

# Investment, Governance and Engagement Committee

<b>DATE:</b>	<b>20 November 2023</b>
<b>VENUE:</b>	<b>Hybrid Meeting (MS Teams and 18 Smith Square)</b>
<b>TIME:</b>	<b>11:00 – 13:00</b>

## AGENDA

Item		Paper	Timings
1	Welcome, introductions, apologies and declaration of interests		11:00
2	Meeting protocol		11:05
3	Actions and Agreements from 3 <sup>rd</sup> July 2023	<b>Paper A</b>	11:10
4	Sharia Compliance Update (presentation from Mufti Faraz Adam)		11:15
5	Code of Transparency Compliance Update	<b>Paper B</b>	11:40
6	Provision of Code of Transparency On-Line Compliance System	<b>Paper C (CONFIDENTIAL)</b>	11:45
7	Update on Economic Activity of Public Bodies (Overseas Matters) Bill - aka Boycotts, Divestment & Sanctions (BDS) Bill		12:05
8	Climate Risk Reporting		12:15
9	Private Equity Lobbying		12:25
10	Updated terms of reference	<b>Paper D</b>	12:30
11	Committee workplan	<b>Paper E (CONFIDENTIAL)</b>	12:35
12	RIAG Report		12:40
13	DLUHC Update		12:50
14	AOB and Date of next meeting		12:55

# Investment, Governance and Engagement Committee

## MEETING – 20 NOVEMBER 2023

### Item 3 Paper A

## HYBRID MEETING – 3<sup>RD</sup> JULY 2023

### ACTIONS AND AGREEMENTS

#### PRESENT

Cllr Yvonne Johnson  
Cllr Robert Chapman  
Sandra Stewart

Peter Wallach  
Euan Miller  
Nick Buckland  
Jeffrey Dong  
David Walker  
Mary Lambe  
Tony English  
Pete Smith

Fiona Miller  
Andrew Dobbie  
Richard Lane  
Christophor Ward  
Teresa Clay  
Jonathan Hunt  
Joanne Donnelly  
Jeremy Hughes  
Becky Clough  
Gareth Brown  
Ona Ehimuan

Chair – L.B. Ealing  
LAPFF  
Greater Manchester Pension Fund  
(Chair of Responsible Investment  
Advisory Group)  
Practitioner – Merseyside  
Practitioner – WYPF  
Practitioner – Kent  
Treasurer – Swansea  
Investment Consultant (Hymans)  
Governance Consultant (Aon)  
Investment Consultant (Mercer)  
Investment Consultant (Barnett  
Waddingham)  
Asset Pool – Border to Coast  
UNISON  
Academies Representative  
Government Actuary's Department  
DLUHC  
Consultant to the LGA  
Head of Pensions, LGA  
Senior Pensions Secretary, LGA  
Board Support & Policy Officer, LGA  
Research & Data Analyst, LGA  
Pensions Secretary, LGA

### Item 1 - Welcome, introductions and declarations

1. The Chair welcomed all in attendance.

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2. Apologies had been received from George Georgiou (GMB). Gary Delderfield (Eversheds Sutherland) was absent without apology.
3. In relation to Item 6 – Provision of Code of Transparency Online Compliance System, Mary Lambe (Aon) declared that Aon currently held a contract with ClearGlass, which is authorised as an Aon sub-contractor to offer Investment Management Cost Monitoring and Reporting Services through the LGPS Frameworks. Though she was not a part of the team involved in the work relating to the contract, she informed the Committee as a representative of Aon she would not be commenting on the contents of Paper C to avoid any conflict of interest.

## **Item 2 – Meeting Protocol**

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

## **Item 3 – Actions and agreements from the meeting of 15<sup>th</sup> May 2023**

5. The actions and agreements from the previous meeting were agreed as a fair and true record of the meeting.

## **Item 4 – Code of Transparency Compliance Update**

6. Ona Ehimuan (OE) introduced Paper B to the Committee. Since the November 2022 meeting, compliance with the Code of Transparency online system across 2019/20 had remained the same at 96%, for 2020/21 it had risen slightly to 96% (from 95%, mainly due to roundings) and for 2021/22 had risen to 92% (from 89%). The last quarter had seen Code signatories making good use of the system.
7. The Committee also received an update on the fund managers that had a significant number of late uploads. The Secretariat would continue engagement with these managers to facilitate the upload of these late templates.
8. Fiona Miller (FM) asked whether the figures for private and public markets should be reported separately, as she understood that it was private markets causing the most issues with late reporting. Jeremy Hughes (JH) confirmed that seemed to be the case and agreed to provide this data. He added that despite the late provision of private equity templates, many funds were keen to see the reporting deadline

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in the Code reduced from 90 days so that the data contained in them could be reported in annual accounts. The statutory deadline for producing accounts is May 31<sup>st</sup>. There was some discussion about how this might work with those asset classes, like private equity or infrastructure, where valuations were less frequent and took longer to do.

