



Sir Ian Prosser

Chairman
BP Pension Trustees

BP Pension Trustees Limited
20 Canada Square
London
E14 5NJ

28 March 2018

Ms Mary Creagh MP
Chair of the Environmental Audit Committee
14 Tothill Street
London
SW1P 3JA

Dear Ms Creagh,

Thank you for your letter of 28 February regarding Green Finance.

The BP Pension Fund ('the Fund') has assets of approximately £25bn and is closed to new joiners. Despite reducing our exposure to equities as the Fund matures, we are still a sizeable investor in UK and other equity markets. We also have a significant holding in UK government debt.

The Fund is predominantly a defined benefit arrangement but we also have members' additional voluntary contributions of £40m which are invested to provide money purchase benefits as well as a closed defined contribution section with assets of £20m.

As a trustee of an occupational pension scheme we have a fiduciary duty to ensure that we invest prudently, taking account of factors which are relevant to the performance of the Fund, and ultimately ensuring that there are sufficient assets to enable our members' benefits to be paid in full as they fall due. We therefore take our role as a responsible investor very seriously and, as part of this, consider a wide range of risks.

In specific response to the questions in your letter, we would comment as follows:

1) *Do the trustees accept the TCFD conclusion that pension funds are potentially exposed to financial risks through climate change?*

Pension funds are exposed to a number of long-term financial risks, one of which could potentially be climate change.

2) *Which climate-related financial risks are you most concerned about?*

The Trustee examines all asset classes in the context of their risk and potential return. Environmental, Social and Governance issues ('ESG') are one group of factors that can impact these metrics.

3) *Has your pension scheme formally considered climate change risk at Board (or Investment Committee) level?*

At Trustee Board level we have discussed investments in the context of Stewardship and ESG. Climate change risk formed part of the broader ESG discussion and we continue to monitor this.

4) *If you have considered climate change related risks, what actions have you taken in response to these risks? We are interested, for example, in the development of specific investment strategies on this issue, whether you have taken formal advice, any changes in your investment strategy made or planned, and the exercise of your ownership responsibilities on this issue (either directly, or through your investment managers).*

We have not taken specific actions but we continue to monitor this. BP Investment Management Limited ('BPIM'), the Fund's in-house asset manager, is a signatory to the FRC Stewardship Code and, consistent with our policy, exercises our voting rights.

5) *Are you planning to adopt the TCFD recommendations in your scheme's reporting? If so, please indicate your planned timing.*

We are not currently planning to include the TCFD recommendations in our Fund reporting. However, we monitor industry best practice and evolve our reporting in consultation with our auditor and advisers.

6) *How would you suggest the Government and regulators implement the recommendations on climate-risk reporting? Is a voluntary approach sufficient to ensure widespread adoption?*

Any implementation should be proportionate and sympathetic to the fact that different pension funds have different resources and exposures. For this reason, we favour a voluntary approach.

7) Would guidance from Government or regulators on climate-risk reporting be helpful for pension funds?

A range of inputs, including coordinated guidance from government and regulators after appropriate consultation, could be helpful.

8) Have you discussed climate change with your actuarial advisers, having regard to the Risk Alert that the IFoA issued to its members last year?

We meet regularly with our actuarial and other advisors and a wide range of risks is considered as part of our approach to Integrated Risk Management. No specific discussions were triggered as a result of the Risk Alert mentioned.

9) Please share with us any other information you think may be relevant as we develop our understanding of the approach UK pension funds are taking to climate change and, more generally, green finance.

The purpose of a trust-based occupational pension scheme providing defined benefits is to meet its obligation to pay members' benefits in full as they fall due. This is only enabled by a balance of investment risk and reward over both the short and long term. Pension funds are likely to evaluate Green Finance investment opportunities with this in mind.

Thank you for contacting us on this important matter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'I. Prosser'.

Sir Ian Prosser