The Task Force on Climate-related Financial Disclosure Report consultation

Response by the Environment Agency Pension Fund (EAPF)

Important notice

This response to the consultation is undertaken on behalf the Pension Committee of the EAPF and in consultation with the administering authority, the Environment Agency. Any questions should be sent to faith.ward@environment-agency.gov.uk.

FAO: TCFD2017@uk.pwc.co.uk

Dear Mr Bloomberg

We welcome the opportunity to respond the FSB's Task Force on Climate-related Financial Disclosure Report consultation. The Environment Agency Active Pension Fund is a defined benefit Local Government Pension Scheme with over 24,000 members and assets of c£3billion. It provides for the future pensions of its members working for Natural Resources Wales, Shared Services Connected Limited and Environment Agency. There is a 95 per cent participating rate of eligible members.

Our fiduciary duty is to act in the best long-term interest of our members and to do so, requires us to recognise that environmental, social and governance (ESG) issues can impact on the Fund's financial performance and should be taken into account in the funding and investment strategies and throughout the funding and investment decision making process. In October 2015 we published our Policy to Address the Impacts of Climate Change which explicitly stated our belief that if we were not to consider ESG issues such as climate change, we would be in breach of our fiduciary duty.

In that policy we identified that our biggest barrier to implementation is accurate disclosure of material climate risk information to support informed investment decision making. We also set a policy commitment that **"we will continue to engage with companies, regulators, policy makers and other intermediaries to demand higher disclosure standards and increased transparency for, and by, investors."** We are therefore strongly supportive of the work of the Task Force on Climate-related Financial Disclosures and welcome the opportunity to contribute to the development of the final recommendations to be presented to the G20 Finance Ministers and Central Bank Governors.

In further support of the work of the FSB Task Force on Climate-related Financial Disclosures, the Environment Agency Pension Fund alongside the Church of England National Investing Bodies have led an initiative called the **Transition Pathway Initiative**.

The initiative, launched on 11 January 2017, brought together asset owners globally to design a tool to help other asset owners assess how individual companies are positioning themselves for the transition to a low-carbon economy. The tool has been developed with the support of the Grantham Research Institute and is freely available on line at www.TransitionPathwayInitiative.org.

We sincerely hope that the Task Force is provided with support to undertake the next steps and continue this incredibly valuable work. We welcome the opportunity to continue to support the Task Force, not least in creating an asset owner case study in 2017 and supporting other asset owners in disclosing.

We are open and transparent in how we invest and what we invest in, and there is a wealth of information available at **www.eapf.org.uk** where you will also find our Annual Report and Financial Statements, which includes our current climate related financial disclosures.

Regards

Emma Howard Boyd

Emma Howard Boyd

Chair | **Chair of Investment Sub-Committee**

Environment Agency | **Environment Agency Pension Fund**

12 February 2017

Respondent Information

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The consultation response is written on behalf of the Environment Agency Pension Fund and the following classifications (as required by consultation) are used in describing role and responsibilities

Q1b Investment and asset management
Q1c Financial services sector, including asset owners (1)
Q1d Pension plans, endowments, foundations, and other asset owners (5)
Q2 Both user and preparer (3)

Consultation response

The Environment Agency Pension Active Fund (EAPF) is a defined benefit fund, is part of the Local Authority Government Pension Scheme, has over 24,000 members and assets of c.£3 billion andas a responsible asset owner has been progressively integrating climate risk into how we manage our pension fund assets for over a decade.

As a long-term investor, we recognise that climate change presents both material financial risks and opportunities. As such, climate change is integrated at every stage of our economic decision making, from the creation of our funding strategy, which then informs all our actions from our asset allocation, to mandate tendering, risk management processes and beyond.

In October 2015 we published our Policy to Address the Impacts of Climate Change which made the commitment, the first for a pension scheme in the world, to run our assets in accordance with the UN-agreed principles of preventing global temperatures from rising by more than 2°C. In that policy we set out investment beliefs in relation to climate change.

