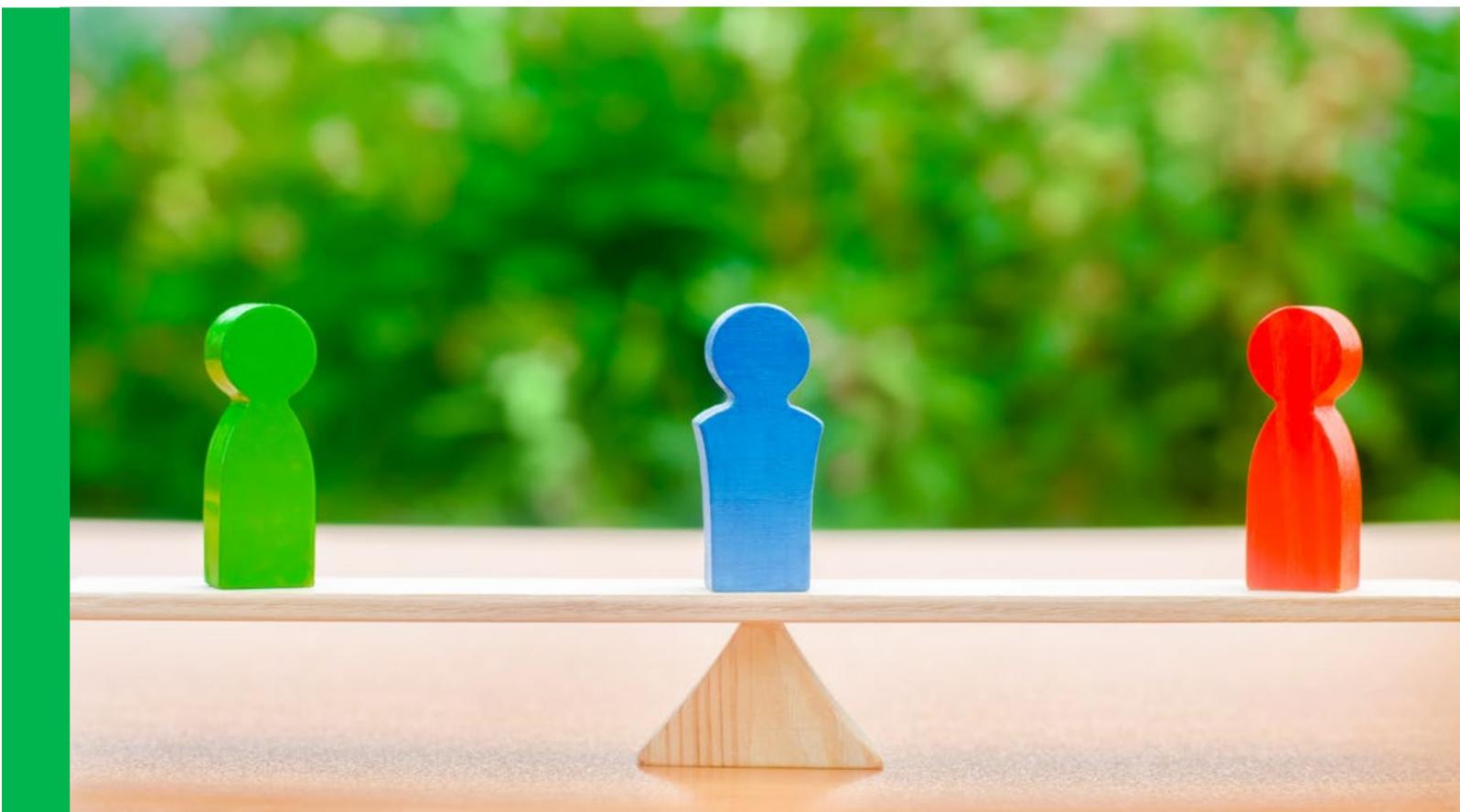

Conflicts of Interest Policy



Version	Reason for change	Approved
1	This was the first version of the conflicts of interest policy for EAPF following establishment of a Pension Board in line with public Service Pensions Act 2013, reviewed and approved by Environment Agency Director of Legal Services.	16 June 2015 PC 23 June 2015 ARAC
2	This version has been updated to simplify and consolidate the document and to include the managing of conflicts of interests in relation to advisors and asset pooling.	PC 25 March 2020

Introduction

Conflicts of interest are inherent in the operation of Local Government Pension Scheme (LGPS) funds. They can exist at all levels: officers; Pension Committee Members; advisors and other roles. This is partly because many of those involved in the operation of LGPS funds also have a variety of other roles and responsibilities. For example, as a member of the scheme, as a Pension Committee Member or as an adviser to others in the Pensions industry or another LGPS administering authority.

