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## **Pensions Panel**

Friday 9 July 2021

**09:30**

Oak Room, County Buildings

John Tradewell  
Director of Corporate Services  
1 July 2021

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## **A G E N D A**

1. **Appointment of Chairman of the Pensions Panel**
2. **Apologies**
3. **Declarations of Interest**
4. **Minutes of meeting held on 2 March 2021** (Pages 1 - 6)
5. **Dates of Future Meetings**  
  
Friday 3 September 2021  
Tuesday 30 November 2021  
Tuesday 1 March 2022  
  
All meetings are scheduled to start at 9.30am at County Buildings,  
Stafford unless indicated otherwise.
6. **Staffordshire Pension Fund performance and portfolio of investments as at 31 March 2021** (Pages 7 - 26)  
  
Report of the Director of Corporate Services
7. **Responsible Investment (RI) report quarter 1 2021** (Pages 27 - 94)  
  
Report of the Director of Corporate Services

## 8. Exclusion of the Public

The Chairman to move:-

'That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) indicated below'.

### PART TWO

(All reports in this section are on pink paper)

9. **Exempt Minutes of the Meeting held on 2 March 2021** (Pages 95 - 104)  
(Exemption paragraph 3)
10. **Staffordshire Pension Fund performance and manager monitoring for the quarter ended 31 March 2021** (Pages 105 - 122)  
(Exemption paragraph 3)  
*(Portfolio Evaluation report for the quarter ended 31 March 2021 attached for information)*
11. **Competition and Markets Authority - Investment Consultant Objectives** (Pages 123 - 130)  
(Exemption paragraph 3)  
Report of the Director of Corporate Services
12. **Strategic asset allocation review and monitoring**  
(Exemption paragraph 3)
- a) Economic and market update (Pages 131 - 156)  
Presentation by Hymans Robertson
- b) Review of position at 31 March 2021 (Pages 157 - 166)  
Report of the Director of Corporate Services
- c) Global Sustainable Equities transition outcome (Pages 167 - 180)  
Report of the Director of Corporate Services
13. **Infrastructure** (Pages 181 - 216)  
(Exemption paragraph 3)  
Report and Presentation by Hymans Robertson

14. **Property - Confirmation of action taken by the Director of Corporate Services** (Pages 217 - 218)  
(Exemption paragraph 3)

Report of the Director of Corporate Services

15. **Manager presentation - LGPS Central Limited** (Pages 219 - 254)  
(Exemption paragraph 3)

Presentation by LGPS Central Limited and fund factsheets at 31 May 2021

<b>Membership</b>	
Philip Atkins, OBE	Mike Sutherland
Mike Davies	Stephen Sweeney
Colin Greatorex	

#### **Note for Members of the Press and Public**

##### **Filming of Meetings**

The Open (public) section of this meeting may be filmed for live or later broadcasting or other use, and, if you are at the meeting, you may be filmed, and are deemed to have agreed to being filmed and to the use of the recording for broadcast and/or other purposes.

##### **Recording by Press and Public**

Recording (including by the use of social media) by the Press and Public is permitted from the public seating area provided it does not, in the opinion of the chairman, disrupt the meeting.



## Minutes of the Pensions Panel Meeting held on 2 March 2021

### Attendance

Philip Atkins, OBE (Chairman)	Mike Sutherland
Derek Davis, OBE	Stephen Sweeney
Colin Greatorex	

**Also in attendance:** Iain Campbell (Hymans Robertson), Carolan Dobson (Independent Adviser), Philip Pearson (Hymans Robertson) and Paul Potter (Hymans Robertson).

### PART ONE

#### 24. Declarations of Interest

There were no declarations of interest on this occasion.

#### 25. Minutes of meeting held on 1 December 2020

**RESOLVED** – That the minutes of the Meeting of the Pensions Panel held on 1 December 2020 be confirmed and signed by the Chairman.

#### 26. Staffordshire Pension Fund performance and portfolio of investments as at 31 December 2020

The Director of Corporate Services submitted a summary of the performance of the Staffordshire Pension Fund, together with a portfolio of the Fund's investments, as at 31 December 2020.

The Panel were informed that the Fund had a market value of £5.9 billion as at 31 December 2020. Over the quarter the Fund returned 6.8%, which was just higher than the Fund's Strategic Asset Allocation benchmark return of 6.6%. The best performing asset class relative to its benchmark, was Private Equity.

The Fund had modestly outperformed its strategic benchmark over a 3, 5 and 10-year period. Annualised returns over 10 years were 9.0% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

In response to a question from Cllr Sutherland, the Director of Corporate Services indicated that Property had been fairly consistent in terms of valuations during the pandemic. Carolan Dobson confirmed that material uncertainty clauses, accompanying recent valuations had now largely been removed.

**RESOLVED** – That the Pension Fund Investment performance and the portfolio of investments for the quarter ended 31 December 2020 be noted.

#### 27. Responsible Investment (RI) report quarter 4 2020

The Director of Corporate Services submitted a summary of activity during the quarter ended 30 September 2020 by the Fund's investment managers in fulfilment of their corporate governance and socially responsible investment obligations, including details of their voting activity on corporate resolutions for companies held in their portfolios.

The Panel noted that information on manager engagements and voting was requested routinely as part of the quarterly reporting the Fund received from each of the managers and in Q4 2020 engagement topics included;

- the successful lobbying of an industrial services company, to no longer play any part in the construction of coal-fired power plants;
- engagement with a transport company over scope 3 carbon emissions and its aim to become carbon neutral by 2030;
- discussions with a large oil and gas company over its transition to becoming an integrated energy business, including growth in renewable energy, bioenergy and electric vehicle charging points; and
- a call with a financial services company regarding inclusivity, equal opportunities and investment into diverse suppliers and small businesses.

The Director also submitted the quarterly report of the Local Authority Pension Fund Forum (LAPFF)

The Panel were informed that LGPS Central Ltd were changing the structure of their reporting and for the October to December quarter, the usual RI report would be included in an Annual Report, which would be available for the meeting of the Panel in June. The Annual Report would take longer to publish, as not only would it include the usual quarterly stewardship information, but it would also include information on the progress LGPS Central Ltd had made against their Annual Stewardship Plan. Finally, it would act as the reporting tool for them to achieve, and maintain, their UK Stewardship Code signatory status.

The Director also informed the Panel that the Fund's Climate Risk Report, compiled by LGPS Central Ltd, had recently be received and would be reported to the Pensions Committee at its meeting in March. The Panel also noted that the Fund's UK Stewardship Code would need to be updated this year.

**RESOLVED** – That the content of the Responsible Investment (RI) report, including the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report and the change in process for this quarter in relation to the LGPS Central Ltd Quarterly Stewardship Report, be noted.

## **28. Annual Investment Strategy for Pension Fund Cash**

The Panel received a joint report of the Director for Corporate Services and the County Treasurer seeking approval to the Staffordshire Pension Fund's ('the Fund'), Annual Investment Strategy (AIS) for the investment of internally managed cash.

They were informed that, under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, Administering Authorities were required to include policies for how they would manage Pension Fund cash as part of their

Investment Strategy Statement (ISS). In addition to this, the Fund considered it good practice to prepare a separate Annual Investment Strategy (AIS) for cash balances, with reference made to it within the ISS.

The Panel noted that the Pension Fund had a small strategic asset allocation to cash of 1%, recognising that cash balances were needed for the day to day management of the Pension Fund. This cash was managed by Officers in the County Council's Treasury and Pension Fund Team, to provide liquidity and pay bills as they arose. The management of this cash would continue to remain with the Fund and would not be transferred to LGPS Central Ltd under the LGPS pooling agenda.

The cash held increases from time to time, pending investment in other major asset classes e.g. property and private debt. The proposed AIS therefore needs to allow for such situations occurring and the Panel would need to review the strategic asset allocation benchmark to cash on a quarterly basis, together with any associated ranges.

The proposed main objectives for the AIS were to invest cash prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The objective when investing cash was to strike an appropriate balance between risk and return, thereby minimising the risk of incurring losses from defaults but also taking into account the risk of receiving unsuitably low investment income.

To allow for the practical management of the treasury transactions each day, it was proposed that the change in investment limits and the choice over the investments made be delegated to the County Treasurer (S151 Officer), who chairs the County Council's Treasury Management Panel. Outside of this, the Pensions Panel would need to assess any specific requirements and consider any changes that may be required to the AIS.

The Panel noted that MHCLG Guidance on Local Government Investments specified the types of financial instruments that local authorities could invest in. The Fund's AIS had followed the county Council's AIS in dividing investments between Standard and Non-Standard Investment categories. Standard Investment categories included investments that were made with approved counterparties and did not require further approval from the County Treasurer (S151), as Chair of the Treasury Management Panel or the Pensions Panel. These investments tended to be for a period of less than a year and were the most frequently used. In the case of the Pension Fund, standard investments are made with - the UK Government (central government or local authority, parish council or community council); short-term money market funds (MMFs); and the Fund's banking provider (currently Lloyds Bank). The Non-Standard Investments did not present any additional security risk to the investments within the Standard Investments category and included: Covered Bonds, issued by banks and building societies against mortgage assets and guaranteed by a separate group of companies; Repos (Repurchase Agreements), comprising the purchase of securities with the agreement to sell them back at a higher price in the future; UK Government Gilts; and Collective Investment Schemes.

In response to a question from Cllr Sutherland concerning whether the appointment of the Fund's Bankers was reviewed, the Director of Corporate Services indicated that this

was the case and that the Fund was shortly to go out to tender for the contract for the supply of its banking services.

With regard to risk, the Panel were informed that cash was only a small component of the overall investments of the Fund and the wider aspects of risk were considered in the ISS, where cash was shown to form a small part of the Fund's Strategic Asset Allocation. Looking at cash in isolation, treasury management usually recognised that the two prime risk areas were security and liquidity. It was considered that focussing primarily on these two risks was appropriate for the Fund's relatively low 1% allocation to cash, for day to day cash management purposes. However, the AIS provided the flexibility to consider higher yields using Non-Standard Investments. Should the Pensions Panel decide to make a higher strategic allocation to cash at some point in the future, where seeking a higher return would become more important, the balance of risk and reward would need to be revisited and the AIS reviewed.

The Panel noted that the main circumstances where a revised strategy would be prepared included a significant change in:

- the Fund's Strategic Asset Allocation;
- the economic environment;
- the financial risk environment; and
- the regulatory environment.

**RESOLVED** – That the Staffordshire Pension Fund's ('the Fund') Annual Investment Strategy (AIS) for the investment of internally managed cash be approved.

## **29. Investment Strategy Statement**

The Panel were informed that the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which came into force in 2017, required that the first Investment Strategy Statement (ISS), which replaced the Statement of Investment Principles, to be published by 1 April 2017, kept under review and revised from time to time and at least every three years.

The Panel noted that the ISS documents how the investment strategy for the Fund was determined and implemented and was required to cover numerous areas, specifically:

- The requirement to invest money across a wide range of investments;
- An assessment of the suitability of particular investments and investment types;
- The maximum percentage authorities deem should be allocated to different asset classes or types of investment;
- The authority's attitude to risk, including the measurement and management of risk;
- The authority's approach to investment pooling;
- The authority's policy on social, environmental and corporate governance considerations; and
- The authority's policy with regard to stewardship of assets, including the exercise of voting rights.

The Fund's ISS was first published in April 2017 and had been reviewed annually since, to better reflect the arrangements in place for asset pooling and the transfer of assets into LGPS Central Ltd. Having been updated quite substantially, to incorporate the outcome of the 2019 Strategic Asset Allocation review and the 2019 Actuarial Valuation, the current version of the ISS included some relatively minor amendments to better reflect activity during 2020, thus keeping it up to date.

The Panel also noted that under Regulation 7(5), the authority must consult such persons as it considered appropriate as to the proposed contents of its investment strategy. In the formulation of the updated ISS, the Fund had consulted with its investment advisors – Hymans Robertson.

It was also noted that the ISS may need further substantial revision following the outcome of the MHCLG's formal consultation on the Statutory Guidance on Asset Pooling in the LGPS; expected sometime in 2021. At this stage, wider consultation on the ISS might also be considered appropriate.

The Panel were also informed that Paul Potter from Hymans Robertson was to retire shortly. Members extended their thanks to Mr Potter for the contribution he had made to the work of the Fund and wished him a happy retirement.

**RESOLVED** – (a) That the updated Staffordshire Pension Fund Investment Strategy Statement (ISS) be approved.

(b) That the potential requirement for further updates to the Investment Strategy Statement (ISS) once the outcome of the Ministry of Housing, Communities and Local Government's (MHCLG) formal consultation on the Statutory Guidance on Asset Pooling in the LGPS is known, be noted.

