

Carbon journey planning

Financial services provider – Lloyds Banking Group



Who are Lloyds?

Lloyds Banking Group are one of the UK's largest financial services providers, comprising Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows. The group operate multiple pension schemes for their employees, the largest defined benefit (DB) schemes are advised by Willis Towers Watson.

What are their concerns around climate?

As a well-known high-street brand, the long-term effects of climate change have been of particular concern to the sponsor and pension scheme Trustee. Both are aware of the more immediate reputational risks of inaction at this important time, alongside the significant financial risks and opportunities that climate change brings.

What actions have they taken?

- Over 2019, multiple projects were undertaken to assess likely impacts of climate change on the DB assets and liabilities.

- This analysis was carried out using Willis Towers Watson's proprietary climate modelling, translating economic growth projections and mitigation costs under different climate scenarios on asset returns, as well as considering the potential longevity impacts of various climate scenarios.
- This has allowed projection of funding levels and journey planning according to different temperature pathways, such that a better understanding of climate related risks (and opportunities) can emerge.
- In addition to understanding scheme-specific risks, the Trustee has also been keen to help address systemic risks through increased participation in collaborative initiatives related to climate and sustainability. As part of this, the Trustee joined the Institutional Investors Group on Climate Change (IIGCC) in late 2019.

What next?

Next steps include considering targeted exclusions (specifically thermal coal) and application of maturity limits for certain carbon intensive sectors within the bond mandates (i.e. fossil fuel majors). The Trustee will continue to take a long-term view on how its influence can best advance actions across the industry.

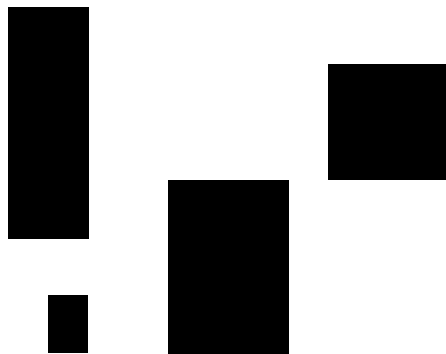


For more information

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