

Scheme Advisory Board

HYBRID MEETING – 25 NOVEMBER 2024

ITEM 13 – PAPER J

INVESTMENT COMMITTEE CHAIR'S REPORT – 11 NOVEMBER 2024

Code of Transparency Data System

1. The Committee noted the work done by the Secretariat team to address non-compliance with the Code by signatories. The rate of template completion for 2023/24 stood at 95% at the time of the meeting and around 98% for previous years. The Secretariat would be continuing to chase any Code signatories with a high number of late templates.
2. The Committee also considered a confidential paper outlining progress with the ongoing project to determine the longer-term future of the Code of Transparency data system. An updated project plan was presented to the Committee along with an update on the work being undertaken in the current phase of the project. The comments made by the Committee were fed back to the executive panel who have made a recommendation to the Board on this project. A separate confidential paper has been submitted to the Board on this (Item 7 on the agenda).

Update of Fiduciary Duty advice

3. The Committee were informed that the Board had received [advice](#) from Nigel Giffin KC on the allegation that funds might face future criminal action by the International Court of Justice or have liability in domestic law under the Terrorism Act 2000 or the International Criminal Court Act 2001, as a result of holding investments in companies which have been linked to the ongoing situation in the Middle East. Members of the Committee noted that the advice has been extremely useful, as had been the [statement](#) published by the Board on dealing with lobbying in September 2024. Fuller advice on the evolving legal understanding of the fiduciary duty is expected in the coming weeks and will be published on the SAB website.

Funding Strategy Statement Guidance

4. The Committee were informed that the FSS Guidance had been updated by the Board with the input of practitioners from the FSS Guidance working group established by the Compliance and Reporting Committee (CRC) and the final draft of the guidance was noted. The Committee was asked to note that the FSS guidance now sets out that funds should be clear on their approach to assessing the potential impact of climate risk, how this is used in decision making, risk

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management and how it links with other management strategies. However, as the subject of climate risk reporting is an evolving area, annexed to the FSS guidance was a separate “climate principles document” that is referenced in the guidance and was drafted by fund actuaries and is broadly supported by GAD. The Committee were invited to comment on that statement of principles document particularly.

Responsible Investment Advisory Group (RIAG) Report

5. The Group discussed the proposed requirement in the Labour General Election manifesto for all pension schemes to develop a credible transition plan that aligns with the 1.5°C temperature rise goal of the Paris Agreement and the government’s desire for greater investment in assets that contribute to local growth and impact investing.
6. The Group discussed whether a formal definition of the fiduciary duty would be helpful. The Committee also discussed the possibility of the government underwriting investments in strategically significant infrastructure and the possibility of using new financing models to finance impact investing.
7. The Group also welcomed the [recent statement](#) by the Board to address dealing with increasing queries about how LGPS funds are invested. The Group felt it would be very helpful in briefing and setting the ground-rules for pension committee and board members.
8. The Group agreed that the updated Terms of Reference be finalised and submitted to the Board for approval. The updated ToR can be found at Annex A.

Recommendation – that the Board notes the report and approves the RIAG’s updated terms of reference.

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ANNEX A

Responsible Investment Advisory Group (RIAG)

Terms of Reference

Constitution

1. The Group is established by the Local Government Pension Scheme Advisory Board in exercise of its power under regulations 110 (4) and (5) of the Local Government Pension Scheme Regulations 2013.

Functions of the Group

2. The functions of the Group are as follows:
 - To advise the Board and the Investment Committee (the Committee), as requested, on all matters relating to Responsible Investment

Operation of the functions

3. In fulfilling its functions the Group will:
 - Report directly to and take instructions from the Committee
 - Be both reactive in terms of work commissioned by the Board and Committee and proactive in terms of approaching the Board and Committee with their own proposals for consideration
 - Seek the agreement of recommendations to the Committee by consensus of the Group which, after discussion by Group members, shall be determined by the Chair. Where consensus cannot be reached, or where the view of the Chair is challenged, the recommendation to the committee should include any contrary view expressed by individual group members
 - Direct all applications to engage with the media on the Group's behalf to the Chair of the Group for permission.

Membership

4. Membership of the Group will be as agreed by the Board below:

Chair – from the LGPS

Administering Authority – London

Administering Authority – Shire Counties

Administering Authority – Met Districts

Administering Authority – Wales

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LGPS Pool representatives

Consultant 1*

Consultant 2*

Asset Manager 1

Asset Manager 2

Special Interest

Wider Industry

PLSA

Scheme Member

(* The two consultant seats will be nominated by the Investment Consultants Sustainability Working Group).

5. Steps must be taken to ensure that all eight LGPS asset pools (companies and partnerships) are represented in the Group across the Chair, authority and pool representatives.
6. Members of the group are appointed in a personal capacity and are not expected to represent the views and positions of their organisations on any matter discussed or agreed by the Group.

Chair - appointed by the Board

7. At any point the Chair may stand down from that position or may be removed by a vote of the Group. The Group may recommend the removal of the Chair to the Board on the passing of a no confidence motion. Before discussing a no confidence motion the Group will appoint an Acting Chair in line with paragraph 9 below.
8. Person(s) in the role of Chair may retain those roles for a period of no longer than two years and may be nominated on no more than two occasions.
9. Where the Chair is not in attendance or to discuss a no confidence motion, the members of the Group shall appoint an Acting Chair from the present members for the meeting in question. At all Group meetings, it shall be the duty of the Chair or Acting Chair to ensure that all Group members show respect to the process and are provided with equal access to the floor. The Chair or Acting Chair shall also determine when consensus has been reached.

