

Responsible Investment Advisory Group (RIAG)

Hybrid Meeting – 13th May 2024

Item 2 Paper A

Actions and Agreements 25 March 2024

In attendance –

Name	Organisation
Sandra Stewart	Greater Manchester Pension Fund – Chair
George Graham	South Yorkshire Pension Authority
Tom Harrington	Greater Manchester Pension Fund
Tim Mpofu	Haringey Pension Fund
Oliver Watson	Department for Levelling Up, Housing and Communities (DLUHC)
John Neal	UNITE
Jo Donnelly	Local Government Association (LGA) – Head of Pensions
Jeremy Hughes	LGA – Senior Pensions Secretary
Becky Clough	LGA – Board Support and Policy Officer
Ona Ehimuan	LGA – Pensions Secretary
Sarah Tingey	LGA – Research and Data Analyst
Marion Maloney	Environment Agency
Sheila Stefani	LGPS Central
Frances Deakin	Local Pensions Partnership (LPP)
Graham Cook	Phoenix Group
Edwin Whitehead	Redington
Sarah Wilson	Minerva
Piers Lawson	Baillie Gifford
Sam Gervaise-Jones	bfinance
Ashley Hamilton Claxton	Royal London Asset Management (RLAM)
Tiffany Tsang	Pensions Lifetime Savings Association (PLSA)

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

1. The Chair opened by welcoming members to the meeting. Apologies were received from Jonathan Sharma (COSLA), Stephen Smellie (Scottish SAB/UNISON), Debbie Fielder (Clwyd Pension Fund) and Jacqueline Jackson (London CIV). Kevin McDonald (ACCESS Pool) was absent without apologies.

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2. There were no declarations of interest.

Item 2 – Actions and Agreements from 15 November 2023

3. One comment was received from Frances Deakin who asked that at paragraph 19, the word ‘imperative’ should be changed to ‘important’ as this was how she phrased it in the discussion.
4. It was then agreed that the actions and agreements paper represented a true and fair account of the meeting.

Item 3 – Report from Responsible Investment (RI) Cross – Pool group

5. Jeremy Hughes (JH) gave an update on the work of the RI Cross-Pool Group. The last meeting was held on 12 January 2024, and it was agreed that the group would work towards producing templates and/or guidance that would serve as a source of information that funds could use to build voluntary reports akin to the TCFD regime in the private sector. Members of the group volunteered to develop these however the detailed work would begin in May 2024, after the completion of the Annual General Meeting voting season, which is the busiest time of year for RI practitioners.
6. The Department for Levelling Up, Housing and Communities (DLUHC) have confirmed that climate risk regulations are not expected this year. The group hoped that some progress could be made, and the group would be meeting again in May or June 2024.

Item 4 – Financial Markets Law Committee (FMLC) Report into Fiduciary Duty

7. Becky Clough (BC) gave an overview of the FMLC’s report into fiduciary duty which was published on 6 February 2024. The report gives a practical explanation and application of fiduciary duty when considering sustainability in investment decisions. The report was welcomed as adding to the resources for pension fund decision makers to consider when discharging their fiduciary duties.
8. Marion Maloney (MM) said the Environment Agency Pension Fund (EAPF) welcomed the report but pointed out that the report was not a legal opinion, and lawyers advising funds were still more likely to have regard to the existing case law. The Chair added that whilst the document did not provide all the answers to the issues around fiduciary duty, it did set out the practical considerations and scenarios in a relatively short and easy to read document.
9. Sarah Wilson (SW) was supportive of the report and said it was particularly helpful in showing how pensions trustees should evidence that they have taken advice and considered the evidence presented to them appropriately.

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10. Tiffany Tsang (TT) confirmed that the PLSA had attended a roundtable discussion alongside Phoenix Group on this report. She felt that it would be important to ensure that different Government workstreams took a joined-up approach, for example when the Department for Work and Pensions (DWP) holds its series of roundtables with the industry to clarify fiduciary duty in relation to climate change as part of its 2023 Green Finance Strategy.

Item 5 – Update on Economic Activity of Public Bodies (Overseas Matters) Bill

11. JD gave an update on the Bill's progress through Parliament to the Group. At the date of the meeting, the Bill was at the Committee Stage with the House of Lords and the next debate would be on 17 April 2024. Some amendments to the Bill had already been discussed by the House of Lords, but none of these were amendments tabled by the Local Government Association (LGA). The LGA would produce an updated technical briefing before the next discussion.

