ICI Pension Fund

Taking action on climate risk: improving governance and reporting by occupational pension schemes Consultation response

Introduction

1 The ICI Pension Fund ("the Fund") was established in 1927 and is one of the largest and most mature defined benefit pension schemes in the UK. Although closed to new entrants since 2002, the Fund remains open to future accrual, with:

- Nearly 45,000 members (38,000 of whom are receiving a pension)
- Over £10.0bn in assets;
- An annual payroll of around £500m;
- Average pension in payment £12,014p.a; and
- Average age of pension recipient 79

The 2020 triennial valuation is expected to be concluded shortly and to show the Fund to be fully funded on a conservative basis, requiring no funding plan.

2 The Fund's investment strategy is to be as de-risked relative to its liabilities as reasonably achievable and (as at 31/12/20) the Fund held the following assets:

- 79.9% in bulk annuity insurance contracts with UK-regulated insurers;
- 19.2% in UK Government fixed interest and index-linked bonds ("gilts") with gilt-based derivatives (gilt repo) to manage duration and liquidity;
- 0.6% in cash;
- The remaining assets (0.2%) are in the process of being liquidated with the proceeds being reinvested into gilts.

3 The Fund's Trustee Board includes members with experience in sustainability policy and practice across a wide range of industries (including carbon intensive sectors such as chemicals, paints, building materials, food manufacturing, engineering, clothing and lubricants). We believe this is unusual for pension scheme trustee boards more generally. The Trustee welcomes the Government's initiative to ensure the pension industry takes proper account of climate risk in its decision-making. However, the experience of our own Board members makes us aware of the limitations of what is possible in practice.

A key theme in our response to the consultation questions is that it is important that the obligations placed on pension schemes do not focus on what it would be ideal for pension schemes to be able to do, but instead on what they actually can do. Obligations should not be imposed on pension scheme trustees to obtain data and analysis on the risks of climate change on their schemes where such data and analysis are inherently unreliable. This would impose a cost burden on pension schemes without any concomitant benefit. Our view remains that the degree to which useful risk analysis is feasible varies by asset class: it may be feasible to produce useful analytics on equities, for example, but it is not possible for bulk annuities, gilts or interest rate and inflation derivatives on the asset side or member longevity which drives liability values.

Consultation Question 1

Scope and Timing

a) Do you have comments on the proposals to change the "reference date" used for the purposes of determining whether a scheme is in scope, or the arrangements made for schemes which obtain their audited accounts later than 1 October 2021, or 1 October 2022?

b) Do you have comments on the draft regulations on scope and timing?

Please include in your answer any comments on whether you consider that they meet the policy intent stated in this chapter.

We welcome the change to the Government's policy to exclude bulk annuity contracts from the scope of consideration of a scheme's "relevant assets" for the purpose of the asset threshold test.

However, we remain of the view that other low risk assets (e.g. gilts) should also be excluded for the purposes of assessing whether the £5bn and £1bn thresholds are reached. Our understanding of the policy intent is that the Government seeks to ensure that climate risks are properly factored into trustee decision-making. For this to be the case, it is not enough to observe that UK Government future revenue and spending, for example, will be exposed in some way to climate change. Instead, it must be possible to produce estimates of the extent of that risk exposure as it affects Government capacity to meet obligations to gilt holders which are sufficiently reliable to inform a trustee decision as to whether to invest in gilts or some other asset. The Government's response and the references which it uses to make the case for climate risk assessment on gilts and also on derivatives, do not in fact explain how a robust risk assessment could be undertaken[1]. We have given some further detail on the prohibitive challenges in assessing risk on bulk annuities, gilts and derivatives in answer to question 5. We have highlighted the fact that carbon emissions and intensity metrics are not risk measures for default on sovereign bonds in answer to question 7.

Finally, we would note that, if anyone is in a position to assess the climate-related risks of default on gilts meaningfully, it is the UK Government which should undertake such analysis rather than impose a requirement on pension schemes. For pension schemes, it would be a governance and cost burden on virtually every scheme with no offsetting benefit and would lead to inconsistencies between schemes

Consultation Question 2

Trustee knowledge and understanding

a) Do you have any comments on the draft regulation on trustee knowledge and understanding?

b) Do you have any comments on the draft guidance?

Please include in your answer any comments on whether you consider that they meet the policy intent stated in this chapter.

