

Teams

Paper C: Responsible Investment Advisory Group (RIAG) report

Summary report from the meeting of 5 October

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

Rosanna Thompson (RT) gave an update to the group. She said that MHCLG's priorities are ensuring the reforms to the scheme embed and officials will be working with the new local government minister, Jim McMahon MP OBE, to determine his priorities for the scheme.

Investment in conflict zones

The group received a paper confirming that the Board had launched a new page on ['Investment in conflict zones'](#) which collated that Board's work in this area. The paper also detailed queries that had been received from scheme practitioners on the intended meaning of Paragraph 5.9 of the [Investment Strategy Statement \(ISS\) guidance](#).

5.9. As set out in Chapter 3, the role of the administering authority is to set the ISS, including the high-level objectives, but not to specify the individual holdings, managers or geographic zones of investment. The responsible investment approach should not set exclusions for investments in individual countries, investment styles or companies.

The group's discussion focused on the wording of the guidance and the reasoning for not stipulating sectors as an exclusion category which is prohibited for inclusion in ISSs. The group questioned the extent to which administering authorities could or should express preferences or concerns about sectors such as defence, energy, tobacco and fossil fuels. It was said that whilst the guidance intentionally did not set boundaries on sector exclusions, funds and pools would need to consider the legal framework, including the treatment of financial, extra-financial and non-financial factors when setting and implementing investment strategies.

Some in the group felt that responsible investment policies should always be connected to financial risk, while recognising that matters such as exposure to

human rights abuses, climate change and nature-related risks may be financially material. It was also felt that the definition of responsible investment provided in the ISS statutory guidance, which referred to environment, social and governance (ESG) as “extra-financial factors”, was more helpful than previous references to “non-financial factors”.

The group discussed how exclusions of sectors may be reflected in an ISS and implemented by pools. Key points included:

- An ISS may set high-level objectives, including exclusions of sectors, but the practical implementation of those objectives by the pool may require further discussion
- Engagement and research should generally from the starting point before exclusion is considered
- Broad sector exclusions can be difficult to define and apply consistently, particularly where companies have mixed activities or where supply chains extend beyond the sector itself
- Expressing concern about particular activities, or the proportion of a company’s activity in a sector, may create greater scope for engagement, stewardship and subsequent change as opposed to divestment
- The group felt that scheme-level collaboration to establishing an evidence base for stewardship activities would be helpful and saw a role for the Board or the Local Authority Pension Fund Forum (LAPFF) in this.

MHCLG were asked when there would be more detail on the government’s recent statements on additional sanctions in the Israeli West Bank. RT confirmed that the setting of sanctions is led by the Foreign, Commonwealth and Development Office (FCDO) and further information is expected over the next six to nine months, given the sensitivity of the work there was unlikely to be much further public information before then, but this will be shared when available.

Department for Work and Pensions (DWP) guidance on fiduciary duty

Clair Alcock (CA) provided an update on the working group set up by DWP to deliver the Government’s commitment to offer practical, principles-based guidance to trustees of occupational pension schemes on their fiduciary duties. Draft guidance is expected to be consulted on in November 2026 and published in Spring 2027. Whilst the guidance under development is aimed at trust-based pension schemes, the LGPS would need to have regard to it so the [feedback provided at the RIAG meeting on 8 June 2026](#) was submitted to the working group.

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Practical guidance on setting responsible investment policy

The group received a [paper updating on the production of the guidance](#) and considered a draft of the practical guidance circulated in confidence. It was asked to:

- provide feedback on the draft guidance;
- comment on the proposed scope, including whether broader introductory material and related topics should be included or developed separately;
- agree that the draft should be developed further to reflect the working group's comments;
- agree that the working group should reconvene before the Board meeting on 23 November 2026 to consider an updated draft; and
- provide views on the communications approach to accompany publication.

The feedback provided by the group can be found in paper D.

RI implementation working group

[The Board agreed on 20 July 2026 to establish new investment working groups](#) following recommendations from the Investment Committee. The recommendations include an ask of the RIAG to explore the implementation of administering authorities' RI policies by pools and the [secretariat submitted proposals that a working group be established](#) to achieve this at the meeting on 5 October 2026. The group agreed to establish this working group noting the need to time the first meeting after the practical guidance on RI policy setting had been published. This would better manage any overlaps between workstreams. It was agreed that the Terms of Reference remain under consideration and be submitted to the RIAG for approval once the working group has had its first meeting.

Meeting frequency

It was agreed the group should meet three times a year going forward to align with the Board and committee cycle. As per the RIAG Terms of Reference, additional ad hoc meeting may be scheduled in the event of that an issue arises for urgent discussion. The change to reduce the frequency of meetings would be submitted to the Board for approval.

Membership

It was confirmed that the secretariat would not be changing to the RIAG's

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membership to reflect the changes made to the Investment Committee's membership. There would however be a review of term length to assist with the management of pressure points where a large number of RIAG members tenures come to an end. Currently six members of the group will be stepping down in March 2029. The secretariat agreed to bring proposals on managing this to a future meeting.