9. Tony English (TE) added that it would also be useful to have the ten largest non-signatories to the Code named in the next compliance report. It was agreed that the Secretariat would provide this in the next report and that the current list of the non-signatories would be sent to all Committee members.

**ACTION – That the Secretariat provide a breakdown of the timeliness of template completion for private markets and other asset classes separately.**

**ACTION – That the Secretariat name the ten largest non-signatories to the Code of Transparency in the next compliance report.**

**ACTION – That the Secretariat send the ten largest non-signatories to the Code of Transparency to Committee members.**

## **Item 5 – Code of Transparency Training and Awareness Workshops**

10. Ona Ehimuan (OE) gave an update on the progress with the Code of Transparency workshops that the Board had arranged as part of the agreed Code of Transparency Training and Awareness Programme.
11. The first workshop was held on 21<sup>st</sup> June 2023 in London and informal feedback from attendees had shown that the session had been successful in promoting the usage of the system. However, the Secretariat would have liked to have more Committee/Board members in attendance at the London session. The next session would be going ahead on 11<sup>th</sup> July 2023 in Manchester. A previously scheduled workshop in Bristol on 20<sup>th</sup> July 2023 had been cancelled due to a combination of a low number of sign ups and train strikes announced by the RMT union.
12. Workshops were also due to go ahead in Wolverhampton, Leeds, Cardiff and Edinburgh in September 2023. Noting that not many funds

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had signed up to the Leeds session yet, FM agreed to raise this with her pool's partner funds directly.

## Item 6 – Provision of the Online Compliance Reporting System

13. JH introduced Confidential Paper C to the Committee. The Code of Transparency had been successful with over 90% of LGPS assets under management held by Code signatories. The associated reporting system managed by Byhiras was launched in March 2020 after the award of the contract in August 2019. Overall, the system had met the initial aim of providing data in a consistent format for the purpose of cost transparency management, but usage of the system by fund practitioners had been lower than expected.
14. As the contract for provision of the reporting system is due to come to an end in August 2024, the Board needed to consider the strategic options about the future of the reporting system. Three options (outlined below) are to be presented to the Board meeting later in July, but this Committee was invited to comment on the options and commentary around them:
  - a. To allow the current contract to expire in August 2024 and not reprocure a replacement system;
  - b. To extend the current contract until August 2026, under the terms in the existing contract which provide for this;
  - c. To reprocure the system largely as is but potentially with some moderate changes, or to procure a new system, with potentially different functionalities to the current system.
15. The confidential Paper C set out in more detail the pros/cons, budgetary and timing considerations of each option to the Committee. Although the final decision on the preferred option would be taken by the Board, the Committee was invited to comment on the analysis of options.
16. Richard Lane (RL) proposed a move to accrediting existing software systems and having fund managers subscribe to those systems as opposed to SAB procuring a bespoke data system. TE also queried who owned the intellectual property for the current system. JH explained that the SAB owned the current system code and that the system currently in use was designed specifically for the LGPS. This

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was because when the system was procured, there were no other systems available with equivalent functionality.

17. TE also asked about the industry's acceptance of the CTI templates and whether an estimate had been made of the compliance cost of using them. Jo Donnelly (JD) said that feedback from meetings with the Investment Association and the PLSA was that investment managers were happy to use the templates and their use was now largely embedded.
18. The Committee felt it was important to clearly establish the purpose of the system - e.g. was it simply to monitor compliance with the Code or was it also to facilitate analysis of the data reported? Jonathan Hunt (JHu) added that data quality was still an issue and the way managers were compiling the templates uploaded to the system was inconsistent.
19. Andrew Dobbie (AD) added that Unison envisioned that the data should be used by Pension Boards and Committees to have an informed conversation on investment costs. If the system was just used for compliance and reporting, then that was a missed opportunity to use the data to dynamically understand and manage costs.
20. FM said that compliance with the Code of Transparency was now embedded in reporting arrangements for her pool, but it had not been cheap to achieve that. She noted issues with private markets and said tackling this was an important step in addressing the asymmetry of information in the LGPS. It was agreed that the Board would consider how it could more effectively leverage LGPS' influence on private markets, and a first step could be to bring this up at the next meeting of the pool Chief Executives. JD also recommended making contact with the British Private Equity and Venture Capital Association.
21. It was also recognised that cost data from the system could be exported for use with benchmarking services, but that these extra services came at a cost.
22. The Committee concluded that the Cost Transparency Initiative remained important and that the analysis in the paper was robust covering each potential option. The Secretariat confirmed that the Board would be presented at its next meeting with a paper making a recommendation on the preferred option. It was also agreed that the

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original specification for the online reporting system be shared with the Committee.

