

Investment, Governance and Engagement Sub Committee

Meeting – 20th September 2021

Item 3 Paper A

Actions and Agreements – Meeting on 19th July 2021

PRESENT

Cllr Yvonne Johnson	Chair
Cllr Robert Chapman	LAPFF
Peter Wallach	Practitioner
Rodney Barton	Practitioner
Mark Wynn	Treasurers
Glyn Jenkins	Members (Unison)
George Georgiou	Members (GMB)
Annemarie van Bochove Allen	Actuaries (Barnett Waddingham)
Keiran Harkin	Actuaries (Mercer)
Philip Pearson	Actuaries (Hymans)
Mary Lambe	Actuaries (Aon)
Sandra Stewart	Chair, RIAG
John Bayliss	GAD
Oliver Watson	MHCLG
Fiona Miller	Pool Operating Companies
Joanne Donnelly	Deputy Board Secretary, LGA
Bob Holloway	Pensions Secretary, LGA
Gareth Brown	SAB Secretariat, LGA

APOLOGIES

Apologies received from Peter Moore (CIPFA), John Neal (UNITE) and Jeff Houston (LGA). All other members (or substitutes) were present.

1. Welcome, introductions and declarations

The Chair welcomed all in attendance and introduced Gareth Brown who has replaced Liam Robson in the Secretariat.

2. The Chair advised members of the virtual meeting's protocol.

3. Actions and agreements from meeting of 19th April 2021

Glyn Jenkins (GJ) asked what action has been taken since the last meeting regarding scheme member representation in the asset pools.

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Bob Holloway (BH) explained that since the last meeting the Access asset pool has confirmed that the position reported to the committee in April, that is, no formal scheme member representation, remains unchanged. The Committee agreed that the Secretariat should seek details of scheme member representation across the eight asset pools in time for a report to be submitted at the next meeting on the 20th September.

Action – Secretariat to seek details of scheme member representation in the eight asset pools and report to the committee in September.

The minutes of the meeting on the 19th April 2021 were agreed.

4. RIAG – Chair's Report

Sandra Stewart (SS) informed members that the section on TCFD reporting given by Oliver Watson (OW) from MHCLG at the meeting held on the 26th May had attracted the most interest and comment. In particular, the group raised concerns about a lack of clarity and consistency in some of the terms MHCLG are proposing to take forward in their forthcoming consultation.

On the new A to Z online responsible investment guidance SS explained that a new information category has been added which includes a disclaimer if there is considered to be any clear and obvious marketing content. SS also advised members that the Secretariat are intending to survey administering authorities on usage and rating of the guidance together with a request for details of any relevant case studies.

SS advised members that following a request for nominations from the Investment Consultants Sustainability Working Group (ICSWG) to fill the two investment consultant seats on the group, Sam Gervaise-Jones (bFinance) and Edwin Whitefield's (Redington) names were submitted and approved by the group. Including members of the ICSWG will ensure a better level of representation across the investment consultants sector, and foster a more effective exchange of views between RIAG and both scheme and non-scheme consultants.

Councillor Chapman (RC) highlighted the important work that the Local Authority Pension Fund Forum (LAPFF) is undertaking on a

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range of responsible investment topics and advised members that the “S” of “ESG” is equally important for society.

Peter Wallach (PW) asked how members could access RIAG papers. BH explained that all meeting papers are posted on the SAB website and agreed that in future members will be alerted via email whenever new documents have been posted.

Agreed – that the Committee approved the names of Sam Gervaise-Jones and Edwin Whitefield to fill the two investment consultant seats on RIAG

SS advised members that the next meeting of the group in September was likely to be held at 18 Smith Square on a hybrid platform.

5. Consultations

Joanne Donnelly (JD) advised members that three consultation responses have been submitted since the committee last met:

- Pension Regulator’s single modular code,
- DWP’s call for evidence on social impact investing, and
- BEIS audit and corporate governance consultation.

There have been three further consultations issued since the last meeting:

- PLSA’s Responsible Investment quality mark project,
- TPR consultation on Climate-Related Governance and Reporting, and
- FCA’s consultation on TCFD reporting by asset managers

JD described the response to DWP as an excellent example of good collaborative working.

