

TFL PENSION FUND

Net Zero by 2045: Tfl Pension Fund Is On Track

The Trustees of the Tfl Pension Fund have recently committed to an ambitious Net Zero Plan which would see the Fund achieve a 55% reduction in its carbon emissions by 2030 at the latest and a 100% reduction no later than 2045 vs the 2016 baseline.

This net zero carbon strategy is without doubt the single most important development in the Fund's sustainability agenda to date. The Trustees set the wheels in motion for the new strategy following the 2015 Paris Agreement, an international treaty on climate change.

Following the treaty, the Trustees took the decision to measure the Fund's carbon footprint, leading to a significant change in direction in terms of investment focus. Climate change was recognised not only as a long-term financial risk, but also as an opportunity – the opportunity to invest in more sustainable products which produce less carbon or use less energy. In short, the Trustees made the decision to stop investing in companies that have no interest in reducing global emissions.

This decision paved the way for a coal exclusion policy, the first step on the way to a greener way of thinking. The new focus also saw at least 15% of the Fund targeted to invest in 'Environmental, Social and Governance (ESG) tilted' investments, while the publication of the [Fund's Annual Sustainability Report](#) ensured that members were kept up to speed.

The Net Zero Plan

The introduction of the Net Zero Plan directly builds on the above actions and plays an important role in driving the long-term value of the Fund's investment portfolio. This comprehensive and industry-leading plan encompasses all of the fund's assets, covering public and private markets across equities, bonds, credit, infrastructure and real estate.

The plan maximises the fund's real-life impact on the planet. It ensures that the fund continues to source investment opportunities that not only offer attractive rates of return, but which are also aligned to the United Nation's Sustainable Development Goals. These Sustainable Development Goals, combined with ESG Scores and Carbon Footprints will be used by the Trustees to track the Fund's progress over time.

The Trustees are quick to concede that there may be quarters or years when the Fund's emissions could go up for reasons beyond their control. After all, the climate challenge is an ongoing issue, and as such there will always exist a degree of uncertainty around the exact timing and costs of critical breakthroughs, but by keeping an open mind, staying agile and most importantly learning and reacting as better information becomes available the Trustees will look to minimise uncertainty. However, the objective is clear – to align the investment portfolio with industries, products, services and business models that are compatible with a sustainable planet, while securing stable and sustainable financial returns for the members.

To be net zero by 2045 is clearly an ambitious target, however the Trustees firmly believe that the Net Zero Journey Plan is entirely consistent with their fiduciary responsibility to earn returns needed for the long-term financial health of the fund.