

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Hampshire Pension Fund Responsible Investment Sub-Committee
Date:	5 March 2021
Title:	Task Force on Climate-Related Financial Disclosure (TCFD)
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Andrew Bouflower

Tel: 0370 779 6896

Email: andrew.bouflower@hants.gov.uk

Purpose of this Report

1. This report highlights the recommendations of TCFD and a draft report from the Hampshire Pension Fund reporting against the TCFD recommendations.

Recommendations

2. That the report is noted and the draft TCFD disclosure report is agreed for inclusion in the Pension Fund's Annual Report to be published in July 2021.

TCFD recommendations

3. TCFD is a global, private sector led group first assembled in December 2015 at the instigation of the international Financial Stability Board (FSB). The FSB established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. In 2017, the TCFD released climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation. The TCFD disclosure recommendations are structured around the following four thematic areas and are summarised in Appendix 1.

Figure 1: Core elements of recommended climate-related financial disclosures



Department for Work and Pensions (DWP) Consultation: Taking Action on Climate Risk

4. In August 2020 DWP published a consultation aiming to ensure that pension funds follow the TCFD disclosure recommendations, which it has published a response to in January 2021 with further consultation questions. The consultation recommendations are broken down into proposals for different size pension funds, with the largest set for those over £5bn, who would be required to adopt the full reporting first.
5. The Local Government Association have confirmed that the DWP consultation will not apply to LGPS funds like Hampshire, however it is expected that the Ministry of Housing, Communities and Local Government (MHCLG) will publish similar proposals once the DWP consultation closes and amendments to the Pensions Bill are finalised. In preparation for this it is recommended that the Hampshire Pension Fund produces a disclosure report against the TCFD recommendations. This will follow the good practice already adopted by a small number of other LGPS funds. Hampshire's draft TCFD disclosure report is included as Annex 1 to this report and it is recommended that if approved the report is included as part of the Responsible Investment update included in the Pension Fund's Annual Report to be published in July 2021.
6. The elements of TCFD are also part of the United Nations Principles of Responsible Investment (UN PRI) annual assessment which Hampshire committed to participate in following agreeing to sign the PRI in 2019. The text of Hampshire's TCFD report will be used as the basis of the relevant questions in the PRI assessment.

CORPORATE OR LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	No
People in Hampshire live safe, healthy and independent lives:	No
People in Hampshire enjoy a rich and diverse environment:	No
People in Hampshire enjoy being part of strong, inclusive communities:	No
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:	
For the ongoing management of the Hampshire Pension Fund	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals do not directly affect scheme members.

Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization's governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>
<p>a) Describe the board's oversight of climate-related risks and opportunities.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>
<p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>b) Describe the organization's processes for managing climate-related risks.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>
	<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>