



# CLIMATE TRANSPARENCY REPORT 2020

Transport for London Pension Fund

# About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-AFDF4991-5044-45D4-8412-55B6EEB3BD2D/79894dbc337a40828d895f9402aa63de/html/2/?!lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

# TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Private				
SG 14.7 CC	-	Private				
SG 14.8 CC	✓	Private				
SG 14.9 CC	✓	Private				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

# ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
<b>Name</b>	Transport for London Pension Fund
<b>Signatory Category</b>	Corporate pension or superannuation or retirement or provident fund or plan
<b>Signatory Type</b>	Asset Owner
<b>Size</b>	US\$ 10 - 29.99 billion AUM
<b>Main Asset Class</b>	Multi-Asset
<b>Signed PRI Initiative</b>	2017
<b>Region</b>	Europe
<b>Country</b>	United Kingdom
<b>Disclosure of Voluntary Indicators</b>	65% from 38 Voluntary indicators

# Transport for London Pension Fund

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 01.1** Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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**SG 01.6 CC** Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

The Trustees have identified transition risks including policy & legal, technology, market and reputation risks. The opportunities are identified as resource efficiency led technology innovation and low emission alternative energy sources.

The Trustees have taken identified risks and opportunities into investment strategies consideration. We have developed an ESG Policy to assist our external managers to consider climate-change related risks and opportunities into their investment process.

The Trustees have undertaken PACTA tool analysis by 2 degree Investing Initiative. This informs us of how the investment decisions we make today will contribute to or detract from the change required for a low-carbon and more sustainable future. In addition, the Trustees use MSCI ESG Tool to quantify, access and act upon both the Carbon Intensity Metrics and ESG Score of the Fund's public equities and bond portfolio.

No

**SG 01.7 CC** Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

The Fund has undertaken 2 degree scenario analysis based on the fund active equity and bond holdings. The timescale of this analysis is 5 years to answer the question if the portfolio increases or decreases its alignment with a Sustainable Development Scenario (SDS) transition over the period.

No

**SG 01.8  
CC**

Indicate whether the organisation publicly supports the TCFD?

- Yes
- No

**SG 01.9  
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

- Yes

Describe

The Fund has set up ESG policy within our Statement of Investment Principles to outline how the Fund's overall investment strategy and beliefs are applied with respect to ESG integration and effective stewardship. The Fund's assets are managed by external investment managers. The assessment of ESG related risks is delegated to the investment managers given their expertise in their respective investment specialities. The Trustees aim to integrate ESG factors, including climate change into their investment analysis and decision making processes. The investment manager selection process to appoint new managers will consider how the manager's approach to ESG aligns to the Fund's strategy and how ESG factors are integrated into the manager's investment process and reporting.

The Trustees have specifically excluded investment in coal (defined where 30% or more of the revenue is derived from coal extraction and/or thermal power generation).

The appointment of a third party, Sustainalytics towards the end of 2019 has enhanced the Fund's ability to engage on ESG issues, which includes climate change.

- No

**SG 1.10  
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other
- We currently do not publish TCFD disclosures

## Governance and human resources

**SG 07 CC**

**Mandatory to Report Voluntary to Disclose**

**Public**

**Descriptive**

**General**

**SG 07.5  
CC**

Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**SG 07.6**  
**CC**

For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

Our Trustees are mindful that they retain overall responsibility in terms of three core duties when making investment decisions:

- 1, Exercise investment powers for their proper purpose. Trustees consider how properly taking into account climate-related risks and opportunities will assist in delivering on the purpose of the trust (namely for the provision of pension benefits).
- 2, Take account of material financial factors, including those which arise from climate change. These may well be about whether a particular factor is likely to contribute positively or negatively to anticipated returns. But it may equally be about whether a factor will increase or reduce risk.
- 3, Act in accordance with the "prudent person" principle. In line with the prudent person principle, Trustees consider likely future scenarios, including those driven by climate change and how these may impact their investments and what a prudent course of action might be as part of their scheme's risk management framework.

**SG 07.7**  
**CC**

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

Management team in the Fund Office ( Head of Investment and Head of Pension Governance and Compliance) assesses and manages climate-related issues around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.

This includes providing the Trustees with the relevant data on climate-related issues which enable them to exercise their oversight responsibilities.

Management team will provide TCFD recommended disclosures in scheme annual report and accounts at 31 March 2020.



**SG 07.8  
CC**

Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

- Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)
- Request incorporation of TCFD into regular client reporting
- Request that external managers complete PRI climate indicator reporting
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide
- Other
- We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

**ESG issues in asset allocation****SG 13****Mandatory****Public****Descriptive****PRI 1****SG 13.1**

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities

Describe

The Fund Office has performed TPI and PACTA analysis . TPI tool allows the Trustees to review carbon management quality and carbon performance for key companies within high risk sectors. PACTA shows the degree to which the strategies of the firms in which the scheme has invested are aligned.

- No, our organisation does not currently carry out scenario analysis and/or modelling

**SG 13.2**

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

**SG 13.3**

Additional information. [OPTIONAL]

The trustee has actively sought to invest at least 5% of the Fund's portfolio by value in investments which have a strong "ESG tilt".