Our climate change investment beliefs

We believe that:

- Climate change presents a systemic risk to the ecological, societal and financial stability of every economy and country on the planet, with the potential to impact our members, employers and all our holdings in the portfolio.
- Climate change is a long term material financial risk for the Fund, and therefore will impact our members, employers and all our holdings in the portfolio.
- Considering the impacts of climate change is both our legal dutyi and is entirely consistent with securing the long term returns of the Fund and is therefore acting in the best long term interests of our members.
- Selective risk-based disinvestment is appropriate but engagement for change is an essential component in order to move to a low carbon economy.

In our policy we identified that "To deliver the commitments above and deploy capital, aware of the climate change risks and opportunities, requires accurate disclosure material information to support informed investment decision making. The failure of companies to do so is a significant barrier to progress." We are therefore strongly supportive of the work of the Task Force on Climate-related Financial Disclosures (TFCD).

We also strongly support the statements made in the recommendations which mirror our own beliefs outlined above. In addition we would highlight and support the statements in the recommendations that acknowledge the **current market failure to price climate risk** and call for disclosure relating to the financial implications of climate change be **embedded in mainstream financial filings**.

We also acknowledge our central role as an asset owner to stimulate the demand for the supply cycle for climate related financial disclosures. However we do firmly believe the **emphasis and focus must be on quality disclosures from companies at the bottom of the pyramid** to ensure that as we aggregate the usefulness of the data is not diminished to the point where it cannot be used to stimulate the appropriate economic decision making, such as the allocation of capital to support transition to a low carbon economy.

All sector recommendations and guidance

Q3a How useful are the Task Force's recommendations and guidance for all sectors in preparing disclosures about the potential financial impacts of climate-related risks and opportunities?

Very Useful (5)

Q3b Please provide more detail on your response

We welcome that the recommendations should apply across all sectors and in particular throughout the investment chain. **To truly fulfil this aim we would advocate disclosures requirements by key financial intermediaries – in particular investment consultants, actuaries, credit rating agencies, external audit and risk advisors** - to demonstrate how their own advice, tools, processes and skills and knowledge are fit for purpose to support their clients with respect to managing the financial implications of climate change. We also advocate for the inclusion of disclosures about the potential financial impacts of climate-related risks and opportunities in **prospectus and other related listing documents** consistent with the requirements of the Sustainable Stock Exchange Initiative. We propose that a recommendation asks the **International Organization of Securities Commissions (IOSCO)** to integrate the recommendations of the Task Force into a plan of action.

We reiterate our support for a call for disclosure relating to the financial implications of climate change be embedded in mainstream financial filings which require publication at least annually. The **use of financial filings as the principal disclosure**[1] will ensure, as a minimum, internal control processes will apply and may well require external verification. This level of assurance would be welcome for those making financial decisions on the basis of the data. We also believe that inclusion in the financial fillings sends a clear message true level of commitment to tackle climate change by the organization – putting it on a par with other financial risk and opportunities. **This recommendation is critical and we would be deeply concerned if this is not reflected in the final report**. In reiterating our point regarding the quality of data from companies and how this is then aggregated we **support the standardisation of methodologies for assessing risk and opportunity** by companies (including for scenarios).

Linked to the alignment of reporting within/ alongside financial fillings is the need for **convergence of reporting requirements**. We understand many organisations have already committed to alignment but welcome a stronger recommendation to achieve this aim.

We support a materiality, principles base approach to disclosure that can evolve to meet the market and societal expectations. However to be effective a principles based approach still requires 'some teeth' and market reinforcement. Similarly, with the concept of materiality, whilst in principle is wholly appropriate, we have concerns as to its application and whether there is **sufficient skills and knowledge on the understanding of how to assess climate risk** within the management, directors, boards and trustees (or their advisors) of companies and funds alike. **To ameliorate this concern, disclosure of current (and maintenance of) skills and**

[1] For example Section 172 of the UK Companies Act determine director duties for disclosure of such risks in the strategic report.

knowledge in relation to the assessment of climate related risks should be included for all sectors.

We therefore recommend that the appropriate regulatory and standard setting bodies in each market are aligned in reinforcing the TFCD recommendations through robust messaging and best practice guidance. In the United Kingdom we would specifically identify the criticality of the **Financial Reporting Council** and the **Pensions Regulator** for all sectors (as most corporates also have pension funds) and specifically the banks and financial sector the **Prudential Regulation Authority.**

We support the structure around the four key areas of governance, strategy, risk management and metrics and targets. The way the disclosure requirements have been expressed provides sufficient guidance whilst maintaining flexibility to accommodate different sector needs and for the metrics themselves to evolve over time. That said, whilst **disclosure on the advocacy/ public policy positions** relating to financial implications of climate change, particularly on public policy, could be implied as part of the governance disclosures, or possibly strategy, it would be clearer if this requirement is explicit. This disclosure requirement could encompass disclosures relating to any **lobbying activities** that relate to climate change.

