

NGUKPS TRUSTEE EXECUTIVE LIMITED

41 Eastcheap, London EC3M 1DT

To the **Department for Work & Pensions**

FAO: Bethan Livesey, Tom Rhodes, Andrew Blair, and David Farrar (Climate Governance and ESG team)

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

6th October 2020

Dear Ms. Livesey, Mr. Rhodes, Mr. Blair and Mr. Farrar,

Climate change is an important issue for National Grid UK Pension Scheme. In fact, it has been identified in the Trustee's Investment Beliefs as a systemic risk that merits specific attention as it presents a financially material risk to the Scheme's funding position, via both its assets and liabilities. In addition, it brings regulatory, reputational and covenant-related risks to the Scheme.

The Trustee have recently focused on defining their approach to climate change. As a result, it has committed with aligning the Scheme's portfolio with the aims of the Paris Agreement i.e. to limit the average temperature increase above pre-industrial levels to 1.5°C, and to achieve net-zero portfolio carbon emissions by 2050 at the latest.

We support the recommendations of the Task Force on Climate-related Disclosures (TCFD) and have used such recommendations to guide our climate-related work. We are therefore supportive of mandating TCFD-aligned disclosures and are prepared to report against those in 2021. Moreover, we believe such regulatory requirements can indeed encourage pension schemes to think carefully about their climate change strategy, ultimately benefiting all investors and humanity. The Trustee believes that its primary concern of safeguarding the payment of benefits of members in retirement goes hand in hand with preserving and protecting the world they will retire into. That said, we would ask you to be mindful that the resource requirements and associated costs of complying will not be insignificant for many pension schemes and this should be carefully considered and appropriately balanced.

Recognising the ever-changing landscape in relation to climate-related investment frameworks and disclosures, the Trustee believes the proposals presented in this consultation are proportionate but should nonetheless be kept under review as the industry progresses. Consistency across regulatory bodies should be sought to ensure the industry as a whole is moving in the right direction and that data/products become available to investors hopefully at minimal, if any, additional cost to beneficiaries. We, as asset owners, will continue to exert pressure down the chain to create/sustain momentum.

Regards

The Trustee of National Grid UK Pension Scheme