### **30. Dates of Future Meetings**

**RESOLVED** – That the dates of Future meetings of the Panel, as set out below, be noted:

- Tuesday 8 June 2021 (2pm start)
- Friday 3 September 2021
- Tuesday 30 November 2021
- Tuesday 1 March 2022

(Note: All meetings are scheduled to start at 9.30am unless indicated otherwise).

### **31. Exclusion of the Public**

**RESOLVED** - That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

## **PART TWO**

The Panel then proceeded to consider reports on the following issues:

**32. Exempt Minutes of the Meeting held on 1 December 2020**

(Exemption paragraph 3)

**33. Staffordshire Pension Fund performance and manager monitoring for the quarter ended 31 December 2020**

(Exemption paragraph 3)

**34. Strategic asset allocation review and monitoring**

(Exemption paragraph 3)

- a) Economic and Market Update
- b) Review of Position as at 31 January 2021

**35. Property**

(Exemption paragraph 3)

- a) Annual Property Review and Strategy Report for 2021/22
- b) Gresham House Residential Secured Income LP
- c) Confirmation of action taken by the Director of Corporate Services

**36. Manager presentation - Colliers (Property)**

(Exemption paragraph 3)

**Chairman**

Local Members Interest	

**PENSIONS PANEL – 9 JULY 2021**

**Report of the Director of Corporate Services**

**PENSION FUND INVESTMENT PERFORMANCE Q1 2021**

**1. Purpose of Report**

1.1 To provide, for information;

- i) a summary of performance of the Staffordshire Pension Fund as at 31 March 2021;
- ii) a portfolio of the Pension Fund’s investments as at 31 March 2021.

**2. Performance Summary**

2.1 Period

	<u>Fund</u> %	<u>Benchmark</u> %	<u>Relative</u> <u>Performance</u> %
June 2020 Quarter	12.9	12.5	0.4
September 2020 Quarter	2.4	1.5	0.9
December 2020 Quarter	6.8	6.6	0.2
March 2021 Quarter	2.8	2.2	0.6
Financial Year	26.9	24.4	2.5

2.2 Equity markets rose over the quarter, despite there being some volatility, with concerns about new COVID-19 strains and national lockdowns. However, the continued roll out of the vaccination programme provided welcome optimism. The MSCI world rose 4.52% as central banks in the US and Europe eased fears of interest rate rises, by stating easy funding would continue, although expectations of increased inflation have since grown. Oil and other commodity prices have continued to rise with the improving market sentiment. Annual figures for the quarter are being boosted by the poor data 12 months ago, at the start of the COVID-19 pandemic.

2.3 In the US, President Biden deployed an unprecedented \$1.9 trillion fiscal stimulus package and a \$2 trillion infrastructure plan, along with the continued vaccination programme rollout, which helped to strengthen the dollar and contributed to the rise in equity markets. The S&P 500 rose 5.77% over the quarter. US bond yields also rose sharply over the quarter.

- 2.4 The Euro lost ground on the dollar over the quarter with ongoing difficulties over vaccine supplies and new national lockdowns. However, equity markets still rose with the Euro Stoxx 50 up 3.92%.
- 2.5 Developed markets outperformed Emerging markets over the quarter with the Hang Seng (Hong Kong) and Nikkei 225 (Tokyo) returning 4.21% and 6.32% respectively.
- 2.6 In the UK, despite a national lockdown throughout most of the quarter, the roll out of the vaccination program helped the performance of UK equities. The Brexit trade deals agreed also helped the equity markets and the prediction of increased spending and pent up demand outweighed concerns over long term employment figures. Sterling gained against the Euro over the quarter and the FTSE 100 rose 10.32%.

### 3. **Fund Value**

- 3.1 The Fund had a market value of £6.1 billion as at 31 March 2021, its highest reported value to date.
- 3.2 Over the quarter the Fund returned 2.8%, which outperformed the Fund's Strategic Asset Allocation benchmark return (2.2%) by 0.6%. The best performing asset class relative to its benchmark, was global active equities.
- 3.3 The financial year to 31 March 2021 has seen the Fund produce an annual return of 26.9%, 2.5% above its strategic benchmark return. Equities were the main driver of returns, with global active equities returning 45.0% over the year and passive equities returning 39.5%.
- 3.4 The Fund has modestly outperformed its strategic benchmark return over a 3, 5 and 10-year period. Annualised returns over 10 years are 9.1% per annum, well above the investment return assumptions used by the Actuary as part of the triennial valuation.

### 4. **Portfolio of Investments as at 31 March 2021**

- 4.1 A copy of the Staffordshire Pension Fund's portfolio of investments as at 31 March 2021 is attached at Appendix 1.

**John Tradewell**  
**Director of Corporate Services**

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Contact: Melanie Stokes, Assistant Director for Treasury & Pensions  
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Background Documents:  
Portfolio Evaluation Performance Measurement Data



**Staffordshire**  
**Pension Fund**  
Local Government Pension Scheme

# Investment Portfolio

31 March 2021



## STAFFORDSHIRE PENSION FUND

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**STAFFORDSHIRE PENSION FUND**  
**PORTFOLIO ANALYSIS AS AT 31 MARCH 2021**

		<u>PREVIOUS QUARTER</u> <u>MARKET VALUE</u> £	<u>CURRENT QUARTER</u> <u>BOOK COST</u> £	<u>CURRENT QUARTER</u> <u>MARKET VALUE</u> £
UK	Equities	304,376,407.67	290,360,597.79	324,189,290.74
	Cash	5,181,063.65	8,470,817.11	8,470,817.11
GLOBAL	Equities	1,464,534,252.24	1,139,548,030.87	1,551,802,105.03
	Cash	11,259,603.66	19,045,534.05	19,045,534.05
PASSIVE GLOBAL	Equities	2,055,557,217.65	1,640,718,586.66	2,139,414,757.00
FACTOR BASED	Equities	0.00	125,000,000.00	128,050,000.00
PRIVATE EQUITY		239,433,046.30	111,644,769.98	264,123,875.63
REGULATORY CAPITAL (SHARE)		1,315,000.00	1,315,000.00	1,315,000.00
PROPERTY		459,779,341.84	451,176,141.55	469,211,899.08
ALTERNATIVES	Hedge Funds	34,956,427.88	6,430,779.83	23,184,777.11
	Infrastructure	0.00	2,473,268.23	2,473,268.23
BONDS	Global Corporate Bonds	440,790,444.34	420,120,515.93	423,061,358.61
	Passive UK Index Linked Gilts	438,315,570.40	257,768,964.69	407,695,019.92
PRIVATE DEBT		264,058,964.55	295,884,741.48	291,483,858.72
CASH	Central Cash Fund	175,926,485.44	62,930,580.58	62,930,580.58
	Regulatory Capital (Loan)	685,000.00	685,000.00	685,000.00
	Private Equity	16,924,305.59	8,697,620.73	8,697,620.73
	Private Debt	517.72	24,232.38	24,232.38
TRANSITION	Equities	0.58	0.00	0.57
	Cash	0.00	0.00	0.00
<b>TOTAL INVESTMENTS</b>		<b>5,703,801,673.45</b>	<b>4,743,126,397.01</b>	<b>6,026,690,210.64</b>
<b>TOTAL CASH</b>		<b>209,291,976.06</b>	<b>99,168,784.85</b>	<b>99,168,784.85</b>
<b>TOTAL</b>		<b>5,913,093,649.51</b>	<b>4,842,295,181.86</b>	<b>6,125,858,995.49</b>

**STAFFORDSHIRE PENSION FUND**

**PORTFOLIO VALUATION**

<u>Fund - Standard Life (UK Equity)</u>	<u>Currency - Sterling</u>			<u>Report Date -</u>	<u>31-03-2021</u>	
	<u>Cost</u>	<u>Average Cost</u>	<u>Market Price</u>	<u>Market Value</u>	<u>Unrealised Gain/Loss</u>	
<u>Holding</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	
<b>UK EQUITIES &amp; CONVERTIBLES</b>						
<b>Aerospace &amp; Defense</b>						
BABCOCK INTL GROUP ORD GBP0.60	1,074,617	8,776,682.09	8.17	2.29	2,456,574.46	(6,320,107.63)
BAE SYSTEMS ORD GBP0.025	1,286,224	6,592,563.79	5.13	5.05	6,495,431.20	(97,132.59)
ROLLS ROYCE HLDGS ORD GBP0.20	2,247,219	4,852,815.19	2.16	1.05	2,366,321.61	(2,486,493.58)
		<b>20,222,061.07</b>			<b>11,318,327.27</b>	<b>(8,903,733.80)</b>
<b>Banks</b>						
BARCLAYS PLC ORD GBP0.25	6,372,373	11,117,582.03	1.74	1.86	11,847,515.88	729,933.85
CLOSE BROS GROUP ORD GBP0.25	132,326	1,191,019.45	9.00	15.51	2,052,376.26	861,356.81
STANDARD CHARTERED PLC SHS	1,255,003	7,905,133.39	6.30	5.00	6,268,739.99	(1,636,393.40)
		<b>20,213,734.87</b>			<b>20,168,632.13</b>	<b>(45,102.74)</b>
<b>Beverages</b>						
COCA-COLA HBC AG ORD (CDI)	188,026	4,318,695.51	22.97	23.10	4,343,400.60	24,705.09
DIAGEO ORD PLC	222,182	5,610,652.05	25.25	29.90	6,642,130.89	1,031,478.84
		<b>9,929,347.56</b>			<b>10,985,531.49</b>	<b>1,056,183.93</b>
<b>Chemicals</b>						
JOHNSON MATTHEY	185,960	5,295,999.68	28.48	30.13	5,602,974.80	306,975.12
SYNTHOMER PLC ORD GBP0.10	739,290	2,435,898.84	3.29	4.64	3,430,305.60	994,406.76
		<b>7,731,898.52</b>			<b>9,033,280.40</b>	<b>1,301,381.88</b>
<b>Construction and Materials</b>						
BALFOUR BEATTY GBP0.50	967,119	2,298,409.86	2.38	2.95	2,854,935.29	556,525.43
KIER GROUP ORD GBP0.01	525,198	3,910,224.96	7.45	0.90	473,466.00	(3,436,758.96)
PGENUIT GROUP PLC ORD GBP0.001	803,378	2,220,951.91	2.76	5.55	4,458,747.90	2,237,795.99
		<b>8,429,586.73</b>			<b>7,787,149.19</b>	<b>(642,437.54)</b>
<b>Consumer Services</b>						
JUST EAT TAKEAWAY ORD EUR0.04 (CDI)	36,676	<b>1,966,827.62</b>	53.63	66.88	<b>2,452,890.88</b>	<b>486,063.26</b>
<b>Gas, Water &amp; Multiutilities</b>						
NATIONAL GRID ORD GBP0.12431289	910,188	8,038,303.10	8.83	8.64	7,864,024.32	(174,278.78)
SEVERN TRENT ORD GBP0.9789	122,226	2,627,719.10	21.50	23.06	2,818,531.56	190,812.46
UNITED UTILITIES GROUP ORD GBP0.05	229,360	1,831,533.73	7.99	9.26	2,123,414.88	291,881.15
		<b>12,497,555.93</b>			<b>12,805,970.76</b>	<b>308,414.83</b>
<b>General Industrials</b>						
SMITH(DS) ORD GBP0.10	774,816	<b>1,760,138.73</b>	2.27	4.08	<b>3,158,924.83</b>	<b>1,398,786.10</b>
<b>Household Goods and Home Construction</b>						
BARRATT DEVELOPMENTS ORD GBP0.10	206,381	911,643.22	4.42	7.47	1,541,253.31	629,610.09
BELLWAY GBP0.125	91,288	2,294,093.99	25.13	34.03	3,106,530.64	812,436.65
COUNTRYSIDE PROPER ORD GBP0.01	805,015	2,099,634.91	2.61	5.08	4,089,476.20	1,989,841.29
CREST NICHOLSON H ORD GBP0.05	314,437	1,223,249.29	3.89	4.08	1,282,902.96	59,653.67
REDROW PLC ORD GBP0.105	195,964	823,247.15	4.20	6.28	1,230,653.92	407,406.77
		<b>7,351,868.56</b>			<b>11,250,817.03</b>	<b>3,898,948.47</b>
<b>Industrial Metals and Mining</b>						
ANGLO AMERICAN USD0.54945	260,307	4,164,508.64	16.00	28.43	7,399,226.48	3,234,717.84
BHP GROUP PLC ORD USD0.50	373,779	5,869,587.27	15.70	20.95	7,828,801.16	1,959,213.89
BODYCOTE PLC ORD GBP0.1727272	272,799	1,330,821.44	4.88	8.27	2,254,683.74	923,862.30
RIO TINTO ORD GBP0.10	154,857	4,067,954.65	26.27	55.50	8,594,563.50	4,526,608.85
		<b>15,432,872.00</b>			<b>26,077,274.88</b>	<b>10,644,402.88</b>
<b>Industrial Support Services</b>						
DE LA RUE ORD GBP0.4486857	369,191	477,740.42	1.29	2.06	760,533.46	282,793.04
IWG PLC ORD GBP0.01	870,344	2,078,939.65	2.39	3.41	2,964,391.66	885,452.01
VESUVIUS PLC ORD GBP0.10	466,186	2,740,001.60	5.88	5.39	2,512,742.54	(227,259.06)
		<b>5,296,681.67</b>			<b>6,237,667.66</b>	<b>940,985.99</b>
<b>Industrial Transportation</b>						
ASHTAD GROUP ORD GBP0.10	149,398	1,537,916.54	10.29	43.27	6,464,451.46	4,926,534.92