We support the focus on forward looking risk analysis and reporting but request the assumptions on which these are based need to be very clear. We would also ask under strategy that the recommended disclosures include an **explicit quantitative measure of the economic and financial sensitivity to the assumptions used**.

We would also welcome more **encouragement of the disclosures of the investment opportunities**. The current recommendations are tilted, understandably, to risk. The EAPF's own strategy has three pillars; **to invest,** decarbonise and engage. We identified that of our 3 quantitative climate goals, our investment commitment of 15% of our total AUM in low carbon, energy efficient and other climate mitigation opportunities by 2020 would be the hardest to meet. In part, this is because corporate commitment to low carbon solutions can be hard to discern with the high level of confidence in its accuracy.

We are clear in our belief that better disclosure along the investment chain will reduce the cost of data collection, analysis, aggregation and reporting. However, we are concerned that as asset owner that **the costs are not just passed through and ultimately borne by the beneficiaries** and that this cost should be seen as a basic component of an organisation's license to operate and do business.

Supplementary guidance

Q3c How useful is the Task Force's supplemental guidance for certain sectors in preparing disclosures about the potential financial impacts of climate-related risks and opportunities? Please see the TCFD Annex for supplemental guidance

Very Useful (5)

Q3d Please provide more detail on your response

We welcome the sector specific guidance which is useful in providing more tailored, detailed requirements for key sectors.

We would encourage each sector to report on all the recommended metrics as opposed to seeing them as a 'pick and mix' list. Reviewing them it was difficult to identify any that we would see as superfluous in our ability to assess the risks in our portfolio of holdings.

We are supportive of the sectors detailed, particularly banks and insurance, which has been a concern to our fund in assessing our own risks from our equity and debt holdings in these sectors. We believe the metrics identified would provide us with excellent insight into the climate related financial risks and would welcome the reinforcement by the relevant national regulator e.g. Prudential Regulation Authority.
To improve the recommendations we would request again the need for standardization of methodologies. For example, in being clear on scope and whether a defined way to **scale up emissions** (where it is not feasible to disclosure 100% of emissions) can be established to ensure accurate comparability. A project proposal to develop a scaling methodology has been developed by the ICMA Henley Business School – Carbon Visibility Project – but we understand funding has not been secured

The Energy Group Guidance presents a helpful step forward but we feel further development is required in defining the terms and ensuring consistency in the way each sub-sector discloses the metrics so end users can truly evaluate the risk.

As a follow-up we would propose that the TCFD supports the production of disclosure examples to demonstrate the value in decision making.

We propose consideration of other disclosures in question 5 below.

Organizational decision making

Q4a If organizations disclose the recommended information (or information consistent with the Task Force's recommendations), how useful will that information be to your organization in making decisions (e.g., investment, lending, and insurance underwriting decisions)?

Very Useful (5)

Q4b Please provide more detail on your response

We also acknowledge our central role as an asset owner to stimulate the demand for the supply cycle for climate related financial disclosures. However we do firmly believe the **emphasis and focus must be on quality disclosures from companies at the bottom of the pyramid** to ensure that as we aggregate the usefulness of the data is not diminished to the point where it cannot be used to stimulate the appropriate economic decision making, such as the allocation of capital to support transition to a low carbon economy.

To improve the recommendations we reiterate our earlier points and **support for the standardization of methodologies for assessing risk and opportunity** by companies (including for scenarios) and inclusion of **disclosures on financial related opportunities**.

Additional disclosures

Q5 What other climate-related financial disclosures would you find useful that are not currently included in the Task Force's recommendations?

