD recommendations for the year ending 31 March 2021.**

3 FINANCIAL IMPLICATIONS

3.1 There is no cost to adopting the recommendations. Some extra advisory costs may be incurred as part of the process.

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

4.1 The TCFD was commissioned in 2015 by Mark Carney as Chair of the Financial Stability Board. In 2017 the TCFD published its recommendations for improved transparency by companies. Asset managers, asset owners bank and insurance companies with respect to how climate related risks and opportunities are being managed. Disclosure that aligns with the TCFD recommendations currently represents best practice. Currently 1,500 organisations support the TCFD including over 1,340 companies with a market cap of \$12.6tn and financial institutions responsible for assets of \$150tn.

4.2 The recommendations are based on the financial materiality of climate change. The four elements (see below) are designed to make TCFD-aligned disclosures comparable, but with sufficient flexibility to take specific circumstances of each organisation into account. Appendix 2 sets out the recommendations in more detail as a checklist to indicate how the Fund will comply.

Core Elements of Recommended Climate-related Financial Disclosures

<p>Governance The organisation’s governance around climate-related risks and opportunities</p>	<p>Strategy The actual and potential impacts of climate-related risks and opportunities on the organisation’s business, strategy and financial planning where such information is material</p>
<p>Risk Management The processes used by the organisation to identify, assess and manage climate-related risks</p>	<p>Metrics and Targets The metrics and targets used to assess and manage relevant climate-related risks and opportunities</p>

5 ADOPTION OF TCFD BY THE FUND

5.1 As long term investors with a focus on responsible investing and transparency, it is imperative that we support, where possible, initiatives that will improve the information available for markets to effectively price climate-related risk in order to improve investment decision making and for policy makers to address market and policy failures.

5.2 Mercers have reviewed our current investment strategy and Responsible Investing Policy and advise that the Fund, given the significant amount of work already undertaken to address climate risk within our investment strategy, is in a position to disclose its activities in line with the recommendations. Early adoption demonstrates the commitment the Fund has to addressing climate risk and capturing opportunities as well as encouraging better disclosure across the industry.

5.3 Brunel Pension Partnership Ltd have adopted the TCFD recommendations for reporting.

6 RISK MANAGEMENT

6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

7 CLIMATE CHANGE

7.1 The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint. The Fund acknowledges the financial risk to its assets from climate change and addresses this through its strategic asset allocation to Low Carbon Equities, Sustainable Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

8 EQUALITIES

8.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

9 OTHER OPTIONS CONSIDERED

9.1 None.

10 CONSULTATION

10.1 The Council’s Section 151 Officer has had the opportunity to input to this report and have cleared it for publication.

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Background papers	
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