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

   Yes, the Trustee considers climate change risk as one of the long-term risks that could have negative financial impact on the schemes and that managing these risks is therefore important.

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

   Of the two major risk categories highlighted by the Task Force, we regard the risks associated with the transition to a lower-carbon economy as the most significant. The approach and pace at which entrepreneurs, businesses and governments tackle climate risks creates future uncertainties in asset prices that are hard to quantify. Amongst transition risks, we regard policy risk and technology risk as fundamental to the impact on financial markets.

   From an asset class perspective, we believe these risks are most likely to manifest themselves in equity portfolios, since shareholders stand to gain or lose the most from disruption to corporate profitability. Some 10% of the schemes' assets are invested in public and private equity markets.

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

   Yes, the Trustee considers climate change risks, and more generally environmental, social and governance (ESG) risks, at multiple levels in the investment decision-making process. Policy is set at the Board level for implementation by the Investment and Funding Committee down through the in-house executive team and our third-party investment managers.

   The Trustee has developed a responsible investment policy for the Scheme's investment strategy. It sets out the Trustee's philosophy and investment approach on ESG matters and is expected to evolve and develop over time. The policy is built upon a belief that responsible investment enhances risk-adjusted investment returns.

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).**

   The Trustee has incorporated ESG factors, including climate change, into its process for the selection, retention and monitoring of investment managers. The in-house executive team questions its investment managers seeking to understand their views on a variety of responsible investment issues and how they engage with corporate management. In our experience, the best investment managers incorporate ESG issues seamlessly into their processes for selecting individual securities.

   The in-house executive team is currently working with the Trustee's advisor to implement its responsible investment policy. This is expected to cover measurement of the following:

- The extent to which policy is influencing the nature of the assets held in the portfolio (the schemes' investment in renewable energy infrastructure being an obvious example)
- The rating from ESG1 (best) to ESG4 (worst) assigned by our advisor to each of our third-party investment mandates (where a rating is appropriate)
- The investment managers' voting record and engagement activity (where appropriate)
- The aggregate greenhouse gas (GHG) emissions arising from the companies held in the public equity portfolio
- The property portfolio's compliance with the UK Energy Act 2011 requirements (or overseas equivalent) for energy efficient buildings.

The in-house executive team also participates in industry fora (most recently the Pensions & Lifetime Savings Association investment conference) and collaborates with peers on driving future developments on ESG issues, including climate risks.

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

The Trustee, as a non-commercial entity, has no immediate plans to adopt the TCFD recommendations in its own scheme reporting, largely because, at this point in time, it wishes to focus its effort on being a responsible investor first and foremost. That said, the Trustee aspires to publicly disclosure on these matters at some future point.

The Trustee, however, supports the adoption of the TCFD recommendations for commercial entities (we note Lloyds Banking Group's support for example). We believe there is a greater imperative for commercial entities to follow the recommendations given the Task Force's ambition for better pricing of (climate-related) risks and allocation of capital in the global economy.

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?

Whilst the principles of climate-risk reporting are well received and supported by many businesses and financial leaders, the implementation of the disclosures, in our opinion, require further development and coordination for global market participants. The extent in which asset owners, such as pension schemes, can provide comprehensive reporting on their investments is itself subject to the information available and reported by underlying businesses. Data collection from investments in private markets and developing countries can be challenging.

Voluntary reporting approach at the initial stage is effective in raising awareness and can be seen as best practice for corporate governance. Over the next 5 years, we expect climate-risk reporting will become a norm for all businesses. We would welcome a global standardised approach in reporting.

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

   We welcome clear and constructive guidance from Government and/or regulators on climate-risk reporting. As the topic is constantly evolving, we believe that it can be challenging to ensure consistency and set best practice for adoption.

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?**

   As part of the schemes' triannual actuarial valuations, the Trustee, with the help from its actuarial adviser, has taken an integrated risk management approach when assessing risks associated with investment, covenant and funding. To the extent relevant, climate risks are considered and integrated in the assumption setting process.

   The Trustee believes that climate related issues pose a threat to the sustainability of investment returns over the long term. Along with other market and economic uncertainties, the Trustee adopted a prudent approach on setting the investment return assumptions.

   The management of on climate related risks could impact the longevity of Scheme members over the long term. The actuarial adviser and the Trustee have taken the variability of longevity risks into consideration when setting the Scheme's funding assumptions.

   As the schemes' sponsor and a UNPRI signatory, Lloyds Banking Group has clear lending policies on ESG matters and this has contributed to the evaluation of the strength of the sponsor's covenant.

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.**

   Overall, the Trustee is supportive of the initiatives on the reporting and disclosure requirements as recommended by the TCFD, as we believe they will provide market participants with more transparent and consistent information on climate change issues.