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

26 March 2018

Dear Ms Creagh,

Green Finance inquiry – Mineworkers’ Pension Scheme

Thank you for your letter of 28 February 2018 regarding the Environmental Audit Committee’s inquiry into Green Finance. On behalf of the Trustees of the Mineworkers’ Pension Scheme, I set out our response to your questions below.

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

Yes, climate change is likely to have a financial impact across many economic sectors.

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

The Trustees’ investment advisor, Coal Pension Trustees Investment (CPTI), and our external fund managers consider a variety of different financial risks when making investment recommendations. The most immediate climate-related risks for the Scheme are physical risks, particularly increased flood risks within our property portfolio. The transition to a low carbon economy will also potentially impact many of the Scheme’s current and future investments, creating both financial risks and opportunities to generate returns.

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

Not in detail. The Scheme does have a Corporate Governance Policy, publically available on the Scheme’s website. Environmental issues are one consideration. The Trustees’ view is that consideration of such issues will enhance the quality of the Scheme’s investments, providing better risk management and with the potential to increase returns for a long-term investor.
4. If you have considered climate change related risks, what actions have you taken in response to these risks?

Any investment decision is aligned to generating good outcomes for Scheme members and made based on a number of criteria including an assessment of multiple risk factors and return expectations. Climate change related risks are therefore only one aspect that feeds into actions. However, examples of actions the Trustees have already taken where climate-related risks and opportunities are important elements include:

a. The Scheme has committed over £200m to UK renewable energy infrastructure investments.
b. The Scheme’s property agent has conducted a comprehensive review of flood risk across the portfolio.
c. The Scheme has engaged Hermes Equity Ownership Services to engage on the Trustees’ behalf, in collaboration with others, with companies in its equity portfolio. Climate change governance, strategy and risk management is a key part of this programme with Hermes EOS.

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

The Trustees have not yet discussed whether to adopt the TCFD recommendations in the Scheme’s reporting. The Trustees plan to work with their investment adviser, CPTI, to develop further our corporate governance, ESG and broader sustainability policy over the next year. This will include proposals related to the TCFD recommendations.

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?

There is now good momentum within both the investment industry and corporations to take better account of climate related risks and opportunities in business strategy, risk management and disclosures. We therefore believe a voluntary approach will be sufficient.

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

TCFD already provides a good framework for climate-risk reporting.

8. Have you discussed climate change with your actuarial advisers, having regard to the Risk Alert that the Institute and Faculty of Actuaries (IFoA) issued to its members last year?

The Scheme Actuary is the Government Actuary. To date, no discussions have taken place on climate change with the Government Actuary.

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 Trustees are focussed on delivering good outcomes to Scheme members. Climate risk is one factor that could affect long-term outcomes so it is essential that such considerations are integrated into best practice investment decision-making.
Please let me know if you have any questions or follow-up on our response.

Yours sincerely,

[Signature]

Chris Cheetham
Chair of Trustees – Mineworkers' Pension Scheme