In addition, individuals may have a personal, business or other interest which might conflict, or be perceived to conflict with their role.

This 'Conflicts of Interest Policy' is key to ensuring that the Environment Agency Pension Fund (EAPF) upholds a high standard of conduct, is well managed and the Pension Committee functions properly.

Purpose and objectives of this policy

LGPS administering authorities (acting through the Pensions Committee) have duties to act in the best interests of both the scheme beneficiaries and also to the extent that is not incompatible with the first aim the participating employers. This policy sets out the action the Environment Agency Pension Fund (EAPF) will take to manage potential conflicts of interest and deal with any actual conflicts of interest that arise.

It aims to ensure that those involved in the operation of the EAPF do not act improperly or create a perception that they may have acted improperly due to a conflict of interest.

The policy supports good governance, encourages transparency and minimises the risk of any matter prejudicing decision making or the management of the EAPF. It seeks to promote a culture of openness, integrity and awareness.

For the purposes of this policy, the term 'a conflict of interest' relates to both a conflict or a potential conflict of interest.

Who does this Policy applies to?

This Conflicts of Interest Policy applies to:

- all members of the Pensions Committee
- all members of the EAPF Team
- all employees of the scheme employers in their dealings with the management of the EAPF
- all advisers and suppliers to the EAPF.

It does not apply to scheme members in relation to just being a member of the EAPF.

In this Policy, all references to the Pensions Committee also include the Investment Sub-Committee and Pension Board. It also applies to EAPF representatives in meetings with third parties (for example, Brunel Pension Partnership on asset pooling).

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the EAPF in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, central and local government representatives, asset pool operators, lawyers, custodians and providers of additional voluntary contributions (AVCs). These advisers may be acting in a paid or unpaid capacity.

Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the individual adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than to the firm as a whole.

What is a Conflict of Interest?

A conflict of interest may arise when an individual has a responsibility or duty in relation to the operation of the EAPF (including advising the EAPF) and at the same time has a separate personal interest or another responsibility in relation to that matter. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in the matter.

There is a lot of legislation and guidance on this issue, which informs this policy. The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

The Environment Act 1995 has a stricter definition on conflict of interest. This applies to Board Members of the Environment Agency and Members of its Committees including the Pensions Committee.

The Environment Act requires that a Board Member with a direct or indirect interest in any matter brought up for discussion "shall not take part in any deliberation or decision of the Agency, or of any of its committees or sub-committees with respect to that matter" (Environment Act 1995, Sch1 1 para 7(1) (b)).

Where the Environment Act provisions on conflict of interest are stricter than those in pensions legislation, the Environment Act requirements shall take precedence.

More detailed information on the legislation and guidance relating to conflict of interest can be found in Annex 1. Examples of conflicts of interest can be found in Annex 2.

How potential conflicts of interest will be managed by the EAPF

Step 1: Declaration of Interests

The EA Board Governance team will send Pension Committee Members and officers a Declaration of Interest form, unless this information has already been made available to the Environment Agency. Pension Committee members and officers from the EAPF team will need to declare on the form the following information:

- employments, directorships (executive and non-executive) and partnerships
- consultancies, sponsorships and commissions
- pensions (including the EAPF)
- memberships of clubs and organisations
- interests in land or property
- financial interests
- any other personal interests (financial or otherwise) for you or a close family member, or a close associate which by their nature would give rise to a possible conflict with their role

If appropriate and where relevant, interests relating to close members of families or associates also need to be declared.

EAPF officers will also need to declare any interests on SOP as required for all EA employees.

For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items (subject to an estimated value of at most £50 per item) obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all members of the public attending the event do not need to be declared. Pension Committee members should, however, be aware that they may be subject to lower limits and a separate notification procedure in the Environment Agency Code of Conduct for Members. EAPF Management Team officers are required to comply with the Environment Agency Code of Conduct for Employees.

Once a year the EA Board Governance Team will provide to all members and officers a copy of the individual's current Declaration of Interest form. All individuals will review, resubmit any amendments and sign that the information held in relation to them is correct. The EA Board Governance Team will ensure that no declarations are over 12 months old.

