

Investment Committee

Hybrid Meeting – 11 November 2024

Item 7 – Paper E

Update from Responsible Investment Advisory Group (RIAG)

Report from last meeting on 23rd September 2024

1. The Group discussed the Labour Party's commitment in its manifesto to Net Zero targets and the proposed requirement for all pension schemes to develop a credible transition plan that aligns with the 1.5°C temperature rise goal of the Paris Agreement. The group also considered the implications that the change in government could have for the LGPS. It was felt that implementing transition plans would not be a significant additional ask for those LGPS funds which were already engaging in voluntary reporting. There was, however, a need for clarity from the government and sufficient lead in time to allow those funds who weren't already doing voluntary reporting to prepare for any new reporting regime.
2. The Board had identified in previous analysis that less than 50% of funds had climate related targets and less than a quarter were attempting to report emissions data across different asset classes. It was agreed that the Secretariat would explore whether there is a correlation between funds voluntarily engaging in climate related reporting activities and their size.
3. The Group discussed the government's desire for greater investment in assets that contribute to local growth and impact investing. It was noted that the areas in the UK where investors might choose to invest if aiming to generate maximum growth were potentially different from areas where they would invest if aiming to reduce regional inequality. The pools as well as the new National Wealth Fund could have a role in enabling funds to align their investment strategies with the government's desires. This would need further clarity from government, as to intentions and any measures to help deliver their aims, and then consideration of how that mapped onto funds' investment aims.
4. The group were concerned that action by the government might conflict with the application of the fiduciary duty in the LGPS. LGPS investment choices were more easily influenced than other institutional investors, which potentially made it an "easy target". The Group felt it was possible that conflicts could arise with fiduciary duty and discussed whether a formal definition of the fiduciary duty would be helpful. The group also discussed the possibility of the government underwriting investments in strategically significant infrastructure and the possibility

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of using new financing models, akin to previous, well-established models like the private finance initiative (PFI), to finance impact investing.

5. The Group noted the [recent statement](#) by the Board to address the current situation whereby administering authorities are dealing with increasing queries about how LGPS funds are invested. The group felt that the statement would be very helpful in briefing and setting the ground-rules for pension committee and board members.
6. The Group agreed that the updated Terms of Reference be finalised and submitted to the Board for approval.