[1] Footnote 20, "Carbon disclosure and climate risk in sovereign bonds" notes that "the financial industry needs to develop more robust tools to assess investment risks." Footnote 19, "How should pension funds apply ESG to derivatives" does not discuss methods for calculating risk exposure on derivatives.

It is clearly important where trustees are receiving climate risk assessments that they have the capacity to understand, interpret and interrogate them as is already the case with investment risk metrics more generally. The use of climate risk metrics such as absolute emissions and carbon footprint metrics will still be unfamiliar to many trustees and will require some additional education. In our view, it is important not only that trustees understand the metrics, but also that they appreciate their limitations. Such limitations vary by asset class – we have highlighted in answer to question 7 the limitations of carbon metrics as measures of the risk of loss to gilt holders from UK Government default.

Our understanding of the policy intent is that trustees should take climate risk into account in decision-making, not that decisions should focus solely on climate risk. The regulations around trustee knowledge should incorporate the need not just to have knowledge and understanding of the principles relating to identification, assessment and management of climate-related risks and opportunities, but also the ability to view those particular risks in the context of the scheme's other risks and opportunities so that an holistic assessment of a pension scheme's risk position is made in reaching decisions. This would support an "integrated risk management" approach as championed by The Pensions Regulator.

We would expect that climate scenario outputs are presented in the same terms that existing scenario analysis, already in widespread use by UK pension schemes, is presented; namely, in terms of the impacts on asset and liability returns, and therefore funding position, and in the measures of covenant value. In the statutory guidance, the need to understand "how scenario analysis works, why climate change poses a material financial risk and its relevance to overall risk management" are capabilities trustees already have in terms of the general requirements related to investment decision-making. Clearly much depends on those carrying out the scenario analysis to provide the outputs on which the trustees will depend. That said, we have some reservations regarding the limitations of climate scenario analysis for pension funds which are covered in our response to Q5.

Consultation Question 3

Governance

a) Do you have any comments on the provisions on governance in the draft regulations?

b) Do you have any comments on the draft statutory guidance on governance?

Please include in your answer any comments on whether you consider that they meet the policy intent stated in this chapter?

The provisions in the regulations seem appropriate as regards the requirement for:

- a The trustees to establish and maintain oversight of climate-related risks and opportunities;
- b The requirement for trustees to satisfy themselves that persons undertaking governance activities or advising the scheme take adequate steps to assess climate-related risks and opportunities.

The statutory guidance acknowledges that trustees may choose to take an approach to the oversight and management of climate change risks that integrates with the process by which they consider other risks and opportunities. We think this is likely to be the case for most pension schemes and any which have adopted a low risk approach to investment strategy, including ours. The guidance notes that all schemes are exposed to climate risk, but acknowledges that the appropriate amount of time and resource to allocate to climate risk governance depends on the circumstances of the scheme. It does not explicitly acknowledge that the case for committing significant time and resource to climate risk specifically (as opposed to risk more generally) must necessarily depend upon:

a The extent to which the trustee can reduce climate risk exposure. In the specific case of bulk annuities, trustees do not have the power to exit the transaction. In the case of gilts, we do not believe the Government's policy intent is that pension schemes should be switching out of gilts into other assets for reasons of climate risk. Neither do we believe that the policy intent is to require UK pension scheme trustees to lobby the UK Government on its own carbon intensive projects, such as Heathrow expansion or HS2, or on Government policies with carbon impacts such as regulations on agriculture, construction and energy generation.

b The extent to which climate risk can be robustly quantified. We believe that the degree to which it is possible to assess climate risk varies by asset type and time horizon. In general, we believe that low risk investment strategies are low risk in terms of general risks, including climate change. For most low-risk assets, the residual exposures to climate risk certainly exist, but they cannot be quantified. To take an example, it is not possible for a UK pension scheme to model the long-term climate risk impacts on the UK's fiscal position in order to produce any remotely reliable assessment of the probability of the UK Government defaulting on its obligations to gilt holders.

In our view, the statutory guidance should be explicit that inability to effect a change in a pension scheme's position to reduce climate risk exposure or inability to produce a reliable attribution of risk to climate change are both justifiable factors in trustees deciding on how much time and resource to allocate.

Consultation Question 4

Strategy

a) Do you have any comments on the provisions on strategy in the draft regulations?

b) Do you have any comments on the draft statutory guidance on strategy?

Please include in your answer any comments on whether you consider that they meet the policy intent stated in this chapter?