## STAFFORDSHIRE PENSION FUND

## PORTFOLIO VALUATION

<u>Fund - Standard Life (UK Equity)</u>	<u>Currency - Sterling</u>			<u>Report Date -</u>	<u>31-03-2021</u>	
	<u>Cost</u>	<u>Average</u>	<u>Market</u>	<u>Market</u>	<u>Unrealised</u>	
<u>Cost</u>	<u>Cost</u>	<u>Price</u>	<u>Value</u>	<u>Gain/Loss</u>		
<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	
<u>Unrealised</u>						
<u>Gain/Loss</u>						
<u>£</u>						
<b>Investment Banking and Brokerage Services</b>						
ASHMORE GROUP ORD GBP0.0001	464,193	1,776,261.51	3.83	3.91	1,816,851.40	40,589.89
INTERMED CAP GRP ORD GBP0.2625	154,201	1,860,294.66	12.06	18.42	2,840,382.42	980,087.76
JOHN LAING GROUP P ORD GBP0.10	1,341,820	3,248,058.63	2.42	3.13	4,205,263.88	957,205.25
LONDON STOCK EXCHANGE GROUP ORD GBP0.06918604	55,436	2,825,525.72	50.97	69.40	3,847,258.40	1,021,732.68
MELROSE INDUST PLC	1,080,603	1,134,726.96	1.05	1.67	1,803,526.41	668,799.45
NETWORK INTL HLDGS ORD GBP0.10	391,888	1,704,712.80	4.35	4.14	1,620,848.77	(83,864.03)
		<b>12,549,580.28</b>			<b>16,134,131.28</b>	<b>3,584,551.00</b>
<b>Life Insurance</b>						
AVIVA ORD GBP0.25	702,042	2,875,725.64	4.10	4.08	2,865,735.44	(9,990.20)
JUST GROUP PLC ORD GBP0.10	3,440,161	3,541,190.72	1.03	1.01	3,478,002.77	(63,187.95)
PHOENIX GP HDGS PL ORD GBP0.10	870,601	5,833,016.26	6.70	7.34	6,391,952.54	558,936.28
PRUDENTIAL GBP0.05	774,155	6,811,954.35	8.80	15.41	11,925,857.78	5,113,903.43
		<b>19,061,886.97</b>			<b>24,661,548.53</b>	<b>5,599,661.56</b>
<b>Media</b>						
AUTO TRADER GROUP ORD GBP0.01	424,196	1,976,126.29	4.66	5.54	2,351,742.62	375,616.33
RELX PLC	601,897	8,106,639.38	13.47	18.19	10,948,506.43	2,841,867.05
		<b>10,082,765.67</b>			<b>13,300,249.05</b>	<b>3,217,483.38</b>
<b>Medical Equipment and Services</b>						
CONVATEC GROUP PLC ORD GBP0.1 (WI)	2,018,415	<b>2,778,188.43</b>	1.38	1.96	<b>3,958,111.82</b>	<b>1,179,923.39</b>
<b>Oil, Gas and Coal</b>						
BP ORD USD0.25	1,891,442	8,907,207.11	4.71	2.95	5,573,133.85	(3,334,073.26)
CAIRN ENERGY PLC ORD GBP0.01615384615	877,371	2,135,731.30	2.43	1.70	1,493,285.44	(642,445.86)
ENERGEAN PLC ORD GBP0.01	449,465	3,350,336.15	7.45	8.50	3,819,553.57	469,217.42
GLENCORE PLC ORD USD0.01	2,084,344	4,148,387.80	1.99	2.84	5,924,747.82	1,776,360.02
SAVANNAH ENERGY PLC	16,840,579	2,211,730.03	0.13	0.17	2,862,898.43	651,168.40
WOOD GROUP (JOHN) ORD GBP0.0428571	919,797	4,708,113.65	5.12	2.71	2,488,970.68	(2,219,142.97)
		<b>25,461,506.04</b>			<b>22,162,589.79</b>	<b>(3,298,916.25)</b>
<b>Personal Care, Drug and Grocery Stores</b>						
RECKITT ORD GBP0.10 COM	100,460	6,418,177.87	63.89	64.98	6,527,890.80	109,712.93
UNILEVER PLC ORD GBP0.031111	161,030	4,918,724.06	30.55	40.56	6,531,376.80	1,612,652.74
		<b>11,336,901.93</b>			<b>13,059,267.60</b>	<b>1,722,365.67</b>
<b>Pharmaceuticals and Biotechnology</b>						
ASTRAZENECA ORD USD0.25	107,867	5,203,376.07	48.24	72.47	7,817,121.49	2,613,745.42
DECHRA PHARMA ORD GBP0.01	118,946	2,773,149.08	23.31	34.30	4,079,847.80	1,306,698.72
GENUS ORD GBP0.10	53,569	1,893,101.86	35.34	48.58	2,602,382.02	709,280.16
GLAXOSMITHKLINE ORD GBP0.25	584,023	8,738,669.74	14.96	12.88	7,522,216.24	(1,216,453.50)
INDIVIOR PLC ORD USD0.10	2,142,578	4,533,390.21	2.12	1.27	2,721,074.06	(1,812,316.15)
		<b>23,141,686.96</b>			<b>24,742,641.61</b>	<b>1,600,954.65</b>
<b>Precious Metals and Mining</b>						
CENTAMIN PLC ORD NPV (DI)	1,078,575	1,194,876.65	1.11	1.04	1,121,718.00	(73,158.65)
PETRA DIAMONDS ORD GBP0.00001 (DI)	3,019,206	2,099,628.53	0.70	0.01	44,080.41	(2,055,548.12)
		<b>3,294,505.18</b>			<b>1,165,798.41</b>	<b>(2,128,706.77)</b>
<b>Real Estate Investment Trusts</b>						
UNITE GROUP ORD GBP0.25	292,413	<b>2,662,328.96</b>	9.10	10.67	<b>3,120,046.71</b>	<b>457,717.75</b>
<b>Retailers</b>						
INCHCAPE ORD GBP0.10	598,734	3,580,164.58	5.98	7.53	4,508,467.02	928,302.44
WH SMITH PLC ORD GBP0.220895	118,643	1,442,554.18	12.16	17.97	2,132,014.71	689,460.53
		<b>5,022,718.76</b>			<b>6,640,481.73</b>	<b>1,617,762.97</b>
<b>Software and Computer Services</b>						
AVEVA GROUP ORD GBP0.03556	135,869	4,026,352.33	29.63	34.22	4,649,437.18	623,084.85
RIGHTMOVE COM STCK	455,144	1,832,333.69	4.03	5.82	2,649,848.37	817,514.68
		<b>5,858,686.02</b>			<b>7,299,285.55</b>	<b>1,440,599.53</b>

**STAFFORDSHIRE PENSION FUND**

**PORTFOLIO VALUATION**

<b>Fund - Standard Life (UK Equity)</b>	<b>Currency - Sterling</b>				<b>Report Date -</b>	<b>31-03-2021</b>
	<b>Cost</b>	<b>Average</b>	<b>Market</b>	<b>Market</b>	<b>Unrealised</b>	
<b>Cost</b>	<b>Cost</b>	<b>Price</b>	<b>Value</b>	<b>Gain/Loss</b>		
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>		
<b>Unrealised</b>	<b>Gain/Loss</b>					
<b>£</b>	<b>£</b>					
<b>Telecommunications Service Providers</b>						
BT GROUP ORD GBP0.05	602,580	1,579,130.73	2.62	1.55	932,793.84	(646,336.89)
HELIOS TOWERS PLC ORD GBP1.00	997,309	1,515,295.66	1.52	1.69	1,685,452.21	170,156.55
TELECOM PLUS ORD GBP0.05	157,234	2,169,597.75	13.80	12.70	1,996,871.80	(172,725.95)
VODAFONE GROUP ORD USD0.2095238	7,217,450	13,446,676.23	1.86	1.32	9,518,373.06	(3,928,303.17)
	<b>18,710,700.37</b>				<b>14,133,490.91</b>	<b>(4,577,209.46)</b>
<b>Tobacco</b>						
BRITISH AMERICAN TOBACCO ORD GBP0.25	294,065	10,850,369.79	36.90	27.74	8,157,363.10	(2,693,006.69)
IMPERIAL BRANDS PLC GBP0.10	365,048	7,746,348.92	21.22	14.92	5,446,516.16	(2,299,832.76)
	<b>18,596,718.71</b>				<b>13,603,879.26</b>	<b>(4,992,839.45)</b>
<b>Travel and Leisure</b>						
888 HOLDINGS ORD GBP0.005	610,000	1,486,723.55	2.44	3.95	2,409,500.00	922,776.45
CINEWORLD GROUP ORD GBP0.01	1,171,543	2,781,491.38	2.37	0.96	1,130,304.69	(1,651,186.69)
ENTAIN PLC EUR0.01	650,295	4,150,158.58	6.38	15.18	9,871,478.10	5,721,319.52
FIRSTGROUP ORD GBP0.05	5,816,542	2,861,818.42	0.49	0.92	5,354,126.91	2,492,308.49
GO-AHEAD GROUP ORD GBP0.10	162,518	2,401,304.84	14.78	13.59	2,208,619.62	(192,685.22)
MARSTON'S PLC ORD GBP0.07375	2,518,827	1,935,769.17	0.77	0.98	2,476,006.94	540,237.77
RANK GROUP PLC ORD GBP0.1388888	1,268,926	1,766,447.80	1.39	1.88	2,383,043.03	616,595.23
	<b>17,383,713.74</b>				<b>25,833,079.29</b>	<b>8,449,365.55</b>
<b>Unit Trusts</b>						
STANDARD LIFE INVT POOLED UK EQTY SMALLER	1,395,450	<b>2,048,219.97</b>	1.47	4.75	<b>6,633,771.22</b>	<b>4,585,551.25</b>
<b>Total Investments</b>		290,360,597.79			324,189,290.74	33,828,692.95
<b>Cash Balance</b>		8,470,817.11			8,470,817.11	
<b>Total Value of Portfolio</b>		<u>298,831,414.90</u>			<u>332,660,107.85</u>	