The concept of materiality whilst in principle is wholly appropriate, we have concerns as to its application and whether there is **sufficient skills and knowledge on understanding of how to assess climate risk** within the management, directors, boards and trustees (or their advisors) of companies and funds alike. **To ameliorate this concern disclosure of current (and maintenance of) skills and knowledge in relation to the assessment of climate related risks should be included for all sectors.**

We support the structure around the four key areas of governance, strategy, risk management and metrics and targets. The way the disclosure requirements have been expressed provides sufficient guidance whilst maintaining flexibility to accommodate different sectors needs and for the metrics themselves to evolve over time. That said, whilst **disclosure on the advocacy/ public policy positions** relating to financial implications of climate change, particularly on public policy could be implied as part of the governance disclosures, or possibly strategy, it would be clearer if this requirement was explicit. This disclosure requirement could encompass disclosures relating to any **lobbying activities** that relate to climate change.

We support the focus on forward looking risk analysis and reporting but request the assumptions on which these are based needs to be very clear. We would also ask under strategy that the recommended disclosures include an **explicit quantitative measure of the economic and financial sensitivity to the assumptions used**.

We would also welcome more **encouragement of the disclosures of the investment opportunities**. The current recommendations are tilted, understandably, to risk. The EAPF's own strategy has three pillars; **to invest,** decarbonise and engage. We identified that of our 3 quantitative climate goals, our investment commitment of 15% of our total AUM in low carbon, energy efficient and other climate mitigation opportunities by 2020 would be the hardest to meet. In part, this is because corporate commitment to low carbon solutions can be hard to discern with the high level of confidence in its accuracy.

To clearly identify leaders' corporate metrics which support **disclosure on the level of low carbon research and development** would be welcome.

In April 2014 we published our first strategy to address climate risk and we called for fossil fuel companies to **clearly disclosure each type of fossil fuel reserve in the widely-recognised 1P, 2P and 3P format.** Namely, proven reserves (1P) are defined as those which have a >90% probability of being present, following a seismic survey. Proven + Probable reserves (2P) are those which have a >50% probability of being present, subsequent to a seismic survey. 3P reserves are those which represent a >10% probability of being present, and are the aggregation of all Proven, Probable and Possible reserves.

Whilst the TFCD recommendations 'illustrative examples' include breakdown by reserves type – we feel it needs to be more clearly defined and consistently applied.

Scenario analysis

Q6 The Task Force recommends organizations describe how their strategies are likely to perform under various climate-related scenarios, including a 2°C scenario (see page 16 of the TCFD report). How useful is a description of potential performance across a range of scenarios to understanding climate-related impacts on an organization's businesses, strategy, and financial planning?

Very Useful (5)

Q7 Please elaborate on your response above.

We welcome and support the recommendations to use forward looking climate related scenarios and believe, when complemented with clarity on assumptions, will prove very useful to companies and their shareholders. To strengthen the spirit of the recommendation we propose the taskforce is more specific in its disclosure requirements (all sectors) on asking what scenarios have been used, which they believe the most likely and how has that impacted on business decision making. Similarly, arising from this decision making and resultant changes to strategy, what impact they expect on future emissions.

We also recommend the development of standards, including in the use of scenarios with clearly defined assumptions and procedures. For comparability reference or central scenarios from an authoritative source need to be developed. We participated in the **Mercer study Investing in a Time of Climate Change** and published our bespoke report which is available https://www.eapf.org.uk/investments/climate-risk/climate-risk-strategy. These scenarios have been very helpful in the setting the strategic asset allocation and the prioritisation of resources on the management of risk in the most climate sensitive assets.

In the Environment Agency's role as an advisor to we need to make sure that our customers and partners have the right advice and technical information to account for climate change. We host the UK climate projections (UKCP09), which provide crucial information about how we can expect our climate to change over future decades. We are also helping Government to shape the next set of updated projections (UKCP18). The UKCP18 project is harnessing the latest science and supercomputing capabilities from the Met Office Hadley Centre, combined with the expertise of the Environment Agency and Defra to build on the success of UKCP09. These tools help decision-makers assess the full range of risks from the changing climate and advise how we can adapt, updating the projections over UK land areas and of sea-level rise, giving greater regional detail, further analysis of the risks we face, both nationally and globally, and provide more information on potential extremes and impacts of climate change. For more information about these scenarios, please contact katy.peat@environment-agency.gov.uk

The Environment Agency advised the Prudential Regulation Authority (PRA), on the reporting of second round of Adaptation Reporting Power. Their report and our ongoing relationship with the PRA has enabled further conversations on climate risk and collaboration. The Environment Agency itself also has reported under the Adaptation Reporting Power, outlining how today's weather and a changing climate affect our work, and sets out our strategy to help communities, businesses and wildlife adapt to a changing climate. It also shows how the Environment Agency itself manages these identified risks. The report can be found here.