The Government's consultation response argues that the strategy proposals "require trustees to plan strategically at a higher level" but the Government does not think "trustees need extensive or granular data to do this in a meaningful way." However, it seems clear from the statutory guidance that the meaning of "impact" is the consequences of climate risk for asset returns, liability values (via discount rates, longevity) and covenant value. There is no clear distinction between this impact assessment and the kind of scenario analysis required by paragraph 6, yet the latter is subject to the "so far as they are able" provision. We think the statutory guidance should either:

- Make it clear that what is intended in the regulations on strategy is a qualitative assessment only, not a quantitative one; or,

- Paragraph 5 of Part 1 of the Schedule of the Regulations should specify the requirement on trustees "so far as they are able".

The statutory guidance also says that all assets are in scope. This overlaps with question 5 as far as the inclusion or exclusion of bulk annuities is concerned. In our view, the only meaningful assessment of insurer climate risk exposure will be that made by the insurer itself and the Government should be imposing that requirement on them rather than policyholder pension schemes. Given the point made earlier that pension schemes cannot in any case exit bulk annuity contracts, there is no benefit to requiring pension scheme trustees simply to copy insurer disclosures: it does not meet the Government's policy intent of ensuring that trustees take actions to manage climate risks. There is a need to ensure that insurers properly manage climate risks to their businesses, but this should be dealt with via insurance company regulation, including the capital reserving requirements – we have touched further on this point in the answer to question 5.

With regard to scenario analysis of the covenant, we would note that the scope to undertake meaningful analysis will vary from scheme to scheme depending on their sponsor and its position within the corporate structure. The statutory guidance (part 3, para 48) says that discussions on climate change impacts "will often involve confidential information about the sponsoring employer". In our own case, of a much diminished UK private company sponsor with a listed Dutch parent company, we see little or no scope to source any information which is not already in the public domain. As our Fund is expected to be fully funded on a conservative basis, and is already invested in a very low risk strategy, we have limited exposure to the covenant and we can see no action which we could take to mitigate any residual covenant-linked climate risk exposures. The key point is that the regulations should only ask trustees to undertake analysis which is useful to decision-making.

We note the caveat in the Government's consultation response, with regard to liabilities specifically, that, "if trustees do not feel able to act on the strength of their analysis, because of concerns about its robustness, it is acceptable for trustees not to do so." The statutory guidance does not seem to include this caveat, perhaps because it is the only reasonable approach to analysis which is not robust. However, in our view, if analysis would be insufficiently robust to be a basis for action, it should not be a requirement for trustees to undertake it at all. We would generalise this beyond just liabilities, however, to both certain asset classes/investments and to the covenant (see our answer to question 5).

Consultation Question 5

Scenario Analysis

a) Do you have any comments on the provisions on scenario analysis in the draft regulations?

b) Do you have any comments on the proposal that all assets of the scheme, including relevant contracts of insurance, are within scope for scenario analysis?

c) Do you have any comments on the draft statutory guidance on scenario analysis?

Please include in your answer any comments on whether you consider that they meet the policy intent stated in this chapter.

We welcome the flexibility to undertake scenario analysis triennially and review the need for revised analysis annually, with explanation if no update has been undertaken. The "as far as they are able" provision in the regulations is a useful and welcome flexibility, as is the scope to take a qualitative rather than quantitative approach to the scenarios. The statutory guidance links to the NGFS Climate Scenarios report, which highlights the current shortcomings in translating current climate scenario modelling to economic scenarios and financial markets. It is important that the obligations placed on pension schemes do not focus on what it would be ideal for pension schemes to be able to do, but instead on what they actually can do in practice. The reliability of quantitative scenario analysis is limited, and not only for climate change scenarios. In our view, the impossibility of robustly producing "bottom-up" climate risk assessments from aggregated company-level analysis means that scenario analysis can only be achieved "top-down" at an asset class level and the statutory guidance should acknowledge that.

Given our Fund's current strategy, we have focused our answer here on question 5b.

