



Havering
LONDON BOROUGH

PENSIONS COMMITTEE

26 July 2022

Subject Heading:

CLIMATE RISK PLAN

CLT Lead:

Dave McNamara

Report Author and contact details:

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Policy context:

**Develop the Fund's plan for
addressing climate risk**

Financial summary:

No direct costs

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

Appendix A to this report sets out the next steps in developing the Fund's Plan for addressing climate risk within the Fund's investment portfolio.

The Committee's Business Plan for 2022/2023 includes the development of a broader climate action plan.

RECOMMENDATIONS

That the Committee:

Consider and agree the next steps in developing the Fund's plans for addressing climate risk as set out in Hymans Report at **Appendix A**.

REPORT DETAIL

1. The Fund's Investment consultant (Hymans) have set out the possible next steps in developing the Fund's plans for addressing climate risk in their report attached as Appendix A.
2. Hymans will discuss these possible next steps with the Committee and ascertain any additional actions that need to be taken to meet the Fund's requirements.

3. BACKGROUND

- a. The Committee has established and published a Statement of Investment Beliefs and a Responsible Investment policy, which are included in the Fund's Investment Strategy Statement (ISS). This reflects the broad views of committee members on investment, Environmental, Social, Governance (ESG), and climate matters.
- b. For those members new to the Pensions Committee I have included the link to the ISS for reference, which can be found on the Council's website by selecting the link as follows: -
https://www.havering.gov.uk/downloads/download/368/pension_fund_investment_strategy_2017_statements
- c. The Committee belief - *"Climate change and the expected transition to a low carbon economy represents a long-term financial risk to Fund outcomes and should be considered as part of the Committee's fiduciary duty"*.

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- d. Climate factors were a major consideration in developing the ISS, which was agreed on the 29 July 2020 and in particular have implemented the following changes:
- 16 March 2021- agreed to invest in a *London Collective Investment Vehicle (LCIV) renewable energy infrastructure fund
 - 14 September 2021 – agreed to switch assets from the LCIV Global Alpha Fund to the LCIV Global Alpha Paris Aligned variant
 - 20 July 2021 – agreed to invest 10% of the Funds’ assets into the Legal and General Investment Management (LGIM) Future World, which is an equity allocation with a climate-tilted focus.
 - 03 December 2021 – Agreed to invest 5% of its passive equity investments the LCIV Passive Equity Progressive Aligned (PEPPA) Fund
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- e. * The LCIV is the Funds mandatory pooling agent that was initially established in 2015 as a voluntary collaborative venture by the London Local Authorities to pool/invest the assets of the London Local Government Pension Scheme. In line with Central Governments vision to reduce investment costs but maintain performance levels, it has been a mandatory requirement to pool assets since 2016.
- f. The Fund included its first high-level report in the 2020/21 Annual report and Accounts in line with the Taskforce on Climate-related Financial Disclosures (TCFD). The second report appears elsewhere on this agenda.
- g. The Committee’s Business Plan for 2022/23, which was agreed at its meeting on the 15 March 2022, includes the development of a broader climate action plan
- h. The committee attended a climate risk workshop in November 2021. This workshop provided background on the climate change for pension funds and provided guidance on identifying and addressing the climate-related risks across the Fund’s investments portfolio. The workshop also expanded on different ways of assessing exposure to climate-related risks and how this could be used in order to set relevant ESG targets and escalate management with investee companies on climate-related topics.
- i. The workshop also included a review of the action taken by the LCIV in how they are addressing climate risk.
- j. LCIV has engaged a third party Trucost to provide Climate Reporting at the Fund level, including the measurement of climate related metrics. This climate reporting will be rolled out as an option for LCIV clients to purchase for use in climate reporting of investment portfolios not held with the LCIV.

- k. The Climate Risk Plan follows on from the climate risk workshop. This Plan is to establish a baseline position for change and from then on, the Fund will focus on specific areas and frame objectives and targets for change. The Fund will be able to develop and implement a plan to address climate-related risks and monitor and report these over time

IMPLICATIONS AND RISKS

Financial implications and risks:

Climate related risks and broader environmental, social and governance (ESG) factors are a source of financial and reputational risk.

The Committee has established and published a Statement of Investment Beliefs, which reflects the broad views of committee members on investment, ESG and climate matters. These beliefs are documented in the Investment Strategy Statement and include financial materiality of climate risk.

Legal implications and risks:

None arising directly from consideration of the content of the Report.

Human Resources implications and risks:

There are no immediate HR implications.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

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Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An EqEIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

BACKGROUND PAPERS

None