Ask all

Q8 The Task Force recognizes that there are challenges around disclosing sufficient information to allow a better understanding of the robustness of an organization's strategy and financial plans under different plausible climate-related scenarios. Some challenges may arise from unfamiliarity with scenario methodologies and metrics, insufficient practice standards or cost. What do you view as effective measures to address potential challenges around conducting scenario analysis and disclosing the recommended information?

Please rank your top three most effective factors that apply.

	EAPF rank	Code
Further work by industry trade groups and disclosure users on critical elements to be disclosed is needed to help overcome concerns that some information may be commercially sensitive	**2**	1
Reduce the cost of conducting and disclosing scenario analysis		2
Additional methodologies and tools should be developed for use by organizations to enable more effective scenario analysis	**3**	3
Allow a year or two to phase-in scenario analysis and related disclosures		4
Establish better practice standards around conducting and disclosing scenario analyses so that there are clearer rules of the road	**1**	5
We do not anticipate any difficulties		6
Other (please specify)		94
Not applicable		96

Q9 Please provide more detail on your first choice

To enable consistency of approach we are supportive of the establishment of standards for scenario analysis. We anticipate that this would include clear statements of methodology, assumptions and their sensitivity. Without standards we are concerned firms could be seen to be disclosing but 'gaming' the process to mislead investors and other stakeholders.

Metrics and targets

Q10a The Task Force is recommending that organizations disclose the metrics they use to assess climate-related risks and opportunities in line with their strategy and risk management process. For certain sectors, the report provides some illustrative examples of metrics to help organizations consider the types of metrics they might want to consider. How useful are the illustrative examples of metrics and targets?

For illustrative examples see the following pages in the TCFD Annex

- **Energy Group: pages 54-58**
- **Transportation Group: pages 66-70**
- **Materials and Buildings Group: pages 78-82**
- **Agriculture, Food, and Forest Products Group: pages 91-94**

Very Useful (5)

Q10b Please provide more detail on your response

Whilst very supportive of the metrics and targets and recognisng they would be, in themselves ,very useful, we would reiterate some of earlier comments and request the inclusion of metrics to support;

All sectors

- Disclosure of current (and maintenance of)skills and knowledge in relation to the assessment of climate related risks should be included for all sectors.
- Disclosure on the advocacy/ public policy positions relating to financial implications of climate change, particularly on public policy.
- Disclosures relating to any lobbying activities that relate to climate change.
- Disclosures of positive investment are not lost in an aggregation of risks and opportunities.
- Explicit quantitative measure of the economic and financial sensitivity to the assumptions used in scenario analysis.

Energy

- Disclosures on the assumptions in a scenario on commodity prices
- Break-even price for the portfolio
- Reserves to production ratio
- Volume of electricity the company help its customers save as a percent of total electricity sales

Materials

- Replicate the (oil and gas) metric expenditure and capital including: “Indicative costs of supply for current and committed future projects (e.g., through a cost curve or indicative price range). This could be broken down by product, asset, or geography.”

Transportation

- Assumptions regarding the development of infrastructure for charging electric vehicles.
- Lifecycle emissions of the fleet

- Ratio of ICE vs. other advanced vehicles (ZEV, EV, hydrogen, biofuel, etc.)
- Emissions efficiency of vehicles relative to emissions limits in all applicable jurisdictions
- For companies in this sector, disclose key metrics by fleet and manufacturing business units/functions

Q11 Please provide more detail on your response

Part of the Task Force's remit is to develop climate-related disclosures that would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector.

Beyond the metrics included in the Task Force's guidance, and supplemental guidance, what other metrics could be used to measure carbon-related assets in the financial sector?

To enable consistency of approach we are supportive of the establishment of standards for scenario analysis. We anticipate that this would include clear statements of methodology, assumptions and their sensitivity. Without standards we are concerned firms could be seen to be disclosing but 'gaming' the process to mislead investors and other stakeholders.

