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Pension funds tell Government to toughen emissions targets

1. Government should adopt more rigorous targets than those set out in the draft Climate Change Bill, a major group of institutional investors has claimed. The Government's proposed legislation calls for at least a 60% cut in carbon emissions by 2050, but the Local Authority Pension Fund Forum (LAPFF) believes a tougher target should be set.
2. In its response to the consultation on the Bill, the £75bn-strong Forum states that the 60% level does not reflect the current consensus, which includes the views of the Select Committee on Environmental Audit and the Stern review, and strongly encourages the adoption of an 80% reduction target for the UK.
3. Climate change and greenhouse gas emission reporting has been a focus of the Forum's work for a number of years. Six years ago, in autumn 2001, the Forum undertook research into the reporting of greenhouse gas emissions by FTSE100 companies according to the then DEFRA guidelines on disclosure. This showed that half of FTSE 100 companies followed none of the guidelines at all, i.e. climate change was not even mentioned in their reporting.
4. An ongoing engagement programme by LAPFF has led to changes amongst major UK companies, including WPP committing to reporting its greenhouse gas emissions in 2004 and more recently WM Morrisons setting challenging corporate targets in May 2007. Despite these successes, there are still a large number of companies that do not address the risks and opportunities posed by climate change, and the Forum considers that investors would be better served by fuller reporting on this issue.
5. In common with the members of the Aldersgate Group¹, the Forum believes that the government should take the Bill as an opportunity to make corporate reporting on greenhouse gas emissions mandatory by integrating a standard into corporate reporting guidance, specifically in the narrative reporting guidance for the Business Review and in the stock exchange listing requirements.
6. Cllr Darrell Pulk, chair of the Forum, said: "The time for discussion about possible effects of climate change has passed. Companies should now have in place risk management procedures as part of their business strategies as well as identifying relevant business opportunities. They must then follow

¹ a broad coalition of environment agencies, NGOs, think tanks and industry representatives that believe that high environmental standards are essential for the UK's future economic well-being and competitiveness

through with this and report on these to their investors in their operating and financial or business reviews. They will further need to demonstrate to their shareholders that the business is well placed to produce cuts that will be required as a result of climate change legislation’.

7. A full copy of the Forum’s response to the climate change bill consultation is available from the website, www.lapfforum.org, under ‘Publications’

About LAPFF:

The Local Authority Pension Fund Forum (LAPFF), which was set up in 1991, is a voluntary association of 40 public sector pension funds based in the UK. It exists ‘to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.’ The Forum’s members currently have combined assets of over £75 billion.

For further information contact:

CLlr Darrell Pulk, Chair, LAPFF
C/o LAPFF Secretariat,
Bradford City Council,
Britannia Ings, Bradford,
Email: cllr.darrell.pulk@nottscc.gov.uk

Tom Powdrill
Head of Communications
PIRC Ltd
Tel no: 020 7392 7887
Email: TomP@pirc.co.uk

or Tessa Younger
Consultancy Services Manager
Tel no: 020 7392 7880
Email: TessaY@pirc.co.uk