

## Climate disclosures for the year ended 31 March 2025

The Pensions Committee (“the Committee”) of the London Borough of Havering Pension Fund (“the Fund”) believe that climate change is a systemic risk and seek to manage that risk with respect to the pension scheme on behalf of their members. The Committee are supportive of initiatives they believe will be in the long-term financial interest of the Fund’s members and believe greater disclosure will lead to more engagement and a more structured approach to managing this risk.

The Committee has prepared this report, their fifth such report, setting out their approach to managing climate related risks in line with the Task Force on Climate-Related Financial Disclosures (“TCFD”) framework. As with previous reports, the Committee has taken a proportionate approach to reporting, recognising the size and available resources of the Fund. Future reports will continue to highlight actions taken over the year to improve the position in line with the suggested actions developed as a result of this report and underlying analysis. The Committee also notes that the Ministry of Housing, Communities and Local Government (“MHCLG”) has previously consulted on the adoption of TCFD reporting within the Local Government Pension Scheme (“LGPS”) and will comply with the reporting requirements when these are finalised.

## Governance

### Disclosure A: Describe the Committee’s oversight of climate related risks and opportunities.

The Committee has ultimate responsibility for the strategy employed to meet the Fund’s objectives. This strategy and objectives are set out in the Fund’s current Investment Strategy Statement (“ISS”). The ISS was last updated in 2023 to reflect changes in the Fund’s strategy and is next scheduled for review in 2026.

In the development and implementation of strategy, the Fund is supported by Officers and Advisers who the Committee expect to raise climate related risks and opportunities up for discussion as appropriate.

The Committee has established and published a Statement of Investment Beliefs which reflects the broad views of members on investment, Environment, Social and Governance (“ESG”) and climate matters. These beliefs are documented within the ISS and include recognition of the financial materiality of climate risk. There were no changes made to the Investment Beliefs over the year to 31 March 2025. The Committee expects the Fund’s Officers and Advisers to reference these beliefs in the management and evolution of the Fund. These beliefs have previously driven the Fund’s various strategic changes and will continue to do so over time. The Committee intends to review its beliefs as part of a Strategy Workshop in September 2025 ahead of the review of the Fund’s investment strategy.

The Committee members are expected to undertake training on all matters relevant to the governance of the Fund. Following a climate workshop in March 2024 which focused on the Fund’s Climate Policy and Action Plan, a further workshop is scheduled for September 2025 during which the Committee intends to further review the actions taken on climate.

The Committee, on an annual basis, undertakes a high-level review of the Fund’s stewardship activity and considers the actions taken by its managers to address climate risk.

Voting and engagement activity is undertaken by the Fund’s equity investment managers – L&G and London CIV (“LCIV”). L&G vote directly on behalf of the Fund whilst LCIV delegate voting to EOS at Federated Hermes for global equity funds, using a custom policy, and delegated voting to underlying investment managers for multi-asset funds. Stewardship activity is undertaken directly by the Fund’s other investment managers as necessary.

In supporting its scrutiny of investment managers on climate issues, the Committee has asked that where appropriate, focus should be given to voting practices and the progress climate ambitions through case studies. Further, specific focus should be given to a shortlist of focus companies to facilitate discussion. This approach has helped to foster greater oversight and challenge by the Committee.

**Disclosure B: Describe management's role in assessing and managing climate related risks and opportunities.**

A number of parties are involved in the management of the Fund and are thus expected to assess climate related risks and opportunities and take steps to address these. In particular:

- Officers are expected to ensure that climate related issues are considered in their discussion with all Fund stakeholders. Over the year to 31 March 2025, Officers have engaged in discussions on climate related risks and opportunities with the Fund's investment managers, LCIV as pooling provider and the Fund's Investment Adviser. Officers report the outcome of such discussions and any actions arising to the Committee for decision, as necessary.
- Ahead of each manager meeting, Officers pose a series of question of the Fund's investment manager to capture how each manager is approaching climate related issues. The responses to these questions are shared with the Committee and Advisers. Where appropriate, further information is sought.
- The LCIV is the Fund's pooling provider with responsibility for the development of appropriate solutions for the management and governance of Fund assets. During previous years, LCIV has sought to develop and introduce several pooled vehicles which directly manage climate related risks for its clients. LCIV has also engaged third-party stewardship provider, EOS at Federated Hermes, to provide input on voting and engagement and a data provider, to provide fund level analytics, including the measurement of climate related metrics.
- The Investment Adviser is expected to raise climate related risks and opportunities in the development and delivery of advice. Where possible, the Investment Advisor will consider and note the potential impact of any proposed changes to the Fund's strategy on the Fund's climate-related risks.
- Investment managers employed by the Fund are also expected to competently address climate related issues in their management of Fund issues. The Committee, as a minimum, expect its managers (including the LCIV) to be signatories to the Principles for Responsible Investment and, where appropriate, the FRC UK Stewardship Code. The Committee also question their managers on climate issues as part of regular meetings so as to scrutinise actions being taken.

