TCFD Explained

What is a TCFD report?

TCFD stands for Task Force on Climate-related Financial Disclosures. A TCFD report is a technical document to explain how we manage the risks and opportunities arising from climate change. Regulations now require all large UK pension schemes, including the Kimberly-Clark Pension Scheme, to produce a TCFD report each year. You will find the full TCFD report here (https://www.kcpensions.co.uk/tcfd)

Who makes investment decisions, including whether to hold "climate friendly" investments?

The Trustee believes that climate change poses a financial risk to the Scheme in the long-term. Also, regulations on UK pension schemes require the Trustee to treat climate change as a financially material risk, so considering climate change is not optional.

The Trustee focuses its analysis on financial metrics – does a proposed "climate friendly" investment improve future expected returns, or is it expected to reduce risk? If it achieves neither of these aims, then we will not make the investment.

As with all investment decisions, the Trustee is required to consult with the Company to check if they have a view. However, ultimately it comes down to the Trustee to determine whether the investment is in the members' best financial interests.

Our climate-related target

Part of the TCFD regulations require us to set a climate-related target for the Scheme. Last year, the Trustee decided to set a long-term decarbonisation target. This target is to achieve a 42% reduction in Carbon Footprint emissions of both the DB and DC Sections by 2030 from a 2023 baseline. This equates to a 7% year-on-year reduction in Carbon Footprint emissions for both the DB and DC Sections through to 2030. This target is in line with the Paris Agreement , a climate change treaty that aims to limit temperate increase to 1.5°C. Reduction in Carbon Footprint emissions is essential to achieving this goal.

Since this target was set the Scheme is on track to exceed this target for both Sections, with a total reduction of Carbon Footprint of c.19% for the DB section and c.24% for the DC section (highlighted in green in the table to the right).

What is a Carbon Footprint?

A Carbon Footprint measures the level of greenhouse gas emissions that result from a $1 million investment in a company.

Carbon Footprint	2023 Baseline (tonnes CO2e per $M invested)	2025 Carbon Footprint (tonnes CO2e per $M invested)	2030 target (tonnes CO2e per $M invested)
DB Section	37	30	28
DC Section	68	52	46

We believe that achieving this objective will make the Scheme more resilient to the financial risks posed by climate change.

Examples of climate friendly actions taken

Our Corporate Bond mandate incorporates climate guidelines to reduce carbon emissions.This means that we avoid investing in companies which could be most adversely affected by climate change. We also prioritise investment in companies that help mitigate the financial impact of climate change. Additionally, one of the Equity mandates tracks an index which excludes companies with thermal coal-related activities.

Example of actions not taken

We also wanted to highlight an example of a "climate friendly" investment we have not made – because it neither improved expected returns nor reduced climate risk.

We could have investment in "Green Gilts" as opposed to traditional Gilts. Green Gilts are bonds issued by the UK government to fund environmentally sustainable and climate-friendly projects and initiatives. The Scheme currently has no strategic allocation to Green Gilts however the Investment Manager has full discretion to invest in these Gilts should they consider it beneficial to the Scheme's investment strategy.