# London Borough of Bromley Pension Fund

Pension Committee meeting
21 February 2024

London CIV | Delivering sustainable prosperity for our communities

2024132



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**Working together to deliver sustainable prosperity for the communities that count on us all**

www.londonciv.org.uk

London CIV

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# Three key steps to our Responsible Investment & Engagement approach


Source: London CIV

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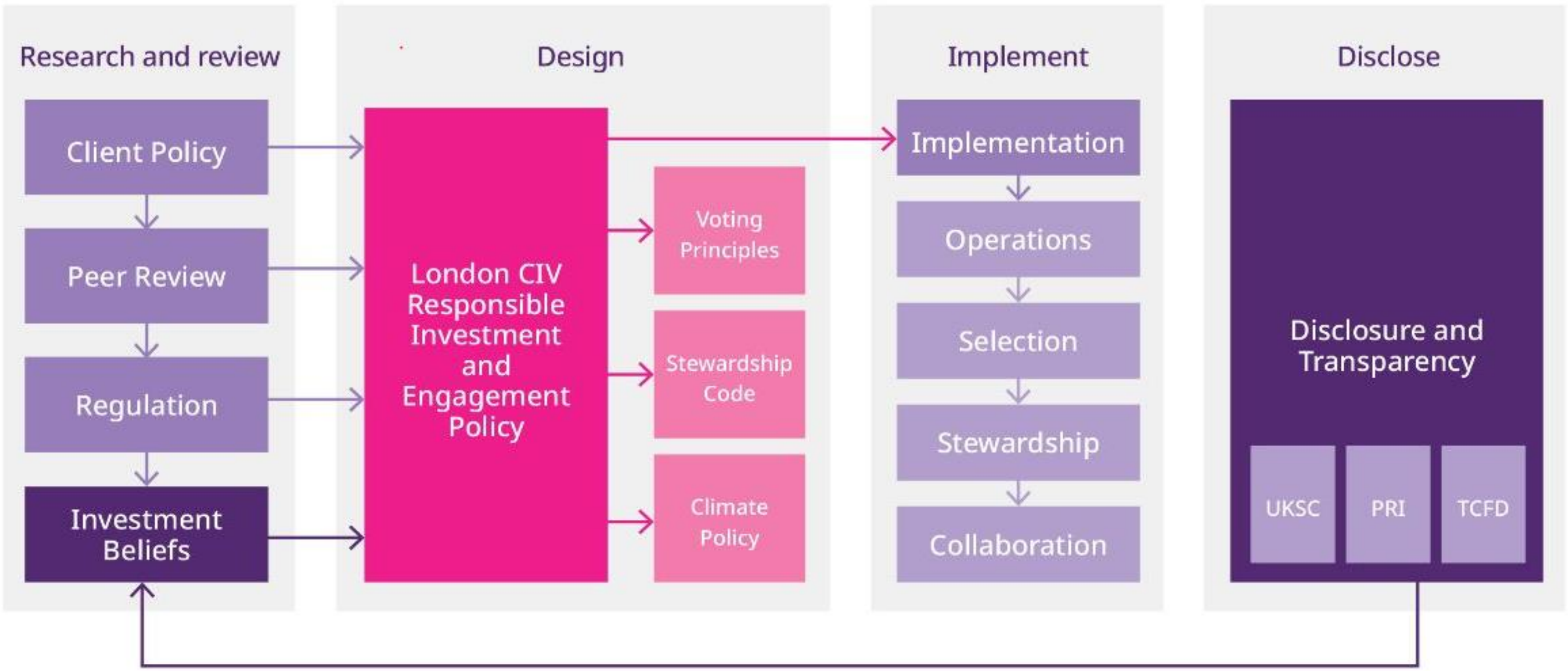
# Our Responsible Investment & Engagement Programme




Source: London CIV

# Core Elements of Recommended Climate-Related Financial Disclosures


## Governance
The organization's governance around climate-related risks and opportunities

## Strategy
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

## Risk Management
The processes used by the organization 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

Source: London CIV

# Appendix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| Fund | Coverage (%AUM) | Direct + First Tier GHG WACI (tCO2e/mGBP revenues) | Scope 1-2-3 GHG WACI (tCO2e/mGBP revenues) | Revenue-weighted Fossil Fuel Exposure (%) | Implied Temperature (°C)14 | SBTI Verified Near-term targets | SBTI Verified Long-term targets | SBTI Net-Zero Commitment |
|---|---|---|---|---|---|---|---|---|
| **LCIV Global Alpha Growth Fund** | 98% | 300 tCO2e/mGBP | 1335 tCO2e/mGBP | 0.4% | **<3°C** | 24.11% | 4.88% | 22.54% |

