



Report of: Corporate Director of Resources

Meeting of: Pensions sub-Committee

Date 19<sup>th</sup> September 2022

Ward(s): n/a

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## **SUBJECT: PENSIONS SUB-COMMITTEE 2022/23 FORWARD WORK PROGRAMME**

### **1. Synopsis**

- 1.1 The Appendix to this report provides information for Members of the Sub-Committee on agenda items for forthcoming meetings and training topics.

### **2. Recommendations**

- 2.1 To consider and agree Appendix A attached
- 2.2 To note the consultation for LGPS to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). [Local Government Pension Scheme \(England and Wales\): Governance and reporting of climate change risks - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks)

### **3. Background**

- 3.1 The Forward Plan will be updated as necessary at each meeting, to reflect any changes in investment policy, new regulation and pension fund priorities after discussions with Members.
- 3.2 Details of agenda items for forthcoming meetings will be reported to each meeting of the Sub-Committee for members' consideration in the form of a Forward Plan. There will be a standing item to each meeting on performance and the LCIV.
- 3.3 Department for Levelling Up Housing and Communities (DLUHC) is consulting on proposals for new requirements on LGPS administering authorities on climate related risk. The consultation is for 12 weeks to 24 November 2022.

### 3.3.1 Summary of proposals

- i) Each LGPS Administering Authorities (AA) must complete the actions listed below and summarise their work in an annual Climate Risk Report.
- ii) The proposed regulations will apply to all LGPS Administering Authorities. The first reporting year will be the financial year 2023/24, and the regulations are expected to be in force by April 2023. The first reports will be required by December 2024. AAs will be expected to identify climate-related risks and opportunities on an ongoing basis and assess their impact on their funding and investment strategies.
- iii) AAs will be required to carry out two sets of scenario analysis. This must involve an assessment of their investment and funding strategies. One scenario must be Paris-aligned (meaning it assumes a 1.5 to 2 degree temperature rise above pre-industrial levels) and one scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.
- iv) AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.
- v) AAs will be expected to report on metrics as defined in supporting guidance. The proposed metrics are set out below.
  - a) Metric 1 will be an absolute emissions metric. Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions.
  - b) Metric 2 will be an emissions intensity metric. We propose that all AAs should report the Carbon Footprint of their assets as far as they are able to. Selecting an alternative emissions intensity metric such as Weighted Average Carbon Intensity (WACI) will be permitted, but AAs will be asked to explain their reasoning for doing so in their Climate Risk Report.
  - c) Metric 3 will be the Data Quality metric. Under the Data Quality metric, AAs will report the proportion the value of its assets for which its total reported emissions were Verified\*, Reported\*\*, Estimated or Unavailable.
  - d) Metric 4 will be the Paris Alignment Metric. Under the Paris Alignment metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner.
  - e) Metrics must be measured and disclosed annually.
- vi) AAs will be expected to set a target in relation to one metric, chosen by the AA. The target will not be binding. Progress against the target must be assessed once a year, and the target revised if appropriate. The chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the TCFD
- vii) AAs will be expected to publish an annual Climate Risk Report. This may be a standalone report, or a section in the AA's annual report. The deadline for publishing the Climate Risk Report will be 1 December, as for the AA's Annual Report, with the first Climate Risk Report due in December 2024. We propose that scheme members must be informed that the Climate Risk Report is available in an appropriate way
- viii) We propose that the Scheme Advisory Board (SAB) should prepare an annual Scheme Climate Report including a link to each individual AA's Climate Risk Report

(or a note that none has been published) and aggregate figures for the four mandatory metrics. We also propose that a list of the targets which have been adopted by AAs. We are open to views as to whether any other information should be included in the Scheme Climate Report.

- ix) We propose to require that each AA take proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.

3.3.2 Members are asked to note the proposals and share their views to include into the consultation response before 24 November.

## **4. Implications**

### **4.1 Financial implications**

4.1.1 None in the context of this report. The cost of providing independent investment advice is part of fund management and administration fees charged to the pension fund.

### **4.2 Legal Implications**

None applicable to this report

### **4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:**

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

### **4.4 Equalities Impact Assessment**

None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding

An equalities impact assessment has not been conducted because this report is seeking opinions on updating an existing document and therefore no specific equality implications arising from this report

## **5. Conclusion and reasons for recommendations**

5.1 To advise Members of forthcoming items of business to the Sub-Committee and training topics. Members are also asked to consider the consultation by DULHC on climate-related risk.

**Appendix A** - Proposed work program for annual committee cycle

**Background papers:**

None

Final report clearance:

**Signed by:**

**Corporate Director of Resources**

Date

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Financial implications Author: joana marfoh

Legal implications – n/a

## **APPENDIX A**

### **Pensions Sub-Committee Forward Plan September 2022 to June 2023**

Date of meeting	Reports <u>Please note</u> : there will be a standing item to each meeting on: <ul style="list-style-type: none"><li>• Performance report- quarterly performance and managers' update</li><li>• CIV update report</li></ul>
19 September 2022	<ul style="list-style-type: none"><li>• Whole Fund initial valuation results and training</li><li>• 4 year business plan review</li></ul>
21 November 2022	<ul style="list-style-type: none"><li>• Draft FSS review for consultation</li><li>• Objectives set for providers of investment consultancy –Annual review</li><li>• Investment strategy overview</li></ul>
December	Annual Pension Meeting
6 March 2023	<ul style="list-style-type: none"><li>• FSS consultation results</li><li>• ISS update</li><li>• Actuarial Valuation report</li></ul>
June 2023	

### **Past training for Members before committee meetings -**

<b>Date</b>	<b>Training</b>
November 2018	Actuarial update
June 2019-4pm	Actuarial review
February 2021	Net zero carbon transition training