## STAFFORDSHIRE PENSION FUND

## PORTFOLIO VALUATION

Funds - JP Morgan Asset Management, Longview Partners (Global Equity)		Currency - Sterling			Report Date -	31-03-2021
Holding	Cost £	Average Cost £	Market Price £	Market Value £	Unrealised Gain/Loss £	
<b>EUROPE</b>						
<b>Belgium</b>						
BEKAERT SA NPV	72,299	<u>2,196,625.52</u>	30.38	30.39	<u>2,197,461.24</u>	<u>835.72</u>
<b>Denmark</b>						
CARLSBERG SER'B'DKK20	14,209	1,621,669.03	114.13	111.63	1,586,142.45	(35,526.58)
ISS A/S DKK1	186,200	3,414,460.55	18.34	13.54	2,521,930.38	(892,530.17)
ORSTED A/S	22,155	2,837,846.90	128.09	117.34	2,599,776.33	(238,070.57)
SCANDINAVIAN TOBAC DKK1	180,265	2,081,593.38	11.55	13.94	2,512,778.80	431,185.42
		<u>9,955,569.86</u>			<u>9,220,627.96</u>	<u>(734,941.90)</u>
<b>Finland</b>						
VALMET OYJ NPV	80,539	<u>1,786,931.36</u>	22.19	26.42	<u>2,127,512.34</u>	<u>340,580.98</u>
<b>France</b>						
AXA SA EUR2.29	149,819	2,468,377.92	16.48	19.49	2,920,666.03	452,288.11
BNP PARIBAS EUR2	68,054	2,402,453.09	35.30	44.19	3,007,583.63	605,130.54
FAURECIA S.E. EUR7	3,088	50,909.43	16.49	38.70	119,503.30	68,593.87
SAFRAN SA EUR0.20	18,420	1,928,920.06	104.72	98.86	1,820,953.51	(107,966.55)
SANOFI EUR2	126,600	7,364,205.75	58.17	71.77	9,085,894.78	1,721,689.03
TOTAL S.E. EUR2.5	104,288	3,236,485.00	31.03	33.88	3,533,528.63	297,043.63
		<u>17,451,351.25</u>			<u>20,488,129.88</u>	<u>3,036,778.63</u>
<b>Germany</b>						
ALLIANZ SE NPV(REGD)(VINKULIERT)	12,150	2,145,983.57	176.62	184.89	2,246,467.58	100,484.01
DAIMLER AG ORD NPV(REGD)	56,516	2,528,393.86	44.74	64.75	3,659,369.27	1,130,975.41
HENKEL AG & CO KGAA NON-VTG PRF NPV	137,175	11,939,579.34	87.04	81.66	11,201,507.69	(738,071.65)
SIEMENS AG NPV(REGD)	17,399	1,685,485.93	96.87	119.26	2,074,991.93	389,506.00
		<u>18,299,442.70</u>			<u>19,182,336.47</u>	<u>882,893.77</u>
<b>Israel</b>						
BEZEQ ISRAEL TELCM ILS1	2,390,621	<u>2,174,354.30</u>	0.91	0.78	<u>1,855,492.13</u>	<u>(318,862.17)</u>
<b>Italy</b>						
INTESA SANPAOLO NPV	661,284	1,100,107.07	1.66	1.97	1,301,541.86	201,434.59
STELLANTIS N V COM EUR0.01	181,336	1,296,138.63	7.15	12.85	2,329,428.91	1,033,290.28
		<u>2,396,245.70</u>			<u>3,630,970.57</u>	<u>1,234,724.87</u>
<b>Netherlands</b>						
ASM INTL NV EUR0.04	13,377	1,449,421.73	108.35	211.26	2,826,015.22	1,376,593.49
ASML HOLDING NV EUR0.09	9,141	3,220,957.82	352.36	440.41	4,025,764.26	804,806.44
ING GROEP N.V. EUR0.01	422,030	2,934,283.15	6.95	8.89	3,750,377.55	816,094.40
KON AHOLD DELHAIZE EUR0.01	100,231	1,826,275.81	18.22	20.23	2,027,821.70	201,545.89
SIGNIFY NV EUR0.01	63,428	2,025,933.48	31.94	37.45	2,375,214.25	349,280.77
		<u>11,456,871.99</u>			<u>15,005,192.98</u>	<u>3,548,320.99</u>
<b>Norway</b>						
NORWEGIAN FIN HLDG COM STK	63,199	<u>494,786.88</u>	7.83	8.15	<u>515,139.12</u>	<u>20,352.24</u>
<b>Spain</b>						
IBERDROLA SA EUR0.75	302,284	<u>3,136,322.31</u>	10.38	9.36	<u>2,828,650.62</u>	<u>(307,671.69)</u>
<b>Sweden</b>						
VOLVO AB SER'B'NPV	131,500	<u>2,499,085.21</u>	19.00	18.37	<u>2,415,486.45</u>	<u>(83,598.76)</u>
<b>Switzerland</b>						
ADECCO GROUP AG CHF0.1 (REGD)	52,317	2,411,251.08	46.09	49.01	2,564,067.64	152,816.56
KUEHNE&NAGEL INTL CHF1 (REGD)	7,468	1,371,480.58	183.65	207.70	1,551,106.90	179,626.32
NESTLE SA CHF0.10(REGD)	35,950	3,132,186.40	87.13	81.12	2,916,410.70	(215,775.70)
ROCHE HLDGS AG GENUSSCHEINE NPV	8,961	1,758,969.19	196.29	235.23	2,107,914.93	348,945.74
SOFTWAREONE HLD AG CHF0.01	77,605	1,700,275.59	21.91	18.79	1,458,263.49	(242,012.10)
SWISSQUOTE GP HLDG CHF0.20 (REGD)(POST SUBD)	30,432	2,038,363.11	66.98	93.95	2,859,214.91	820,851.80
UBS GROUP AG CHF0.10 (REGD)	254,063	2,369,717.46	9.33	11.27	2,863,456.72	493,739.26
ZURICH INSURANCE GROUP AG CHF0.10	8,806	2,508,134.43	284.82	310.67	2,735,716.24	227,581.81
		<u>17,290,377.84</u>			<u>19,056,151.53</u>	<u>1,765,773.69</u>
<b>TOTAL EUROPE</b>		<b><u>89,137,964.92</u></b>			<b><u>98,523,151.29</u></b>	<b><u>9,385,186.37</u></b>
<b>Japan</b>						
ARCS COMPANY LTD NPV	47,700	890,793.71	18.67	15.68	748,085.07	(142,708.64)
ASAHI GROUP HOLDINGS LTD NPV	184,700	6,660,654.49	36.06	30.60	5,651,602.05	(1,009,052.44)
DAIHEN CORP NPV	68,900	2,094,524.70	30.40	31.91	2,198,644.92	104,120.22
FUJITSU Y50	10,600	1,040,687.25	98.18	104.95	1,112,445.85	71,758.60
IIDA GROUP LTD	60,800	1,117,140.68	18.37	17.55	1,067,192.39	(49,948.29)
ITOCHU CORP NPV	136,500	1,874,329.09	13.73	23.53	3,211,567.53	1,337,238.44
IYO BANK NPV	376,200	1,939,920.58	5.16	4.36	1,638,475.31	(301,445.27)
KDDI CORP NPV	108,300	2,494,477.11	23.03	22.27	2,411,688.80	(82,788.31)
KINTETSU WORLD EXP NPV	131,400	1,482,735.99	11.28	18.84	2,476,190.32	993,454.33
K'S HOLDINGS CORP NPV	90,100	781,642.78	8.68	9.98	898,891.01	117,248.23
NEXON CO LTD NPV	71,500	1,161,123.22	16.24	23.55	1,683,656.62	522,533.40
NINTENDO CO LTD NPV	5,700	2,479,248.60	434.96	405.43	2,310,929.15	(168,319.45)
NIPPON TELEGRAPH & TELEPHONE CORP NPV	121,300	2,181,895.81	17.99	18.64	2,261,194.42	79,298.61
ORIX CORP NPV	201,900	2,568,172.36	12.72	12.25	2,473,809.32	(94,363.04)
RENGO CO NPV	325,200	2,007,794.06	6.17	6.30	2,049,873.00	42,078.94
SEKISUI HOUSE NPV	130,300	2,159,472.29	16.57	15.57	2,028,981.84	(130,490.45)
SHIMAMURA CO NPV	16,700	1,320,503.62	79.07	83.76	1,398,815.38	78,311.76
SHIP HEALTHCARE HOLDINGS INC NPV	77,400	1,130,825.30	14.61	20.40	1,578,899.11	448,073.81
SOFTBANK CORP NPV	109,500	1,146,408.80	10.47	9.44	1,033,182.44	(113,226.36)
SONY GROUP CORPORA NPV	50,300	1,805,045.02	35.89	76.05	3,825,531.38	2,020,486.36
SUMITOMO MITSUI FINANCIAL GROUP NPV	65,800	1,570,859.83	23.87	26.28	1,729,411.20	158,551.37
T&D HOLDINGS INC NPV	234,600	2,302,700.72	9.82	9.35	2,194,323.04	(108,377.68)
<b>TOTAL JAPAN</b>		<b><u>42,210,956.01</u></b>			<b><u>45,983,390.15</u></b>	<b><u>3,772,434.14</u></b>