Source: London CIV TCFD Report 2023

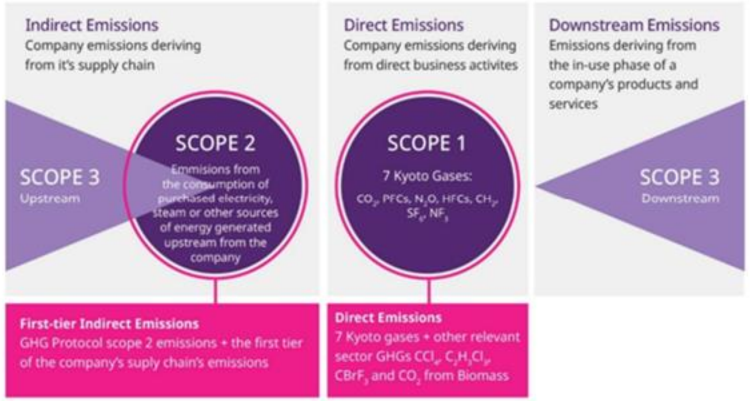
# Glossary of Terms

## Responsible Investment/ESG

- **Carbon Intensity:** Carbon emissions should be 'normalized' by a financial indicator (either annual revenues or value invested) to provide a measure of carbon intensity. The three most common approaches to normalization are:
  - Carbon to Revenue (C/R): Dividing the apportioned CO2e by the apportioned annual revenues
  - Carbon to Value Invested (C/V): Dividing the apportioned CO2e by the value invested.
  - Weighted Average Carbon Intensity (WACI): Summing the product of each holding's weight in the portfolio with the company level C/R intensity (no apportioning).

  C/R gives an indication of carbon efficiency with respect to output (as revenues are closely linked to productivity). C/V gives an indication of efficiency with respect to shareholder value creation. The WACI approach circumvents the need for apportioning ownership of carbon or revenues to individual holdings. Whilst the first two methods act as indicators of an investor's contribution to climate change, the weighted average method seeks only to show an investor's exposure to carbon intensive companies, i.e. is not an additive in terms of carbon budgets.

- **ClimateAction100+** is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. These include 100 'systemically important emitters', alongside more than 60 others with significant opportunity to drive the clean energy transition. For more information see http://www.climateaction100.org.
- **Emissions Scopes:**




  - Direct (Scope 1) = CO2e emissions based on the Kyoto Protocol greenhouse gases generated by direct company operations.
  - Direct (Other) = Additional direct emissions, including those from CCl4, C2H3Cl3, CBrF3, and CO2 from Biomass.
  - Purchased Electricity (Scope 2) = CO2e emissions generated by purchased electricity, heat or steam.
  - Non-Electricity First Tier Supply Chain (Scope 3) = CO2e emissions generated by companies providing goods and services in the first tier of the supply chain.
  - Other Supply Chain (Scope 3) = CO2e emissions generated by companies providing goods and services in the second to final tier of the supply chain.
  - Downstream (Scope 3) = CO2e emissions generated by the distribution, processing and use of the goods and services provided by a company

Source: London CIV

## Glossary of Terms

- **ESG** This stands for Environmental, Social and Governance and refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company or business.
- **Fossil Fuel Exposure:** London CIV assesses Fossil Fuel exposure by calculating the combined value of holdings with business activities in either fossil fuel extraction or fossil fuel energy generation industries. Company level exposure represents the combined weight in the portfolio or benchmark of companies deriving any revenues from fossil fuel related activities, while the Extractives Revenue and Energy revenue segments indicate the weighted average exposure to the revenues themselves.
- ***Net Zero*** is often referred to as a state in which any human-produced carbon dioxide or other planet-warming gases are balanced by removal from the atmosphere.
- ***NZAMI*** stands for Net Zero Asset Manager Initiative. This is a global group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius, and to supporting investing aligned with net zero emissions by 2050 or sooner.
- **Relative Efficiency:** The percentage difference between the carbon intensity of the benchmark and the fund.
- **UK Stewardship Code** A code which aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. Details of all signatories, with links to the statements on their websites are available on the Financial Reporting Council website https://www.frc.org.uk/investors/uk-stewardship-code.
- **Alpha** The incremental return of an investment manager when the market is stationary. In other words, it is the extra return due to non-market factors. A positive alpha indicates that an investment manager has produced higher returns than expected for a given level of risk.
- **Benchmark** An index which is representative of the performance of a Sub-fund based on the nature of risks taken and instruments used within the Sub-fund.
- **Beta** A measure of the sensitivity of the investment portfolio to the stated benchmark. A Beta of 1.0 implies a high degree of correlation of movement in returns between the portfolio and the benchmark. A Beta above or below 1.0 implies that the portfolio is more or less volatile than the benchmark.
- **Comparator Benchmarks** Indices which represent a style-appropriate reference index to compare performance. These have been selected following back-testing to ensure that they are appropriate to the Sub-fund.
- **Correlation** A statistical term which defines the percent of time two variables, such as portfolios or benchmark indices, move in the same direction. Correlation coefficients range from -1 to +1, with +1 indicating that the variables are perfectly positively correlated and are expected to move by the same amount in the same direction.
- **Current Yield** The annual income expected from a bond, or portfolio of bonds, divided by the market price of the underlying securities. This measure will fluctuate as the market value of bonds changes. However, the income received, which is based on par values, is constant.
- **Duration/Interest rate duration** A measure of the sensitivity of the price of a bond, or a portfolio of bonds, to changes in interest rates. An accurate predictor of price changes only for small, parallel shifts of the yield curve. For every 1 basis point fall/ (rise) in interest rates, a portfolio with duration of 1 year is expected to rise /(fall) in price by 1 basis point.

Source: London CIV

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Important information

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