**ACTION - That the Secretariat consult with pool Chief Executives on a strategy to better leverage data transparency with private equity managers**

**ACTION - That the Secretariat share the original specification for the Byhiras reporting system with the Committee**

**ACTION - That the Secretariat present a paper to the Board on the future of the online reporting system at its next meeting on 17<sup>th</sup> July 2023**

## **Item 7 – Sharia Compliance Update**

23. OE gave an update on the progress of the report the Board had procured on Sharia Compliance in the LGPS. The contract for the report had been awarded to Amanah Advisors Ltd on 16<sup>th</sup> May 2023, following a procurement evaluation panel on 11<sup>th</sup> May 2023. Members of the panel were Jo Donnelly (Board Secretary), Jeremy Hughes (Deputy Board Secretary), Simon Taylor (Assistant Director – Pensions, WMPF) and Ona Ehimuan (Pensions Secretary, LGA).
24. The Secretariat held a project initiation meeting with Mufti Faraz Adam (CEO, Amanah Advisors Ltd) on 24<sup>th</sup> May 2023 and a follow up meeting on 26<sup>th</sup> June 2023 to discuss progress with the report. The Secretariat were informed at the later meeting that most of the research required to write the report had been concluded and writing of the report was expected to commence imminently. It was expected that the report would be completed within the three-month timescale requested by the Secretariat.

## **Item 8 – RIAG Report**

25. RIAG Chair, Sandra Stewart (SS) introduced Paper D to the Committee. The most recent RIAG meeting was held on 17<sup>th</sup> May 2023.
26. The Group had invited representatives from The Good Economy, the Impact Investing Institute and 3Ci to talk about their contributions to the ideas contained in the Government's 2021 "Levelling Up White Paper" and what their current thinking on these issues was.

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27. It was explained that the 5% local infrastructure investment target was first quoted by the Impact Investing Institute as an observation about what a “reasonable aspiration” would be, rather than a target. The Group discussed a broad range of topics during the meeting covering managing conflicts of interests, how scheme members’ views could be taken on board and the role of pools. SS felt that many investment opportunities were too small to be of interest to pools and would continue to need to be considered at fund level. FM said in response that her pool was still able to work alongside their partner funds, bringing their expertise to the due diligence element of the process. The Group also emphasised that it should be clear that any Levelling Up investment by LGPS funds could not be a substitute for grant funding by the Government. JD confirmed that the Board was trying to engage with the UK Infrastructure Bank to see if it was possible to work collaboratively on this issue.
28. A cross-pool level working group on responsible investment had been convened by the Secretariat and met for the first time on 31<sup>st</sup> May 2023, with representatives from each of the eight pools attending. The group would be looking at building a common approach to climate risk reporting. The remit of the group was discussed as well as hearing from each pool about their current approach and state of readiness to meet the expected new duties on climate risk reporting. A follow-up meeting was being arranged.
29. On 24<sup>th</sup> May 2023, Siobhan Cleary from Baillie Gifford gave a presentation to the Group (and other Board and Committee members) on what the Taskforce on Nature-Related Financial Disclosures (TNFD) might mean for LGPS funds and how it related to the similarly initialed proposals around climate risk.

## Item 9 – DLUHC Update

30. Teresa Clay (TC) gave an update on the progress of the Department’s work since the last meeting. Officials were still reviewing the responses to last year’s climate risk [consultation](#) but any new obligations would only take effect from 2024/25 at the earliest. This has now been confirmed by the [Minister in a letter to the SAB Chair](#). TC hoped that DLUHC’s response to the consultation would be published by Autumn 2023. The consultation covering Levelling Up, investment pooling and



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other points on LGPS investment policy is still hoped to be released before Summer 2023 recess (20 July).

