

Registered Office:
7th Floor
Exchange House
12 Exchange Square
London
EC2A 2NY

Telephone: 020 7330 6800
Facsimile: 0845 089 3440

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

26 March 2018

Dear Ms Creagh,

Submission to the Environmental Audit Committee Inquiry into Green Finance

I am writing to you on behalf of the Railways Pension Trustee Company Limited. The Trustee Company's wholly owned subsidiaries RPMI and RPMI Railpen run the railways pension schemes on its behalf.

RPMI Railpen (Railpen) is the trading name of Railway Pension Investments Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). Railpen acts as the investment manager for the railways pension schemes and is responsible for the management of assets of around £28 billion.

Railpen's mission is to pay the pensions of our 350,000 members securely, affordably and sustainably. We welcome the opportunity to engage on this important topic.

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

Railpen, which invests on behalf of the Trustee of the Railways Pension Scheme, is a supporter of the TCFD and accepts its conclusions.

<https://www.fsb-tcf.org/supporters-landing/>

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

Railpen is primarily concerned with the exposure of our portfolio companies to financial risks arising from the transition to a low carbon economy. These include, but may not be limited to, regulatory risks, changing consumer preferences, and the impact of innovation.

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

Climate change risk has been formally considered at the Railpen Investments Board.

4. If you have considered climate change related risks, what action have you taken in response to these risks?

A key focus of Railpen's [2018 voting policy](#) is integrating climate change considerations into our voting and engagement approach. Railpen is a signatory to the [CDP](#) and [Transition Pathway Initiative](#) (TPI) responsible investment initiatives and will vote against companies who do not respond to their disclosure requests. We are a founder signatory to [Climate Action 100+](#) and publicly support TCFD. We have written to over 200 of our most significant holdings to encourage all our portfolio companies to provide enhanced corporate disclosure in line with the TCFD framework.

As a signatory to the Montreal Pledge Railpen commits to publicly disclose the carbon footprint of the Scheme's portfolios on an annual basis.

<https://www.rpmirailpen.co.uk/how-we-invest/sustainable-ownership/measurements-of-carbon-footprint>

Railpen will continue to develop its approach to integrating climate risk management into its investment process in line with its commitment to TCFD.

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

Railpen expects to adopt TCFD recommendations in the Scheme's reporting over the next three years.

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?

Railpen encourages all its portfolio companies to provide enhanced corporate disclosure in line with the TCFD framework. The framework is voluntary, and we believe that as best practice is still emerging, codifying expectations in mandatory disclosure requirements too soon risks impeding the development of genuinely informative, tailored disclosure from investors, companies and intermediaries. If sufficient progress has not been made within a reasonable timeframe, however, it may be necessary to consider alternative options.

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

Railpen believes that TCFD provides a helpful framework for climate-related reporting. It is important that the market-led initiatives seeking to support investors identify good reporting practices are given time to develop.

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?

Climate change related risks have not been discussed explicitly with the Scheme Actuary in relation to the Risk Alert issued by the Institute and Faculty of Actuaries. The Scheme's approach to setting assumptions under the actuarial valuation considers a wide-range of models, some of which assume more significant global headwinds against economic growth. Climate change is one such factor. The Trustee and the Actuary take this range of possible outcomes into consideration when assessing the funding position of the Scheme.

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.

Railpen believes that climate change poses a complex and material financial risk to long-term investment returns and should be managed.

Please do not hesitate to contact me to discuss any of the points raised in this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Chilman', with a large, stylized initial 'J'.

John Chilman
Chair of Trustees of the Railways Pension Scheme