**SG 13 CC****Mandatory to Report Voluntary to Disclose****Public****Descriptive****General**

**SG 13.4  
CC**

Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

- Initial assessment

Describe

TPI tool allows Trustees to review carbon management quality and carbon performance for key companies within high risk sectors. Firms who are integrating climate change into their operational decision making and have lower carbon intensities are likely to be better prepared for the transition to a lower carbon economy. Trustess use the analysis to analyse their holdings by sector in firms who are more or less well-prepared.

PACTA tool does not directly show the financial risk to portfolios from climate change, but instead shows the degree to which the strategies of the firms in which the scheme has invested are aligned with a given climate scenario.

Both of the scenario anlysis allows the Trustees to better understand the risk and opportunities the scheme holdings have.

- Incorporation into investment analysis
- Inform active ownership

Describe

11 companies from the Fund's portfolio were formally assessed by the TPI as of June 2019. The Trustees have looked at the Carbon Performance Measurement for the 11 holding companies in the five sectors (Utility, Autos, Airlines, Steel, and Cement) and using that framework to challenge and initiate detailed conversations with the Fund managers, to understand what and how these companies are thinking about adapting their business models and manufacturing processes to bring them in line with the carbon targets.

- Other

**SG 13.5  
CC**

Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

**SG 13.6  
CC**

Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

- Yes

Describe

The Trustees have embedded material considerations such as stranded assets and catastrophic risks from climate change in informing their long-term investment strategy considerations.

- No

**SG 13.7  
CC**

Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

**SG 13.8  
CC**

Indicate the climate scenarios your organisation uses.

Provider	Scenario used
IEA	<input checked="" type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)
IEA	<input checked="" type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	<input checked="" type="checkbox"/> Sustainable Development Scenario (SDS)
IEA	<input checked="" type="checkbox"/> New Policy Scenario (NPS)
IEA	<input checked="" type="checkbox"/> Current Policy Scenario (CPS)
IRENA	<input type="checkbox"/> RE Map
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	<input type="checkbox"/> BNEF reference scenario
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5
IPCC	<input type="checkbox"/> RPC 6
IPCC	<input type="checkbox"/> RPC 4.5
IPCC	<input type="checkbox"/> RPC 2.6
Other	<input type="checkbox"/> Other (1)
Other	<input type="checkbox"/> Other (2)
Other	<input type="checkbox"/> Other (3)

**SG 14**

**Mandatory to Report Voluntary to Disclose**

**Public**

**Additional Assessed**

**PRI 1**

**SG 14.1**

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)

other description (1)

The Fund has been active in identifying and making investments in renewable energy, water, sustainable housing, transport, healthcare, education and other social infrastructures.

- Other, specify(2)
- None of the above

**SG 14.2**

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM			442	000	000
Currency	GBP				
Assets in USD			570	972	316

Specify the framework or taxonomy used.

Investment in renewables (solar, wind, biomass), waste, water, sustainable transport

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

**SG 14.3**

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

<b>SG 15</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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**SG 15.1**

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

- Yes

**SG 15.2**

Indicate the percentage of your total AUM invested in environmental and social themed areas.

%

9.47

**SG 15.3**

Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

Area

- Energy efficiency / Clean technology

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure

Percentage of AUM (+/-5%) per asset class invested in the area

0.1

- Commodities
- Hedge funds
- Cash
- Other (1)

Brief description and measures of investment

Equity investment in clean energy transport

- Renewable energy

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

0.5

- Fixed income - Securitised
- Private equity
- Property
- Infrastructure

Percentage of AUM (+/-5%) per asset class invested in the area

2.5

- Commodities
- Hedge funds
- Cash
- Other (1)

Brief description and measures of investment

Invested in a portfolio of green assets comprising solar, wind, biomass and waste

- Green buildings

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property

Percentage of AUM (+/-5%) per asset class invested in the area

0.17

- Infrastructure
- Commodities
- Hedge funds
- Cash
- Other (1)

Brief description and measures of investment

Investment in two asset portfolios in Europe. One was awarded "Energy Industry Innovation of the Year"

- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

0.3

- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Commodities
- Hedge funds
- Cash
- Other (1)

Brief description and measures of investment

Private Credit Portfolio to SME and BDC Companies primarily in the North America

- Social enterprise / community investing
- Affordable housing
- Education

Asset class invested

- Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

0.17

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure
- Commodities
- Hedge funds
- Cash
- Other (1)

Brief description and measures of investment

Invested in 4 companies in the education service sector through Active Equity Managers, and also account for the Fund passive equity holdings in the education sector

- Global health

Asset class invested

- Listed equity



Percentage of AUM (+/-5%) per asset class invested in the area

5.28

- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity

Percentage of AUM (+/-5%) per asset class invested in the area

0.2

- Property
- Infrastructure
- Commodities
- Hedge funds
- Cash
- Other (1)

Brief description and measures of investment

Large global portfolio of healthcare equity holdings

- Water

Asset class invested

- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

0.16

- Fixed income - Securitised
- Private equity
- Property
- Infrastructure

Percentage of AUM (+/-5%) per asset class invested in the area

0.12

- Commodities
- Hedge funds
- Cash
- Other (1)

Private Loans to leading water utility companies in UK and North America. Equity investment in a large Brazilian water and sewerage company

Other area, specify

No