

Responsible Investment Advisory Group

Meeting 1st September 2021 – 11.00am to 1.00pm

Paper A – Actions and Agreements

7th July 2021 Meeting – 11.00am to 1.00pm

Those attending –

Sandra Stewart (Greater Manchester Pension Fund) – Chair
Graham Cook – Environment Agency
George Graham – South Yorkshire Pensions Authority
Debbie Fielder – Clwyd Pension Fund
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 received from Tim Mpofu (Haringey Pension Fund).

Item 2 – Actions and Agreement from the 26th May Meeting

Agreed – that the actions and agreement paper represents a true and fair account of the meeting on the 26th May 2021.

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Item 3 – MHCLG Update on TCFD Reporting

MHCLG advised the group that consultation on MHCLG's TCFD reporting proposals is likely in the Autumn, possibly in September.

The proposed framework will be largely prescriptive with administering authorities being required to report against three metrics similar to those proposed by DWP for private sector schemes. The three metrics comprise:-

- Total carbon emissions target (with no requirement to report on scope 3 emissions in year 1);
- Emissions intensity target (carbon footprint for the LGPS), and
- Any carbon connected metric including a report on data quality at fund level

Administering authorities will be allowed to report against different metrics in addition to the above.

The group reported that “carbon footprint” was not an accepted technical term and that more precision will be needed to ensure that reporting is robust and consistent. Carbon footprint can be taken to mean total emissions measured against the emissions intensity weighted average. Administering authorities will need to know exactly what they are being required to measure. MHCLG thanked the group for these helpful comments.

The group noted that a fund template, as well as a taxonomy, was being prepared by the FCA. The group asked MHCLG whether they are confident that their proposed framework will be consistent, as there appeared to be some inconsistencies between the DWP provisions and the FCA's consultation.

MHCLG confirmed that discussions with the FCA have taken place and that any inconsistencies can be picked up in response to the forthcoming consultation on LGPS specific provisions.

The Chair warned about the dangers of poor co-ordination and the undesirable position of potentially having FCA regulated asset managers/pools reporting to a different framework than LGPS funds.

The group noted that the Pensions Regulator has undertaken to look favourably at schemes who make an effort to achieve good governance and disclosures and asked whether MHCLG will be taking the same view. In response MHCLG said that it regards the LGPS as a safe environment and that the Pension Regulator's remit would not therefore be the same. There will be no penalties or fines as being proposed for private sector schemes. The Chair remarked that the LGPS is “different” rather than “safer” and questioned what the proposed disclosures will look like and who will be using them.

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MHCLG invited the group to comment on the proposal for administering authorities to report against a data quality metric. Members agreed that such a metric would be helpful but that good quality data will be difficult to obtain from certain markets, for example, private equity, and measuring data quality will help to ensure that administering authorities are not unfairly criticised for their results. The differences in asset allocations across the 86 administering authorities highlighted the support that individual authorities will need to complete their reports. But given the reporting timescale of the end of 2023, stakeholders will have until 2024 to achieve improvements in data quality.

Agreed – that the group noted the above position.

Item 4 – A to Z Responsible Investment Guide Update

The Secretariat advised the group that feedback on the new guide remained positive and helpful. The group suggested that the Secretariat could survey administering authorities on the usage and usefulness of the online guide.

Action – The Secretariat to prepare a draft survey for the group to consider at the next meeting.

Item 5 – Response to DWP Social Impact consultation

The group were advised that the Board's response based on earlier comments from the group was sent to DWP on the 25th June.

Agreed – the group note the position set out above.

Item 6 – Investment Consultant's membership update

Reference was made to the meeting held earlier with the Investment Consultants Sustainability Working Group (ICSWG) to seek two nominations from the group to fill the two investment consultant seats on the group. The two names nominated by ICSWG were Sam Gervaise-Jones, CFA, Senior Director, Head of Client Consulting UK & Ireland, bfinance and Edwin Whitehead, CFA, Responsible Investment - Client Lead, Redington. Biography notes of both candidates were circulated to group members prior to the meeting.

Recommendation – that the Chair should seek approval of the above names at the next meeting of the Investment, Governance and Engagement Committee on the 19th July.

(Postscript – Approval was granted by the Investment, Governance and Engagement Committee when it met on the 19th July)

Item 7 – AOB and date of next meeting

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There were no AOB items.

The provisional date for the next meeting is the 1st September, which will again be conducted via Zoom but is likely to be a 'hybrid' meeting with the opportunity to attend in person at 18 Smith Square.

Bob Holloway
Pensions Secretary
Scheme Advisory Board.

28th July 2021