

2021 Global Investor Statement to Governments on the Climate Crisis

NEC Limited Pension Fund and NEC Limited Executive Pension Scheme

August 2021



Executive summary

- We recommend that all our clients consider signing the 2021 Global Investor Statement to Governments on the Climate
 Crisis ("2021 statement"). This would demonstrate their support for stronger government action to address climate
 change, helping to mitigate the long-term systemic risks to the financial system and hence members' pension benefits.
- Signing the statement is a simple action for trustees to take. It is a form of policy advocacy, recognised as an important component of stewardship, and could be reported in your next Implementation Statement as evidence of your activity in this area.
- This paper provides: background information on the 2021 statement; summarises the key points you would be endorsing; and, explains how to sign up.

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Background







Each year, The Investor Agenda (a collaboration involving the Institutional Investors Group on Climate Change ("IIGCC") and its equivalents in other regions) organises a global investor statement on climate change. The 2021 statement was released on 10 June 2021, to coincide with the G7 meeting. Its signatories include:



















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The IIGCC's press release said:

"457 investors managing more than **US\$41 trillion** in assets have released a new joint statement to all world governments urging a global race-to-the-top on climate policy and warning that laggards will miss out of trillions of dollars in investment if they aim too low and move too slow.

This represents the largest collective assets under management to sign on to a global investor statement to governments on climate change since the first statement in 2009."

The 2021 statement is open for investors, such as trustees and asset managers, to sign before the 26th United Nations Climate Change Conference of the Parties ("COP26") takes place 1-12 November 2021.



This statement, coordinated by the seven Founding Partners of The Investor Agenda s signed by 457 investors representing over USD \$41 trillion in asset

We stand at the beginning of a pivotal decade in which institutional investors and governmen leaders worldwide have the power to raise ambition and accelerate action to tackle the climate crisis. If we do not meet this challenge and change course immediately, the world could heat in excess of 3-degrees Celsius this century1 - far beyond the goal of the Paris Agreement to limit the global average temperature rise to no more than 1.5-degrees Celsius, which scientists say is necessary to avoid the worst impacts of climate change.

To achieve this common goal, we must work together to reduce global net carbon dioxide emissions by 45 percent from 2010 levels by 2030², with a dramatic reduction of all greenhouse gas emissions essential for reaching net-zero emissions by 2050 or sooner. Key to this is ensuring rnment leaders support sustainable COVID-19 economic recovery efforts cons

As the world prepares to gather for the 26th United Nations Climate Change Conference of the Parties (COP26), we encourage all countries to significantly strengthen their Nationally Determined Contributions (NDCs) for 2030 and to ensure a planned transition to net-zero emissions by 2050 or sooner. While we recognize the differentiated responsibilities and respective capabilities of countries, we believe that those who set ambitious targets in line with achieving net-zero emissions, and implement consistent national climate policies in the short-to-medium term, will become increasingly attractive investment destination that fail to do so will find themselves at a competitive disadvantage.

In this shared global crisis, investors and governments each have a responsibility to act swiftly and boldly. Investors are taking climate action in line with The Investor Agenda, with more investors than ever before embedding net zero goals and strategies into their portfolio decisions engaging companies to cut their emissions and calling on policymakers to deliver robust climate action. Investors are urgently seeking to decrease their exposure to climate risk as a core

However, our ability to properly allocate the trillions of dollars needed to support the net-zero transition is limited by the ambition gap between current government commitments (as set out in NDCs) and the emission reductions needed to limit global average temperature rise to 1.5-degrees Celsius. In addition, as owners of (or those representing owners of) companies, we need access to adequate information on how these companies are assessing and managing the risks and opportunities presented by climate change. Government policy has a critical role to play in increasing our access to and affirmative disclosure of such information.

https://www.unenvironment.org/emissions-gap-report-2020 https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming













Key points from the statement



The 2021 statement calls on all governments around the world to:

- 1. Strengthen their Nationally Determined Contributions¹ for 2030 before COP26, to align with limiting warming to 1.5°C and ensuring a planned transition to net-zero emissions by 2050 or sooner.
- 2. Commit to a domestic 2050, net-zero emissions target and outline a pathway with ambitious interim targets including clear decarbonisation roadmaps for each carbon-intensive sector.
- 3. Implement domestic policies to deliver these targets by:
 - a) incentivising private investments in zero-emissions solutions; and
 - b) ensuring ambitious pre-2030 action through:
 - robust carbon pricing;
 - removing fossil fuel subsidies by set deadlines in line with credible 1.5°C pathways;
 - avoiding new carbon-intensive infrastructure (e.g. no new coal power plants); and
 - developing just transition plans for affected workers and communities.
- 4. Ensure COVID-19 economic recovery plans support the transition to net-zero emissions and enhance resilience.
- 5. Commit to implementing mandatory climate risk disclosure requirements aligned with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations, ensuring comprehensive disclosures that are consistent, comparable, and decision-useful².

¹Nationally Determined Contributions ("NDCs"):The Paris Agreement requests each country to outline and communicate their post-2020 climate actions, known as their NDCs. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change.

Next steps



- We support the requests made to governments in the 2021 statement. Strong governmental action is
 urgently needed to meet the Paris Agreement goals, which is vital to protect the long-term health of the
 economy and financial system, and hence members' pensions benefits. Such action is more likely if
 governments know it is supported by investors. The greater the number of signatories to the statement,
 the stronger the signal to governments.
- We therefore recommend that the Trustees read the <u>2021 statement</u> in full and decide if you can endorse
 it. If so, you can sign it by completing a short and simple online form on <u>The Investor Agenda</u>
 website.
- Signing the statement would not commit the Trustees to any further action.
- Signing the statement is a form of policy advocacy, recognised as an important component of stewardship. It is a simple way for the Trustee to exercise stewardship beyond its existing manager oversight.
- If you sign, you may wish to mention your support in your next Implementation Statement and/or member newsletter, as evidence of your commitment to addressing climate risks and undertaking stewardship.
- The deadline to be included in the second announcement of signatories is 30 August 2021. The ultimate deadline is expected to be mid-late October.

Appendix: Q&A



1. The statement includes (under point 5, page 2) a call for mandatory TCFD reporting. Does that mean it is encouraging the UK to extend TCFD reporting to all pension schemes, and not just those currently in scope of the Pension Schemes Act 2021 requirements (ie Master Trusts, those above £1bn AuM)?

The IIGCC have confirmed that they are "comfortable with the UK Government's roadmap for TCFD reporting and are not calling for this to be extended, the aim of this section [point 5, page 2] of the Statement is to call on other governments who have not made commitments regarding mandatory TCFD reporting to do so."

2. Are there any well known asset managers who haven't signed this statement?

One large manager that hasn't signed this statement is BlackRock. When we asked why, they replied with the following:

"I confirm that BlackRock opted not to sign a similar statement that was being organized by IIGCC and others associated with the Net Zero Asset Managers Initiative. We used the below talking points to decline joining on to that statement and the organisers of the IIGCC statement were very understanding of the below explanation:

We very much support the agenda and the spirit of the statement. We are in a transitional period as we have new leadership in both our sustainable investing and public policy divisions. We are currently working to develop a more comprehensive approach to public policy on climate. As we work through that process, we are trying to avoid signing statements that indicate positions beyond what we have already stated publicly in our own name. Unfortunately, that means we are unable to sign the statement this year and we look forward to continued partnership with you on these important issues.

Please note that we are actively participating in a number of organizations that organized the statement including the Net Zero Asset Manager's Alliance."

Our team



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