We would also recommend the ability to provide 'Like for like' disclosures taking into account merges and acquisitions/ disposals and metrics on the sensitivity/ resilience to regulatory changes.

As an asset owner the EAPF uses a wide variety of carbon metrics on our listed portfolio and produced a public report to share with our stakeholders. These include amongst other metrics disclosure rates of underlying companies andexposure to listed renewables. Developing ways to report effectively to stakeholders is an area of focus for continual improvement. A key table is extracted below;

TABLE 1: CARBON METRICS SUMMARY TABLE

Group	Metric	Fund	Benchmark	% Difference
Operational Carbon Emissions	Absolute Tonnes of Carbon (tonnes CO2e)	394,451	591,605	33%
	Carbon Footprint (tonnes CO2e/GBPm revenue)	388	529	27%
Disclosure Rate	Active, by company	69%	60%	9%
	Active, by GHG emissions	94%	87%	7%
Stranded Assets	Exposure (£)	32,153,258	62,989,286	49%
	of which coal	7,634,724	12,308,870	38%
	Exposure (weighted average, active managers compared to benchmarks)	-	-	59%
Fossil Fuel Reserves	Financed Future Emissions (tonnes CO2)	8,112,662	13,706,704	41%
	of which coal	4,899,427	6,393,517	23%
	Exposure (£)	20,535,623	41,888,623	51%
	of which coal	3,204,459	3,632,107	12%
	Reserves to market cap ratio (tonnes/GBPm)	5,263	8,892	41%
Fossil Fuel Power Generation	Exposure (£)	11,617,635	21,100,663	45%
	of which coal	4,430,265	8,676,763	49%
Renewable Power Generation	Exposure (£)	5,120,654	3,442,566	49%
Impact	Total Owned Revenue (£)	1,008,775,070	1,111,536,588	
	of which Fossil Fuels	39,328,372	60,778,475	35%
	of which Coal Mining and Coal Power	10,470,401	13,827,032	24%
	of which Fossil Fuel Power	10,762,952	21,901,610	51%
	of which Coal Power	4,008,542	8,468,700	53%
	of which Renewable Power	3,275,827	3,533,526	-7%

The public report is available at https://www.eapf.org.uk/investments/climate-risk/climate-risk-strategy

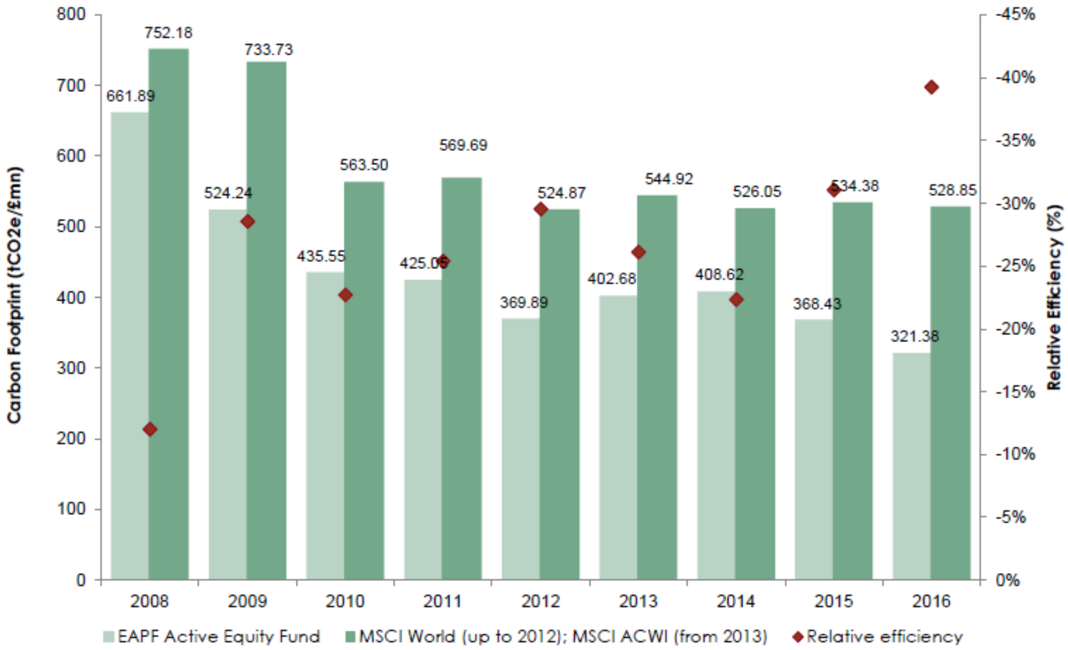
The table below is extracted for the EAPF report and summarises the key metrics we use which relate to the quantitative targets for decarbonisation,