**Strategy****Disclosure A: Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.**

The Committee regards climate risk as an issue that must be considered over all time horizons, given the Fund remains open to new members. The Committee has the belief that "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." and as such, has considered the embedding of climate risk management into the Fund via its Climate Policy and Action Plan, this being put in place in 2024.

**The following actions have been achieved as at March 2025:**

- Conducted analysis of climate metrics as at 31 March 2024 against an established a baseline.
- Continued to invest in several funds with a climate focus, including renewable energy infrastructure.
- Received quarterly monitoring reports relating to LCIV to aid discussions and engagements with the Pool.
- Engaged with the Fund's investment managers, incorporating discussions that specifically addressed climate related considerations and related progress.

**The following actions are expected to take place over the course of 2025/26:**

- Update the Fund's climate metrics as at 31 March 2025 position. Following this, write to providers with data gaps.
- Attend a Strategy Workshop with particular focus on:
  - Initial review of the Committee's investment beliefs detailed in the Fund's Investment Strategy Statement.
  - Training on 'Local Investment' in line with upcoming Government requirements.
- Receive a follow up update on the Fund's progress in meeting targets set out in the Climate Action Plan and identify areas where further improvement may be needed to meet established targets.
- Better understand climate uncertainty and potential climate impacts through scenario analysis as part of the 2025 actuarial valuation exercise.

**Looking further forward, the following areas been identified as areas of focus for 2026.**

From a portfolio emissions perspective:

- Review the climate related metrics provided to the Fund and ensure that these appropriately inform future decision making

From a climate solutions and opportunities perspective:

- Consider potential climate and nature related solutions in the review of investment strategy
- Agree a local investment policy.

From an alignment perspective:

- Consider how transition alignment is being reported to the Fund and ensure it is appropriately reflected in future decision making.

From an engagement perspective:

- Continue to challenge Fund managers on their approach to climate issues during engagement meetings.
- Work with LCIV to ensure that the pool can provide appropriate support on how climate issues are being addressed by the Fund.

**Disclosure B: Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.**

Whilst climate related issues have been reflected in certain investment decisions and the evolution of the Fund's strategy (e.g. the integration of climate-related risk considerations in the Fund's equity allocation), the Committee has not undertaken a stand-alone review of how climate risks and opportunities should be addressed. Rather, in conjunction with Officers and Advisers, the Committee has phased the consideration of climate-issues into its strategy and business planning – as part of its Climate Policy and Action Plan.

This process was accelerated in 2023 with Committee agreeing a programme of activity, this process having continued since then.

**Disclosure C: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2 degree or lower scenario.**

Climate scenario analysis was last undertaken as part of the Fund's triennial actuarial valuation as at 31 March 2022 and shared with the Committee in October 2022. The analysis sought to stress-test outcomes from the asset-liability modelling undertaken as part of the actuarial valuation.

Over the year, no further climate scenario analysis was undertaken. The Fund is expected to update its climate scenario analysis as part of the actuarial valuation being undertaken as at 31 March 2025. The outcome of this analysis will be included in reporting for the 2025/26 year.

**Risk Management****Disclosure A: Describe the organisation's processes for identifying and assessing climate-related risks.**

At a simple level, the Committee's risk management process comprises identification, assessment, monitoring and control of risk. Climate risks are identified by the Committee with support from Officers and Advisors as appropriate. Once risks are identified, they are then evaluated and prioritised based on the overall threat posed to the Fund. The Committee prioritise risks based on the size, scope and materiality of the risk event. This includes rating the likelihood and impact of the risk event to produce a score reflecting the threat that the risk event poses to the Fund, then deciding on the appropriate action (mitigation, control or acceptance) based on this score and available courses of action.

