



Havering
LONDON BOROUGH

PENSIONS COMMITTEE

21 March 2023

Subject Heading:

DRAFT CLIMATE RISK POLICY

CLT Lead:

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Report Author and contact details:

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Policy context:

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

Financial summary:

Exempt from publication

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 proposed content of a draft climate transition plan and policy for the Committee to discuss before the final version is submitted for approval at a later meeting.

RECOMMENDATIONS

That the Committee:

Consider the Hymans Report at Appendix A and discuss the outline structure and content of the proposed climate risk policy.

REPORT DETAIL

1. Hymans will discuss with the Committee the outline structure and content of the proposed climate policy to gather views and feedback with the aim of finalising the policy at the following Committee meeting in July 2023.

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 risk management action plan.
- e. The Climate Risk Management Plan follows on from the climate risk workshop held on 24 November 2021.
- f. At the Pension Committee meeting on the 26 July 2022, 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. At the Pension Committee meeting on the 20 September 2022, the Committee was presented with a baseline assessment of several carbon metrics which identified gaps in data and set out those asset types where data is harder to collect and measure. Assessing the Fund's current position against a series of standard metrics will address ongoing reporting requirements.
- h. The Pensions Committee on the 13 December 2022 considered the indicative plans/actions and timescales in developing the Fund's plans for embedding climate risk management into the Fund.
- i. An education session on climate metrics was delivered to the Committee on the 6 March 2023, in preparation for the discussions on setting objectives and goals for inclusion in the climate risk policy.
- j. The Committee is requested to discuss the outline structure and content of the draft climate policy as proposed in **Appendix A**.

IMPLICATIONS AND RISKS

Financial implications and risks:

Climate related risks and broader ESG factors are a source of financial and reputational risk. The Committee have agreed a climate risk management plan is a necessary part of its fiduciary duty.

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.

The Department of Levelling Up, Housing and Communities (DLUHC) has completed its consultation on the implementation of Task Force on Climate related Financial Disclosures (TCFD) reporting for Local Government Pension Schemes. Guidance is expected to be published in the early part of 2023 with reporting requirements expected to start on 1 April 2023 and the first Climate risk annual report due December 2024.

The Committee's current approach to addressing climate risk will mean that the TCFD requirements will largely be met but can be tested against the final requirements once these are published.

There will be a cost to the Pension Fund for the work carried out by Hymans to develop the Climate Risk plan, this was presented to the Committee and agreed at the 13 December 2022 meeting (exempt from publishing the costs on the grounds that the financial information is commercially sensitive).

Legal implications and risks:

The Authority does have a broad discretion under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946), after taking proper advice, to formulate an investment strategy which must include the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;

Therefore, the climate risk issues are relevant matters for the Committee to consider. However, there no other apparent implications 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

<i>BACKGROUND PAPERS</i>

None