Agreed – that the committee notes the updates in the paper, and the position as set out above

6. Cost Transparency/Compliance Report

JD explained that the time was right for the Board’s Code of Transparency to be reviewed and updated, as the last review took place in 2017. It was planned to include a new provision allowing SAB to publish anonymised aggregated data, amongst other mainly minor amendments.

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Changes may also be made to paragraph 20 allowing SAB to remove any signatory to the Code on ethical grounds.

The usual compliance report had not been completed due to the end-of-year process interfering with reporting timescales; the Secretariat advised that a more complete and accurate compliance report would be presented to the next committee meeting.

Fiona Miller (FM) said that the three month deadline for the submission of templates was proving very difficult in certain asset classes and that Border to Coast was working with Byhiras on an alternative section to remedy this. JD advised members that the Secretariat were due to meet Byhiras on the 20th July to discuss this and a range of other issues.

Agreed – that the committee notes the position as set out above

7. Good Governance Project Update

BH advised members that a response from MHCLG to the action plan submitted to the Ministry by SAB in February was still awaited and that in the meantime the Secretariat will consider taking forward the elements of the action plan that are not contingent upon MHCLG's approval.

Annemarie van Bochove Allen (AVBA) asked whether the outcome of the Secretariat's discussions could be run past the committee. BH confirmed that this would be the case.

FM advised members that cyber security was an essential element of effective governance and that the FCA are using cyber security to measure operational resilience.

Mary Lambe (ML) referred to the proposed Pension Regulator's modular code and stressed the need for consolidating it with the outcome of the good governance project.

RC asked if a list of the recommendations in the SAB action plan was available. BH advised that the action plan is available on the SAB website.

Agreed – that the committee notes the position as set out above.

8. MHCLG Regulatory Update including TCFD Reporting

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Oliver Watson (OW) advised members that MHCLG's early thinking on proposals for the scheme's TCFD reporting framework has been shared with RIAG who provided valuable feedback. The consultation is expected to be published in October and will broadly follow the proposals set out recently in the consultation undertaken by DWP for private sector schemes on the basis that the LGPS' reporting framework should be just as good. One exception would be that the LGPS's proposals will not include a threshold on assets under management meaning that all 86 administering authorities will be required to report from year 1.

OW also made reference to a proposed data quality metric to help ensure that administering authorities are not unfairly criticised in what they report.

FM agreed with the point made by OW on data quality and that care will need to be taken in setting targets. Funds working together with their asset pool will be important. OW responded by confirming that administering authorities will be responsible for reporting against the framework, but that asset pools will have a key role.

OW made reference to the concerns expressed by RIAG about definitions and clarity in the terms to be used in the forthcoming consultation on the carbon intensity metric. He advised members that there are various ways in which this can be measured, including the emissions intensity weighted average, and that consultees will have the opportunity to comment on the most appropriate measure.

OW advised members that league tables based on published reports will be inevitable and is something that funds and the scheme will need to learn to live with. However, some good things can result, in particular from the scheme wide report compiled by the Board that is being proposed in the consultation.

In response to a question from ML, OW confirmed that there will be a 12 week consultation period.

RC remarked that consultation in October will not be ideal given the tight deadline for year 1 reporting and urged MHCLG to avoid any delay in the consultation beyond October.

Rodney Barton (RB) agreed that data quality will not be perfect and that league tables will be inevitable.

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In answer to a question from BH, OW confirmed that guidance will take two forms with MHCLG publishing high level statutory guidance, with the Board being asked to prepare more detailed, operational guidance.

Agreed – that the committee notes the position as set out above

8. AOB

ML asked whether any progress has been made on the promised pooling guidance. OW responded by saying that this remained on the Ministry's radar but that other more urgent work is taking priority.

9. Date of Next Meeting

The date of the next meeting is provisionally set for the 20th September 2021 and is likely to be a hybrid meeting, with in person attendance at 18 Smith Square possible.

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