

John Footman  
Chair of Trustees, Bank of England Pension Scheme  
Threadneedle St  
London  
EC2R 8AH

27 February 2019

Dear John Footman,

We are writing to you in your capacity as Chair of the Bank of England Pension Scheme.

As you will be aware, climate change has significant implications for all actors within the financial system, including pension funds. Climate-related financial risk arises from the physical damage from weather, as well as the effect on costs and valuations associated with shifts in technology and policy.

Climate risk poses a key financial risk to pension savers through the shift to a low carbon economy and the effect of climate change on individuals' purchasing power. Members of the Bank of England career average pension scheme are exposed to climate risk. While members are not as individually exposed as defined contribution members of other schemes, any significant financial risk to the scheme threatens members' future retirement outcomes.

The Bank of England has made clear the need for financial firms to address climate risk. The Bank is a founding signatory to the Task Force on Climate Related Financial Disclosures (TCFD), which recommends that organisations disclose information about their management of climate risk through governance, strategy, metrics and targets.

The Scheme is therefore able to utilise a wealth of expertise from the scheme's sponsoring employer. The scheme's decision to invest predominantly in fixed income does not protect the scheme from climate related risks. A recent report<sup>1</sup> from ShareAction points to the need for fixed income investors to increase their engagement with companies exposed to climate risk. The report says that whilst bonds holders can't vote, bonds still need refinancing which represents an opportunity for engagement.

Accordingly, we believe that other investors will find it useful to know what steps the Pension Scheme is taking to implement the TCFD recommendations.

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<sup>1</sup> ShareAction (2019) Sleeping with Giants. Available online here:  
<https://shareaction.org/wp-content/uploads/2019/01/Sleeping-Giants.pdf>

We would therefore be grateful if you could provide answers to the following questions:

- Which climate-related financial risks are you most concerned about?
- Has the scheme formally considered climate change risk at Board level?
- Does the board and its subcommittees have clear responsibilities for managing the financial risks from climate change?
- If you have considered climate change related risks, what action have you taken to identify, measure, monitor, manage, and report on the scheme's exposure to these risks?
- Are you planning to adopt the TCFD recommendations in the fund's reporting? If so, please indicate your planned timing?
- Have you consulted scheme members' views on climate change?

In order to enable other investors to learn from your example, we will put this letter and any response in the public domain. We would also welcome the opportunity to meet with you to discuss these questions in more detail. Thanks for your attention in this matter.

Kind regards,

A handwritten signature in blue ink, appearing to read 'D. Clarke'.

David Clarke, Head of Policy, Positive Money

A handwritten signature in black ink, appearing to read 'L. Peacock'.

Lauren Peacock, Senior Campaigns Officer, ShareAction