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| Item No. 6. | Classification: Open | Date: 27 September 2023 | Meeting Name: Pensions Advisory Panel |
| Report title: | | Equality, Diversity and Inclusion Update | |
| From: | | Senior Finance Manager, Treasury and Pensions | |

RECOMMENDATIONS

1. The pensions advisory panel is asked to note:
 - a) The requirements of The Pensions Regulator guidance on equality, diversity and inclusion (EDI) as set out in this report.
 - b) The actions being taken to comply with the guidance and incorporate EDI into Fund activities.

BACKGROUND

2. The Pensions Regulator (TPR) in March 2023 published guidance on equality, diversity and inclusion (EDI) for pension scheme governing bodies and employers. TPR aims for the guidance to be used by pension scheme governing bodies and sponsoring employers to improve the EDI of their scheme's board. TPR has confirmed that while the guidance uses 'trustee' terminology, it applies equally to public service scheme managers, boards and committees/panels.
3. The LGPS Scheme Advisory Board (SAB) published research in January 2023 ([\(\(lgpsboard.org\)\)](http://lgpsboard.org)) on the gender pensions gap in the LGPS showing the significant disparity in outcomes between men and women.
4. In light of the above, there is a need for an increased focus on EDI considerations of the LBS Fund's internal operations and governance, as well as on the external stakeholders it engages with.

OVERVIEW OF TPR GUIDANCE

5. The guidance highlights the chair's key role in making local pension boards more diverse and inclusive.
6. In addition to this, the guidance also provides suggestions on various EDI-related areas including:
 - i. Having a formal EDI policy
 - ii. EDI-related training plan and performance assessments
 - iii. Enhancing Board diversity
 - iv. Consideration of fixed-term board appointments
 - v. Inclusive culture and communications

- vi. Reasonable adjustments for candidates and trustees with disabilities

FORMAL EDI POLICY

7. TPR's guidance recommends that pension schemes put in place an EDI policy, which has an agreed definition of EDI, EDI aims, and an EDI training and development plan.
8. The EDI policy should also cover how progress will be monitored and measured against the targets established as part of the policy.
9. The EDI Policy should have provisions for regularly monitoring progress and taking corrective actions where required

INCLUSIVE COMMUNICATIONS

10. The guidance recommends that all scheme communications consider the diverse range of backgrounds, needs and vulnerabilities of their members. All communications to members should be checked for bias and to ensure they avoid inclusion of stereotypes.

EDI WORK UNDERTAKEN TO DATE

INTERNAL EDI INITIATIVES

11. Consideration has been given to how EDI can be incorporated into the appointment of members of the LPB and PAP. It is considered practical that progress will be made in ensuring increased equality and diversity across the membership of these groups as vacancies arise.
12. It can be difficult to recruit to some roles, but the Fund has a large diverse membership to draw representatives from and good union support.
13. The LPB agreed a formal appointment process in January 2023. The policy includes reference to a requirement for selection criteria applied in the appointment of scheme member representatives to reflect the Fund's commitment to equality and diversity.

EXTERNAL EDI INITIATIVES

14. In parallel to its core focus on climate and the 2030 net-zero target, the Fund is also evaluating wider Environmental, Social and Governance (ESG) aspects of its investments (as set out in agenda item 12 – responsible investment strategy). One such area is looking at Equality, Diversity & Inclusion (EDI) across the externally appointed investment managers who manage the Fund's investments.
15. We have initiated EDI focused discussions with the fund managers as one of our key external stakeholders. With all the fund managers we work with, we have had initial conversations to understand their approach to EDI internally within their organisation and across their key teams including senior management,

investments and portfolio management teams.

16. Following the initial discussions, as a starting point, we have requested quantitative data on both gender diversity as well as pay equality. Both of these metrics are in line with the recommendation by the World Economic Forum and also form part of most of the other global ESG standards/frameworks.

NEXT STEPS

17. Officers are working, in conjunction with Aon, to develop a formal EDI policy and put frameworks in place to advance its EDI agenda in line with TPR guidance. A draft EDI policy will be tabled at a future PAP meeting for agreement.
18. The Fund will also look at incorporating EDI principles and initiatives as part of its wider day-to-day operations and activities including recruitment, remuneration, training, performance review process, procurement, etc.
19. Over the next few months, we will continue to engage in EDI discussions with our fund managers and collect available data. We will then consolidate and analyse the findings in order to form an action plan to better engage in EDI focused discussions going forward.

Community, Equalities (including socio-economic) and Health Impacts

Community Impact Statement

20. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

21. There are no immediate implications arising.

Health Impact Statement

22. There are no immediate implications arising.

Climate Change Implications

23. There are no immediate implications arising.

Resource Implications

24. There are no immediate implications arising.

Legal Implications

25. There are no immediate implications arising

Consultation

26. There are no immediate implications arising.

Financial Implications

27. There are no immediate implications arising.

AUDIT TRAIL

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| Lead Officer | Clive Palfreyman, Strategic Director, Finance | |
| Report Author | Caroline Watson, Senior Finance Manager, Treasury and Pensions | |
| Version | Final | |
| Dated | 12 September 2023 | |
| Key Decision? | No | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | |
| Officer Title | Comments Sought | Comments Included |
| Assistant Chief Executive - Governance and Assurance | No | No |
| Strategic Director, Finance | No | No |
| Cabinet Member | No | No |
| Date final report sent to Constitutional Team | 19 September 2023 | |