

Caroline Lucas MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Mr Brian Donohoe MP
Chairman of the Board of Trustees
Parliamentary Contributory Pension Fund
House of Commons
London
SW1A 0AA

Ref: ML.BD.C0079.LM.21.10.14

Date: 21st October 2014

Dear Brian,

We are writing to you in your capacity as Chairman of the Board of Trustees of the Parliamentary Contributory Pension Fund (PCPF) to request a meeting to discuss PCPF's integration of climate change risk and carbon risk into its investment activities.

In addition to presenting severe humanitarian and environmental risks, climate change has significant financial implications for pension funds. The Governor of the Bank of England, Mark Carney, was, last week, quoted as saying the "*vast majority of [fossil fuel companies'] reserves are unburnable*" if we are to achieve the internationally agreed goal of avoiding dangerous climate change by limiting global temperature rises to below two degrees above pre-industrial levels.

Therefore, effective intervention and regulation to address the risks of climate change could result in fossil fuel companies and other high carbon assets suffering a loss in value. On the other hand, if climate change continues unchecked, extreme weather events and growing volatility of food and fuel prices are likely to hit returns across entire portfolios in ways that are both dramatic and unpredictable.

Accordingly, we are particularly concerned about PCPF's investments in fossil fuel industries in light of both their contribution to advancing climate change and the risks facing those industries from effective climate regulation.

As members of PCPF we would like to understand how the fund is assessing and mitigating these risks, in particular:

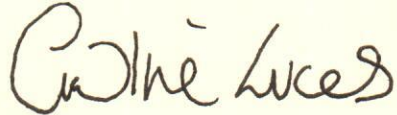
- whether an assessment of the carbon intensity of the fund has been carried out and if so the results of that assessment and details of any actions that has resulted in;
- how much of the fund's assets are invested in fossil fuel companies;
- how much of the fund's assets are invested in industries that facilitate a transition to a sustainable low-carbon economy e.g. renewable energy, water and energy efficiency, forestry, waste management and recycling;
- whether, if the fund has passive index tracking investments, consideration has been given to using fossil fuel free or carbon tilted indexes; and
- whether the fund has given any consideration to asking its investment managers to examine the financial feasibility for PCPF to reallocate capital away from fossil fuel companies over a period of time.

Member of Parliament for Brighton Pavilion

TEL: 020 5010 7005

We look forward to hearing from you. Should you have any questions or like any further information in the meantime, please do not hesitate to get in contact.

Yours sincerely,

A handwritten signature in black ink that reads "Caroline Lucas". The signature is written in a cursive, flowing style.

Caroline Lucas MP

Laura Sandys MP

Tessa Munt MP

Lord Joffe

Julian Huppert MP

Mike Crockart MP

Alan Whitehead MP

Joan Walley MP

Elfyn Llwyd MP

Jonathan Edwards MP

Hywel Williams MP

Lord Judd

Baroness Jones of Moulsecoomb

Mark Durkan MP

Martin Horwood MP

cc. PCPF Trustees Board