

FLINTSHIRE COUNTY COUNCIL (As Lead Authority for the Clwyd Pension Fund)

CLWYD PENSION FUND BOARD

Minutes of the special meeting of the Clwyd Pension Fund Board of Flintshire County Council (as Administering Authority for the Clwyd Pension Fund), held remotely via Microsoft Teams on Friday 18th August at 10.00 am.

THE BOARD:

Present:

Chair: Ms Alison Murray (Alternate Independent Member)

Member Representatives: Mrs Elaine Williams

Employer Representatives: Mr Steve Jackson

Apologies:

Member Representatives: Mr Phil Pumford

Independent Member: Mrs Karen McWilliam

IN ATTENDANCE

Mr Phil Latham (Head of Clwyd Pension Fund and Secretary to the Board)

Mrs Karen Williams (Pension Administration Manager) (from item 4)

Mrs Debbie Fielder (Deputy Head of Clwyd Pension Fund)

Ms Morgan Nancarrow (Governance Administration Assistant)

Actions

1. APOLOGIES/ WELCOME

Apologies were received from Phil Pumford and Karen McWilliam prior to the meeting.

As the alternate independent adviser to the Fund, Ms Murray explained that she would be chairing this meeting in Mrs McWilliams' absence.

As Mr Gadd's Board Membership had now come to an end, she took the opportunity to thank him for his commitment to the Board during his time in post.

2. DECLARATIONS OF INTEREST

There were no new declarations made or recorded.

3. PENSION BOARD MEMBERSHIP

Mr Gadd's term as an employer representative on the Board ended on 31 July as he had indicated he did not wish to be re-appointed. According to the Board protocol, the process for appointing a replacement employer representative requires all employers to be invited to nominate a representative. This meant it was unlikely that there will be a replacement by the next Board meeting.

4. DISCUSSION AROUND GOVERNANCE OF INVESTMENT DECISIONS

Mr Latham explained that following the Council elections in 2022, a number of new Committee members had been appointed. They had indicated a desire to better understand the Fund's approach to responsible investment and climate change. Three essential training sessions on this topic had now been delivered to Committee members to assist in their decision-making. The Board had been invited to these sessions and where able, Board members had attended.

The first session (on 26 April 2023) covered the governance of investments and sought to clarify how the Fund invests, and the responsibilities of the Committee in relation to investment. A key message of the session was the Fund cannot instruct investment managers within the Pool to divest from individual companies without agreement of the Wales Pension Partnership (WPP). It was also noted that pooling LGPS fund assets was UK Government policy, so removing investments from WPP would be contradictory to that policy. The Chair noted that the Government appears to intend for LGPS funds to progress towards greater and faster asset pooling, and increasingly regards LGPS assets as deployable to support the levelling up agenda.

Mr Latham continued - the second training session (on 3 May 2023) discussed potential options for a proposed framework for exclusion.

The final session (on 2 August 2023) built on previous discussions and included analysis from the Fund's actuary and investment consultant on the implications of various exclusionary policies.

The key outcome of the sessions was to enable a framework for exclusion to be developed and to establish a definition of fossil fuel investments for inclusion within the Fund's Investment Strategy Statement (ISS) which would be brought to the Committee meeting on 30 August for approval.

Discussions kept in mind the Fund's fiduciary duty and the challenges to implementing an exclusionary policy within the context of asset pooling.

The Chair asked if the Fund would be taking legal advice, and Mr Latham explained that the Fund will consult with Sackers before the final version of the ISS is approved. Mr Latham said he did not anticipate any legal difficulties.

The Chair explained that the Fund has now drafted proposed wording for the Responsible Investment section of the ISS which has been shared with Committee members for feedback. The Board was invited to share views on this wording.

Mrs E Williams acknowledged the work that has been put in by Officers and Advisers across the three training days. She also commented that the training sessions had been very beneficial, and that she continues to learn from every Fund training session she attends. She felt the proposed ISS wording was positive but the ultimate decision sits with the Committee. She also noted that strong efforts had been made by Officers and Advisers to address the concerns of Committee members and provide the information needed to make this decision.

