

Investment, Governance and Engagement Committee

Meeting of the 19th July 2021

Item 4 Paper B

Chair's Report – Responsible Investment Advisory Group

Meeting held on 26th May 2021 – 11.00am to 1.00pm

Those attending –

Sandra Stewart – Greater Manchester Pension Fund – Chair
Graham Cook – Environment Agency
George Graham – South Yorkshire Pensions Authority
Debbie Fielder – Clwyd Pension Fund
Kevin McDonald – ACCESS
Valborg Lie – Central
Frances Deakin – LPP
Philip Pearson – Hymans Robertson
Jennifer O'Neill – Aon
Ashley Hamilton Claxton – RLAM
Piers Lawson – Baillie Gifford
Sarah Wilson – Minerva
Caroline Escott – RPMI Railpen
Joe Dabrowski – PLSA
Jonathan Sharma – COSLA
Pete Smith – Barnett Waddingham
John Neal – Unite
Ashley Hamilton-Claxton – RLAM

Observers –

Oliver Watson – MHCLG
Tom Harrington – Greater Manchester Pension Fund

Secretariat –

Jeff Houston – Board Secretary
Joanne Donnelly – Deputy Board Secretary

Item 1 – Welcome, introductions and apologies

The Chair opened by welcoming members to the meeting and reminded attendees of the agreement not to use the chat function in MS Teams and instead to use the “hands up” facility if they wish to make a point or raise a question.

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Apologies were received from Bob Holloway (Secretariat – LGA) and Tim Mpofu (Haringey Pension Fund).

Item 2 – Actions and Agreement from 14th April Meeting

Caroline Escott corrected the reference to “RMPI” to “RPMI Railpen” in the attendee list.

Agreed – that the actions and agreement paper represents a true and fair account of the meeting on 14th April 2021.

Item 3 – MHCLG Update on TCFD Reporting

Oliver Watson started by thanking the group for the helpful response provided to MHCLG following the last meeting and discussion of MHCLG’s plans. Oliver then updated the group on how MHCLG’s thinking is evolving. This included:

- a likelihood that the measures be more centrally prescribed than previously indicated and that the 3rd metric will relate to the quality of the data available across different asset types;
- However funds would be able to add a 4th climate-related metric, which would be discretionary;
- the intention is to ensure the metrics used enable easier comparison;
- the “as far as able” wording will be retained, and guidance will follow regulations;
- the requirement to report will be on individual funds but MHCLG are keen to ensure that the assistance that pools can provide with reporting is recognised;
- MHCLG is in contact with CIPFA around training available to consultants and advisers in the sector to ensure it is suitable for the increasing needs of funds.

In response, members made the following points:

- Regarding the data quality metric, whether that would be at asset level – i.e. in an equity portfolio would it be the portfolio overall or each share within it;
- Concerns were raised around the availability of data, the quality of that data (especially in relation to emerging markets) and the timeliness of it being provided to requestors. Concerns were expressed around the compliance of some private markets in response to reasonable requests for data;
- The group urged MHCLG to ensure that any targets set for the scheme were achievable. Although the ‘so far as able’ caveat was a welcome recognition of the difficulty in obtaining data LGPS funds should not be put in a position to

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fail as this would undermine the validity of the process. The group was also concerned that reporting information needs to be accessible to scheme members;

- The group expressed a desire to be involved in the development of the guidance to be issued following the laying of regulations, MHCLG confirmed this support would be welcome;
- The group asked for clarity around timing of regulations and their requirements – MHCLG indicated that the first reporting year was likely to be 2022/23 with the first reports becoming due in late 2023;

Item 4 – A to Z Responsible Investment Guide Update

Jeff Houston updated the group on progress since the last meeting. The RI A-Z site now includes an “information” category. In relation to vendor websites being used to provide definitions, an appropriate disclaimer has now been added to the site. Group members were reminded to continue sending case study examples to the secretariat for inclusion on the site.

It was mentioned that when advising on RI reporting, Minerva are recommending that all reports include a glossary – and emphasised how helpful the RI A-Z would be.

Item 5 – Response to DWP Social Impact Consultation

The group considered a draft response prepared by the Secretariat following initial input from the group via email. The group had a wide-ranging discussion about what additional points should be included in the response.

The group agreed that obtaining information around the “S” (social) factors was challenging, as it is significantly less well developed than information about “E” (environmental) factors.

Attention was drawn to the Trades’ Unions share owners’ voting guidelines document, which is publicly available on the TUC website.

Action – Secretariat to continue drafting the response and share with the group for further comments, noting the closing date of June 16th

Item 6 – AOB and date of next meeting

- Regarding the review of investment consultant’s membership – Redington had asked to be added to the list of consultants who rotate attendance. There was no opposition to this but concern about rotating attendance meaning a lack of consistency. Attention was drawn to the existence of an investment consultants’ group, which may wish to nominate more permanent representatives.

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Action – Secretariat to approach the group to discuss

- Jeff Houston updated the group about the establishment by DWP of the Occupational Pension Schemes' Stewardship Council. It is due to be officially launched by the minister on July 8th, Jeff attends Council meetings.
- Joanne Donnelly updated the group about the Stewardship Regulator's Group which she attends. The group is convened by the FRC, and attended by officials from DWP, BEIS, HMT and other regulatory bodies. At the latest meeting there was an update on applications to be approved as signatories to the new Stewardship Code. There were a number of LGPS funds and pools amongst the applicants, although it is understood that due to the timing of annual reports more funds and pools will be in a position to apply later in the calendar year. Those in the group who had already been through the process commended the FRC for their extremely helpful and pragmatic approach. It was noted that the FRC will be seeking feedback from applicants in due course, which will be conducted by academic researchers.
- Jeff Houston updated the group on a bill mentioned in the Queen's Speech on May 11th – the "Boycotts, Divestment and Sanctions" bill. The secretariat is preparing an updated note on the subject, which will be circulated to the group shortly.
- There was a discussion about whether the next meeting of the group (expected to be virtual) should use Zoom rather than Microsoft Teams. There was broad agreement to this with a request for any attendees who may find this problematic to contact the secretariat. There was also discussion about moving to in-person meetings once restrictions were lifted. The group broadly agreed that hybrid meetings would likely be necessary, to limit travel and ensure high levels of attendance.

Action – Secretariat to investigate whether meeting rooms at Smith Square will be adapted to enable hybrid meetings to go ahead using Zoom or MS Teams.

The next meeting will be held on July 7th.

Note - The Chair will give a verbal update of the RIAG meeting held on the 7th July 2021.