

Investment, Governance and Engagement Committee

Meeting of the 20th September 2021

Item 4 Paper B

Chair's Report – Responsible Investment Advisory Group

Meeting held on 7th July – 11.00am to 1.00pm

Those attending –

Sandra Stewart – Greater Manchester Pension Fund – Chair
Debbie Fielder – Clwyd Pension Fund
Graham Cook – Environment Agency
George Graham – South Yorkshire Pensions Authority
Kevin McDonald – ACCESS
Valborg Lie – Central
Frances Deakin – LPP
Jennifer O'Neill – Aon
Ashley Hamilton Claxton - RLAM
Piers Lowson – Baillie Gifford
Sarah Wilson – Minerva
Caroline Escott – RPMI Railpen
Joe Dabrowski – PLSA
John Neal (UNITE)

Observers –

Teresa Clay - MHCLG
Oliver Watson – MHCLG
Tom Harrington – Greater Manchester Pension Fund
Jonathan Sharma (COSLA)

Secretariat –

Joanne Donnelly – Deputy Board Secretary
Bob Holloway – Pensions Secretary

Item 1 – Welcome, introductions and apologies

The Chair opened by welcoming members to the meeting.

Apologies were received from Tim Mpofu (Haringey Pension Fund)

Item 2 – Actions and Agreement from 14th April Meeting

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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 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;

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- 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.

Meeting held on 1st September 2021 – 11.00am to 1.00pm

Those attending –

Sandra Stewart – Greater Manchester Pension Fund – Chair
Lily Tomson – The Pensions Council
Graham Cook – Environment Agency
George Graham – South Yorkshire Pensions Authority
Tim Mpofu – Haringey Pension Fund
Kevin McDonald – ACCESS
Valborg Lie – Central
Frances Deakin – LPP

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Piers Lowson – Baillie Gifford
Sarah Wilson – Minerva
Joe Dabrowski – PLSA
Sam Gervaise-Jones – bfinance
Ned Whitehead - Redington

Observers –

Teresa Clay - MHCLG
Oliver Watson – MHCLG
Tom Harrington – Greater Manchester Pension Fund

Secretariat –

Joanne Donnelly – Deputy Board Secretary
Bob Holloway – Pensions Secretary

Item 1 – Welcome, introductions and apologies

The Chair opened by welcoming members to the first hybrid meeting including new members Sam Gervaise-Jones and Ned Whitehead representing the consultants sector.

Apologies were received from Debbie Fielder (Clywd Pension Fund), Caroline Escott (RPMI Railpen), Ashley Hamilton Claxton (RLMA), John Neal (UNITE) and Jonathan Sharma (COSLA).

Item 2 – Actions and Agreement from 7th July Meeting

Agreed that the actions and agreements paper represents a true and fair account of the meeting of the 7th July 2021

Item 3 – Presentation from Lily Tomson, Occupational Pensions Stewardship Council

Lily Tomson gave the group a comprehensive and detailed account of the Pension Council's remit, governance, working methods and a timeline of their agenda. Full details of the Pensions Council can be found at

<https://www.gov.uk/government/groups/occupational-pensions-stewardship-council>

There followed a useful discussion about the council with a number of questions raised by the group on a variety of matters.

Item 4 – MHCLG Update on TCFD Reporting

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MHCLG confirmed that the public consultation on the LGPS' TCFD reporting regulations is due to be published in October 2021 and will run for 12 weeks. The aim is for the regulations to be in place in April 2022 with the first report to be published at the end of 2023 for the 2022/23 reporting period.

The group was advised by MHCLG that account had been taken of the concerns raised at the 7th July meeting about terminology, in particular, about the metric for measuring carbon footprint and that the consultation will follow the definitions used in the recent DWP consultation for private sector schemes.

The group highlighted the need for consistency in terminology, and with the existing TCFD framework – which many are already using as the basis for reporting. MHCLG confirmed that the consultation will be proposing the Weighted Average Carbon Intensity (WACI) metric to measure carbon footprint.

It was suggested that the LGPS will be able to learn from the experiences of private sector schemes' reports with the time lag enabling the LGPS to refine its reporting regime before the first reports are due.

Agreed – that the position as set out above is noted

Item 5 – A to Z Responsible Investment Guidance Update

The group was advised of the Secretariat's intention to survey pension committees and local pension boards on the uptake, useability and helpfulness of the A to Z guidance.

Agreed - that the Secretariat should proceed with a short survey subject to the Chair's approval.

Item 6 – SRG “Say on Climate” Survey

The group were invited to comment on the FRC's survey that had been circulated to members prior to the meeting. Several members agreed to circulate responses or briefing papers to group members and the Chair suggested that the Local Authority Pension Fund Authority (LAPFF) could be asked for a view. It was also suggested that there are some positive elements of the survey in particular on transparency and setting benchmarks for transition plans.

Item 7 – Pension Committee Engagement

The group were invited to comment on the growing number of cases reported in the media about pension committee meetings being interrupted by special interest and lobby groups.

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The group agreed that engagement with such organisations, where possible, should be the preferred approach but that SAB guidance in the run up to COP26 would be helpful, particularly where the membership of pension committees changed significantly at the May 2021 local elections.

Agreed that the matter would be raised at the forthcoming Investment Committee meeting on the 20th September with a recommendation that the committee should invite the Secretariat to prepare guidance.

Item 8 – AOB and date of next meeting

No AOB items were raised.

Agreed – that the Secretariat will circulate details of dates for the next six RIAG meetings to the group for comment.