31. Jo Donnelly (JD) informed the Committee that the Board's position on climate reporting was that funds should be using the delay in implementing the new duties as an opportunity to better prepare for them and consider producing a voluntary report next year.
32. TE asked whether the Board was developing a template for funds wishing to report their climate data voluntarily. SS explained that there were different stages of preparedness for climate risk reporting and the cross-pool group mentioned in item 8 were looking at this, whilst aware that this was a considerable extra resource demand. JH added to this, saying that it was hoped that a basic model for funds to utilise would be in place for voluntary reports to be issued in December 2024.
33. Mary Lambe (ML) asked for an update on Good Governance. TC informed the Committee that the Compliance and Reporting Committee had active workstreams that were feeding into the shaping of the Department's response to the Good Governance recommendations, but there were no timescales on the issue of the associated consultation at present.

## **Item 10 – AOB and date of next meeting**

34. JD informed the Committee that the frequency of meetings would be an item for discussion at the next Board meeting on 17<sup>th</sup> July 2023. The current Terms of Reference for the Board mandated a minimum of four meetings a year, but the Board would be asked to approve a reduction to three times a year to allow for a smoother workflow and management of work throughout the year. If the Board agreed this change, the Committee also agreed to reduce the number of its own Committee meetings to three times a year.
35. JD said that the Economic Activity of Public Bodies (Overseas Matters) Bill (more commonly known as the BDS Bill) was getting its second reading that day. The LGA had produced a technical brief for Parliamentarians, but SAB's own representations were likely to be more substantive. An initial comment on the Bill was already on the SAB website. JD added that concerns about the intent and drafting of

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the Bill had already been raised across the House. AD said that he would circulate the brief that Unison had produced on the Bill.

**Action – AD to send Unison brief to the Secretariat for forwarding around the Committee.**

36. The date of the next meeting was confirmed as 20<sup>th</sup> November 2023

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# Investment, Governance and Engagement Committee

**Meeting – 20 November 2023**

**Item 5 – Paper B**

## **LGPS Cost Transparency Compliance Update (standing agenda item)**

### **Recommendations:**

- **That the Committee notes this summary**

### Background

1. The LGPS Investment Code of Transparency (Code) was first published in May 2017 requiring signatories to provide certain cost information to their LGPS clients. Initially, this was on a bilateral basis between fund manager and LGPS client. To enable the SAB to have direct oversight of Code compliance as well as see scheme-wide cost data, the SAB procured an online system, specifically for the LGPS, which is provided by Byhiras. This was launched at the end of March 2020.

### Recent developments

2. The table in Annex A sets out how uptake and use of the system has developed since the system was launched. In terms of “headline numbers” for timeliness, the overall percentage of completed templates for 2019/20 has risen slightly to 97%. The largest proportion of missing templates remain in the infrastructure and unlisted equity asset classes.
3. For 2020/21 the overall completion rate remains at 97%. Late templates remain predominantly in the unlisted equity (more commonly known as private equity) and active listed equity asset classes.
4. For 2021/22 the overall completion rate remains at 95%. Late templates are predominantly in the unlisted equity, infrastructure, active listed equity and ‘other’ asset classes.
5. For 2022/23 the overall completion rate has risen to 95% (up from 41% in July 2023). Late templates are predominantly in the unlisted equity, infrastructure, active listed equity, active listed fixed income, private debt and ‘other’ asset classes.
6. Though only 3.6% of templates are late, across all years excluding 2023/24 (data to be collected after end of FY23/24), private market templates form a majority of these late templates with the mean average being 64.4%.

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	Percentage late, private markets	Percentage late, all
2019/20	77.7	2.5
2020/21	50.7	2.6
2021/22	70.4	4.1
2022/23	58.9	4.6

7. The Secretariat is looking to engage in high-level discussions aimed at increasing transparency in private markets which over time will hopefully improve this issue. Fund managers that have significant number of late templates, many of which are private market templates can be found at paragraph 9.
8. The Secretariat continue their engagement and dialogue with fund manager signatories to set up their schedules and complete the relevant templates. LGPS pension fund investment teams have also been prompted to follow up directly with their asset managers where schedules and templates were (or are) missing or late.
9. Since the last meeting, we have had 3 new managers sign up to the Code:
  - Newfleet Asset Management on 18 September
  - Fiera Capital Europe on 6 October 2023
  - Securis Investment Partners on 2 November 2023.
10. We have also been working to encourage the largest non-signatories to sign up to the Code. Since the last meeting, we have contacted 12 funds that use any of the largest non-signatories to the Code. We have had responses from some fund officers confirming they have contacted their managers to encourage them to sign up to the Code. We have not yet been contacted by the underlying fund managers but will continue to engage where possible to encourage sign up.
11. The Secretariat has identified fund managers that have a significant number of late templates. These are as follows:
  - a. Neuberger Berman Europe Limited has 107 late templates at the time of writing (24 for 2020/21, 30 for 2021/22, 47 for 2022/23 and 6 for 2023/24), an increase from 78 late templates at the last meeting. The Secretariat made contact with Neuberger in November 2023 to discuss the lateness of these templates. We have been assured that the matter has been escalated and will be resolved. We will continue to maintain periodic contact to ensure that issues preventing the upload of late templates are resolved.

