Paper G: 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 has been developed in consultation with a working group established for this specific purpose, the Responsible Investment Advisory Group (RIAG), the Investment Committee and the Ministry of Housing, Communities and Local Government (MHCLG).

The draft at annex A is submitted to the Board for final comments and ultimately approval.

MHCLG have indicated a desire to have the draft reviewed by their lawyer. Depending on comments from stakeholders and the Board on the draft as submitted, there may be areas that are identified as prudent to test ahead of publication.

The secretariat has considered the communications approach necessary for the publication of this guidance and recommends that the Board takes a proactive approach.

The guidance is intended to remain a live product, with periodic reviews to ensure it remains up to date.

Recommendation

That the Board:

- notes the process undertaken to produce robust, practical guidance on RI policy setting
- notes the Ministry of Housing, Communities and Local Government's (MHCLG) indication that the draft will be submitted for legal review by their lawyers
- considers the draft RI policy setting guidance submitted in confidence and approves a draft for publication
- asks the secretariat to draft a press statement and brief for the pensions press ahead of the guidance being published (to be cleared by the Chair and vice-

chair).

Background

In June 2025, RIAG considered a proposal that the Board should develop practical guidance to support administering authorities in setting their RI policies. Following publication of the final regulations and statutory guidance in June 2026, the 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.

The guidance has been the subject of consultation with the RI guidance working group, the Responsible Investment Advisory Group (RIAG), the Investment Committee and the Ministry of Housing, Communities and Local Government (MHCLG). The comments submitted by these stakeholders have informed the draft circulated to the Board in confidence at annex A.

Considerations

An initial draft on the guidance dated 18 September 2026 was submitted to the RI guidance working group and the RIAG. A high-level summary of their comments was submitted to the Investment Committee on 19 October 2026. The guidance has been developed iteratively in response to the comments submitted to the secretariat from September to date. Inevitably, there have been differences of tone or emphasis between different stakeholders, but the secretariat has worked hard to reach compromises and ensure that the guidance presented here balances the views of all the different stakeholder groups.

The comments submitted by stakeholders have indicated that this guidance will be highly useful to Administering Authorities (AAs) and that timely publication will be important if it is to inform each AA's Investment Strategy Statement (ISS) ahead of the 31 March 2027.

The draft submitted to the Board is non-statutory, process-focused guidance for AAs that are developing, reviewing or updating their responsible investment (RI) policy. The guidance makes clear that this may be as a standalone document or within the ISS. The guidance does not create any additional legal requirements, nor does it prescribe decision making at the AA level or replace professional advice.

It emphasises the importance of fiduciary duty for all decision makers and the need to consider all factors pertinent to investment decisions within this lens. The need to

adhere with government regulations and statutory guidance is also made clear in this draft.

The main content covered in the guidance are:

- the principles underpinning RI policy
- a clear definition of RI
- the relationship between the AA's RI policy and ISS
- the application of RI considerations to decision-making
- the distinction between financially material vs non-financially material considerations and how these should be assessed
- the consideration of scheme member and scheme employer views
- how to decide what the RI policy should focus on
- the roles and responsibilities of decision makers in the scheme (including the desirability of alignment of RI policies between AAs)
- how to engage with scheme members
- how to communicate the RI policy and:
- how to respond to external interest.

The guidance also contains an annex with practical resources for designing surveys.

The guidance will be published on the Board's website, as a practical online resource enabling users to navigate directly to the chapters most relevant to them. The guidance has therefore been drafted with each chapter designed to stand alone where possible, supported by appropriate cross-references to related sections. This approach necessarily results in some repetition of key principles and is relevant when considering the overall length of the draft.

Throughout drafting, stakeholders have commented on the guidance's approach to understanding member views and the proportion of the document devoted to this subject. These comments have been carefully considered. The secretariat considers the coverage proportionate, at approximately two and a half pages, reflecting the practical purpose of the guidance while maintaining the primacy of fiduciary decision-making.

MHCLG have indicated that they would like to undertake a legal review of the guidance given the content matter. We have asked that this be completed in time for the guidance to be published in the coming weeks.

The draft submitted to the Board, has also been shared with the working group, the

Investment Committee and the RIAG. Depending on comments received from these groups and the Board on the draft as submitted, there may be particular points that it is prudent to test further ahead of publication.

The Board's guidance is being brought forward shortly after DWP published draft guidance on pension trustees' investment and fiduciary duties for consultation in November 2026. The DWP guidance does not apply directly to the LGPS, which has its own statutory framework, but may influence wider understanding and practice over time. The outcome of that consultation and the final DWP guidance will therefore be relevant to future reviews of the Board's guidance, without anticipating changes to the LGPS framework.

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 Board is asked for any final comments on the draft as submitted and whether it is content to approve the guidance for publication.

Communications approach

The secretariat will be developing communications to be issued alongside the published guidance. The approach to be taken was discussed with the RIAG and Investment Committee and given the likely attention it would receive, it was recommended that a proactive approach be taken to try and shape the narrative around it as much as possible. The intention would be to include clear contextual information along with the guidance to mitigate the risk of the guidance being quoted selectively. It is proposed that a Board statement is issued and the pensions press are briefed, so that the purpose and scope of the guidance are clearly explained. This will also ensure that as many stakeholders as possible are aware of the existence of the guidance in time to inform development of their ISS.

Next steps

- the Board considers the draft as submitted for approval
- the guidance is published in line with the recommended communications approach
- the guidance is kept under review to ensure that it remains fit for purpose.