On appointment to the EAPF, advisers will declare to the Chief Pension Officer any potential or actual conflicts of interest that exist at the time of appointment in relation to their role for the EAPF. Advisers will also declare any relevant professional standard or company policy in this area and any regulatory limits or restrictions on their advice. Advisers will do this by filling in a form shown in Annex 3. The form will be added to the EAPF Register of Advisers' Declarations of Interest.

Step 2: Review of interests

All Declarations of Interest will be shared with the Chief Pensions Officer and Chair of the EAPF Pensions Committee.

The Chief Pensions Officer, in consultation with the Chair of the Pensions Committee, and taking legal advice where appropriate, will assess the extent to which any declarations are relevant to the individual's role in relation to the EAPF.

Where the declaration is in relation to the Chief Pensions Officer, the chair of a pensions committee or the Director of Legal Services then the Chief of Staff or the Chair or Deputy Chair of the Environment Agency will assess the extent to which any declarations are relevant to the individual's role in relation to the EAPF.

In line with the Committee's Terms of Reference, to manage the potential or actual conflict, the Chair of the Pensions Committee may require the individual to leave the meeting during the discussion on the relevant matter and/or, if a Committee member, to withdraw from voting on the matter. Alternatively, it may be appropriate for a working group or sub-committee to be established, excluding the individual concerned, to consider the matter further.

The EAPF shall try to avoid the need for an individual to resign due to an actual or potential conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively managed, the Chair of the Pension Committee will ask the individual to resign.

Any potential or actual conflicts of interest among Pension Committee members or officers which need managing will be logged by the Chief Pensions Officer in the EAPF Members' and Officers' Interests Action log. This is shown in Annex 3.

The Members' and Officers' Interests Action Log and the Register of Advisers' Declarations of Interest will form part of the papers for each Pension Committee. In addition, once a year, all declarations made by members and officers will be circulated to the Pension Committee. All declarations of interest will be open at any time to public inspection.

Step 3: All new conflicts of interest will be declared as soon as reasonably practical

Any individual who considers that they or another individual has a new potential or actual conflict of interest must declare this at the earliest possible opportunity, in line with the process in Step 1.

The Chief Pension Officer, in consultation with the Chair where relevant, and taking legal or other professional advice where appropriate will consider any necessary action to manage the potential conflict or remove an actual conflict.

The Chair will update the Pension Committee of any new declarations by members and officers made since the previous Pension Committee meeting and, if relevant, how the conflicts are being managed or removed (as appropriate).

In exceptional circumstances, and where it has not been practicable to make the declaration any earlier, individuals may declare a new conflict of interest at the beginning of the meeting. These will be recorded as part of the meeting minutes. The Chair, in consultation with the Chief Pension Officer and other professional advice as appropriate, will decide on the correct process for managing the potential conflict of interest at the meeting, or for excluding the member if it is deemed to be an (unmanageable) actual conflict of interest.

Where an employer or member representative to provide a specific point of view on behalf solely of an employer or member(s), they must state this clearly at the meeting and it will be recorded in the minutes.

How investments will be managed to avoid conflicts of interest

The Environment Agency Pension Fund invests its assets in a wide range of investments across the world. Inevitably, some of the businesses we invest in may be regulated by one or more of the scheme employers.

The process set out below ensures that any conflict of interest between the Environment Agency Pension Fund and the scheme employers is mitigated as far as reasonably practicable.

The Environment Agency officers responsible for the operation of the EAPF (“EAPF Officers”) will be a separate team in the Environment Agency.

EAPF Officers will act for, and represent the views of, the pension fund and not an employer. Officers will be in a different part of the organisational structure from those who regulate companies.

Staff of the scheme employers will act in line with their codes of conduct and take no account of EAPF investments when they undertake their regulatory duties.

The selection and management of investment portfolios is in the main delegated to Brunel Pension Partnership or fund managers

We expect Brunel Pension Partnership Limited or, where appropriate, EAPF-appointed fund managers, to select the vast majority of our investments, in line with our Investment Strategy and our responsible investment approach. The EAPF has in the past managed a small selection of private market investments in-house. Should this continue to be the case, all decisions regarding the choice of new investments shall go to committee for approval, with supporting evidence.