Mr Jackson shared these sentiments and noted the process had been handled very well. He thought the first training session on the background and governance of the Fund's investments was particularly helpful, including the input from Advisers. He also felt that consistency with a Paris-aligned benchmark is a sensible option. He acknowledged that cost implementation and legality as well as the impact of pooling had all been considered in sufficient detail to inform a decision, and was pleased to note that an appropriate governance framework and process had been followed throughout.

The Chair wished to acknowledge and express her support for the work that had been put in by Officers, Advisers and Committee members, and highlighted the considerations that had gone into the process of reviewing the Fund's Responsible Investment approach, including funding, practicalities and engagement with WPP, and the involvement of Russell Investments throughout the process. She noted that the training days had been very well attended and felt that the level of

engagement and discussion by the Committee ensured decisions could be made in a fully informed way.

All three Board members recognised there were differing views on the speed of achieving net zero and associated targets and felt it was important for the Committee to make a decision collectively which they could all stand by. The Board were also hopeful that the process of approving the ISS could now move forward without further significant delay.

The Chair invited comments on the proposed wording for the RI section of the ISS, which both Mr Jackson and Mrs E Williams confirmed they had read in advance. The Chair requested clarification around the meaning of “[x%]” within the table in the proposed ISS wording, and Mr Latham clarified this referred to whichever route was being looked at: either the Fund’s ambition or the minimum first step. Mrs E Williams also felt this was unclear and asked if it could be clarified for the benefit of those readers who had not attended the training sessions. She suggested the “[x%]” could be replaced by “percentage of”.

Action - To propose amending the wording within the table in the RI section of the ISS to ensure the meaning is clear to readers.

Mr Latham explained that the proposed ISS wording had been shared with all Committee members and feedback to date had been around adding wording relating to a decision to divest where engagement fails. Officers and Advisers were in the process of updating the wording accordingly.

With respect to the provision of feedback for the Committee, it was agreed that subject to clarification of the table within the proposed ISS wording, the Board was supportive of the wording. The Board also agreed to pass on their positive views regarding the training and governance process undertaken, whilst emphasising the need for the Committee to agree the strategy and for the Fund to seek legal advice before finalising any exclusionary policy.

Action - A statement will be drafted summarising the Board’s views, to be included within the agenda papers for the August Committee meeting, subject to agreement from the Board members.

The Chair asked if the Board had any input for the Advisory panel, of which there was none.

Head of
Clwyd
Pension
Fund

Chair

5. WPP STEWARDSHIP THEMES QUESTIONNAIRE

The WPP Stewardship Themes questionnaire was shared with both Committee and Board ahead of this meeting to gather views to inform the Fund's response.

Mr Jackson commented that the themes proposed were reasonable and that a focus on marine themes would be a good additional focus for WPP given Wales' geographical position with lots of coastline.

Mrs E Williams was happy for her feedback to the questionnaire to be shared. She commented that the current themes were very important and seemed to reflect the Committee's views. She also felt that the proposed additional themes were very important, noting she thought that use of carbon offsets was important to the Committee/Fund and ensuring the living wage is paid in the UK is important from a scheme member perspective. If the facility to include all themes is available, this would be an ideal solution, but this would need to be practical for Robeco to implement.

The Board were supportive of the approach that WPP were taking to the stewardship themes review and agreed that all the themes put forward within the questionnaire were highly important.

Action - An email will be circulated to the Board members drafting the Board's proposed input into the stewardship questionnaire. Once agreed, this would be included in the Committee papers alongside the Committee's views on stewardship themes.

Mrs Fielder noted that Robeco have a range of clients and need to balance all clients' priorities in their annual theme reviews. She will contact WPP to confirm how the questionnaire responses will be used.

Action - Mrs Fielder will contact WPP to confirm whether future engagement by Robeco will be specific to WPP's requirements.

6. Future Meetings

The next full board meeting was scheduled for 5th September 2023 but needs to be re-arranged.

Chair

Deputy Head
of Clwyd
Pension
Fund