



Havering
LONDON BOROUGH

PENSIONS COMMITTEE

20 September 2022

Subject Heading:

**CLIMATE RISK PLAN PROGRESS
REPORT**

CLT Lead:

Dave McNamara

Report Author and contact details:

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(Finance)***

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Policy context:

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

Financial summary:

To date £7,500.00

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 progress made in developing the Fund's Plan for addressing climate risk within the Fund's investment portfolio.

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. Hymans will discuss the progress made so far in assessing the Funds current position against a series of climate related metrics as at 31 March 2022. The aim being to set a baseline position for monitoring and address ongoing risk reporting requirement.

2. BACKGROUND

- a. The Committee on the 29 July 2020 agreed 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. 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*".
- c. Climate factors were a major consideration in developing the ISS, and in particular have already implemented the following:
 - 16 March 2021- agreed to invest 2.5% in a *London Collective Investment Vehicle (LCIV) renewable energy infrastructure fund
 - 14 September 2021 – agreed to switch assets from the LCIV Global Alpha Fund(15%) 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

- d. The Committee's Business Plan for 2022/23, agreed at its meeting on the 15 March 2022, includes the development of a broader climate action plan.
- e. The Climate Risk Plan follows on from the climate risk workshop held on 24 November 2021.
- f. At the Pension Committee meeting on the 26 July, the Committee received a presentation from Hymans, the Fund's Investment Consultant, which included the possible next steps in developing the Fund's plans for addressing climate risk within its portfolio.
- g. The Committee agreed to establish a baseline position for change deciding that the next step was for Hymans to collate data across the portfolio from each fund manager, the aim being to establish a 'starting point' for the Fund and to help inform any targets which may be subsequently set. This will identify gaps in data that may exist and flag the types of assets that are harder to measure.
- h. **Appendix A** to this report sets out the progress made in developing the Fund's Plan for addressing climate risk within the Fund's investment portfolio and further steps.

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.

There will be a cost to the Pension Fund for the work carried out by Hymans to develop the Climate Risk plan. Costs will be charged as each stage progresses. Estimated costs to date for the Climate Risk Plan is £7,500.

The Climate Risk plan will evolve over time with the initial task being to identify data that can be collected and flag where there are any gaps. This will help inform subsequent target setting. Identifying metrics and setting targets will be a tool used to manage or better understand climate related risks facing the fund. These will also be used to fulfil our reporting requirement for Task Force Climate Related Financial Disclosures (TCFD). The primary consideration in the setting of any target will be

the fiduciary impact and this report sets out a framework to ensure that requirement is met.

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.

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