

Responsible Investment Advisory Group (RIAG)

MEETING – 15 NOVEMBER 2023

Item 2 Paper A

Hybrid Meeting (MS Teams and Room 6.5, 18 Smith Square)

Actions and Agreements from 11 September 2023

Those attending –

Name	Organisation
Sandra Stewart	Greater Manchester Pension Fund – Chair
George Graham	South Yorkshire Pension Fund
Tom Harrington	Greater Manchester Pension Fund
Oliver Watson	DLUHC
John Neal	UNITE
Jeremy Hughes	LGA – Senior Pensions Secretary
Becky Clough	LGA – Board Support and Policy Officer
Ona Ehimuan	LGA – Pensions Secretary
Marion Maloney	Environment Agency
Kevin MacDonald	ACCESS Pool
Frances Deakin	Local Pensions Partnership (LPP)
Graham Cook	Phoenix Group
Sarah Wilson	Minerva
Piers Lowson	Baillie Gifford
Sam Gervaise-Jones	bfinance
Ashley Hamilton Claxton	Royal London Asset Management (RLAM)
Tiffany Tsang	Pensions Lifetime Savings Association (PLSA)

Item 1 – Welcome, introductions, apologies, and declarations of interest

1. The Chair opened by welcoming members to the meeting. Apologies were received from Jacqueline Jackson (London CIV), Edwin Whitehead (Redington), Debbie Fielder (Clwyd Pension Fund), John Rae (WLGA), Gareth Brown (LGA) and Joanne Donnelly (LGA – Head of Pensions).
2. There were no declarations of interest.

Item 2 – Actions and Agreements from 17th May 2023

3. Piers Lowson (PL) stated that under Item 6, Baillie Gifford's Siobhan McCleary delivered a teach in session on TFND, not Climate Risk Reporting.

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Responsible Investment Advisory Group (RIAG)

Following that amendment, it was subsequently agreed that the actions and agreements paper represented a true and fair account of the meeting.

Item 3 – DLUHC Update

4. Oliver Watson (OW) informed the Group that the Department were looking to respond to the Investments consultation responses swiftly after the closing date. There was no update on the Climate Risk Reporting consultation. The Minister had confirmed that there would not be implementation of the regulations in 2023/24 and DLUHC officials were in the process of advising the Minister on next steps. It was not expected that there would be a second policy consultation but there would be a period of consultation on draft regulations before they were finalised.

Item 4 – Report from Cross-Pool Responsible Investment (RI) group

5. Becky Clough (BC) informed the Group that the Cross-Pool RI group met on the 31st August 2023. The Terms of Reference for the cross-pool RI group were centred around identifying the possibilities for creating common reporting metrics between pools now, whilst waiting for LGPS specific regulations in this area. It was noted that pools were at varying stages on the journey of climate risk reporting.
6. The group agreed that any information that could be useful in facilitating consistency of reporting metrics would be shared and were keen to collaborate, where possible. Examples of reporting from non-LGPS pension schemes were shared and discussed within the Cross-Pool group, specifically the work undertaken by RailPen and The Pensions Regulator.
7. The group also considered the possibility of holding events to share the development of work within pools and funds in this area and to support knowledge and skills.

Item 5 – Investment Consultation

8. Ona Ehimuan (OE) informed the Group that the long-awaited Investments consultation opened on 11 July 2023 and would be closing on 2 October 2023. The consultation covered various areas including next steps on pooling, Levelling Up and a proposed 10% private equity target. The SAB had convened a working group to develop a response and was now preparing the final response for approval. The Group was invited to comment on the consultation and asked specifically if there were any comments on the Levelling Up and private equity aspects of the consultation.

Responsible Investment Advisory Group (RIAG)

9. On Levelling Up, there was concern that the Government had categorised place-based investing as an asset class, which it is not. It was also noted that the proposal for a single set of data on investments across annual reports and LGPS statistics commitment would require support from the SAB. This would undoubtedly require an increase in resources, a message which was reiterated by the Group as the SAB's input in achieving the Department's proposals was mentioned in various areas of the consultation. It was also noted that measuring the impact of Levelling Up investments, which was arguably more important than the AUM, was still a work in progress.
10. There was also concern with the consultation proposal to increase private equity allocations as this was known for being an asset class with less transparency around fees and governance. Also noted was the risk around the government mandating investment in any particular asset category, potentially cutting across the funds fiduciary duty which required careful consideration of a fund's particular circumstances (eg maturity, appetite for risk and market opportunities).

Item 6 – Economic Activity of Public Bodies (Overseas Matters) Bill

11. JH informed the Group that the second reading and debate of the Bill was held before the parliamentary summer recess. The LGA submitted written evidence to the Bill's Committee stage and Jo Donnelly gave oral evidence to the Public Bill Committee in early September.
12. The Bill, if passed as drafted, would entail a major revision to the Stewardship role of funds and cut across the current understanding of fiduciary duty. It was commented that the Bill was inconsistent with previous Governmental commitments such as the Global Compact and International Labour Organisation.
13. It remained to be seen how quickly Bill would progress through Parliament and whether amendments could be made to mitigate its impact on LGPS. It was explained that a carry-over motion had been passed so work to pass the Bill could be continued from the second reading stage to the new Parliamentary session which starts on 7 November. Timetabling would also be affected by the anticipated General Election.

Item 7 – Financial Reporting Council (FRC) Report on ESG Data Distribution and Consumption

14. Sarah Wilson (SW) introduced Item 7 to the Group. The FRC had issued a report on optimising the flow of ESG data from companies to investors. The report was brought to the Group to raise general awareness of its contents and whether there is any impact within the LGPS sector.

Responsible Investment Advisory Group (RIAG)

15. Both SW and Marion Maloney (MM) expressed the view that any initiative that would enhance reporting in the ESG area without creating a significant increase in workload would be welcome. Frances Deakin (FD) noted that while listed equity was well covered in the report and more would need to be done to increase availability of ESG data in other asset classes.

Item 8 – UK Sustainability Disclosure Technical Advisory Committee – Call for evidence

16. BC informed the Group that the UK Sustainability Disclosure TAC had issued a call for evidence to inform the proposed endorsement of the IFRS Sustainability Disclosure Standards in the UK. The call for evidence would be closing on 11th October 2023 and supplementary information had been circulated to the Group. The Group noted this update.

Item 9 – Financial Conduct Authority (FCA) proposed equity listing rule reforms

17. BC introduced item 9 to the Group. GG explained his understanding that this proposal had come about due to the belief that lower shareholder engagement standards would increase the number of businesses choosing to list in the UK. Whether the proposal of these reforms was the right move was a matter of perspective and it might actually lead to fewer business listing in the UK, as many investors would want the chance to exercise voting rights. SW said that there was no solid evidence that this move would have the desired effect as countries such as the US had much more stringent listing rules. FD supported this saying that more stringent rules did not necessarily lead to less companies listing in a country.

Item 10 – Any other business and date of next meeting

18. JH flagged that the SAB was helping to pull together the Local Authority Responsible Investment Summit, and this would take place on 10th October at the IET on Savoy Place in London.

19. JH also informed the Group that Mufti Faraz Adam of Amanah Advisors Ltd had been awarded a contract to write a report on Sharia Compliance in the LGPS. The Group agreed to invite Mufti Faraz Adam to the next RIAG meeting to present his findings.

20. The Group also agreed that Sheila Stefani from LGPS Central Pool should join the group, replacing Valborg Lie who recently stepped down.

21. The date of the next meeting is 15th November at 2pm to be held via MS Teams and at Smith Square.

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