While we welcome the intent of the scenario analysis regulations and guidance, it is important to be aware of the limitations on what can be done in some asset classes. We remain of the view that, for pension schemes with a very low risk strategy such as ours, focused on gilts and bulk annuities, it is not possible to undertake meaningful scenario analysis of climate-related risks. The consultation response envisages the possibility that improved data or scenario analytics might become available, warranting earlier updates. In our view, there are a number of key, low-risk asset types for which the modelling of climate risks is almost certain never to be a tractable problem for pension schemes. In this regard, we remain of the view that it would be better to exclude certain assets from the scope for scenario analysis. We highlight the following:

- The specific risk facing a pension scheme holding gilts to hedge liability interest rate and inflation exposures is UK Government credit risk. To model this requires a whole economy model of the UK, including its fiscal and monetary policy, and the dependences these have on climate change, in order to make an assessment of the likelihood of the UK Government defaulting on its gilt obligations. The uncertainties in any model of this kind are vast and not restricted only to climate change uncertainties. Even over the short-term, such models can be unreliable for risk assessment – as far as we are aware, neither the Bank of England nor the OBR were reporting in mid 2019 on the impacts of a pandemic scenario for the UK over the next 18 months. Over the long-term, such models are, in our view, no better than speculation and certainly not a basis for trustee decision-making. It would be far better for the Government itself to produce its own analysis than to require pension schemes to spend their assets producing analysis of no value.

- With bulk annuities, the exposure is to insurer insolvency, subject to any mitigations such as collateralisation and UK regulatory support via the FSCS (which again brings UK Government solvency into the equation). While an insurer is a less complicated structure than the UK economy, it is nonetheless still complicated. Given commercial sensitivities, it is unlikely that the kind of data needed to produce an effective model of an insurer's balance sheet would ever be willingly made available by the insurer. Even if it were, the complexities involved mean that trustees will never be as well placed as the insurers themselves to model those exposures. As bulk annuities are illiquid assets which a pension scheme cannot readily realise, there is also no effective means for trustees to manage any insurer insolvency risks whether linked to climate change or other risk sources. We believe that management and disclosure of the climate-related risks of insurers relative to their liabilities should be a matter for the insurers and their regulator.

  With regard to Solvency II regulations, we understand that a consultation is also in progress. A response by the Association of British Insurers notes that "The current framework … skews investment towards non-green investments and makes it harder to invest in renewable energy, infrastructure and companies that will be vital to a successful transition to net zero."[1] If the policy intent is to ensure that insurers limit their exposures to climate risks, then revisions to the regulatory capital regime for insurers is the right way to go about this, rather than to impose a governance burden on pension schemes. The Government, via the Prudential Regulation Authority, has direct control of this; pension scheme policyholders do not.

- Pension schemes make use of derivatives, such as interest rate and inflation swaps, for hedging liability risks. The consultation response notes the exposure to bank counterparty risk, which certainly does exist. However, as positions are collateralised daily as a matter of course (again, often with gilts, bringing UK Government solvency into this equation too), the specific risk is both that the bank fails and that the collateral proves insufficient to cover the position. Again, the problem is one of complexity: to model the risk attaching to derivatives requires a pension scheme to model, separately, the balance sheets of each of its bank counterparties and to do this not just short-term but long-term. Commercial sensitivities again mean that detailed data is unlikely ever to be available, but does not resolve the complexity problem even if it were. Bank balance sheets are, we would expect, significantly more complicated than insurer balance sheets and highly changeable over time. It is not possible to make the assumption that an exposure held by a bank today is one it will retain in 6 months let alone in 10 years.

In all three cases above, the risk is a contingent risk – pension scheme exposure does not depend just on climate risks being realised and having an adverse impact on the UK Government, the insurers or the banks, but on the extent to which those impacts feed through into gilts, bulk annuities or derivatives (in the latter two cases, allowing for any collateral held against the positions). It is impossible to assess this transmission mechanism without modelling all other exposures as well. The essential problem is in both the great complexity of the underlying exposures and the sheer scale of the uncertainties over the short and long-term. Neither of these facts is going to change. The practical aspect is that it is reasonable to regard all three assets as low risk relative to any alternative investments a pension scheme might hold (from all sources of risk not just climate change). Again, we do not believe the policy intent is to dissuade pension scheme trustees from transacting bulk annuities or from hedging their liability interest rate and inflation risks through gilts and derivatives.

[1] https://www.abi.org.uk/news/news-articles/2021/02/post-brexit-reforms-to-financial-regulations/

Given all of the above, and noting as detailed in our introduction that our Fund has no material exposures beyond the three categories of asset discussed here, we see no scope now or in future to undertake anything more than a high level qualitative statement on climate risk exposures to the effect that the UK Government, insurers and banks are exposed to climate risks to an uncertain extent and these exposures may or may not translate to risks to the Fund through its holdings of gilts, bulk annuities and derivative contracts. Such a qualitative statement is unlikely to change much from year to year and is, in our view, of no practical value either to the Trustee or to the members of the Fund. Nonetheless, there is still a cost to the Fund in complying with the regulations.