## STAFFORDSHIRE PENSION FUND

## PORTFOLIO VALUATION

<u>Funds - JP Morgan Asset Management, Longview Partners (Global Equity)</u>	<u>Currency - Sterling</u>				<u>Report Date -</u>	<u>31-03-2021</u>
<u>Holding</u>	<u>Cost</u>	<u>Average</u>	<u>Market</u>	<u>Market</u>	<u>Unrealised</u>	
	<u>£</u>	<u>Cost</u>	<u>Price</u>	<u>Value</u>	<u>Gain/Loss</u>	
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	
<b>ASIA PACIFIC (Ex Japan)</b>						
<b>Australia</b>						
ANSELL NPV	125,518	2,615,819.06	20.84	21.66	2,718,978.40	103,159.34
FORTESCUE METALS GRP LTD NPV	380,510	1,978,604.21	5.20	11.04	4,199,036.18	2,220,431.97
ILUKA RESOURCES NPV	149,376	577,815.83	3.87	3.98	594,547.88	16,732.05
JB HI-FI NPV	83,030	1,567,630.59	18.88	28.58	2,373,383.03	805,752.44
QANTAS AIRWAYS NPV	360,517	747,922.04	2.07	2.81	1,013,011.27	265,089.23
		<b>7,487,791.73</b>			<b>10,898,956.76</b>	<b>3,411,165.03</b>
<b>Hong Kong</b>						
AIA GROUP LTD NPV	243,200	2,046,711.02	8.42	8.79	2,138,064.97	91,353.95
JOHNSON ELEC HLDGS HKD0.05	1,031,000	1,891,762.13	1.83	1.95	2,008,864.23	117,102.10
XINYI GLASS HLDGS HKD0.1	1,250,000	1,163,855.01	0.93	2.37	2,959,984.01	1,796,129.00
		<b>5,102,328.16</b>			<b>7,106,913.21</b>	<b>2,004,585.05</b>
<b>TOTAL ASIA PACIFIC (Ex Japan)</b>		<b>12,590,119.89</b>			<b>18,005,869.97</b>	<b>5,415,750.08</b>
<b>North America</b>						
<b>Canada</b>						
CANFOR CORP COM NPV	89,613	1,391,013.46	15.52	15.01	1,345,169.56	(45,843.90)
CASCADES INC COM NPV	54,335	503,262.91	9.26	9.07	492,878.92	(10,383.99)
CELESTICA INC SUB ORD VGT SHS NPV	75,854	485,052.82	6.39	6.06	459,303.37	(25,749.45)
DUNDEE PREC METALS COM NPV	378,101	1,988,151.55	5.26	4.42	1,672,380.28	(315,771.27)
EQUITABLE GP INC COM NPV	9,217	581,860.37	63.13	72.78	670,781.06	88,920.69
NATL BK OF CANADA COM NPV	57,687	2,015,941.81	34.95	49.23	2,839,978.70	824,036.89
ROYAL BK OF CANADA COM NPV	30,836	1,652,483.93	53.59	66.82	2,060,444.36	407,960.43
TFI INTERNATIONAL COM NPV	30,922	856,563.47	27.70	54.32	1,679,771.95	823,208.48
TRANSCONTINENTAL CLASS'A'SUB-VGT NPV	183,844	2,289,546.20	12.45	12.76	2,345,127.34	55,581.14
		<b>11,763,876.52</b>			<b>13,565,835.54</b>	<b>1,801,959.02</b>
<b>United States</b>						
ABBVIE INC COM USD0.01	79,535	4,677,812.71	58.81	78.44	6,238,513.50	1,560,700.79
ADOBE SYS INC COM	11,426	4,012,062.62	351.13	344.55	3,936,781.35	(75,281.27)
AGILENT TECHNOLOGIES INC COM	52,274	4,663,120.01	89.21	92.15	4,817,073.19	153,953.18
AIRBNB INC CL A COM USD0.0001 CL A	13,057	1,088,538.90	83.37	136.22	1,778,598.54	690,059.64
ALPHABET INC CAP STK USD0.0001 CL C	10,455	6,095,352.80	583.01	1,499.33	15,675,527.35	9,580,174.55
ALPHABET INC CAPITAL STOCK USD0.0001 CL A	8,008	8,058,517.35	1,006.31	1,494.90	11,971,195.89	3,912,678.54
ALTICE USA INC CL A CL A	94,038	2,278,898.31	24.23	23.58	2,217,189.18	(61,709.13)
AMAZON COM INC COM	5,476	5,127,531.03	936.36	2,242.57	12,280,336.92	7,152,805.89
AMERICAN EXPRESS CO	113,955	8,828,529.39	77.47	102.52	11,682,100.48	2,853,571.09
AMGEN INC COM	26,441	3,373,270.54	127.58	180.34	4,768,271.89	1,395,001.35
ANTHEM INC COM	2,238	485,791.00	217.06	260.17	582,249.79	96,458.79
AON PLC	67,200	2,056,853.61	30.61	166.78	11,207,792.19	9,150,938.58
APPLE INC COM STK	253,682	6,987,941.59	27.55	88.53	22,459,414.40	15,471,472.81
APPLIED MATERIALS INC COM	12,816	303,594.54	23.69	96.83	1,241,007.09	937,412.55
ARROW ELECTR INC COM	44,170	1,472,803.50	33.34	80.32	3,547,814.05	2,075,010.55
AVAYA HLDGS CORP COM	63,762	1,381,826.69	21.67	20.32	1,295,389.38	(86,437.31)
BANK NEW YORK MELLON CORP COM STK	358,000	9,034,422.22	25.24	34.28	12,270,652.15	3,236,229.93
BANK OF AMERICA CORP	250,422	3,754,792.63	14.99	28.04	7,022,415.36	3,267,622.73
BECTON DICKINSON & CO COM	60,602	11,093,962.56	183.06	176.23	10,680,129.91	(413,832.65)
BERRY GLOBAL GROUP INC COM USD0.01	100,553	4,046,596.07	40.24	44.50	4,474,852.32	428,256.25
BIOGEN INC COMMON STOCK	7,809	1,633,763.57	209.22	202.76	1,583,364.20	(50,399.37)
BJS WHSL CLUB HLDGS INC COM	16,274	528,433.34	32.47	32.51	529,137.92	704.58
BOOKING HLDGS INC COM	1,991	3,028,250.85	1,520.97	1,688.66	3,362,115.75	333,864.90
BRISTOL MYERS SQUIBB CO COM	128,862	6,031,041.68	46.80	45.76	5,896,250.98	(134,790.70)
BUILDERS FIRSTSOURCE INC COM STK	65,509	1,211,928.45	18.50	33.61	2,201,675.81	989,747.36
BUMBLE INC COM CL A COM CL A	52,356	1,626,080.17	31.06	45.21	2,367,157.38	741,077.21
CAPITAL ONE FINL CORP COM	33,461	2,200,042.33	65.75	92.22	3,085,629.28	885,586.95
CHARTER COMMUNICATIONS INC NEW CL A CL A	9,293	3,756,240.15	404.20	447.21	4,155,951.62	399,711.47
CHARTER COMMUNICATIONS INC NEW CL A CL A	25,102	5,971,116.29	237.87	447.21	11,225,943.99	5,254,827.70
CHEGG INC COM	31,115	1,733,787.38	55.72	62.09	1,931,804.53	198,017.15
CIGNA CORP NEW COM	2,754	456,417.37	165.73	175.21	482,533.82	26,116.45
CIMAREX ENERGY CO COM	56,770	1,652,144.45	29.10	43.05	2,443,697.95	791,553.50
CITIGROUP INC COM NEW COM NEW	95,364	3,821,649.27	40.07	52.73	5,028,434.08	1,206,784.81
CITIZENS FINL GROUP INC COM	82,211	1,972,064.91	23.99	32.00	2,630,727.97	658,663.06
COLONY CAP INC NEW CL A COM CL A COM	438,219	2,127,063.71	4.85	4.70	2,058,171.28	(68,892.43)
CONAGRA BRANDS INC COM USD5	71,912	2,074,050.14	28.84	27.25	1,959,767.34	(114,282.80)
CONOCOPHILLIPS COM	35,222	1,062,907.00	30.18	38.39	1,352,257.16	289,350.16
COOPER COS INC COM NEW COM NEW	4,821	1,239,887.47	257.18	278.39	1,342,101.73	102,214.26
COURSERA INC COM	14,668	353,020.46	24.07	32.62	478,408.31	125,387.85
CROWDSTRIKE HLDGS INC CL A CL A	17,921	1,757,638.02	98.08	132.28	2,370,632.36	612,994.34
CSX CORP COM STK	44,309	2,541,319.70	57.35	69.88	3,096,523.50	555,203.80
DARDEN RESTAURANTS INC COM	17,279	1,754,466.55	101.54	102.92	1,778,370.53	23,903.98
DAVITA INC COM	16,120	915,725.12	56.81	78.11	1,259,152.19	343,427.07
DEERE & CO COM	10,650	2,533,454.47	237.88	271.17	2,888,012.40	354,557.93
DELL TECHNOLOGIES INC COM USD0.01 CL C WI COMMON STOCK	31,475	2,065,521.52	65.62	63.89	2,010,959.66	(54,561.86)
EATON CORP PLC COM USD0.50	38,500	3,228,507.02	83.86	100.22	3,858,650.15	630,143.13
EBAY INC COM USD0.001	110,775	2,711,559.98	24.48	44.39	4,916,909.84	2,205,349.86
ELECTR ARTS COM	22,016	1,753,554.41	79.65	98.12	2,160,111.40	406,556.99
ELI LILLY & CO COM	15,439	2,278,615.78	147.59	135.41	2,090,536.91	(188,078.87)
EMERSON ELECTRIC CO COM	140,051	5,732,628.60	40.93	65.39	9,158,078.06	3,425,449.46
EOG RESOURCES INC COM	61,615	2,314,130.68	37.56	52.57	3,239,063.29	924,932.61
EQT CORP COM	45,217	502,261.06	11.11	13.47	608,923.53	106,662.47
EXXON MOBIL CORP COM	67,154	2,865,203.29	42.67	40.47	2,717,407.80	(147,795.49)
FACEBOOK INC COM USD0.000006 CL 'A'	30,162	3,419,043.52	113.36	213.47	6,438,800.62	3,019,757.10
FIDELITY NATL INFORMATION SVCS INC COM STK	91,900	2,073,440.08	22.56	101.91	9,365,846.24	7,292,406.16
FISERV INC COM	124,800	8,006,958.48	64.16	86.28	10,767,696.55	2,760,738.07
FREEMPORT-MCMORAN INC	83,915	2,187,829.94	26.07	23.87	2,002,841.74	(184,988.20)
FRONTDOOR INC COM	39,527	754,343.45	19.08	38.96	1,539,882.65	785,539.20
GEN MTRS CO COM	41,653	1,775,620.52	42.63	41.65	1,734,711.32	(40,909.20)
GODADDY INC CL A CL A	39,607	2,391,661.20	60.38	56.26	2,228,234.48	(163,426.72)
GOLDMAN SACHS GROUP INC COM	14,993	2,583,748.58	172.33	237.01	3,553,461.36	969,712.78
GRAINGER W W INC COM	42,425	7,682,148.50	181.08	290.59	12,328,371.40	4,646,222.90
HCA HEALTHCARE INC COM	90,650	3,336,984.29	36.81	136.51	12,374,443.55	9,037,459.26
HENRY SCHEIN INC COMMON STOCK	189,609	7,419,336.85	39.13	50.18	9,515,493.37	2,096,156.52
HOLOGIC INC COM	31,415	1,113,606.48	35.45	53.91	1,693,591.02	579,984.54
HUMANA INC COM	10,614	3,039,161.74	286.34	303.87	3,225,280.26	186,118.52

## STAFFORDSHIRE PENSION FUND

## PORTFOLIO VALUATION

<u>Funds - JP Morgan Asset Management, Longview Partners (Global Equity)</u>	<u>Currency - Sterling</u>	<u>Report Date -</u>	<u>31-03-2021</u>			
<u>Holding</u>	<u>Cost</u>	<u>Average</u>	<u>Market</u>	<u>Market</u>	<u>Unrealised</u>	
	<u>Cost</u>	<u>Cost</u>	<u>Price</u>	<u>Value</u>	<u>Gain/Loss</u>	
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	
INFOSYS LIMITED ADR	310,205	2,155,951.45	6.95	13.57	4,208,912.94	2,052,961.49
IQVIA HLDGS INC COM USD0.01	85,441	7,285,054.94	85.26	139.99	11,960,624.44	4,675,569.50
JAZZ PHARMACEUTICALS PLC COM USD0.0001	17,535	1,962,022.79	111.89	119.13	2,089,024.96	127,002.17
KROGER CO COM	18,304	493,154.58	26.94	26.09	477,466.78	(15,687.80)
L3HARRIS TECHNOLOGIES INC COM	73,978	10,053,610.60	135.90	146.90	10,867,478.40	813,867.80
LAM RESH CORP COM	12,548	1,569,453.85	125.08	431.43	5,413,547.13	3,844,093.28
LEAR CORP COM NEW COM NEW	20,094	2,197,570.67	109.36	131.37	2,639,731.27	442,160.60
LENNAR CORP CL A CL A	64,333	2,526,164.74	39.27	73.37	4,720,177.66	2,194,012.92
MASTEC INC COM	49,718	2,625,951.97	52.82	67.91	3,376,513.93	750,561.96
MASTERCARD INC CL A	19,637	3,583,756.93	182.50	258.06	5,067,589.58	1,483,832.65
MATTEL INC COM STOCK 1.00 PAR	146,036	1,991,043.42	13.63	14.44	2,108,456.12	117,412.70
MCKESSON CORP	31,937	3,164,528.29	99.09	141.36	4,514,743.81	1,350,215.52
MEDTRONIC PLC COMMON STOCK STOCK	122,630	7,759,473.63	63.28	85.62	10,499,587.48	2,740,113.85
MERITAGE HOMES CORP COM	14,805	745,538.34	50.36	66.62	986,356.09	240,817.75
MICROSOFT CORP COM	104,880	6,457,244.06	61.57	170.88	17,922,414.88	11,465,170.82
MOLINA HEALTHCARE INC COM	12,973	1,894,450.46	146.03	169.43	2,197,991.06	303,540.60
MORGAN STANLEY COM STK USD0.01	109,577	3,370,162.19	30.76	56.29	6,167,825.76	2,797,663.57
MURPHY USA INC COM	19,306	1,705,334.78	88.33	104.78	2,022,813.04	317,478.26
NETFLIX INC COM STK	2,747	1,006,913.46	366.55	378.10	1,038,631.53	31,718.07
NRG ENERGY INC COM NEW	89,944	1,949,074.84	21.67	27.35	2,459,655.63	510,580.79
NUANCE COMMUNICATIONS INC COM	28,026	484,845.57	17.30	31.63	886,464.12	401,618.55
NVIDIA CORP COM	7,910	2,583,339.59	326.59	386.99	3,061,090.09	477,750.50
NXP SEMICONDUCTORS N V COM STK	15,829	2,165,028.14	136.78	145.93	2,309,930.15	144,902.01
OLD DOMINION FREIGHT LINE INC COM	15,101	2,207,472.68	146.18	174.25	2,631,319.23	423,846.55
OMNICOM GROUP INC COM	113,900	5,394,917.29	47.37	53.74	6,121,391.89	726,474.60
ORACLE CORP COM	231,900	5,808,464.67	25.05	50.86	11,794,173.97	5,985,709.30
ORTHO CLINICAL DIAGNOSTICS HLDGS PLC ORD USD0.00001	90,458	1,122,225.79	12.41	13.98	1,265,048.19	142,822.40
PALO ALTO NETWORKS INC COM USD0.0001	16,208	4,160,594.45	256.70	233.43	3,783,393.57	(377,200.88)
PAYPAL HLDGS INC COM	26,586	4,041,138.50	152.00	176.01	4,679,382.31	638,243.81
PENNYMAC FINL SVCS INC NEW COM	38,960	1,590,020.35	40.81	48.47	1,888,276.45	298,256.10
PRESTIGE CONSUMER HEALTHCARE INC COM	23,820	784,551.26	32.94	31.95	761,024.52	(23,526.74)
PROCTER & GAMBLE COM NPV	51,445	4,750,770.19	92.35	98.16	5,049,790.42	299,020.23
PULTE GROUP INC	104,895	2,334,580.99	22.26	38.01	3,986,876.42	1,652,295.43
QORVO INC COM	37,505	3,500,098.33	93.32	132.42	4,966,415.17	1,466,316.84
QUALTRICS INTL INC CL A CL A	84,218	1,843,786.03	21.89	23.85	2,008,852.78	165,066.75
RAYTHEON TECHNOLOGIES CORP	40,090	2,189,480.47	54.61	56.00	2,245,237.43	55,756.96
REALOGY HLDGS CORP COM	108,964	1,422,453.36	13.05	10.97	1,194,915.71	(227,537.65)
SCIENCE APPLICATIONS INTL CORP NEW COM USD0.0001	22,016	1,511,029.04	68.63	60.59	1,333,853.23	(177,175.81)
SEAGEN INC COM	3,913	533,128.60	136.25	100.65	393,824.12	(139,304.48)
SHOALS TECHNOLOGIES GROUP INC CL A CL A	144,808	2,634,405.47	18.19	25.21	3,650,374.63	1,015,969.16
SIGNIFY HEALTH INC CL A CL A	38,918	674,634.89	17.33	21.21	825,353.77	150,718.88
SPECTRUM BRANDS HLDGS INC COM USD0.01	10,684	491,552.96	46.01	61.61	658,215.51	166,662.55
SS&C TECHNOLOGIES HLDGS INC COM	41,565	1,967,302.91	47.33	50.64	2,104,911.46	137,608.55
STATE STR CORP COM	42,483	1,944,080.31	45.76	60.89	2,586,791.75	642,711.44
STATE STR CORP COM	204,984	11,691,689.08	57.04	60.89	12,481,484.81	789,795.73
SYNCHRONY FINL COM	106,540	2,615,563.97	24.55	29.47	3,139,752.18	524,188.21
SYSCO CORP COM	35,560	1,862,626.63	52.38	57.07	2,029,422.48	166,795.85
SYSCO CORP COM	209,430	10,510,634.84	50.19	57.07	11,952,248.32	1,441,613.48
TARGA RES CORP COM	81,894	1,653,973.77	20.20	23.01	1,884,564.99	230,591.22
TARGET CORP COM STK	22,233	1,801,919.87	81.05	143.56	3,191,773.57	1,389,853.70
TENET HEALTHCARE CORP COM NEW .	52,743	1,029,441.30	19.52	37.69	1,987,849.39	958,408.09
TESLA INC COM USD0.001	6,916	2,754,245.17	398.24	484.11	3,348,121.73	593,876.56
TETRA TECH INC NEW COM	7,209	383,832.03	53.24	98.37	709,143.59	325,311.56
TJX COS INC COM NEW	59,780	1,637,570.30	27.39	47.95	2,866,164.18	1,228,593.88
T-MOBILE US INC COM	18,642	1,711,864.96	91.83	90.81	1,692,872.37	(18,992.59)
TRI POINTE HOMES INC	87,602	1,122,872.67	12.82	14.76	1,292,727.83	169,855.16
UNITED PARCEL SVC INC CL B	12,874	1,733,962.53	134.69	123.21	1,586,178.95	(147,783.58)
UNITED RENTALS INC COM	23,799	2,364,271.13	99.34	238.68	5,680,400.18	3,316,129.05
UNITED THERAPEUTICS CORP DEL COM STK	19,029	2,327,961.64	122.34	121.24	2,307,009.20	(20,952.44)
UNITEDHEALTH GROUP INC COM	12,114	2,645,536.10	218.39	269.67	3,266,837.47	621,301.37
UNITEDHEALTH GROUP INC COM	44,216	2,265,448.95	51.24	269.67	11,923,929.79	9,658,480.84
US FOODS HLDG CORP COM	226,100	5,469,905.13	24.19	27.63	6,246,960.48	777,055.35
VISA INC COM CL A STK	36,674	3,835,417.79	104.58	153.46	5,628,024.54	1,792,606.75
VIZIO HLDG CORP CL A COM CL A COM	99,366	1,520,797.21	15.31	17.58	1,746,484.98	225,687.77
VOYA FINL INC COM	34,914	1,426,185.05	40.85	46.13	1,610,441.98	184,256.93
WILLIS TOWERS WATSON PLC COM USD0.000115	67,396	6,134,320.54	91.02	165.89	11,180,398.17	5,046,077.63
ZIMMER BIOMET HLDGS INC COM	22,640	2,090,974.78	92.36	116.03	2,626,810.86	535,836.08
		<b>401,267,950.16</b>			<b>594,490,473.63</b>	<b>193,222,523.47</b>
<b>TOTAL NORTH AMERICA</b>		<b>413,031,826.68</b>			<b>608,056,309.17</b>	<b>195,024,482.49</b>
<b>EMERGING MARKETS</b>						
<b>Brazil</b>						
ADR VALE S A ADR	56,624	<b>488,346.80</b>	8.62	12.60	<b>713,289.16</b>	<b>224,942.36</b>
<b>China</b>						
ADR ALIBABA GRP HLDG LTD SPON ADS E ACH REP 8 ORD SHS ADS	23,589	2,792,745.15	118.39	164.33	3,876,446.75	1,083,701.60
ADR NETEASE INC SPONSORED ADR ADR EACH REPR 25 COM STK	22,260	1,589,477.91	71.41	74.84	1,665,990.75	76,512.84
ADR VIPSHOP HLDGS LTD SPONSORED ADR	36,080	462,023.00	12.81	21.64	780,857.23	318,834.23
ADR XPENG INC ADS	40,074	455,662.49	11.37	26.46	1,060,449.11	604,786.62
ANHUI CONCH CEMENT 'H'CN1	530,500	1,425,827.28	2.69	4.71	2,500,070.08	1,074,242.80
KUAISHOU TECHNOLOG USD0.0000053 B CLASS	43,900	479,385.07	10.92	25.17	1,105,029.62	625,644.55
LENOVO GROUP LIMITED HKD0.025	1,226,000	1,237,255.14	1.01	1.03	1,264,128.53	26,873.39
SINOTRUK (HK) LTD NPV	1,592,000	2,187,389.46	1.37	2.17	3,458,156.31	1,270,766.85
TENCENT HLDGS LIMITED COMMON STOCK	99,600	1,747,901.16	17.55	56.87	5,664,150.82	3,916,249.66
TINGYI(CAYMAN ISL) USD 0.005	2,434,000	3,582,207.20	1.47	1.33	3,240,368.61	(341,838.59)
		<b>15,959,873.86</b>			<b>24,615,647.81</b>	<b>8,655,773.95</b>
<b>India</b>						
ADR HDFC BK LTD ADR REPSTG 3 SHS	60,778	<b>996,924.19</b>	16.40	56.31	<b>3,422,368.98</b>	<b>2,425,444.79</b>
<b>Korea, Republic Of</b>						
HANKOOK TIRE & TECHNOLOGY CO LTD	79,019	2,502,014.60	31.66	31.41	2,482,191.86	(19,822.74)
KUMHO PETRO CHEM KRW5000	20,420	1,340,702.14	65.66	169.71	3,465,504.10	2,124,801.96
LG INNOTEK CO KRW5000	4,696	459,930.88	97.94	131.61	618,023.12	158,092.24
SAMSUNG ELECTRONIC KRW100	58,304	2,146,915.78	36.82	52.13	3,039,397.92	892,482.14
		<b>6,449,563.40</b>			<b>9,605,117.00</b>	<b>3,155,553.60</b>

