

Investment, Governance and Engagement Committee

Meeting – 19th July 2021

Item 5 Paper C

CONSULTATIONS

To consider whether to recommend the Board responds to the following consultations – either in full or part. Plus an update on previous consultations.

Current live consultations that it would be useful for the Board to respond to, either in full or part are listed below together with a summary of each of the consultations and a recommendation about the nature of a response from the Board. Where consultations have previously come to committee an update is provided in respect of progress.

1. HMT Review of the UK funds regime – a call for input (closing date April 20th 2021) <https://www.gov.uk/government/publications/review-of-the-uk-funds-regime-a-call-for-input> “This call for input is wide-ranging, covering direct and indirect tax and relevant areas of funds regulation. This reflects the fact that firm- and fund-level decisions are taken by reference to the overall commercial, tax and regulatory environment for funds. It will also consider broader issues important to the success of the regime such as the roles of industry and government to make the UK regime a global success, for example through trade promotion.”

Recommendation – The Board should respond in part, reminding HMT of the potential impact of any changes on LGPS funds. Funds have been asked to respond to the Secretariat to enable us to compile a response.

Update – Response submitted and follow up meeting with HMT held on June 15th. Constructive conversations with HMT ongoing.

2. TPR consolidated code of conduct (closing date May 26th 2021) <https://www.thepensionsregulator.gov.uk/en/document-library/consultations/new-code-of-practice> “This consultation focuses on the draft content for the first phase of our new code of practice. The new code consists of 51 shorter, topic-based modules. The new code will replace 10 of our existing codes of practice. These mainly deal with the governance and administration of pension schemes. The consultation also incorporates changes introduced by the Occupational Pension Schemes

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(Governance) (Amendment) Regulations 2018. These relate to effective systems of governance and the own-risk assessment.”

Recommendation – Indications are that some Funds and Pools will respond directly to TPR’s consultation; the Board should also respond on relevant points.

Update – Response submitted, TPR confirmed around 20 LGPS responses received amongst approx. 100 in total. Constructive conversations continuing with TPR. Expectation is little change to proposed new Combined Code – expect Board to compile a “Guide to the Combined Code for the LGPS” in due course, once TPR respond to the consultation.

3. DWP call for evidence on social impact investment (closing date June 16th 2021) <https://www.gov.uk/government/consultations/consideration-of-social-risks-and-opportunities-by-occupational-pension-schemes> “A 12-week Call for Evidence launched today will seek views on how pension scheme trustees understand social factors and how they are included in their Environmental, Social, and Governance (ESG) policies. Social factors can present a wide range of potential risks to a scheme’s investments, but they can also present lucrative investment opportunities. Responses will help inform Government on the steps needed to ensure that trustees are better able to meet their legal ESG obligations. This will help increase policymaker and industry understanding of what is currently being done, and what more could be done, to ensure both the risks and opportunities presented by social factors are adequately considered by pension schemes.”

Recommendation – The Board should task the RIAG with considering how to respond to this call for evidence.

Update – RIAG assisted with drafting the response, which was submitted to DWP. Awaiting response/further contact from DWP.

4. BEIS audit and corporate governance (closing date July 8th 2021) <https://www.gov.uk/government/consultations/restoring-trust-in-audit-and-corporate-governance-proposals-on-reforms> (just the section on stewardship code) “In this white paper we’re seeking views on proposals to strengthen the UK’s framework for major companies and the way they are audited. The proposals set out how companies should report on their governance and finances, how reports should be audited, how audit and the audit market should change, and how these should be overseen by a new regulator. The objectives of these reforms are to restore public trust in

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the way that the UK's largest companies are run and scrutinised; ensure that the UK's most significant corporate entities are governed responsibly; empower investors, creditors, workers, and other stakeholders by giving them access to reliable and meaningful information on a company's performance; and keep the UK's legal frameworks for major businesses at the forefront of international best practice."

Recommendation – only the section on the Stewardship Code is relevant in this consultation; the Board could ask the RIAG to draft a response.

Update – Brief response submitted, BEIS expecting around 400 consultation responses – response to the consultation may not come until late 2021.

5. In the "[Investing with Purpose: placing stewardship at the heart of sustainable growth](#)" report from the Asset Management Taskforce, dated November 2020, there were three recommendations (see pages 12 – 13 and 54 – 56) which apply to the LGPS. These were recommendation 16 – the establishment of a stewardship council by June 2021; recommendation 17 – the establishment of a stewardship regulators forum during 2021; and recommendation 18 – funds and pools should become signatories to the stewardship code. The FRC were tasked to work with relevant asset owners during 2021 and beyond on recommendation 18.

We will bring the committee up to date on the latest progress against each of these recommendations.

Update – DWP launched the [Occupational Pension Schemes Stewardship Council](#) on July 8th. The OPSC aims to develop a stronger overall voice of trustees within the market, especially in relation to service providers. It also enables opportunities for schemes to collaborate on stewardship activities such as shareholder resolutions, climate change, corporate governance and other topics. Jeff Houston represents the SAB on the Council.

6. TPR consultation on Climate-Related Governance and Reporting (closing date 31st August 2021)
<https://www.thepensionsregulator.gov.uk/en/document-library/consultations/climate-change-guidance> "This consultation seeks your views on two documents that outline our approach to new requirements for the governance and reporting of climate-related risks and opportunities."

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Recommendation – this is aimed at trust-based schemes, but as we are expecting similar proposals for the LGPS on TCFD before the end of the calendar year it is of interest. The Board should task RIAG with considering this consultation and drafting a response.

7. PLSA Responsible Investment Quality Mark (closing date 3rd September 2021). "[We're consulting on a new set of standards that recognise responsible investment by pension schemes](#). To help schemes and savers, we have developed a set of standards that will allow schemes to gain a new accreditation that will reassure savers that schemes are performing well against a broad range of standards across their operations. The Responsible Investment Quality Mark will offer:
 - a new standard to which schemes can aspire,
 - the opportunity to share best practice among schemes, and
 - a scheme member-focussed way to demonstrate activities in this area.

The RIQM is intended to be accessible for pension schemes of all types and all sizes, with an assessment approach designed to respond intelligently and flexibly to the scale and resources of the relevant scheme, so that not only the largest and best resourced schemes will be able to qualify".

Recommendation – The Board should task RIAG with considering this consultation and drafting a response.