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

28 March 2018

Dear Mary Creagh MP

Thank you for your letter of 28 February 2018. Please find below the response to the questions from West Yorkshire Pension Fund.

1. The Investment Advisory Panel of the West Yorkshire Pension Fund accept that there are financial risks to pension funds through climate change. The fund has been investing in renewable and low carbon technology for a considerable period of time in order to fund new innovation in sustainable energy.

2. The fund recognises the risks and opportunities associated with climate change, including greenhouse gases, carbon exposure, and the risk of water shortages, and is aware that the restrictions imposed upon countries and companies by the Paris Climate Treaty could have a financial effect upon investment returns in the future.

3. Climate change risk has regularly been discussed at Investment Advisory Panel meetings. The Fund will be discussing these issues on a more formal basis from 2018 onwards.

4. The WYPF Investment Strategy Statement recognises the risks associated with climate change, along with other risks arising from Social, Environmental and Governance matters. From 2018 the WYPF will measure the carbon footprint of the global equity portfolio annually, and seek to reduce exposure to carbon over time. The fund does not invest in pure coal companies and has not done for over 10 years.

The WYPF is a member of the Local Authorities Pension Funds Forum (LAPFF) and the Institutional Investor Group for Climate Change (IIGCC), is a signatory to the Carbon Disclosure Project, and a supporter of the Climate Action 100+ project, which was launched in December 2017. These shareholder groups engage directly with companies both in the UK and globally, in order to encourage them to recognise and plan for climate change. The Fund regards company engagement as a powerful tool for influencing companies, and considers engagement to be more effective than divestment.

The Fund has been exercising its shareholder right to vote for many years, and votes at Annual and Extraordinary General Meetings of all companies in which it has a shareholding in the UK and overseas.
The Fund was instrumental in bringing special shareholder resolutions to the Annual General Meetings of BP, Royal Dutch Shell, BHP Billiton, Glencore and Anglo American. These resolutions required companies to report more specifically about climate risk, and were recommended in every case by company management and subsequently adopted. The Fund will continue to support such resolutions where appropriate.

The Fund publishes shareholder voting activity on its website.

5. The Fund has not yet adopted the TCFD recommendations in reporting, however this may be considered in the future.

6. The adoption of the voluntary approach to climate risk reporting is becoming more widespread. However if the government wishes for this to be implemented sooner and more broadly, the introduction of regulation may be necessary.

7. Government or regulator guidance would be helpful for pension funds in order to encourage a uniform approach to reporting.

8. The Institute and Faculty of Actuaries issued its risk alert in May 2017. The LAPFF (WYPF has been a significant member for many years) commissioned research on this topic in 2004, and in 2008 BG Group issued a carbon target after successful engagement by LAPFF. We believe we have more knowledge and experience on this topic, therefore have not discussed it with our actuary.

9. The West Yorkshire Pension Fund has been investing in renewable energy for many years. Investments include solar, wind, tidal and hydro-electric power, and are made via Infrastructure Funds, Limited Partnerships and equity shareholdings. The Fund has built a strong reputation as a supporter of these projects, and is regularly approached by funds offering new investment in these areas. Currently the WYPF has over £275 million invested in low carbon technology, with a further £200 million committed and awaiting drawdown.

The Fund will shortly be appointing a responsible investment manager in order to complement and widen in-house expertise and knowledge. This will be a newly created position with specific responsibility for social, environmental and governance issues.

Yours sincerely

[Signature]

Councillor Andrew Thornton
Chair West Yorkshire Pension Fund Investment Advisory Panel & Joint Advisory Group