

Investment Committee Meeting
23 February 2026, 11.00am to 1.00pm
Room 6.5, 18 Smith Square, London and
Microsoft Teams

Paper E Responsible Investment Advisory Group (RIAG) report

Summary report from 9 February 2026 meeting

Ministry of Housing, Communities and Local Government (MHCLG) update

Oliver Watson gave an update to the group. Teresa Clay is leaving the team, with her responsibilities split across two new roles: investment strategy and member benefits. The government continues analysing consultation responses on the draft Fit for the Future regulations and guidance.

Policy implementation remains targeted for 1 April 2026, although there is still no update on Royal Assent for the Pensions Bill, which will mean there could be a delay in secondary legislation being available. It was emphasised that MHCLG are actively listening to concerns raised in consultation responses. Responsible investment (RI) has emerged as the most widely discussed issue. Key messages from MHCLG in response to these concerns included:

- The policy does not intend to diminish funds' fiduciary duty or stop funds having meaningful control on RI policies
- Funds to remain responsible for high-level investment objectives
- The aim is improved consistency and efficiency, not centralising decision-making within the pools – for example encouraging compromise across funds
- Concerns were acknowledged about perceived shifts of power from funds to pools, particularly around exclusions, voting policies and interpretation of RI.
- The group were encouraged to share how guidance could be drafted to address these concerns more clearly

LGPS Fit for the Future – draft regulations and guidance group discussion

The group raised issues and comments relating to:

- The independent person and if they are expected to provide regulated advice
- The drafting in paragraph 5.8 of the investment strategy statement (ISS) guidance (on not excluding individual countries, investment styles or companies) could have unintended consequences as currently drafted and contradicts investing more in the UK
- Environmental, social, and governance (ESG) are seen as financial issues

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- How are views heard and understood by the pools who are responsible for the RI implementation
- The pools job is to listen to funds and recognise different views, the relationship between funds and pools is key
- The ISS guidance is critical to assist funds in setting out the ISS objectives, priorities and preferences but
- There were trade union concerns on the lack of member reps

Responsible Investment policy guidance

The secretariat outlined a high-level contents list for guidance for how funds draw up their responsible investment policies. The group provided comments on the proposed structure and volunteers offered to help create the guidance. Some comments on the proposed structure were:

- Emphasise the section on the role of the pool in RI implementation
- To consider how local investment should be considered in the guidance
- To understand what specific questions have been asked in fund surveys to scheme members, and what the reaction was/weighting applied to responses
- The guidance should also cover the wider process of communicating with all stakeholders on RI (i.e education that RI doesn't impact pension benefit structure).
- The guidance should be clear on its audience and purpose.
- The guidance should think about how pools create their own RI policy

The topic list and structure of the proposed guidance is at annex A for consideration by the Investment Committee as part of this update.

Strategic objectives for RIAG post Fit for the Future

The group discussed how the Board is planning to strengthen its engagement with pools and how RIAG has developed since its inception. It was acknowledged that RIAG's original purpose has changed from the climate risk reporting brief but had adapted to the other RI issues needed to be discussed.

There is also a pooling RI group and it needed to be considered how this interacts with the Board's proposed pooling steering group. It was acknowledged that many different groups exist for both funds and pools to discuss strategic and implementation issues. It was thought that RIAG has a strong role in the future when providing industry and stakeholder views, including facilitating cross-pool initiative working.

International Court of Justice ruling on climate change

The secretariat gave a brief update on this recent ruling which pointed towards obligations for states arising from international law and climate treaties to protect the climate system from the effects of greenhouse gas emissions. The opinion also laid out potential legal consequences such as compensation for damages. It was suggested that the Board could develop a briefing paper on current court actions and legal risks relating to ESG and RI.

The group stated that whilst the advisory opinion may be utilised by environmental lobbyists, more focus should be placed on obligations at the state level such as the government's net zero commitments and the Stewardship Code which places ESG requirements on its signatories.

Climate risk reporting in the private sector four years on: The Pensions Regulator (TPR) Review of reports

The group discussed this review and the wider pensions sector work on climate risk reporting. As this was the original purpose of the RIAG it was essential that MHCLG provide clarity on progress of legislation on reporting for the LGPS. The raised the following comments:

- Need to understand in good time what the expectation of climate risk reporting will be
- Pools want to provide information to funds in an efficient way and ensuring data and narrative is readily available
- In parts of the private sector reporting is evolving and anticipating lighter reports to concentrate on key updates in the year (as opposed to republished unchanged data).

Annex A – Proposed Structure of Guidance

Introduction

Opening para on status of the guidance and purpose

Links with other guidance on ISS and pooling

What is responsible investment

Definitions

Links to other concepts, like stewardship

When is it allowed

Financial and non-financial factors

Summarise latest Giffin advice

At the fund level

The role of pension committee, senior LGPS office, independent person etc

Specific issues for elected members and previous guidance on not allowing own politics to determine view

Take expert advice and fiduciary duty key

Special connection to understand members and local people

How to choose areas to focus on (SDG)

Local investment and relationship with strategic authorities

Governance and transparency

How to consult members

Think about when and how

The role of representatives

Surveys and the limits of these (representativeness)

Balancing competing tensions (reward vs impact)

Communicating RI policy

Scheme employers' views

Are they relevant (Giffin again)

Local Pension Board role?

The wider context

How to deal with lobbying (campaigns and protests)

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The pool and partner funds

LAPFF

UK Govt views

Annexes

Good survey design – clear questions, not leading questions, interpreting results, representativeness of samples
