

Responsible Investment Advisory Group (RIAG)

Hybrid Meeting – 3 February 2025

Item 2 Paper A

Actions and Agreements 2 December 2024 (Online meeting)

In attendance –

Name	Organisation
Sandra Stewart	Greater Manchester Pension Fund – Chair
George Graham	South Yorkshire Pension Authority
Tom Harrington	Greater Manchester Pension Fund
Rachel Barrack	Wales Pension Partnership (Hymans Robertson)
Tim Mpofu	Haringey Pension Fund
John Neal	UNITE
Jonathan Sharma	Convention of Scottish Local Authorities (COSLA)
Kenny Dick	Representing Scottish Scheme Advisory Board (SSAB) (Employer representative, The Care Inspectorate)
Jeremy Hughes	Local Government Association (LGA) – Senior Pensions Secretary
Ona Ehimuan	LGA – Pensions Secretary
Becky Clough	LGA – Board Support and Policy Officer
Marion Maloney	Environment Agency
Sheila Stefani	LGPS Central
Kevin McDonald	ACCESS Pool
Frances Deakin	Local Pensions Partnership (LPP)
Graham Cook	Phoenix Group
Piers Lowson	Baillie Gifford
Edwin Whitehead	Redington
Maria Espadinha	Pensions Lifetime Savings Association (PLSA)
Oliver Watson	Ministry for Housing, Communities and Local Government
Jeff Houston	Barnett Waddingham (for item 3)

Item 1 – Welcome, introductions, apologies, and declarations of interest

1. The Chair opened by welcoming members to the meeting including Kenny Dick who had been nominated by the Scottish Scheme Advisory Board as their new representative after Stephen Smellie stepped down from the Group. Apologies were received from Ashley Hamilton-Claxton (Royal London Asset

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Management (RLAM)), Sam Gervaise-Jones (bfinance), Sarah Wilson (Minerva), Sarah Tingey and Joanne Donnelly from the SAB Secretariat.

2. There were no declarations of interest.

Item 2 – Actions and Agreements from 23 September 2024

3. It was agreed that the actions and agreements paper represented a true and fair account of the meeting.

Item 3 – Net Zero Transition Planning and the LGPS/Presentation from Jeff Houston (Barnett Waddingham)

4. The Chair invited Jeff Houston to introduce Paper B to the Group. Barnett Waddingham has been appointed by the Scottish Scheme Advisory Board (SSAB) to develop proposed reporting principles to be followed in the absence of LGPS specific regulations for climate risk reporting. The proposed solution is to align the Scottish 2010 LGPS Regulations with the Schedules of the Department for Work and Pensions' (DWP) [Occupational Pension Schemes \(Climate Change Governance and Reporting\) Regulations 2021](#) which apply already to private sector pension schemes.
5. The Group generally felt that this proposal could also be a good starting point for LGPS in England and Wales given the similar delay in the making of any climate reporting regulations. It was noted that there is a need for flexibility in reporting standards given the fast pace of evolution within this section of the industry and the new Government's proposal to require pension funds to develop credible transition plans. The Group also noted that the current government had proposed that LGPS asset pools should be fully responsible for delivery of funds' investment strategies. The pools also follow a mandatory TCFD reporting regime established by the FCA which is similar to that in DWP regulations, so the benefit of having a further separate and different regime for LGPS administering authorities would need to be clearly established.
6. The proposal would also require the Scottish SAB to aggregate data from the Scottish funds to produce a scheme-level report. Laura Chapman (LC) expressed some concern about the challenges that come with trying to aggregate figures at scheme level as metrics are not yet standardised. She suggested instead that any scheme level information might more usefully focus on qualitative data. Graham Cook (GC) added that the latest Green House Gas protocol advised against trying to aggregate Scope 3 emissions.
7. The Chair asked Oliver Watson (OW) from the Ministry for Housing, Communities and Local Government (MHCLG) for his thoughts on utilising the principles laid out in the paper. He explained that climate reporting and Net Zero transition planning is still a government commitment but not high priority

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at the moment. He welcomed practitioners working together to encourage best practice in this area in the meantime.

Item 4 – Legal advice on fiduciary duty

8. Jeremy Hughes (JH) notified the Group that following on from the last meeting the Board has now obtained initial advice on fiduciary duty from Nigel Giffin KC. This advice concerns a letter sent to administering authorities that allege that they are acting unlawfully by holding, and failing to divest from, investments in companies which have been linked to the ongoing situation in the Middle East. Counsel advice has also been sought on the definition of fiduciary duty, leading on the advice obtained by the Board in 2014. This advice was expected in the coming weeks.

Item 5 – LGPS Fit for the Future consultation

9. JH introduced the item to the Group. Following on from the Chancellor Rachel Reeves' Mansion House speech on 14 November 2024, MHCLG launched the Local Government Pension Scheme (England and Wales): Fit for the future consultation. The Group were invited to comment on the Government's proposals specifically on how the shaping and implementing of responsible investment policies would be affected by handing the responsibility to pools.
10. In response to questions from the Group about whether funds should be able to invest in pools other than their own, OW explained that this probably wouldn't be appropriate for most asset classes but there may be a case for allowing this to provide better scale for infrastructure investing.
11. The Group felt that the government's plans for pooling amounted to putting in place a fiduciary manager which could not be replaced. In the private sector, the periodic re-procurement of a fiduciary manager was a key tool for trustees to deal with any underperformance. It was important then that there should be appropriate governance and accountability processes in place for the model envisaged for the LGPS. OW responded that the funds will still be the owners of the pools, and funds needed to collaborate with their pools to influence what works for them. As owners of the pools, funds are able to use the backstop of dismissing the Chief Executive, or entire Board, if dissatisfied with their pool's performance. OW added that if funds felt this arrangement would not work well, then MHCLG are interested in receiving this information via consultation responses.
12. The Group also discussed the proposal for funds to take principal investment advice from their pools and whether that would include responsible investment advice. OW said that "principal advice" would minimally include advice on asset allocation and, if the model was working well, it could also include advice on RI. Fund representatives emphasised that they wanted to

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retain control of their RI policy, and how that was being implemented through stewardship and engagement activity by the pool on their behalf. There was discussion of how funds could achieve more by working together to get a shared view on responsible investment, but without having to settle for a “lowest common denominator” approach.

13. The group also discussed their thoughts on the government’s local investment proposals and how and where decisions should ultimately be made. The Secretariat noted the contents of the Group’s discussion to be considered for the Board’s consultation response.

Item 6 – Stewardship Code consultation

14. Becky Clough (BC) informed the Group that the FRC had launched a consultation on the 2020 UK Stewardship Code, which is open until 19 February 2025. The Chair said that the current application requirements can be onerous, and signatories often have started their application for the following year before receiving feedback for the current year. She added that a move to accreditation every three to five years with annual updates would be more manageable and added that she had some concerns on the current definition of stewardship.
15. The Group noted that the consultation proposed to change the definition of stewardship to remove the connection to it “leading to sustainable benefits for the economy, the environment and society” and the rationale was that the revised definition would be more clearly focussed on securing value for beneficiaries. However, some, including Frances Deakin (FD), expressed concern that this seemed to dilute the power of the concept. Sheila Stefani (SS) also noted that the definition of stewardship in the TPR General Code had retained the connection to social and environmental aims.

Item 7 – MHCLG Update

16. OW was present at the meeting but had no other substantive update in addition to contributions to earlier items.

Item 8 – Any other business and date of next meeting

17. There were no other items of business.
18. The date of the next meeting was confirmed as 3 February 2025 at 11am to be held as a hybrid meeting via MS Teams and at Smith Square.
