

PENSIONS PANEL – 14 SEPTEMBER 2020

Report of the Director of Corporate Services

RESPONSIBLE INVESTMENT (RI) REPORT QUARTER 2 2020

Recommendations of the Chairman

1. That the Pensions Panel notes the content of the Responsible Investment (RI) report, including the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 2) and LGPS Central Limited (LGPSC) Quarterly Stewardship Report (Appendix 3).

Introduction & Background

2. The United Nations Principles of Responsible Investing (UNPRI) define RI as 'an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns'.



Environmental

- Resource utilisation
- Sustainability
- Pollution
- Carbon emissions



Social

- Community
- Human Rights
- Employees
- Customers
- Suppliers



Governance

- Stakeholder alignment
- Ownership structure
- Regulatory controls
- Board accountability
- Transparency

3. The Pensions Panel recognises its role in promoting RI and endorses the UNPRI, whilst the Fund's equity managers are encouraged to sign up to them to ensure they incorporate ESG issues into their investment process. Currently all the Fund's equity managers are signatories to the UNPRI, including those within the LGPS Central Active External Global Equity Multi Manager sub-fund.
4. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require the Pension Fund to have an Investment Strategy Statement (ISS) which must refer to the way in which the authority takes RI into account in the selection, non-selection, retention and realisation of investments. The updated ISS, which was approved by the Panel in March,

includes additional investment beliefs specific to RI. This can be found on the Pension Fund's website www.staffspf.org.uk.

5. Under the 2016 Regulations, the Fund is expected to become a signatory to the Financial Reporting Council's UK Stewardship Code. The Staffordshire Pension Fund was accepted as a Tier 1 signatory of the UK Stewardship Code in 2017. The Fund's statement of compliance with the UK Stewardship code was updated in 2018 and submitted to the Financial Reporting Council, who reaffirmed the Tier 1 status.
6. The Financial Reporting Council recently launched an updated UK Stewardship Code. The Code took effect from 1 January 2020 and aims to improve stewardship practices by setting a substantially higher standard than before. Existing signatories to the Code will be required to submit a Stewardship Report that meets the FRC's new reporting expectations by 31 March 2021, to continue to be listed as signatories to the UK Stewardship Code. Further information will be brought to the Panel in 2020 on the work the Fund does, to meet the criteria of the enhanced UK Stewardship Code.
7. The Fund's Statement of Compliance with the UK Stewardship Code, as well as individual investment manager's RI policies and the UNPRI, are available on the Staffordshire Pension Fund website. www.staffspf.org.uk.

LAPFF Quarterly report

8. LAPFF's Quarter 2 2020 Engagement Report is attached for information at Appendix 2. Staffordshire joined LAPFF in March 2013, to reaffirm its commitment to RI matters. Pensions Panel Members are encouraged to read the report as it highlights the good work LAPFF does in engaging with organisations on behalf of its members.

LGPS Central Limited Quarterly Stewardship report

9. The LGPS Central Limited Quarterly Stewardship Report is attached at Appendix 3. This report outlines the collective work of LGPS Central, its engagement partners and the underlying managers they have appointed to manage assets, in RI and engagement matters.

Quarterly voting summary

10. The Pensions Panel receives quarterly updates from the Fund's investment managers on details of votes cast on corporate resolutions. The following table summarises the voting activity of the Fund's investment managers in Quarter 2 2020.

Investment Manager Voting Activity Quarter 2 2020

	Total resolutions	Vote with management	Votes against management	Abstain
JP Morgan	33,916	31,114	2,322	480
Aberdeen Standard	875	859	7	9
Longview	291	278	13	0
Legal & General	41,251	33,631	7,449	171
LGPS Central – Global Equity Fund	2,504	2,164	321	19

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Background Documents:

LAPFF Quarterly Engagement Report
LGPS Central Quarterly Stewardship Report

Appendix 1

Equalities implications: There are no direct equalities implications arising from this report.

Legal implications: There are no direct legal implications arising from this report.

Resource and Value for money implications: The resource and value for money implications are included in the body of the report. Specific consideration should be given to any effect on investment returns.

Risk implications: There is a risk that any screening of investments may result in the Pension Fund not maximising investment returns.

Climate Change implications: There are no direct climate change implications arising from this report, but the wider climate change issue is considered through the Fund's voting and engagement activities.

Health Impact Assessment Screening: There are no direct implications arising from this report.