BRUNEL
Pension Partnership

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15 January 2019

We welcome the opportunity to provide input to the Prudential Regulation Authority's (PRA) consultation on *Enhancing banks' and insurers' approaches to managing the financial risk from Climate Change*.

As the Chief Executive Officer of Brunel Pension Partnership (Brunel), I present our views from the perspective of pension funds and their beneficiaries. Brunel brings together £30 billion investments of 10 like-minded Local Government Pensions Scheme funds which provide for around 700,000 pension beneficiaries.

Whilst we appreciate the consultation is primarily focused on those organisations that the PRA regulates, as potential clients and or investors in such organisations and thereby aggregators of the underlying risks, we are keen to express our view. We are particularly keen having reviewed the PRA's report 'Transition in thinking: The impact of climate change on the UK banking sector' which identifies that whilst 70% acknowledge climate risk only 10% have long-term, strategic view of these risks.

Addressing climate change is something we take very seriously at Brunel and as such is one of our top RI priorities. Our Responsible Investment (RI) policy sets out at a high level our approach to the integration of climate change risk assessments in investing, including monitoring and reporting on these risks.

In summary, we are strongly supportive of the PRA approach and recommendations. We believe they have the potential to deliver the outcome of increasing the proactive management of financial risks from climate change by those the PRA regulates and by extension supports the effective management of those risks by others. We particularly highlight the clear statements regarding physical, adaption as well as mitigation risks and clear acknowledgement of the impacts across all financial instruments.

We believe the recommendations are pragmatic and commend that they encourage continuous improvement as tools, techniques and data develop. We would welcome the PRA development of a maturity matrix to reinforce this message and to place a clear framework around future expectations.

We note that the consultation may be shared with the Financial Conduct Authority (FCA). We strongly recommend that this is undertaken. Furthermore, we would be supportive of the FCA taking the recommendations and mirroring them on those who the FCA regulate, including ourselves. For example, we have already agreed at Brunel to embed the management of the financial risks from climate change into the roles and responsibilities of our Board, its subcommittees and individual Senior Management Functions.

In addition to the governance outlined above, Brunel has also taken a number of steps in *formulating a credible policy and plan to monitor exposures and actions to reduce concentrations of these risks*. These include;

- Full integration of ESG risks and opportunities, including climate change, in 100% of all asset classes
- Active ownership of assets with climate change guidelines explicit in our Stewardship policy
- Provision of low carbon and sustainable equity portfolios
- Carbon footprinting and fossil fuel exposure of all listed portfolios
- Publishing case studies (with impact metrics where available) of our investments in positive low carbon opportunities
- Development of other carbon and climate change-related metrics for other asset classes

We are also active member of a number of collaborative groups that support investors on managing the financial risks from climate change. These include the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+, Principles for Responsible Investment and our Chief Responsible Investment Officer, Faith Ward, co-chairs the Transition Pathway Initiative (TPI).

We are only at the early stages of developing our capabilities with respect to scenario analysis and welcome the recommendations made by the PRA as this will support others in the financial sector.

We also welcome expectation on firms to provide consistent and comparable disclosures and to engage with the Task Force Climate-related Financial Disclosures (TCFD). We strongly support the inclusion of references to the TCFD and welcome similar references in other regulators policy and regulatory guidelines. Brunel's first TCFD report will be published shortly.

The consultation proposes the creation of a Climate Financial Risk Forum. We strongly support the creation of the forum and offer the support of Brunel staff in providing technical expertise to the PRA.

We would be delighted to follow-up on any of the comments made in our response and provide further support to the review. Please contact our Chief Responsible Investment officer, Faith Ward on faith.ward@brunelpp.org.uk.

Regards

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Signed by Dawn Turner
CEO, Brunel Pension Partnership Ltd

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