

**Report for: Pension Fund
Committee**

Date of Meeting:	23 November 2022
Subject:	Taskforce on Climate-Related Financial Disclosures - Consultation
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	No
Wards affected:	Not applicable
Enclosures:	Appendix 1 - Draft Response to TCFD Consultation

Section 1 – Summary and Recommendations

This report summarises the recently issued Government Consultation paper on Governance and Reporting of Climate Change Risks and contains a draft response.

Recommendations:

The Committee is requested to:

1. Note the report.
2. Consider, amend as appropriate and approve the draft response as set out in Appendix 1 for submission to DLUHC.

Section 2 – Report

1. In recent years there has been a growth in concern about how the Local Government Pension Scheme's (LGPS) investments are made in the context of the potential impacts of climate change. This has been reflected in an increased emphasis being placed LGPS Funds and their investment managers on Environmental, Social and Governance (ESG) issues.

2. In September 2022 the Department for Levelling Up, Housing and Communities (DLUHC) published a consultation paper which seeks views on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The consultation closes on 24 November 2022.
3. The approach builds upon the existing requirements contained in the LGPS (Management and Investment of Funds) regulations 2016, which include requirements to state in the Investment Strategy Statement the Fund's approach to ESG matters.
4. The consultation sets out the proposed requirements for the LGPS. In summary, each administering authority will have to consider and report against four key areas:
 - Governance – the organisation's governance around climate related risks and opportunities
 - Strategy – the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
 - Risk Management - The processes used by the organisation to identify, assess and manage climate-related risks
 - Metrics and Targets - The metrics and targets used to assess and manage relevant climate-related risks and opportunities
5. The key requirements are:
 - Establish and maintain a governance approach for oversight of climate risks and opportunities
 - Assess the impact of climate risks and opportunities on Funding and Investment strategies
 - Carry out scenario analysis reflecting different temperature pathway alignments (one of which must be "Paris aligned")
 - Establish and maintain processes for identifying and managing climate risks and opportunities
 - Report on a minimum of four prescribed climate metrics which need to be measured and disclosed annually
 - Set a (non-binding) target in relation to one metric, chosen by the authority
 - As part of ongoing disclosure requirements, publish an annual climate risk report. The Scheme Advisory Board will also prepare an annual report linking to individual funds' reports and aggregating figures for prescribed metrics
 - Other requirements including taking proper advice and having the required knowledge and skills.
6. Metrics – currently, four are proposed –
 - Total carbon emissions – see paragraph 7 below
 - Carbon footprint metric (this is intended to be a "carbon intensity" measure – reflecting that larger funds will inevitably have larger total emissions)

- Data quality – a statement indicating the proportion of the Fund’s assets for which data which is verified, reported, estimated or unavailable.
 - A Paris alignment metric - the percentage of the fund’s assets for which a public “Paris aligned” commitment has been made, i.e. net zero by 2050
7. Measurement is likely to be a particular challenge – as there are 3 types of emissions:
- Scope 1 emissions are all direct emissions from the activities of an organisation or activities under its control. These emissions include fuel combustion on site such as gas boilers.
 - Scope 2 emissions are indirect emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy which is eventually used by the organisation.
 - Scope 3 emissions are all other indirect emissions from activities of the organisation, occurring from sources that they do not directly control. These are sometimes the greatest share of a carbon footprint, covering emissions associated with business travel, procurement, production of inputs, use of outputs, waste, and water.
- Inevitably, it is much more difficult to measure scope 3 emissions accurately, and reporting on scope 3 emissions is less well developed.
8. To ensure consistency of reporting across the LGPS, it is likely that there will be mandatory guidance issued – and that the Scheme Advisory Board will develop a standard template for Funds’ use, which will also facilitate scheme level reporting.
9. Officers have prepared a draft response for the LBH Fund – this is attached at Appendix 1 for the Committee’s consideration and approval. Subject to that approval, the response will be submitted on the day following the Committee as that is the closing date for responses.

Legal Implications

10. There are no direct legal implications arising from this report.
11. The Pension Fund Committee has the following powers and duties:
- i. to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;
 - ii. the determination of applications under the Local Government Superannuation Regulations and the Teachers’ Superannuation Regulations;

- iii. to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;
- iv. to establish a strategy for the disposition of the pension investment portfolio; and
- v. to appoint and determine the investment managers' delegation of powers of management of the fund;
- vi. to determine cases that satisfy the Early Retirement provision under Regulation 26 of the Local Government Pension Scheme Regulations 1997 (as amended), and to exercise discretion under Regulations 8 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended, subject to the conditions now agreed in respect of all staff, excluding Chief Officers;
- vii. to apply the arrangements set out in (vi) above to Chief Officers where the application has been recommended by the Chief Executive, either on the grounds of redundancy, or in the interests of the efficiency of the service, and where the application was instigated by the Chief Executive in consultation with the leaders of the political groups.

Financial Implications

12. There are no immediate financial implications arising from the report. However, once the reporting requirements are defined and incorporated into Regulations, there will be a cost in compiling the relevant information. These costs will be met from the Pension Fund.

Risk Management Implications

13. The Pension Fund's Risk Register is reviewed regularly by the Committee. The next review will be considered elsewhere on the agenda for this meeting.

14. There are no specific risk management implications arising from this report.

Equalities implications / Public Sector Equality Duty

15. Was an Equality Impact Assessment carried out? No

16. There are no direct equalities implications arising from this report.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer
Date: 10/11/2022

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 09/11/2022

Chief Officer: Dawn Calvert
Signed on behalf of the Chief Executive
Date: 10/11/2022

Mandatory Checks

Ward Councillors notified: Not Applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager
Email: Jeremy.randall@harrow.gov.uk
Telephone 020 8736 6552

Background Papers: None