POST MEETING NOTE: that briefing is now available [here](#)

12. JD gave an overview of the range of amendments proposed. She also pointed out that enforcement of the Bill for LGPS would be via The Pensions Regulator, who were still looking at the resourcing/application of that new duty.

Item 6 – Stewardship update

13. JD said that the Financial Reporting Council (FRC) had issued an updated list of signatories to the Stewardship Code. All funds that applied for renewal were successful. One fund did not reapply due to resourcing pressures and focussing on other responsible investment workstreams instead. The FRC had noted that applications for the Code were decreasing and said that this was due to many defined benefit (DB) schemes reaching buy-out with insurance companies.
14. The Chair said that maintaining signatory status is a time-consuming process that didn't take into consideration the fact that much of the work and progress in this area is incremental. She suggested a three-year cycle of reporting may be less burdensome. It was also commented that there needed to be more clarity on what the FRC expected to see as part of the application for renewal.
15. It was confirmed that there is an ongoing review of the Code and the FRC would be holding a series of roundtable discussions. JD would attend the session scheduled for 7 May 2024 and would raise the points made by the group. The group were also reminded that interested parties could submit responses to the FRC in writing.

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16. MM said she would welcome a summary of lessons learnt in the reapplication process. For the Code to work for scheme members, more open discussions and some case studies might be helpful.
17. SW expressed concern about the suggestion to move to three-yearly applications as it could lead to a weakened position with regards to reassuring activist groups that action was genuinely being taken. She also noted that this could have a downstream impact when it comes to annual implementation statements. However, she agreed that the application process is onerous and the FRC should be asked for guidance on what a good application should contain.
18. The Chair supported the call for more guidance on applications and MM said that the report written for the Stewardship Code signatory status (re)application should be suitable for scheme members, and concise enough for them to engage with it.

Item 7 – Update on Department of Work and Pensions (DWP) Taskforce on Social Factors

19. Edwin Whitehead (EW) gave an update on the DWP's Taskforce on Social Factors. The Taskforce's guide had been published to support pension trustees in assessing the social risks and opportunities of their scheme's investments. The guide's recommendations do not have a statutory basis but should be taken as good practice across the industry. The Taskforce had asked TPR and the Government to codify these recommendations on a regulatory or statutory level. The guide should be used as an industry document which has been compiled with the knowledge of experts across the sector. EW said that it is a useful document and highlighted the level of specificity included on modern slavery.
20. SW informed the group that the Taskforce would be meeting again in a few weeks and one objective of the Taskforce was to inform overseas investors/asset managers about social issues that are pertinent in the UK. TT added that this marked a new chapter in this work and the current stage is about raising awareness of these factors.

Item 8 – DLUHC Update

21. Oliver Watson (OW) informed the group that DLUHC's priority before the next election would be to implement the proposals made in the Next Steps on Investments [consultation response](#). The revised Annual Report guidance was due to be published shortly and similar reporting changes had been proposed to the SF3 data collection. The next phase would be to amend the 2016 LGPS Investment Regulations and issue revised guidance on pooling and levelling

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up targets. The expected publication dates for these are being worked on and Minister Simon Hoare is actively engaging on these issues.

22. MM asked about the Minister's statement that he wanted to see a consolidation of pension funds and whether there were plans to take this forward. OW explained that the Minister had suggested this as an open question to be discussed by LGPS funds and there were no active plans to reduce the number of pension funds, instead discussion was welcome on how this could be achieved in the future.

Item 9 – Any other business and date of next meeting

23. MM asked if the Board was planning to do any further work after the Sharia Law report and the possibility of requiring Sharia compliant additional voluntary contributions (AVCs). The Secretariat confirmed that the legal risk of a case being successfully brought against a scheme employer in an Employment Tribunal, or a judicial review against an administering authority or DLUHC for breach of the public sector equality duty, remain extremely low. The Secretariat would be continuing to promote the headline message from the report, which is that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS.

24. It was discussed that there is a risk of unintended consequences of providing Sharia compliant AVCs as an alternative to membership of the main scheme. Doing so could lead to an increase in optouts from the main scheme due to the perception of the AVC scheme being the only halal option. This was an issue as there are existing problems with pension sufficiency and AVCs do not offer the same level of benefits as the main scheme.

25. The date of the next meeting was confirmed as 13 May 2024 at 2pm to be held as a hybrid meeting via MS Teams and at Smith Square.
