

Investment Committee

Meeting – 8th July 2024

Item 6 – Paper D

Update from Responsible Investment Advisory Group (RIAG)

Report from last meeting on 13th May 2024

1. When RIAG last met the group received a presentation from The Pensions Regulator (TPR) setting out findings from their review of the second year of TCFD reporting by private sector bodies. TPR conducted a larger review than last year, analysing thirty reports, five of which were reports from organisations that are in their second year of reporting.
2. TPR found that thirteen schemes had formal net-zero targets included in their report and an additional six had included it as an ambition. The scenario analysis aspect of the reports presented a challenge and the analysis in many reports was limited.
3. Many reports were found to contain generic statements which gave TPR less confidence in the reports written. Another key finding was that while investors used only a small range of providers to help produce the reports, there was still inconsistency in the presentation and transmission of information from asset managers to their clients. There was also both duplication and inconsistency in the information required for annual reports and stewardship reports for the same organisations.
4. TPR have issued guidance on how to improve reports and issued some fines to organisations whose reports were not deemed compliant. TPR said there was not much interest from the media and no indication that the reports were widely read by members. However, Share Action had published a paper reviewing various schemes and their climate change policies.
5. RIAG also discussed its Terms of Reference (ToR), scope and workplan. There was a specific requirement in the ToR to maintain the [RI A-Z guide](#), but in practice this was now extremely challenging in a fast-moving environment without dedicating a significant amount of resource. The Group felt that the RI A-Z guide could be replaced with information signposting a selection of useful resources.
6. The Group also agreed to have at a future meeting a more in-depth discussion of the evolving concept of the fiduciary duty. Given the different expectations between those running the scheme and those lobbying it, the Group recommended that the Board should make a statement on how best to support officers and elected members who are facing increasing amounts of challenge about investment decisions – which sometimes borders on unacceptable verbal abuse. To the extent that further legal advice was needed, it was felt best to wait until there was certainty over the outcome of the proposed Economic Activity of Public Bodies

Investment Committee

(Overseas Matters) Bill (BDS) Bill before taking that. **POST MEETING UPDATE: The calling of the General Election on the 4th July has meant that this Bill has failed to be given Royal Assent before the dissolution of Parliament. It would only return if included in a future King's Speech with the Parliamentary legislative process re-commencing.**

Responsible Investment and the General Election

7. While they were not available at the date of the last RIAG meeting, the Secretariat has reviewed the main parties' election manifestos for responsible investment related commitments.
8. The Department for Work and Pensions (DWP) were conducting a review of the current TCFD regulations at the time the election was called but there is no reference to extending TCFD to the LGPS in the Conservative manifesto, nor any commitments on pension schemes being asked to set net zero or other climate targets. [The Conservative manifesto](#) does however promise to bring back the BDS Bill (which no other party does).
9. [Labour's manifesto](#) says that pension funds will be required "to develop and implement credible transition plans that align with the 1.5°C goal of the Paris Agreement". The Liberal Democrat manifesto says that they would require "pension funds and managers to show that their portfolio investments are consistent with the Paris Agreement, and creating new powers for regulators to act if banks and other investors are not managing climate risks properly".
10. The Conservative Party manifesto commits to implementing the Mansion House reforms but has no specific reference to LGPS as a source of Levelling Up funding. The Labour Party manifesto includes a commitment that "We will adopt reforms to ensure that workplace pension schemes take advantage of consolidation and scale, to deliver better returns for UK savers and greater productive investment for UK PLC". There are no equivalent commitments in the [Liberal Democrats' manifesto](#).