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- b. Partners Group UK Limited have 34 late templates at the time of writing (9 for 2019/20, 8 for 2020/21 and 17 for 2021/22), which is a decrease from 41 late templates at the last meeting. The Secretariat made contact with Partners Group in November 2023 and they informed us that the late templates for FY2021/22 have been sent to their clients, however they have been having issues uploading them to the Byhiras system. The Secretariat have put them in touch with Byhiras to seek a resolution to the issue and we will continue to make contact with them to seek updates.
  - c. JP Morgan Asset Management have 62 late templates at the time of writing (24 for 2019/20, 2 for 2020/21, 19 for 2021/22 and 17 for 2022/23), which represents no change from the last meeting. The Secretariat made contact with JP Morgan in November 2023. We have been informed that the late templates have been caused by an issue uploading their infrastructure templates to the system. JP Morgan is working with Byhiras to resolve the issue and have assured us that the late templates have been sent to their clients in the meantime. The Secretariat will remain in contact with them to ensure the issue is resolved.
12. The Secretariat will continue to work with fund managers to resolve issues that are preventing better compliance.

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## Annex A

### Headline statistics on cost transparency compliance system users and uses

#### Cumulative totals to the date shown

Date	No. of managers on system	Total no. of schedules established	No. of templates complete	No. of templates due	No. of templates late
June 2020	46	1,023	922	96	5
January 2021	69	1,358	1,265	0	93
April 2021	86	2,984	1,394	1,448	142
September 2021	95	4,252	3,639	163	450
November 2021	103	4,551	3,732	208	611
February 2022	107	4,995	3,863	439	693
May 2022	114	7,326	4,089	2,215	1,022
September 2022	113	7,102	6,360	53	744
November 2022	115	6,884	6,411	15	458
February 2023	114	7,147	6,508	264	363
May 2023	114	9,584	6,869	2,344	371
July 2023	113	9,706	7,751	1,603	352
November 2023	115	9,792	9,418	15	359

#### Totals (non-cumulative) for each financial year

Date	No. of managers with schedules	Total no. of schedules established	No. of templates complete	No. of templates due	No. of templates late
2019/20	77	1,423	1,387	0	36
Change from July 2023	No change	Down 7	Up 5	No change	Down 12
2020/21	104	2,582	2,515	0	67
Change from July 2023	Up 1	Down 5	Up 4	No change	Down 9
2021/22	111	2,797	2,682	0	115
Change from July 2023	Up 1	Down 4	Up 13	No change	Down 17
2022/23	113	2,945	2,811	0	134
Change from July 2023	No change	Up 58	Up 1,623	Down 1,603	Up 38

#### Scheme Advisory Board Secretariat

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Local Government Pension Scheme

# Investment, Governance and Engagement Committee

## Scheme Advisory Board Secretariat

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# Investment, Governance and Engagement Committee (IGE)

**MEETING - 20 November 2023**

**ITEM 10 – PAPER D**

**UPDATED TERMS OF REFERENCE (ToR)**

**Background:**

1. The Committee's current Terms of Reference (ToR) have been in place since 2016 and set out the membership and functions of the Investment, Governance and Engagement Committee (IGE). The ToR is published on the Scheme Advisory Board (SAB) website, alongside the meeting reports.
2. In July 2023, the SAB agreed to reduce its meeting frequency from a minimum of four to a minimum of three times a year. The meeting frequency was changed because it was proving increasingly difficult to fit in each year (with sensible breaks in between) the four meetings required by the previous ToR. The SAB agreed an updated ToR for the main Board and proposed an update to all Committee ToR's regarding meeting frequency. This change was also agreed in principle at the previous Committee meeting.
3. The SAB Secretariat team have amended the IGE ToR to reduce the meeting frequency. The team are also undertaking a wider review of the current document to ensure it is still relevant and feedback from Committee members is welcome.

**Recommendation:**

4. To approve the updated ToR and agree for it to be published on the SAB website.