## STAFFORDSHIRE PENSION FUND

## PORTFOLIO VALUATION

<u>Funds - JP Morgan Asset Management, Longview Partners (Global Equity)</u>	<u>Currency - Sterling</u>			<u>Report Date -</u>	<u>31-03-2021</u>	
<u>Holding</u>	<u>Cost</u>	<u>Average</u>	<u>Market</u>	<u>Market</u>	<u>Unrealised</u>	
	<u>£</u>	<u>Cost</u>	<u>Price</u>	<u>Value</u>	<u>Gain/Loss</u>	
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	
<b>Russian Federation</b>						
ADR PJSC LUKOIL SPONSORED ADR	28,488	<b>1,374,716.92</b>	48.26	58.56	<b>1,668,149.13</b>	<b>293,432.21</b>
<b>South Africa</b>						
SIBANYE STILLWATER NPV	409,270	<b>808,754.36</b>	1.98	3.19	<b>1,305,775.03</b>	<b>497,020.67</b>
<b>Taiwan</b>						
CHICONY ELECTRONI TWD10	669,000	1,557,377.56	2.33	2.58	1,724,884.55	167,506.99
LITE-ON TECHNOLOGY TWD10	1,839,000	2,334,920.30	1.27	1.60	2,933,656.39	598,736.09
REALTEK SEMICON TWD10	397,000	1,762,105.68	4.44	12.55	4,981,788.98	3,219,683.30
TAIWAN SEMICON MAN TWD10	335,000	3,258,911.30	9.73	14.91	4,995,175.83	1,736,264.53
		<b>8,913,314.84</b>			<b>14,635,505.75</b>	<b>5,722,190.91</b>
<b>Thailand</b>						
SIAM COMMERCIAL BK THB10 (NVDR)	1,703,800	<b>4,449,063.13</b>	2.61	2.59	<b>4,406,144.83</b>	<b>(42,918.30)</b>
<b>TOTAL EMERGING MARKETS</b>		<b>39,440,557.50</b>			<b>60,371,997.69</b>	<b>20,931,440.19</b>
<b>UNITED KINGDOM</b>						
ANGLO AMERICAN USD0.54945	148,035	2,940,892.73	19.87	28.43	4,207,894.88	1,267,002.15
BERKLEY GP HOLDINGS	59,526	2,470,130.08	41.50	44.39	2,642,359.14	172,229.06
BP ORD USD0.25	1,251,429	3,139,607.52	2.51	2.95	3,687,335.55	547,728.03
COMPASS GROUP ORD GBP0.1105	628,050	6,515,897.23	10.37	14.62	9,178,950.75	2,663,053.52
COMPUTACENTER ORD GBP0.075555	30,300	422,185.41	13.93	23.70	718,110.00	295,924.59
DIAGEO ORD PLC	61,881	1,789,709.61	28.92	29.90	1,849,932.50	60,222.89
DR. MARTENS PLC ORD GBP0.01	175,123	647,955.10	3.70	4.53	793,657.44	145,702.34
LEGAL & GENERAL GP ORD GBP0.025	810,179	2,196,468.41	2.71	2.79	2,261,209.59	64,741.18
LLOYDS BANKING GP ORD GBP0.1	11,952,000	5,542,169.73	0.46	0.43	5,083,783.20	(458,386.53)
NATWEST GROUP PLC ORD GBP1	1,351,860	2,172,067.15	1.61	1.96	2,653,025.25	480,958.10
RIO TINTO ORD GBP0.10	53,572	1,550,506.01	28.94	55.50	2,973,246.00	1,422,739.99
ROYAL DUTCH SHELL 'B'ORD EUR0.07	259,822	3,128,695.65	12.04	13.35	3,468,623.70	339,928.05
WHITBREAD ORD GBP0.76797385	173,664	5,162,916.87	29.73	34.26	5,949,728.64	786,811.77
<b>TOTAL UNITED KINGDOM</b>		<b>37,679,201.50</b>			<b>45,467,856.64</b>	<b>7,788,655.14</b>
<b>Total Investments</b>		634,090,626.50			876,408,574.91	242,317,948.41
<b>Cash Balance</b>		19,045,534.05			19,045,534.05	
<b>Total Value of Portfolio</b>		<b>653,136,160.55</b>			<b>895,454,108.96</b>	