Fund	Financed Future Emissions (FFE) Metric	Fund, 2016	Baseline	% Difference vs Baseline, 2016	% Difference vs Baseline, 2015	Percentage Point Improvement 2015-16	Rate of change, 2015-16
Aggregated Active + Passive Equities	Absolute FFE, Total (tCO2)	4,166,915.19	14,849,897.29	71.94%	45.37%	26.57%	58.57%
	Of which coal (tCO2)	2,788,272.93	7,090,809.95	60.68%	30.90%	29.77%	96.34%
	Of which O&G (tCO2)	1,378,642.27	7,759,087.34	82.23%	58.59%	23.64%	40.36%
	FFE Intensity, Total (tCO2/£m)	3,199.47	9,633.87	66.79%	45.37%	21.42%	47.21%
	Of which coal (tCO2/£m)	2,140.91	4,600.16	53.46%	30.90%	22.56%	72.98%
	Of which O&G (tCO2/£m)	1,058.56	5,033.71	78.97%	58.59%	20.38%	34.79%
Aggregated Active Equities	Absolute FFE, Total (tCO2)	2,704,331.60	9,158,850.88	70.47%	66.79%	3.68%	5.51%
	Of which coal (tCO2)	2,023,392.00	4,288,834.66	52.82%	49.64%	3.18%	6.41%
	Of which O&G (tCO2)	680,939.60	4,870,016.22	86.02%	81.90%	4.12%	5.03%
	FFE Intensity, Total (tCO2/£m)	2,762.29	9,183.53	69.92%	66.79%	3.13%	4.69%
	Of which coal (tCO2/£m)	2,066.76	4,300.39	51.94%	49.64%	2.30%	4.63%
	Of which O&G (tCO2/£m)	695.53	4,883.14	85.76%	81.90%	3.86%	4.71%
Aggregated Passive Equities	Absolute FFE, Total (tCO2)	1,462,583.59	5,691,148.65	74.30%	10.89%	63.41%	582.04%
	Of which coal (tCO2)	764,880.93	2,802,043.34	72.70%	2.23%	70.47%	3160.86%
	Of which O&G (tCO2)	697,702.66	2,889,105.31	75.85%	19.30%	56.55%	293.07%
	FFE Intensity, Total (tCO2/£m)	4,523.13	10,459.51	56.76%	10.89%	45.86%	420.99%
	Of which coal (tCO2/£m)	2,365.44	5,149.75	54.07%	2.23%	51.84%	2325.00%
	Of which O&G (tCO2/£m)	2,157.69	5,309.76	59.36%	19.30%	40.07%	207.63%

Q12 The Task Force is recommending that organizations provide key metrics used to measure and manage climate-related risks and opportunities. For example, the Task Force recommends that asset owners (including insurance companies) and asset managers report normalized greenhouse gas emissions (GHG) associated with investments they hold (for each fund, product, and strategy) using available data(see Annex pages 35 and 41).

Please describe your views on the feasibility of implementing the above recommendation

We are strongly supportive of the disclosure of GHG emissions by companies and the use of carbon foot printing as a management tool to support economic decision making. We have been analysing our carbon emissions of our active equities since 2006 and as a separate carbon footprint since 2008. Since measuring our footprint we have reduced our footprint by 50%. See the chart below which is published in our annual financial filings.



