

Teams

Paper D: Practical guidance on setting Responsible Investment (RI) Policy

Key points to note

The Board has committed to producing guidance for funds on what to consider when setting their responsible investment policies. This guidance will give practical advice that reflects recent changes in the policy/legal landscape and in particular:

- 1) The Fit for the Future reforms and statutory guidance;
- 2) The increased political interest in the scheme and lobbying from special interest groups;
- 3) Evolving understanding of the fiduciary duty and in particular the legal advice received last year from Nigel Giffin KC.

The draft guidance was considered by the working group tasked with the guidance development on 24 September 2026. The working group reported back to the Responsible Investment Advisory Group (RIAG) on 5 October and the comments from both groups are summarised in this paper.

A draft of the guidance with updates made after the working group meeting on 24 September and most recent RIAG meeting has been circulated to the committee in confidence ahead of the meeting; comments are invited.

The RIAG agreed that the draft be developed further and the working group will reconvene to consider an updated draft of the guidance before it is submitted to the Board for approval on 23 November 2026. The draft submitted to the Board may contain further updates depending on feedback from the committee and the working group.

Once published the guidance will be kept under review depending on feedback from stakeholders and will be considered a live document which will evolve as administering authorities continue to perform their new duties.

The communications approach to accompany publication will also need to be agreed.

Recommendation

That the group:

1. **Notes the progress** of the working group tasked with the development of this guidance
2. **Provides feedback** on the draft guidance circulated in confidence ahead of the meeting;
3. **Agrees** the communications approach to accompany publication.

Background

In June 2025, RIAG considered a proposal to develop practical guidance to support administering authorities in setting their RI policies. Following publication of the final regulations and statutory guidance in June 2026, secretariat drafted guidance reflecting the [proposed scope and content agreed by the RIAG](#) and discussed this with a working group comprising representatives from funds, pools and trade unions, pension committee chairs and also with RIAG members.

Comments from the working group

The working group considered the draft guidance on 24 September 2026. It was regarded as a strong starting point, providing a sound basis for an informed discussion about its scope and content. Recommendations were made for further development ahead of submission of a final draft to the Board in November.

The working group considered that the guidance should include more contextual information on the principles of responsible investment and the duties of scheme practitioners. This included whether the [introductory RI guidance](#) consulted on by the Board in 2019 should be updated and incorporated into the current guidance or developed as a separate document.

The group also discussed whether the content on member engagement should be in this document or covered in greater depth through a separate document. There were differing views on the preferred approach and, if separate documents were developed, which should be prioritised.

The group identified a number of areas for further development:

- clearer explanation of the underlying principles of responsible investment and stronger links to the Investment Strategy Statement guidance;
- fuller explanation of the respective roles of administering authorities,

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- committees, local pension boards, officers and pools;
- revised wording on member consensus; and
- neutral treatment of exclusions and divestment within the wider range of responsible investment tools available to administering authorities.

The group noted the importance of publishing the guidance in time to assist administering authorities currently reviewing their Investment Strategy Statements. The proposed timetable therefore allows for a further working-group review before a near-final draft is submitted to the Board on 23 November 2026.

Comments from the RIAG

The RIAG considered the same draft of the guidance as was submitted to the working group at its last meeting on 5 October 2026. The key points from that discussion were:

- The practical focus of the guidance should remain central and should be finalised in time to be useful to funds currently reviewing their ISS
- Contextual and introductory material can be helpful to readers who are not responsible investment specialists, provided it does not dilute the practical purpose of the document
- Whilst there are various definitions of RI, the definition provided in statutory ISS guidance should be applied including its reference to extra-financial factors.
- The guidance should be more closely linked to the regulations and statutory guidance, eg by cross-referencing to particular paragraphs in the guidance
- Funds should gather evidence of member views at an early stage in setting its policy as this would help it in responding to campaigns or addressing politically driven requests from pension committee members.
- The guidance should include information on documenting decisions including the factors considered and the basis for decisions taken by the administering authority

There was some support for addressing member engagement separately, particularly because there was nervousness about member views being presented as the driver of investment risk decisions. The trade union perspective was that engaging with members should form part of an evidence base for policy setting which could subsequently be called upon when the administering authority receives external requests or demands to change RI policy.

It was also agreed that engagement with members needed to be undertaken in way

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that recognised accessibility and differing levels of financial literacy. Examples were noted where organisations such as trade unions and other representative channels were used as a conduit to gather views.

The group also felt that the communications approach was important. Publication should be done in way to minimise the risk of sections being reproduced out of context and should clearly explain the purpose, status and intended audience of the guidance. The group requested further information on the proposed communications plan so that it could comment meaningfully.

Developments post working group and RIAG meetings

The secretariat has considered the comments made by the working group and the RIAG and have updated the draft shared with the Investment Committee to include wording on:

- Underlying principles of RI including stewardship, engagement, voting and other measures
- Reframing divestment and exclusions as a tool utilised in specific circumstances after the unsuccessful application of all other methods
- The need to document engagements with members and results of said engagements
- The management of elected members serving on pension committees who have specific pledges or commitments on issues that will be relevant to the setting of the responsible investment policy and could predetermine their views

On the matter of separating the document into two separate documents, the secretariat considered the differing views and concluded that given the guidance is on setting of policy, information on consultative methods (including member engagement) would be necessary to give administering authorities a clear steer on what required and the forms that this may take. As direct member engagement is a possible though not mandatory form of engagement, this information has been retained in the draft, and the intention is to submit the guidance to the Board as a single document for approval.

The draft may be updated further ahead of submission to the Board, depending on feedback from the Investment Committee and the working group. The guidance will also be kept under review after publication depending on feedback from stakeholders and will be considered a live document which will evolve as

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administering authorities continue to perform their new duties.

Communications approach

The communications approach to publication will need careful consideration as responsible investment, and investment in conflict-affected areas in particular, continues to attract political interest and campaigning activity.

The secretariat recommends taking a proactive approach, including issuing a Board statement and briefing the pensions press, so that the purpose and scope of the guidance are clearly explained. This is to ensure that as many stakeholders as possible are aware of the existence of the guidance in time to inform development of their ISS.

A lower-key approach may reduce the risk of the guidance attracting attention from groups less familiar with the scheme or being presented selectively or out of context by parties with interests separate to the good running of the scheme. The committee's views are invited on the appropriate balance between these two approaches.

Next steps

- The working group will reconvene to consider an updated draft
- Further edits will be made if necessary following the working group's next meeting
- A near-final draft will be submitted to the Board for consideration and approval on 23 November 2026.
- Following approval, the guidance will be published using the agreed communications approach