**Disclosure B: Describe the organisation's process for managing climate-related risks.**

Risks and opportunities are considered both in absolute terms and in relation to the risk appetite of the Fund. Risk appetite can be defined in terms of a willingness to take risk or the acceptability of risk. The management of climate related risks take place at several levels within the decision-making processes of the Fund:

- Within strategy management, the Committee will consider market and policy developments with particular regard to climate change and discuss how such factors may influence asset allocation. The Committee has undertaken high level climate scenario analysis as part of the Fund's funding and investment strategy review, as part of its last triennial actuarial valuation as at 31 March 2022. The Committee will undertake a similar climate scenario analysis as part of the Fund's actuarial valuation as at 31 March 2025.
- Within mandate selection, the Committee will consider how climate related risks may influence the design of a particular strategy, taking advice where appropriate. Previously, the Committee has considered this factor in the implementation of the Fund's equity portfolio strategy as well as the implementation of the Fund's allocation to investment grade corporate bonds.
- Within manager selection and ongoing monitoring, the Committee will consider the actions managers are taking to address climate related risks in the management of a mandate. This includes questioning the managers' approach to climate risk, stewardship, governance and its level of engagement with investee companies as a positive influence for ESG action. During the year, the Committee formally met with four of their investment managers, with discussion on climate related risks forming an element of these meetings.

The Committee's process for reviewing managers includes receiving a briefing on manager activity and areas for discussion being highlighted.

- Within stewardship, the Committee includes discussions on governance and voting with the Fund's equity managers on a periodic basis. The Committee reviews stewardship activity, including voting on climate issues, on an annual basis and the effectiveness of its managers in exercising the responsibilities that have been delegated to them.
- The Fund had equity investments through two investment managers (L&G and LCIV) across six mandates. Over the year to 31 March 2025, the Committee reviewed the Fund's equity investment managers' voting and engagement activities over the 12-month period to 30 June 2024. Over the period, the nearly all votes that were eligible to be exercised were voted on. Exercise rates for all mandates were at least 98%. Climate change remained the most frequent reason for engagement across all managers. The Fund will undertake this review again in 2025/26.

**Disclosure C: Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.**

Officers and Advisors raise new or updated risks at quarterly Committee meetings or other appropriate points in time, depending on urgency. Following this, where appropriate, training sessions are provided on the respective risks. This includes rating the likelihood and impact of the risk event to produce a reflection of the threat that the risk event poses to the Fund and then deciding on the appropriate action (mitigation, control or acceptance) based on this and available courses of action.

### Metrics and Targets

**Disclosure A: Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.**

Committee has assessed the Fund's climate metrics against the baseline position (31 March 2022) against a range of standard climate metrics, in particular:

- Emissions intensity is measured using Weighted Average Carbon Intensity ("WACI").
- Exposure to potentially stranded assets is measured using % assets with ties to fossil fuels.
- Exposure to climate solutions considers both green revenue exposure and direct exposure to climate solutions.

The Committee will review ongoing changes in these metrics and reconsider the metrics being monitored following completion of the actuarial valuation and review of investment strategy, considering any guidance issued.

On an informal basis when considering individual investment solutions, the Committee considers a range of metrics as part of their initial discussions including WACI, carbon footprints, exposure to materially impacted sectors and stewardship behaviours of managers.

**Disclosure B: Disclose Scope 1, Scope 2 and if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks.**

Committee has collated data across its three measurement areas as at 31 March 2025. These metrics have been averaged across all mandates within the portfolio and are set out below:

Mandate	WACI (tCO <sub>2</sub> /£m)*	% of Portfolio with Fossil Fuel Ties	% Exposure to Green Revenues/Climate Solutions
Equity	120	3%	3%
Multi-Asset	231	4%	N/A
Property	69 (UBS – tCO <sub>2</sub> /£m rent passing)	0%	0%
	38 (CBRE – tCO <sub>2</sub> /m <sup>2</sup> )		
Infrastructure	814	23%	20%
Private Debt	36	0%	N/A
Bonds	159	3%	7%

\*Asset class figures based on a weighted average of the underlying mandates for which data was available.

The Committee notes that gaps in the Fund's climate data remained and agreed to engage with their investment managers to improve the quality of underlying data over time.

**Disclosure C: Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.**

The Committee has set objectives and actions for the Fund to achieve as part of its management of climate-related risks and opportunities and these are detailed in the Climate Policy and Action Plan. The broad objective areas set by the Fund include portfolio emissions, climate solutions and opportunities, alignment with Net Zero pathways and engagement. Each of these objective areas have respective key targets the Committee will assess and actions the Committee will take to achieve these key targets and objectives both in the nearer term and over the longer term to 2050.