Whilst we publish our footprint we are cautions in advocating its use as an end in itself and it is how the information is used that is important. It is also important to be very aware of the limitations of the tool itself. Constraints include

- Transparency levels and quality and accuracy of disclosures
- Double/ triple counting of emissions when aggregating portfolios (fair when looking at exposure to risk but not an accurate reflection of the actual footprint of the fund)
- Sector biases due the exclusion or inclusion of scope 3
- High margin sectors look artificially more efficient
- Currency effects
- Economic activity

We recommend more work is needed before demanding disclosure of the actual outcomes of the process. **A more useful recommendation would be the use of carbon footprinting and disclosure from asset owners and managers on how is it used to influence economic decision making,**

Greenhouse Gas Emissions (GHG) Associated with Investments

Q13 How useful would the disclosure of GHG emissions associated with investments be for economic decision- making purposes (e.g., investing decisions)?

Useful (4)

Q13b Please provide more detail on your response

We have used carbon footprinting of our GHG emissions on our listed equities and carbon bonds.

We do not believe that the current disclosure levels make it practical or useful to apply to other asset classes.

GHG emissions are only one small part of the management of climate risk within a portfolio and we advocate the appropriate tools, time and resources are used that relate to where and how the financial risk from climate change may materialize. GHG emissions disclosure will not provide that across all asset classes.

The process is more useful than 'results' i.e. the disclosures of the emissions.

We are strongly supportive of the disclosure of GHG emissions by companies and the use of carbon foot printing as a management tool to support economic decision making. We have been analyzing our carbon emissions of our active equities since 2006 and as a separate carbon footprint since 2008. Since measuring our footprint we have reduced our footprint by 50%.

We would also recommended asset owners and asset managers are aware of the absolute and relative exposure to fossil fuels. We use future emission to factor the different carbon intensity of types of fossil fuels. **Future emissions** are the amount of greenhouse gases that would be emitted should these reserves be extracted and ultimately burnt, expressed in tonnes of carbon dioxide equivalent.

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Remuneration

Q14 Which types of organizations should describe how performance and remuneration take climate-related issues into consideration? Please select ALL that apply

The Energy Group as recommended by the Task Force	**1**
Other non-financial sector organizations (please specify)	2
Financial sector organizations (please specify)	3
None	4

Adoption and implementation

Q15 What do you view as the potential difficulties to implementing the disclosures?

The information requested could be commercially sensitive	1
The time and cost of collecting the information	2
Climate-related disclosure is not part of our current regulatory requirements	3
Lack of experience with concepts and methodology	**4**
Multiple climate-related reporting frameworks currently exist	5
We do not anticipate any difficulties related to implementing the disclosures	6
Other (please specify)	94

Please select ALL that apply

Q16 What, drivers if any, do you think would encourage you to adopt the recommendations? Please select ALL that apply

Requests from investors to disclose	1	Go to Q17
Requests from clients or beneficiaries	**2**	
Reputational benefits and goodwill from adoption	**3**	
Inquiries or requests from debt or equity analysts	4	
Adoption by industry peers	**5**	
Other (please specify)	94	
None of the above	98	Go to Q18

Q17 What support or actions would be helpful to you in implementing the disclosures within the next two years?

We intend to implement the disclosure requirements (as currently outlined) this financial year. We hope that by doing so we will provide a useful case study as an asset owner to the Task Force and recommend the Task Force support, collate and publish case studies from across a range of organisations.

We also recommend that the appropriate regulatory and standard setting bodies in each market are aligned in reinforcing the TFCD recommendations through robust messaging and best practice guidance. In the United Kingdom we would specifically identify the criticality of the **Financial Reporting Council** and the **Pensions Regulator** for all sectors (as most corporates also have pension funds) and specifically for the banks and financial sector the **Prudential Regulation Authority.**

Q18 The Task Force's recommendations are focused on disclosure in financial filings; within what timeframe would your organization be willing to implement the recommendations in financial filings? Please select ONE only

We already report these disclosures in financial filings	**1**
In the next one to two years	2
In three to five years	3
We do not intend to implement the recommendations	4
Do not know (please explain)	97

Q19 Additional feedback?

We sincerely hope that the Task Force is provided with support to undertake the next steps and continue this incredibly valuable work. We welcome the opportunity to continue to support the Task Force, not least in creating an asset owner case study in 2017 and supporting other asset owners in disclosing.

We are open and transparent in how we invest and what we invest in, and there is a wealth of information available at www.eapf.org.uk where you will also find our Annual Report and Financial Statements, which includes our current climate related financial disclosures.

[i] & [i] Law Commission Fiduciary Duties of Investment Intermediaries