The EAPF will not seek to involve itself in decisions regarding selection of individual firms for a particular portfolio. This position ensures a complete separation between the selection or divestment of companies in an EAPF portfolio and the regulatory decisions and information held by the scheme employers.

In undertaking its stewardship activities, the EAPF will act in line with its Responsible Investment Strategy and its Investment Strategy. It will not be influenced by the regulatory actions of scheme employers.

Should the EAPF interact directly with a company it holds shares in and which the scheme employer also regulate, the EAPF will be open and transparent with the company and make clear that the EAPF is acting solely as a shareholder and has no role or influence in the environmental regulation of the company.

The EAPF will not discuss with its appointed fund managers how individual companies are regulated by scheme employers.

Any requests from EAPF fund managers about the environmental regulation of a particular company will be treated as a Freedom of Information request, in line with any other request from any party, and passed to the scheme employers. Such requests will not be answered by the EAPF team.

Who is responsible for implementing this policy?

- The Environment Agency (acting through the Environment Agency Board) as administering authority for the Environment Agency Pension Fund must be satisfied that conflicts of interest are appropriately managed or removed
- The Chair of the Pensions Committee, supported by the Chief Pension Officer and the Committee Secretariat, is the designated individual for ensuring the procedure outlined in this policy is adhered to.
- Each individual covered by this Policy has a responsibility to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

Monitoring and Reporting

All new members and officers will be given a copy of this Policy on appointment to the EAPF.

The Members' and Officers' Interests Action log and Register of Advisers' Declarations of Interest may be viewed by any interested party at any time.

Once a year, the Pension Committee will review the approach to conflicts of interest and consider its overall effectiveness and whether there have been any conflicts of interest that were not declared as early as reasonably practicable.

The Independent Governance and Risk Adviser will comment on the management of conflicts of interest in their annual report on the effectiveness of the governance of the Fund.

Internal Audit will also consider how conflicts are managed as part of their review of Pensions.

The Environment Agency's Audit and Risk Assurance Committee (ARAC) will review periodically how the EAPF manages conflicts of interest. This will be done, as appropriate, in line with the Environment Agency Board Handbook, Board Members' Terms of Reference and the Standing Orders of ARAC.

Key risks to the delivery of this policy

There are a number of reasons why this policy may not be implemented effectively. These include:

- insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- failure to communicate effectively the requirements of this Policy
- failure to enforce the requirements in this policy
- failure by the Chair of the Pension Committee to take appropriate action when a conflict is highlighted at a meeting
- failure by a member, officer or adviser to make a declaration of interest resulting in invalid decisions and reputational issues for EAPF

These risks will be considered as part of the annual review of the declaration of interests.

Costs

All costs related to the operation and implementation of this Policy will be met directly by the Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any conflict of interest under this Policy.

Approval, Review and Consultation

This Conflicts of Interest Policy was approved at the Environment Agency Pensions Committee meeting on 25 March 2020.

It will be formally reviewed and updated at least every three years or sooner if required. This includes if there are any changes to the LGPS or other relevant regulations or guidance which need to be taken into account.

More Information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

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Annex 1

Legislation and Guidance on conflicts of interest

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are set out in this section.

Individuals, particularly advisers and service providers, may be subject to further requirements, such as those imposed by the Financial Conduct Authority or other professional bodies. Where this is the case, the requirements of this policy are in addition to any other professional requirements that may be in place for individuals or their organisations.

The Environment Act 1995

The Environment Act 1995 establishes the Environment Agency and provides rules for its management. There is considerable flexibility in these rules in general but not for conflicts of interest.

Section 1 and paragraph 7 of Schedule 1 to the Environment Act 1995 provides how board members must manage conflicts of interests. It provides that any member who is directly or indirectly interested in any matter that is brought up for consideration at a meeting of the Environment Agency must disclose the nature of their interest to the meeting and where a disclosure is made:

- (a) the disclosure is minuted
- (b) the member must not take part in any deliberation or decision of the Environment Agency, or of any of its committees or sub-committees with respect to that matter

Examples of direct and indirect interests are given in Section 5 of the Environment Agency Board Handbook which provides advice on what these are and how they must be managed. Additional rules apply to the management of pension funds and are described below.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS this is the administering authority) must be satisfied that a local pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires local pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest in a different and less restrictive way than the Environment Act 1995 as "a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue (see below).