With regard to scenario analysis of the covenant, we would note that the scope to undertake meaningful analysis will vary from scheme to scheme depending on their sponsor and its position within the corporate structure. The statutory guidance (part 3, para 48) says that discussions on climate change impacts “will often involve confidential information about the sponsoring employer”. In our own case, of a much diminished UK private company sponsor with a listed Dutch parent company, we see little or no scope to source any information which is not already in the public domain. As our Fund is expected to be fully funded on a conservative basis, and is already invested in a very low risk strategy, we have limited exposure to the covenant and we can see no action which we could take to mitigate any residual covenant-linked climate risk exposures. Therefore, it appears to us, that spending time and money on scenario analysis of the covenant would not be appropriate. In general, though, where a pension scheme’s covenant is from a UK company, we would expect the company’s own TCFD reporting (which has to include an assessment of the resilience of the company’s strategy under different climate scenarios) to form the basis of this analysis rather than trustee’s being required to undertake extra analyses. It would be helpful if the guidance made this clear for trustees.

Question 6

Risk Management

a) Do you have any comments on the draft regulations on risk management?

b) Do you have any comments on the draft statutory guidance?

Please include in your answer any comments on whether you consider that they meet the policy intent stated in this chapter.?

We welcome that the regulations state that climate risk management should be integrated into overall risk management processes. While the statutory guidance around scenario analysis recognises the limitations faced by pension schemes in robustly quantifying risks, the section on risk management appears to require a more granular approach. The requirement to separately address physical and transition risks is at odds with the NGFS analysis to which the guidance links earlier, which highlights that “Quantifying transition risk is subject to fundamental uncertainty due to model limitations and ‘unknown unknowns’” and, with regard to physical risks, “There is little agreement across studies about the relationship between temperature and the economy”.

There are several references to trustees extending their time-horizons, in particular to accommodate the timeframes over which physical risks will come to bear. In our view, this is the wrong perspective. The guidance is around management of risks and pension scheme strategies are not static over the long-term. There is no reason to assume that an exposure which exists in a strategy today must necessarily be retained by the pension scheme for the long-term – indeed, if that assumption is made, it is essentially a recognition that the risk is not being managed rather than that it is. This is compounded by the problem that long-term projections are inherently less reliable as uncertainties multiply over time. What matters for trustees in choosing the time horizon to assess risk is the timeframe over which the pension scheme will definitely retain that risk. While it is true that some asset holdings are illiquid on a short-term perspective, there are secondary markets for all assets in which pension schemes invest other than bulk annuities and it is reasonable to regard all such assets as liquid in the longer-term. Sound risk management practice means keeping risk exposures under regular and frequent review. The greatest importance is in managing shorter-term risks since the greater part of pension scheme strategies are in practical terms changeable in anything other than the immediate short-term.

Question 7

Metrics

a) Do you have any comments on the draft regulations on metrics?

b) Do you have any comments on the draft statutory guidance?

Please include in your answer any comments on whether you consider that they meet the policy intent stated in this chapter.

We welcome the extension of the "as far as they are able" provision to include the use of the metrics. However, we think the guidance ought to recognise the distinction between the metrics and climate risk exposure. In the case of gilts, for example, the guidance suggests the use of national emissions data, weighted to the scheme's share of gilts in issuance. This would not provide a basis for assessing the risk exposure of gilt holders to climate change scenarios, since the national emissions data does not measure the extent to which UK's fiscal position is adversely affected by climate risk scenarios, nor the extent to which the UK Government can rebalance its tax and spending policies to make up for tax revenue shortfalls in climate-exposed sectors. Given this, on the basis that the policy intent is that the metrics are used as risk indicators, it is in our view never going to be meaningful (in terms of para 110 of the statutory guidance) to use the emissions attribution for gilts. The same is true for bulk annuities and interest rate and inflation derivatives. Paragraph 112 should acknowledge that trustees would be justified in excluding metrics on gilts and this should be extended to bulk annuities and to interest rate and inflation derivatives. To accommodate those schemes, such as ours, with no material exposures to any other assets, the regulations should allow for an exemption from selection of metrics, data collection, target-setting and reporting as it would be a wholly pointless exercise in that it would have no impact on scheme risks and lead to no reduction in climate impacts.