Nominations for members

10. Nominations for the appointment of Group members shall be as follows:

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Administering Authority seats – Nominated by the Committee

Pool company/partnership seats – Nominated by the Committee

Consultant seats – Two members nominated from the Investment Consultants Sustainability Working Group

Asset Manager seats – Nominated by the Committee

Special Interest seat – Nominated by the Committee

Wider Industry seat – Nominated by the Committee

PLSA seat – Nominated by PLSA

Scheme Member seat – Nominated by Board member representatives

All nominations are subject to approval by the Board.

Term of appointment of Group members

11. The term of appointment for all Group members is a period of no longer than 4 years (subject to the practicalities of appointment processes). Group members may be re-nominated at the end of their term no more than once.

Secretariat

12. The Board will provide a Secretariat function for the Group, including a Group Secretary, funded from within the Board budget. The Board may at any time choose to change the provider of the Secretariat function subject to the terms of the agreement with the LGA and the procurement section of these terms of reference.

Workplan

13. The Group is required to develop and submit a work plan for approval by the Investment Committee on an annual basis within the timescales advised by the Committee.
14. The Group shall strive to conduct the key areas of work in line with the agreed work plan, but the work plan will be subject to flexibility to respond to other matters as they arise. The Chair of the Group must update the Committee on a regular basis on progress against that Group's work plan including any additional areas of work.

Working Groups

15. The Group may establish working groups from within its membership as and when required, whether short-term or otherwise.

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16. The Group will be responsible for developing and agreeing the terms of reference of any working groups. Working groups should limit their considerations to their remit and provide, as requested, information and options to the Group who shall reserve the ability to make recommendations as it sees fit.
17. Chairs of working groups shall be nominated from and agreed by the members of the Group.
18. Nominations for membership of working groups may come from the Chair of the Group, members of the Group or the secretariat.
19. The Chair of the Group together with the Chair of the relevant working group shall seek to achieve a balance in the membership of the working group between the various stakeholders.
20. The outcome of working groups is to be reported solely to the Committee via the Chair of the Group who shall determine the extent and scope of any resulting actions.

Transparency and Communication

21. The membership, appointment processes, meeting dates, agendas and the actions and agreements of the Group shall be published regularly by the Secretariat on the LGPS Advisory Board website. Any discussion points included in the Actions and Agreements document will not be attributed to individuals unless the group and the individual agrees that it would be in the best interests of the transparency of the group to do so.

Attendance

22. All Group members are expected to regularly attend meetings. Where a member of the Group fails to attend regularly, the Chair may seek for that person to be replaced by another representative, in accordance with the nomination process detailed in the membership list above

Quorum

23. The Board will have formal quorum of 50% of the membership, rounded up where the membership is an odd number, provided that within that 50% at least half are members representing scheme members, administering authorities or pool companies and partnerships.

Frequency of Meetings

24. The Group will meet a minimum of four times a year. The Chair may call meetings more frequently if deemed necessary or on the joint

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request of two or more Group members. Except in situations to consider matters of urgency, all meeting dates will be communicated at least one month in advance. The Group will strive to agree dates of meetings on a calendar year basis by the preceding 30th November.

Declaration of interests

25. Each member of the Group will be expected to declare, on appointment and at each meeting any interests which may lead to conflicts in the subject area or specific agenda of that Board.
26. The Chair of the Group must be satisfied that a person nominated as a member of the Board does not have a conflict of interest or can effectively manage that conflict as a member of the Group.
27. Each member of the Group must provide the Secretariat with such information as is reasonably required for the purposes of maintaining and publishing a conflicts register.
28. It shall be the responsibility of the Chair of the Group to ensure that the Committee is made aware of, and provided with the necessary information in relation to, any conflict of interest which the Chair deems to be material or potentially material to the work of the Group.
29. At each meeting of the Group the Chair shall require members to declare any potential material conflict of interest with regard to any of the agenda items. If a conflict is declared the Chair shall determine if the member cannot effectively manage that conflict and/or the position of the Group may be undermined by that conflict, and if so may ask the member not to participate in the meeting during that item.
30. The SAB Secretariat will adopt the role of ensuring that the Chair of the Group does not have a conflict of interest in the same way as the Chair does in relation to all other Group members.
31. Where two or more Group members disagree with the judgement in relation to a potential conflict of interest made by the Chair (or Acting Chair as the case may be) the matter will be considered by the Group as an item of urgent business and agreed by consensus. The member in question may be asked to leave the meeting for part or all of the time whilst the matter is being considered.
32. “Conflict of interest” means a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the Group (but does not include a financial or other interest arising merely by virtue of membership of the LGPS or the provision of services to the LGPS).

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33. “Material conflict of interest” means of financial or other interest which could lead to the member or any organisation to which the member belongs benefitting financially or otherwise as a result of any agreement or recommendation in relation to the agenda item.

Administration

34. The Group Secretary will agree an agenda with the Chair prior to each Group meeting. The agenda and any papers for the Group will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency.
35. The Group Secretary will record minutes of each meeting including all actions and agreements which will be circulated to all Group members within a reasonable period after the meeting. These minutes will be subject to formal agreement at the following Group meeting.

Personal Liability of Board members

36. Following advice from legal advisers, as Group members can only make recommendations to the Committee, they shall carry no personal liability in respect of recommendations made to the Committee in respect of any areas of work within the scope or workplan of the Group.

Term of Group

37. The Group will remain in place while the Board so requires.

23 September 2024

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