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each administering authority to satisfy itself that local pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to administering authorities and local pension boards. The LGPS national scheme advisory board has issued guidance relating to the creation of local pension boards including a section on conflicts of interest.

The Pensions Act 2004

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A required the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members, which has now been completed.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

The CIPFA governance principles guidance states "the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisors might have."

It includes some examples of how conflicts of interest could arise in these new roles. It highlights the need for Administering Authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities;
- ensure declarations are updated appropriately.

The Seven Principles of Public Life

The seven principles of public life apply to anyone who works in a sector that delivers public services. These are also known as the "Nolan Principles". Among others, they apply to people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service
- local government
- the police
- the courts and probation services
- non-departmental public bodies
- health, education, social and care services

Many of the principles are integral to the successful implementation of this Policy. The principles which bind Board Members through the Board Handbook and Environment Agency Staff members under the Code of Conduct are as follows:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest. For example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries and legal advisers (solicitors) will be subject to the requirements of the Solicitors Regulatory Authority. The duties and requirements of some regulatory authorities in respect of conflicts of interest are higher than others (for example, solicitors have different obligations because of their duties to clients). Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Additional Requirements for the Environment Agency Pension Fund

In addition to the provisions set out in the legislation and guidance, there are extra requirements which are specific to the Environment Agency Pension Fund. These are set out below.

Pensions Committee, Pension Board and Investment Sub-Committee Members

Pension Committee members and EAPF officers are required to adhere to section 8 (Declarations of Interest) & section 9 (Code of Conduct) of the standing orders for the Pensions Committee, Pension Board and Investment Sub-Committee with regard to Declarations of Interest.

Employees of the Environment Agency

Officers of the EAPF are required to adhere to the Environment Agency Code of Conduct for employees which includes a guidance note on declaration of interests. This requires all employees to complete a declaration of interests form on joining the Environment Agency and whenever personal circumstances change that affect the information on that form. As a matter of routine all employees are required to review their existing declaration of interests annually.

Annex 2: Examples of conflicts of interest

The following are examples of potential or actual conflicts of interest which would need to be managed or removed:

- A Pension Committee member is on the Board of a company which the EAPF invests in.
- The partner of an EAPF Pension Committee member is on the board of a Fund Manager that the EAPF or Brunel Pension Partnership is considering appointing.
- The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- Officers of the Fund are asked to provide a report to the Pension Committee on whether certain services should be outsourced which, if it were to happen, could result in a change of employer or job insecurity for them.
- An employer representative acts only in the interests of the administering authority, rather than those of all scheme employers. Equally, a member representative, who is also a trade union representative, acts only in the interests of their union rather than all scheme members.
- An adviser to the fund is also working directly on the development of a government policy which could result in additional work for their firm from the EAPF.
- An employer representative has access to information by virtue of their employment, which could influence or inform the considerations or decisions of the Pension Committee. They have to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Committee.
- EAPF advisers are asked to give advice to scheme employers, scheme members or member representatives such as the Trades Unions, in relation to EAPF pension matters
- A member, officer or adviser to the EAPF is also advising another administering authority or asset pool operator which is involved in a transaction involving the EAPF
- Employees of the scheme employers take into account the investments of the EAPF when regulating a particular company.

Annex 3

EAPF - Members' and Officers' Interests Action Log

All new declared potential or actual conflicts of interest which need managing will be recorded here by the Chief Pensions Officer.

Date identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified (1)	Action taken (2)	Follow up required	Date resolved
EXAMPLE: 02/02/2020	Gina Bloggs	Pension Committee Member	Partner is on the Board of a fund administrator provider	Potential	Declaration of Interest form 01/01/2020	Unable to participate in discussions relating to the Fund Administrator contract	To monitor at all meetings until procurement process has finished, with a further review at that point	ongoing

Annex 4

EAPF – Register of Advisors' Declarations of Interests

Advisors are also asked, additionally to complete the following factual information about their role and the basis of the provision of their advice.

Date identified	Name of Person / Organisation	Role of Person	Details of basis of advice	Regulatory information / restrictions	Professional standards statement received and reviewed	Details of other professional Pensions engagement	Action taken
EXAMPLE:	Joe Bloggs	Actuary	Actuarial advice and valuation	Follow requirements of Institute of Faculty of Advisers	Received on 01/02/2020 And reviewed.	Individual is fund actuary to 3 other LGPS funds And advises govt on Y scheme	Asked to leave room when Y scheme being discussed.