

# Investment, Governance and Engagement Committee

**Meeting – 15<sup>th</sup> May 2023**

**Item 7 – Paper E**

## **Update from Responsible Investment Advisory Group (standing agenda item)**

### **Recommendations:**

- **That the Committee notes this summary**

### **DLUHC update**

1. Officials confirmed that there was no certainty over the timing of the government response or publication of draft regulations on climate risk reporting. Implementation of reporting requirements was therefore likely to be delayed for a further year. Implementing a framework for climate risk reporting in the LGPS remained government policy, though.
2. The Group considered the pros and cons of a possible part year introduction of climate risk reporting, perhaps just for the governance requirements. This was an idea that the Department had tentatively floated and the Group felt that it would be possible to have earlier implementation of governance requirements, however, reporting requirements would still need certainty over the date of implementation soon and a considerable lead in time so that funds could align supply chains for information and systems. Otherwise, there was a real risk of wasted resources for funds.
3. It was noted that the Budget documents referred to a potential new target for LGPS funds investing in venture capital. It was confirmed by officials that although it was not specifically mentioned, the 5% “Levelling Up” investment target remained government policy. Further detail of both new targets would be included in the upcoming investment consultation, which would also cover pooling.

### **Climate risk reporting**

4. In relation to the first year of climate risk reports in the private sector, [TPR had found](#) that reports had been produced on time but tended to focus on processes as opposed to risk management. They often made use of generic wording. It was felt by the Group that there was a disconnect between identified risks and actions to mitigate them, in particular on investment strategies. The Group also noted a Pensions for Purpose [paper](#) which looked at how pension funds are using Task Force on Climate-related Financial Disclosures (TCFD) reports to inform strategy, the challenges they faced and which metrics they favoured.

# Investment, Governance and Engagement Committee

5. The Group were also given the results from a survey of LGPS funds in England, Wales and Scotland on their preparedness to implement climate risk reporting. The responses showed that the majority of funds were prepared for the new obligations. The Group also felt that there were very high demands being made of quite a small cohort of officers engaged in this area and support and communication from the SAB would be much appreciated. The Secretariat agreed and shared a paper with some early thoughts on what might be done without stifling innovation in the sector. Standardisation could also help to communicate more effectively what LGPS funds were doing.
6. It was agreed that a sub-group would be helpful to convene expertise and build a good, common approach to execution. The Secretariat would kick this off with a quick survey of pools to see how much commonality there already was and whether there was an appetite to work together to increase standardisation and learn from each other.

## **Discussion of preferred definition of UK infrastructure/Levelling Up investments**

7. Responding to a discussion at the previous Board meeting, it was agreed that there was an opportunity to define what we felt the definition of “Levelling Up” investments should be, particularly in relation to infrastructure. It was agreed that those organisations/think tanks which had helped shape the Levelling Up White Paper could be invited to the next meeting to discuss the issue with the Group.

## **LGPS approach to Taskforce on Nature-related Financial Disclosures (TNFD)**

8. The Group discussed the increasing calls to incorporate TNFD reporting alongside climate risk reporting by pension schemes in the future. It was agreed to arrange a stand-alone discussion on TNFD and biodiversity in the future.

## **Change in Group Membership**

9. Valborg Lie informed the Group that this would be her last RIAG meeting as she was leaving her role at LGPS Central. The Chair and Joanne Donnelly thanked her for her significant contributions to RIAG over the years and wished her the best in her future endeavours.

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