**STAFFORDSHIRE PENSION FUND**

**PORTFOLIO VALUATION**

**Fund - PRIVATE EQUITY INVESTMENTS**

**Currency - Sterling**

**Report Date -**

**31-03-21**

	<u>Date of Inception</u>	<u>Estimated Total Approved Investment</u> £	<u>Cumulative Investments @ 31 Dec 2020</u> £	<u>Quarters Transactions</u> £	<u>Cumulative Distributions @ 31 Dec 2020</u> £	<u>Quarters Transactions</u> £	<u>Market Value @ 31 Dec 2020 *</u> £
LAZARD US TECHNOLOGY PARTNERS 2nd Fund	Jan-01	6,214,640	6,216,640.24	0.00	5,559,412.40	0.00	1,042,805.44
KNIGHTSBRIDGE Post Venture IV	Mar-01	6,462,852	6,462,851.80	0.00	5,372,562.28	0.00	0.00
CAPITAL DYNAMICS UK HIGH TECHNOLOGY FUND	May-01	4,000,000	4,007,302.74	0.00	2,293,409.28	0.00	0.00
HARBOURVEST European Buyout Fund (HIPEP IV)	Jan-02	6,811,851	6,973,790.92	0.00	12,921,475.29	0.00	0.00
HARBOURVEST VII US Buyout Fund	Apr-03	5,260,384	5,299,569.55	0.00	10,067,902.19	8,448.10	181,010.27
KNIGHTSBRIDGE Venture Capital VI Series VXM	Feb-05	6,291,696	6,377,366.59	0.00	10,458,094.72	89,188.35	3,494,024.40
HARBOURVEST Asia Pacific Fund (HIPEP V)	Mar-06	5,056,257	5,466,435.93	0.00	8,112,303.91	0.00	949,306.05
HARBOURVEST 2007 Direct Fund	Sep-07	4,900,000	5,890,514.49	0.00	11,115,015.59	0.00	308,578.20
HARBOURVEST 2007 European Buyout Companion (HIPEP V)	Oct-07	5,000,000	5,890,762.76	0.00	9,046,128.31	0.00	327,588.61
HARBOURVEST VIII Cayman Venture Fund	Sep-07	2,450,000	2,946,946.59	0.00	5,121,533.38	93,168.24	1,992,717.22
HARBOURVEST VIII Cayman Buyout Fund	Sep-07	24,500,000	29,442,158.83	0.00	51,380,674.65	2,976,420.06	6,926,787.60
HARBOURVEST VIII US Mezzanine & Distressed Debt Fund	Sep-07	2,450,000	2,933,800.44	0.00	4,071,554.36	53,246.22	292,982.17
KNIGHTSBRIDGE Venture Capital VII LP Series VC	Apr-08	5,000,000	5,234,642.34	0.00	8,318,238.50	581,440.33	9,570,652.94
DOVER STREET VII Cayman Fund	May-08	10,000,000	11,727,495.90	0.00	17,017,527.02	43,369.70	1,096,625.99
PARTNERS Group Secondary 2008 LP	Nov-08	12,165,000	11,602,530.76	0.00	17,625,149.84	110,026.65	1,201,783.92
HARBOURVEST Cayman Partnership Fund (HIPEP VI)	Jun-08	29,687,775	29,168,600.70	0.00	30,063,898.26	3,051,806.78	31,476,322.06
KNIGHTSBRIDGE Venture Capital VIII	Feb-12	4,500,000	4,421,106.97	0.00	431,996.48	0.00	13,121,316.57
HARBOURVEST IX Cayman Venture Fund	Apr-13	6,150,000	5,876,782.26	0.00	6,427,165.35	683,577.80	12,377,514.73
HARBOURVEST IX Cayman Buyout Fund	Apr-13	12,300,000	10,925,857.52	0.00	10,996,096.24	985,610.99	11,822,721.99
HARBOURVEST IX Cayman Opportunities Fund	Apr-13	2,050,000	1,712,446.03	0.00	1,337,001.58	191,138.59	1,375,148.95
DOVER STREET VIII Cayman Fund	Apr-13	7,800,000	7,118,465.48	0.00	9,508,688.62	186,508.20	3,373,313.33
HARBOURVEST VII AIF Partnership	Jun-14	23,500,000	24,689,277.41	1,069,191.90	9,144,255.21	1,879,445.46	35,198,016.37
HARBOURVEST X AIF Buyout	Jun-15	25,400,000	16,223,087.64	1,512,515.96	4,431,238.93	696,350.25	19,427,924.25
HARBOURVEST X AIF Venture	Jun-15	12,700,000	10,710,574.61	569,677.52	1,816,623.59	730,675.76	19,616,490.02
CAPITAL DYNAMICS LGPS Collective Private Equity 15/16	Feb-15	5,000,000	4,085,000.00	0.00	625,000.00	0.00	4,636,749.00
PARTNERS Group Global Growth 2014 LP	Mar-14	10,000,000	9,303,211.59	0.00	1,071,951.48	0.00	13,375,333.16
PARTNERS Group Direct Equity 2016 (EUR) LP	Jul-15	10,000,000	10,562,730.51	0.00	832,686.49	832,686.49	16,734,103.11
CAPITAL DYNAMICS LGPS Collective Private Equity 16/17	May-16	5,000,000	3,375,000.00	225,000.00	430,000.00	0.00	3,614,625.00
HARBOURVEST Dover Street IX AIF L.P.	Dec-16	8,333,333	6,194,816.68	74,934.43	3,009,388.04	543,176.56	6,334,806.95
KNIGHTSBRIDGE KVC IX Cayman LP	Jan-17	8,333,333	4,045,372.63	292,489.51	158,496.72	0.00	5,418,715.72
HARBOURVEST HIPEP VIII Partnership AIF Fund	Mar-17	28,333,333	8,423,195.72	1,007,519.28	1,059,671.83	280,322.98	10,835,902.50
CAPITAL DYNAMICS LGPS Collective PE Vehicle 17/18	Apr-17	10,000,000	6,050,000.00	450,000.00	200,000.00	0.00	6,103,390.00
HARBOURVEST Partners XI AIF LP	Apr-18	33,333,333	8,942,191.25	1,244,582.64	466,289.73	270,881.42	11,101,066.53
CAPITAL DYNAMICS LGPS Collective PE Vehicle 18/19	Oct-18	10,000,000	2,200,000.00	800,000.00	0.00	0.00	2,342,375.00
LGPS CENTRAL PE Primary Partnership 2018 LP	Mar-19	10,000,000	2,822,483.54	796,510.99	92,998.36	0.00	3,337,070.00
HARBOURVEST 2020 Global Feeder AIF	Sep-20	32,083,333	2,881,089.36	2,881,089.36	0.00	0.00	3,320,501.60
PARTNERS Group Direct Equity 2019 Fund	Oct-20	10,183,280	1,742,854.02	1,742,854.02	0.00	0.00	1,795,605.98
<b>TOTAL PRIVATE EQUITY</b>		<b>411,250,400</b>	<b>297,946,953.80</b>	<b>12,666,365.61</b>	<b>260,584,428.63</b>	<b>14,287,488.93</b>	<b>264,123,875.63</b>

\* latest available valuation

**STAFFORDSHIRE PENSION FUND**

**PORTFOLIO VALUATION**

		Currency - Sterling			Report Date -		31-03-2021
	<u>Holding</u>	<u>Cost</u> £	<u>Average</u> <u>Cost</u> £	<u>Market</u> <u>Price</u> £	<u>Market</u> <u>Value</u> £	<u>Unrealised</u> <u>Gain/Loss</u> £	
<b>Fund - Legal &amp; General Investment Management (Passive Global Equity)</b>							
<b>UK - PASSIVE</b>							
	LEGAL & GENERAL N UK EQUITY INDEX	26,747,100	<u>275,332,531.82</u>	10.29	13.71	<u>366,804,385.60</u>	<u>91,471,853.78</u>
<b>GLOBAL - PASSIVE</b>							
	LEGAL & GENERAL GPBE ALL WORLD EQUITY INDEX	736,482,542	<u>1,365,386,054.84</u>	1.85	2.41	<u>1,772,610,371.40</u>	<u>407,224,316.56</u>
	<b>TOTAL PASSIVE GLOBAL EQUITY</b>		<b><u>1,640,718,586.66</u></b>			<b><u>2,139,414,757.00</u></b>	<b><u>498,696,170.34</u></b>
<b>Fund - Legal &amp; General Investment Management (Passive UK Index Linked Bonds)</b>							
	LEGAL & GENERAL AP OVER 5 YR INDEX-LINKED	45,757,633	257,768,964.69	5.63	8.91	407,695,019.92	149,926,055.23
	<b>TOTAL PASSIVE UK INDEX LINKED BONDS</b>		<b><u>257,768,964.69</u></b>			<b><u>407,695,019.92</u></b>	<b><u>149,926,055.23</u></b>
<b>Fund - LGPS Central (Active Global Equity Pooled)</b>							
	LGPS CENTRAL GLOBAL EQ ACTIVE MULTI MANAGER FD	5,054,584.12	505,457,404.37	100.00	133.62	675,393,530.12	169,936,125.75
	<b>TOTAL ACTIVE POOLED GLOBAL EQUITIES</b>		<b><u>505,457,404.37</u></b>			<b><u>675,393,530.12</u></b>	<b><u>169,936,125.75</u></b>
<b>Fund - LGPS Central (Factor Based Equities)</b>							
	LGPS CENTRAL GLOBAL MULTI FACTOR EQUITY INDEX FUND	1,250,000.00	125,000,000.00	100.00	102.44	128,050,000.00	3,050,000.00
	<b>TOTAL FACTOR BASED EQUITIES</b>		<b><u>125,000,000.00</u></b>			<b><u>128,050,000.00</u></b>	<b><u>3,050,000.00</u></b>
<b>Fund - LGPS Central (Active Global Corporate Bonds Pooled)</b>							
	LGPS CENTRAL GLOBAL ACTIVE CORPORATE BOND MULTI MANAGER	4,201,205.15	420,120,515.93	100.00	100.70	423,061,358.61	2,940,842.68
	<b>TOTAL ACTIVE POOLED CORPORATE BONDS</b>		<b><u>420,120,515.93</u></b>			<b><u>423,061,358.61</u></b>	<b><u>2,940,842.68</u></b>
<b>Fund - Staffordshire Pension Fund (Funds of Hedge Funds)</b>							
	GOLDMAN SACHS HFP II FUND (H1)	208,260	6,430,779.83	30.88	111.33	23,184,777.11	16,753,997.28
	<b>TOTAL HEDGE FUNDS</b>		<b><u>6,430,779.83</u></b>			<b><u>23,184,777.11</u></b>	<b><u>16,753,997.28</u></b>
<b>INFRASTRUCTURE</b>							
	BLACKROCK - GLOBAL RENEWABLE POWER INFRASTRUCTURE FUND	n/a	2,473,268.23	n/a	n/a	2,473,268.23	0.00
	IFM GLOBAL INFRASTRUCTURE FUND	n/a	0.00	n/a	n/a	0.00	0.00
	<b>TOTAL INFRASTRUCTURE</b>		<b><u>2,473,268.23</u></b>			<b><u>2,473,268.23</u></b>	<b><u>0.00</u></b>
<b>PRIVATE DEBT</b>							
	CLAREANT EUROPEAN DIRECT LENDING FUND II (GBP) SCSp	n/a	52,221,602.14	n/a	n/a	50,726,805.00	(1,494,797.14)
	CLAREANT EUROPEAN DIRECT LENDING FUND III (GBP) SCSp	n/a	45,325,814.21	n/a	n/a	39,031,367.74	(6,294,446.47)
	HAYFIN DIRECT LENDING FUND II	n/a	56,329,179.04	n/a	n/a	58,669,917.10	2,340,738.06
	HAYFIN DIRECT LENDING FUND III	n/a	56,846,578.35	n/a	n/a	58,281,137.38	1,434,559.03
	HIGHBRIDGE PRIVATE LENDING OPPORTUNITIES FUND	n/a	41,698,001.92	n/a	n/a	41,524,255.35	(173,746.57)
	HIGHBRIDGE SPECIALITY LOAN FUND	n/a	28,285,978.72	n/a	n/a	26,600,311.16	(1,685,667.56)
	HIGHBRIDGE SPECIALITY LOAN FUND V	n/a	15,177,587.10	n/a	n/a	16,650,064.99	1,472,477.89
	<b>TOTAL PRIVATE DEBT</b>		<b><u>295,884,741.48</u></b>			<b><u>291,483,858.72</u></b>	<b><u>(4,400,882.76)</u></b>

