

Investment, Governance and Engagement Committee

MEETING OF THE 21st FEBRUARY 2022

ITEM 9 PAPER E

CHAIR'S REPORT – RESPONSIBLE INVESTMENT ADVISORY GROUP

MEETING HELD ON 5th JANUARY 2022 – 11.00am to 1.00pm

PRESENT

Sandra Stewart – Greater Manchester Pension Fund – Chair
Graham Cook – Environment Agency
George Graham – South Yorkshire Pensions Authority
Tim Mpofu – Haringey Pension Fund
Debbie Fielder – Clywd Pension Fund
Kevin McDonald – ACCESS
Valborg Lie – Central
Frances Deakin – LPP
Piers Lowson – Baillie Gifford
Sarah Wilson – Minerva
Sam Gervaise-Jones – bfinance
Ned Whitehead – Redington
John Neal - UNITE

Observers –

Teresa Clay - DLUHC
Oliver Watson – DLUHC
Tom Harrington – Greater Manchester Pension Fund
Jonathan Sharma – COSLA
Steve Smellie – Scotland SAB (UNISON)

Secretariat –

Jeff Houston – Board Secretary
Joanne Donnelly – Deputy Board Secretary
Bob Holloway – Pensions Secretary
Gareth Brown - Analyst

Item 1 – Welcome, introductions and apologies

1. The Chair opened by welcoming members to the first meeting in 2022.

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2. Apologies were received from Caroline Escott (RPMI Railpen), Ashley Hamilton Claxton (RLAM) and Joe Dabrowski (PLSA).

Item 2 – Actions and Agreement from 1st September 2021 Meeting (Paper A)

3. Agreed that the actions and agreements paper represents a true and fair account of the meeting of the 1st September 2021.

Item 3 – Letter from Michael Lynk (Paper B)

4. The group was advised that the letter was considered by SAB when it met on the 13th December 2021 and that the Secretariat have had discussions with DLUHC and LAPFF about next steps.
5. SAB agreed that steps should be taken to arrange a meeting with Michael Lynk and the LAPFF Chair to discuss the action points included in the letter and to query some of the claims and statements made in the letter. In particular, it will be important to clarify how/why companies are included in the UN database and how they can be removed.
6. The group was advised by DLUHC that the government does not support the UN database and does not consider it an appropriate role for the UN to undertake. Members were also reminded that the government is bringing forward in the Boycott, Divestment and Sanctions Bill its manifesto commitment to ban boycotts against foreign nations.
7. A number of comments were made by practitioner members of the group including the difficulty of obtaining information about individual companies; the importance of assessing financial materiality and, where appropriate, engagement.
8. The group also supported the comment that more should be done to co-ordinate all the work being undertaken by fund authorities and others on engagement.

Agreed – that the position as set out above is noted

Item 4 – 2020 Stewardship Code

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9. The group was advised that ten applications from LGPS fund authorities and two from asset pools were submitted during the last window in October 2021.

Agreed - that the position as set out above is noted

Item 5 – DLUHC Update

10. The group was advised that Ministers are taking a very broad look at investments.
11. There was no update on when the TCFD consultation will be published and members were advised that it was unlikely that regulations would be in place by April 2022. This will affect the implementation and reporting timetable. In response to a question members were advised that fund authorities would not be penalised or put in a difficult position in the absence of any regulations.
12. The group was reminded that many fund authorities and some asset pools were already reporting on TCFD and that others could follow suit even without regulations. But concerns were raised about consistency and on what basis the reporting would be undertaken.
13. The group was advised that Ministers in Scotland are keen to take action on TCFD reporting and are in regular contact with the Scottish Public Pensions Agency (SPPA).
14. Members were also assured that there will be alignment with the reporting frameworks for asset managers and that the consultation will include proposals for clarifying whether asset pools fall within the definition of fiduciary managers under the CMA Order.

Agreed - that the position as set out above is noted

Item 6 – Productive capital/Impact Investing in the LGPS

15. The group was advised that in anticipation of the Levelling Up White Paper due to be published in February 2022 work should be undertaken to assess the extent and scope of local, social and place-based investments that LGPS fund authorities already have under management and to publish the results in a paper. The paper could also explore the barriers to such investments.

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16. The exercise could also explore the scope for agreeing a common set of definitions to ensure that any data collected can be compared on a robust basis provided that steps were taken to ensure that fund authorities weren't fettered in their choice of investment vehicles.
17. It will be important to differentiate between those investments that have a clear intent to achieve impact and those where impact is just an outcome.

Agreed - that the Secretariat prepares a scoping paper for the investment committee to consider when it meets on the 21st February.

Item 7 – DWP Consultation on Paris Alignment Metric

18. The Group was taken through a paper setting out the proposals in DWP's consultation on introducing a new Paris Alignment metric in the TCFD reporting regulations for private sector schemes.
19. Discussions focused on the problems surrounding the disclosure of information from companies with elements of protectionism limiting what is being provided.
20. The group also raised the concern over whether asset pools or fund authorities should set such targets and who would be accountable if they were not achieved.
21. Concern was also raised over the use of the ITR metric and whether the LGPS should explore using a range of measures.

Agreed - that the position as set out above is noted

Item 8 – AOB and date of next meeting

22. No AOB items were raised.

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