

Investment, Governance and Engagement Sub Committee

Item 5 – Paper C

Responsible Investment – Update

1.1. To supplement the work already being undertaken to publish SAB guidance on Responsible Investment, the committee is invited to consider extending this work to include –

- A Code of Responsible Investment to establish a consistent standard against which administering authorities and asset managers can be assessed in terms of their responsible investment policies and actions.
- A one day Responsible Investment workshop in early December, covering legal duties, the political dimension, measuring responsible investment and what the market can offer.
- Establishing a National LGPS Responsible Investment Forum to advise SAB and the IGE committee on responsible investment issues, and
- Opening discussions with MHCLG with the view of updating the statutory guidance under Regulation 7(1) of the 2016 Investment Regulations to better reflect current thinking and good practice on ESG matters, including climate change risk.

Responsible Investment Guidance

1.2. The guidance on Responsible Investment has reached a stage where it needs to be shared with key stakeholders for informal consultation before a final draft is submitted to SAB in November for approval. A copy of the draft guidance is available as an attachment to this email.

1.3. The guidance will assist those responsible for investment decision making in the LGPS to recognise their responsibilities for developing and maintaining responsible investment policies according to scheme regulations and statutory guidance. It also reflects, where appropriate, the government's response to recent Law Commission reports on Fiduciary Duty and Social Investment and the regulations introduced recently for schemes based on trust law.

1.4. The guidance also makes reference to the responsible investment journey along the spectrum of capital which can be used to chart where an administering authority's responsible investment policy sits between two extremes, that is, at one end of the spectrum, the sole aim to achieve long term financial returns, to the other, the sole aim of investing for social or ethical impact with no aspiration to achieve financial returns. Details of the information and resources available to assist administering authorities in making this journey are included in the guidance.

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1.5. The guidance will also assist those responsible for investment decision making and local pension boards in their compliance role to ensure that they are acting in accordance with scheme regulations and statutory guidance relevant to responsible investment.

1.6. If agreed by the committee, the intention would be to undertake the informal consultation throughout September to enable a final draft to be finalised in time for the Committee's approval and recommendation to SAB in October. .

1.7. As well as SAB and committee members, the consultation would be extended to include the Chairs of pension committees and local pension boards, CIPFA, LAPFF, PIRC, ALATS, PLSA, MHCLG, the Pensions Regulator, DWP, trade unions and the CPCG Responsible Investment Group.

Recommendation – that the committee agrees that the Secretariat should undertake an informal consultation of the draft responsible investment guidance during September and prepare a paper for consideration by the committee when it meets in October.