Although the choice of the third metric is at trustees' discretion, the statutory guidance does list three metrics to choose from and so tends to imply that they are all suitable. In our view, the Climate value at risk measure is never going to be a robust number. We have highlighted previously the shortcomings in longer-term risk modelling. This measure is not only longer-term but seems to require isolation of climate risk from other risks, which makes no sense: a pension scheme cannot run a strategy which is only exposed to climate risk and the hypothecation of a part of a broader VaR measure to climate risk would not only be spurious precision but would also conflict with the need to consider risks holistically as required by paragraph 13 of Part 1 of the Schedule to the regulations.

Question 8

Targets

a) Do you have any comments on the draft regulations on targets?

b) Do you have any comments on the draft statutory guidance?

Please include in your answer any comments on whether you consider that they meet the policy intent stated in this chapter.

We welcome the change to annual monitoring of metrics.

The statutory guidance says that target-setting should be used by trustee boards to track their efforts to reduce climate change risk exposure and take advantage of climate change investment opportunities. There is a requirement to disclose performance against targets and the guidance says that Trustees must report "on the steps they are taking to achieve the target or targets". It is not clear whether metrics of this sort might in fact suggest counter-productive changes in strategy if, for example, the metric could be improved by switching out of gilts and into certain categories of corporate debt.

The Government’s response to the consultation acknowledges that metric targets may be unsuitable for some pension schemes, particularly those with a “clear end game” strategy. However, the statutory guidance does not contain this qualification and we think it should make it clear that climate risk is necessarily one of a wide range of potential risk sources and a pension scheme should not be targeting a reduction in a metric if this means increasing exposures to other risks beyond acceptable levels.

Question 9

Disclosure

a) Do you have any comments on the draft regulations on disclosure?

b) Do you have any comments on the draft statutory guidance?

Please include in your answer any comments on whether you consider that they meet the policy intent stated in this chapter.

We have a specific concern over the publication of metric targets. There is a risk that this creates an undue focus on metrics which are ineffective as true measures of climate risk exposure and, again contrary to the requirement in the regulations to integrate climate risk into overall risk management, that it isolates climate risk from other risks to which pension schemes are exposed. It seems perfectly possible for a pension scheme to report underperformance on a climate risk metric whilst also having reduced actual aggregate risk, either because the climate risk metric is not truly a measure of risk (as in the case of gilts) or because the pension scheme has offset greater climate risk with lower exposure to other risks.

We believe that it would be helpful to state in the guidance that trustees should include in their disclosure on performance against targets how decisions have been taken (or not taken) with regards to reducing carbon in the context of overall risk reduction. ie trustees should be clear in giving assurance that they have not taken decisions to improve the carbon metrics at the expense of increasing overall scheme risk.

Question 10

Penalties

Do you have any comments on the draft regulations on penalties?

Please include in your answer any comments you have on whether you consider that they meet the policy intent stated in this chapter.

We have a specific concern that risk of penalties be levied on individual directors will act to further discourage non-professional trustees, speeding a move to boards comprising solely professional trustees with a resulting loss of diversity in board composition eroding confidence of scheme members

Question 11

Impacts

In relation to the policy changes we have made, do you have any comments on the regulatory burdens to business and benefits, and wider non-monetised impacts which are estimated and discussed in the draft impact assessment?

We anticipate that complying with the regulations and guidance, as currently drafted, will incur a governance burden and external cost for the Fund which are significant. Responding to the two consultations, to date, has incurred external fees well in excess of £30,000 and has consumed more than two man weeks of Trustee Director time, plus attendant executive office resources. We anticipate that implementation will incur multiples of this cost and resource annually, although, with familiarity, the costs and time involved may reduce over time.

For the reasons explained elsewhere in our response, regrettably, we anticipate that no climate change benefit nor any incremental de-risking of our already substantially de-risked pension scheme will result. In short, although we support the intent, we see the proposed new regime as a waste of resource, effort and money for our Fund. We would, respectfully, ask Government to reconsider its approach and focus the regulations and guidance where they are likely to achieve tangible benefits.

Question 12

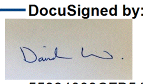
Any other comments

Do you have any other comments you would like to raise?

Given what may well be our unique knowledge of both pensions and sustainability in industry, we would be open to direct discussion if it would help the DWP in finalising the regulations and guidance.

Signed: *pp*

DocuSigned by:



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Name: Wynne Turner
Chairman – Investment Committee
ICI Pension Fund

Date: 10 March 2021

Authorised for and on behalf of the Trustee of the Fund