\* latest available valuation



Dir/Ind	Property Address or Fund	Unit	Tenant or Fund	Tenure	Use	Total Cost £	Date of Purchase	Value £ @ 31/03/2020	Value £ @ 31/03/2021	Lease or Fund Term	Lease or Fund Expiry or Break	Rent pa £ @ Purchase	Current Rent pa £	Ground Rent pa £	Next Rent Review	% Yield on Cost	% Return on Value
	BURY ST EDMUNDS 45/47 Risbygate Street		B&Q Ltd	FH	Retail WH	5,666,760	12/06/2013	4,850,000	4,900,000	5 yrs	11/01/2024	491,763	438,955	-	On Expiry	7.7	9.0
	CAMBRIDGE Chieftain Way Orchard Park		Travelodge Hotels Ltd	FH	Hotel	11,386,246	15/10/2010	16,800,000	14,100,000	25 yrs	11/09/2036	0	808,273	-	12/09/2021	7.1	5.7
	CARDIFF 1/7 Queen Street	1 & 2	Santander UK Plc		Retail	-	-	-	-	23 yrs	24/04/2031	188,000	188,000	-	12/02/2023	-	-
		3	Anabatic Ltd (t/a Thirty Nine)		Retail	-	-	-	-	15 yrs	04/06/2022	85,000	55,000	-	05/06/2022	-	-
		3a	Pizza Hut (UK) Ltd		Retail	-	-	-	-	35 yrs	23/06/2021	60,000	60,000	-	On Expiry	-	-
		4	Lloyds TSB Bank Plc	FH	Retail	8,371,527	02/05/2014	4,875,000	4,150,000	35 yrs	23/06/2021	318,000	318,000	-	On Expiry	7.4	15.0
	CHESTER-LE-STREET Drum Industrial Estate		Co-Operative Group Ltd	FH	Industrial	18,335,769	18/05/2016	21,000,000	21,800,000	15 yrs	15/03/2024	1,149,922	1,219,000	-	On Expiry	6.6	5.6
	CHICHESTER 30 East Street		Signet Trading Ltd (t/a Ernest Jones)	FH	Retail	2,422,179	29/01/1999	2,300,000	1,600,000	10 yrs	24/03/2020	120,000	186,250	-	On Expiry	7.7	11.6
	CHORLEY Unit 9, Revolution Park		G A Pet Food Partners Ltd	FH	Industrial	21,564,300	19/11/2018	20,350,000	22,000,000	12 yrs	30/09/2028	1,008,730	1,008,730	-	01/10/2021	4.7	4.6
	DOVER Bridge Street		Wm Morrison Supermarkets Plc	FH	Foodstore	18,059,355	31/03/2010	15,600,000	16,700,000	35 yrs	09/04/2044	912,604	750,000	-	29/04/2024	4.2	4.5
	EDINBURGH 5/21 Grosvenor Street		Dragonglass UK Holding Ltd (t/a Grosvenor Hotel)	FH	Hotel	18,598,181	28/07/2015	19,050,000	19,050,000	125 yrs	16/02/2094	802,500	840,038	-	17/02/2025	4.5	4.4
	EYNSHAM Oasis Park	Chilbrook 1	Adlens Ltd		Office	-	-	-	-	10 yrs	05/10/2021	57,494	76,536	-	06/10/2021	-	-
		Chilbrook 2	Adlens Ltd		Office	-	-	-	-	10 yrs	05/10/2021	40,573	56,128	-	06/10/2021	-	-
		Chilbrook 3	Vacant		Office	-	-	-	-	-	-	24,589	0	-	-	-	-
		Chilbrook 4	Passion Radio (Oxford) Ltd		Office	-	-	-	-	10 yrs	14/01/2024	42,898	34,550	-	14/01/2024	-	-
		Chilbrook 5	Vacant		Office	-	-	-	-	-	-	89,508	0	-	-	-	-
		Chilbrook 6	International Mission to Jewish People		Office	-	-	-	-	5 yrs	08/07/2021	22,927	36,036	-	On Expiry	-	-
		Chilbrook 7	Vacant		Office	-	-	-	-	-	-	43,859	0	-	-	-	-
		Limbrook 1	Vacant		Office	-	-	-	-	-	-	23,554	0	-	-	-	-
		Limbrook 2	Vacant		Office	-	-	-	-	-	-	30,699	0	-	-	-	-
		Limbrook 3	Vacant		Office	-	-	-	-	-	-	27,411	0	-	-	-	-
		Limbrook 4	Vacant		Office	-	-	-	-	-	-	24,225	0	-	-	-	-
		Limbrook 5	Vacant		Office	-	-	-	-	-	-	58,998	0	-	-	-	-
		Limbrook 6	Vacant		Office	-	-	-	-	-	-	16,909	0	-	-	-	-
		Limbrook 7	Vacant		Office	-	-	-	-	-	-	20,424	0	-	-	-	-
		6	Vacant		Office	-	-	-	-	-	-	90,000	0	-	-	-	-
		7	Waterslade Ltd		Office	-	-	-	-	0.5 yrs	25/03/2021	33,770	43,565	-	On Expiry	-	-
		8	Usborne Publishing Ltd		Office	-	-	-	-	10 yrs	28/09/2023	33,770	39,288	-	29/09/2018	-	-
		9&10	Vacant		Office	-	-	-	-	-	-	57,500	0	-	-	-	-
		11	Philip Williams Trust		Office	-	-	-	-	999 yrs	23/06/2986	75	75	-	On Expiry	-	-
		12	Vacant		Office	-	-	-	-	-	-	44,000	0	-	-	-	-
		13	Vacant	FH	Office	-	-	-	-	-	-	0	0	-	-	-	-
			Southern Electricity Plc		Substation	-	-	-	-	125 yrs	24/01/2116	1	1	-	On Expiry	-	-
			Passion Radio (Oxford) Ltd	FH	Car Spaces	14,389,164	14/10/1999	6,400,000	7,450,000	-	14/01/2024	0	2500	-	On Expiry	1.9	3.8
	GRANTHAM Dysart Road Retail Park Dysart Road	1	T J Morris Ltd (t/a Home Bargains)		Retail WH	-	-	-	-	10 yrs	19/01/2030	240,000	240,000	-	20/01/2025	-	-
		2	Matalan Retail Ltd		Retail WH	-	-	-	-	20 yrs	09/07/2026	330,000	330,000	-	10/07/2021	-	-
		3	NBC Apparel (t/a TK Maxx)		Retail WH	-	-	-	-	19 yrs	23/06/2025	200,000	200,000	-	On Expiry	-	-
		4	DSG Retail Ltd (t/a Currys PC World)	FH	Retail WH	14,817,455	01/03/2017	13,900,000	13,750,000	10 yrs	24/10/2029	212,829	187,500	-	25/10/2024	6.5	7.0
	HAYES Hayes Road		Vacant (Exchanged conditionally with Lidl GB Ltd)	FH	Retail WH	16,224,160	07/01/2008	12,750,000	13,150,000	-	-	779,000	0	-	-	0.0	0.0
	KINGSTON UPON THAMES 24/24a Market Place		Vacant (Under Offer)	FH	Retail	1,339,946	14/04/2000	1,800,000	1,225,000	-	-	83,250	0	-	-	0.0	0.0
	LANCASTER	1	DSG Retail Ltd (t/a Currys PC World)		Retail WH	-	-	-	-	25 yrs	28/09/2020	149,540	183,200	-	On Expiry	-	-

Dir/Ind	Property Address or Fund	Unit	Tenant or Fund	Tenure	Use	Total Cost £	Date of Purchase	Value £ @ 31/03/2020	Value £ @ 31/03/2021	Lease or Fund Term	Lease or Fund Expiry or Break	Rent pa £ @ Purchase	Current Rent pa £	Ground Rent pa £	Next Rent Review	% Yield on Cost	% Return on Value
	Parliament Street Retail Park	2	Halfords Ltd		Retail WH	-	-	-	-	25 yrs	28/09/2020	74,930	103,300	-	On Expiry	-	-
		3	B&M Retail Ltd	FH	Retail WH	5,106,960	18/12/1995	4,500,000	3,900,000	25 yrs	28/09/2020	100,170	142,742	-	29/09/2015	8.4	11.0
	LEEDS	A	Vacant (Under Offer)		Retail WH	-	-	-	-	-	-	195,000	0	-	-	-	-
	Killingbeck Retail Park	B	B&M Retail Ltd		Retail WH	-	-	-	-	10 yrs	14/07/2023	195,700	200,000	-	On Expiry	-	-
	Killingbeck Drive	C	B&Q Ltd		Retail WH	-	-	-	-	10 yrs	27/07/2027	197,340	202,400	-	28/07/2022	-	-
	York Road	D	B&Q Ltd	FH	Retail WH	20,201,334	06/06/2008	14,000,000	12,650,000	10 yrs	27/07/2027	604,750	604,750	-	28/07/2022	5.0	8.0
	LEEDS	20	Perry Ellis International Ltd (t/a Farah)		Retail	-	-	-	-	5 yrs	26/04/2021	91,250	75,000	-	On Expiry	-	-
	20/26 King Edward Street	22	Airwair International Ltd (t/a Dr Martens)		Retail	-	-	-	-	10 yrs	22/07/2024	95,000	70,000	-	On Expiry	-	-
	& 49/51 Vicar Lane	24	VF Northern Europe Services Ltd (t/a Vans)		Retail	-	-	-	-	15 yrs	03/10/2023	105,000	75,000	-	On Expiry	-	-
		26	JD Sports Fashion Plc (t/a The Hip Store)		Retail	6,561,408	25/10/2012	4,800,000	3,550,000	20 yrs	24/03/2021	158,500	170,000	-	On Expiry	5.9	11.0
	LEICESTER	45	London Lotus Ltd		Restaurant	-	-	-	-	TaW	-	187,000	0	-	On Expiry	-	-
	45 Gallowtree Gate & 47/49 Market Place	47/49	Vacant	FH	Restaurant	4,768,455	26/09/1997	465,000	465,000	10 yrs	-	30,000	0	-	-	0.0	0.0
	LEICESTER Unit 19 Meridian Business Park		Vacant	FH	Industrial	3,771,984	04/11/2011	5,887,070	5,750,000	-	-	380,000	0	-	-	0.0	0.0
	LONDON EC2	B	Vacant		Store	-	-	-	-	-	-	3,210	0	-	On Expiry	-	-
	11 Old Jewry	B, LG, G	Goodman City Ltd		Restaurant	-	-	-	-	21.5 yrs	31/01/2032	162,500	162,500	-	-	-	-
		LG, G	Bank of China (UK) Ltd		Bank	-	-	-	-	20 yrs	31/01/2032	185,000	246,000	-	24/01/2022	-	-
		1st (E), B	Tom James International		Office	-	-	-	-	5 yrs	22/01/2026	196,000	129,160	-	On Expiry	-	-
		1st (W), B	Vacant		Office	-	-	-	-	-	-	121,974	0	-	-	-	-
		2nd (S)	John Graham Construction		Office	-	-	-	-	10 yrs	11/01/2024	227,469	227,469	-	11/01/2021	-	-
		2nd (N)	Vacant		Office	-	-	-	-	-	-	214,095	0	-	-	-	-
		3rd	Milliman LLP (Surety Milliman Inc)		Office	-	-	-	-	12 yrs	26/10/2024	342,085	349,000	-	27/10/2024	-	-
		4th	Vacant		Office	-	-	-	-	-	-	323,638	0	-	On Expiry	-	-
		5th	Vacant		Office	-	-	-	-	-	-	265,625	0	-	-	-	-
		6th (S)	Bedell Cristin London Partnership		Office	-	-	-	-	10 yrs	21/12/2021	0	125,366	-	22/12/2021	-	-
		6th (N), B	Vacant		Office	-	-	-	-	-	-	115,367	0	-	-	-	-
		7th (S)	Vacant		Office	-	-	-	-	-	-	66,340	0	-	-	-	-
		7th (N), B	Laven Partners		Office	-	-	-	-	5 yrs	18/05/2022	81,515	101,674	-	On Expiry	-	-
		8th (S)	Pramex International Ltd		Office	-	-	-	-	15 yrs	09/03/2025	53,848	53,848	-	10/03/2020	-	-
		8th (N)	Milliman LLP (Surety Milliman Inc)	LH	Office	16,771,937	01/08/2016	18,300,000	16,200,000	12 yrs	26/10/2024	80,189	73,000	-	27/10/2024	8.8	9.1
	LONDON SW1	5th	Vacant (Under Development)		Office	-	-	-	-	-	-	117,500	0	-	-	-	-
	Burwood House	4th	Vacant (Under Development)		Office	-	-	-	-	-	-	135,375	0	-	-	-	-
	14/24 Caxton Street	3rd	Vacant (Under Development)		Office	-	-	-	-	-	-	166,760	0	-	-	-	-
		2nd	William Sturges & Co		Office	-	-	-	-	5 yrs	28/09/2023	166,485	219,540	-	On Expiry	-	-
		1st	BAE Systems Plc		Office	-	-	-	-	15 yrs	24/03/2023	152,000	188,786	-	On Expiry	-	-
		Gd	BAE Systems Plc		Office	-	-	-	-	10 yrs	24/03/2023	38,118	41,213	-	On Expiry	-	-
		Gd	BAE Systems Plc		Office	-	-	-	-	2.5 yrs	24/03/2023	49,665	49,095	-	On Expiry	-	-
		Gd	Pret a Manger (Europe) Ltd		Retail	-	-	-	-	15 yrs	02/09/2027	46,000	82,000	-	03/09/2022	-	-
		Gd	William Sturges & Co		Office	-	-	-	-	5 yrs	28/09/2023	7,345	9,900	-	On Expiry	-	-
		Gd	Starbucks Coffee Company (UK) Ltd		Retail	-	-	-	-	10 yrs	15/12/2027	45,000	63,500	-	16/12/2022	-	-
		Gd	London Underground Ltd		Pt Garage	-	-	-	-	20 yrs	28/09/2025	15,000	15,000	-	29/09/2020	-	-
		Gd	London Underground Ltd		Pt Garage	-	-	-	-	98 yrs	17/10/2025	463	463	-	On Expiry	-	-
		Gd	Car spaces	FH/LH	Parking	16,178,626	16/05/2011	23,400,000	23,000,000	-	-	17,499	5,000	14,809	On Expiry	4.1	2.9
	LONDON W1	47/48 4th/6th	Vacant		Office	-	-	-	-	-	-	216,529	0	-	-	-	-
	47/48 Berners Street & 11 Wells Mews	47/48 3rd	El Capital LLP		Office	-	-	-	-	10 yrs	08/01/2025	92,820	92,820	-	On Expiry	-	-
		47/48 1st/2nd	Vacant		Office	-	-	-	-	-	-	188,457	0	-	-	-	-
		47/48 Gd/LG	Fashion Box UK Ltd		Showroom	-	-	-	-	10 yrs	31/12/2023	231,500	231,500	-	18/04/2023	-	-
		11 4th	Eccles Fisher Associated Ltd		Office	-	-	-	-	10 yrs	30/01/2022	20,000	20,000	-	On Expiry	-	-
		11 3rd	Inglis Badrashi Ltd		Office	-	-	-	-	5 yrs	02/11/2021	25,515	25,515	-	On Expiry	-	-
		11 2nd	TGR Retail Ltd		Office	-	-	-	-	5 yrs	12/07/2021	35,000	35,000	-	On Expiry	-	-
		11 1st	Maslows UK Services Ltd		Office	10,538,452	15/01/2020	10,016,667	8,850,000	5 yrs	01/11/2020	31,000	31,000	600	On Expiry	4.1	4.9
	LONDON WC1	5th	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	9.33 yrs	18/11/2027	88,125	115,132	-	19/11/2022	-	-

Dir/Ind	Property Address or Fund	Unit	Tenant or Fund	Tenure	Use	Total Cost £	Date of Purchase	Value £ @ 31/03/2020	Value £ @ 31/03/2021	Lease or Fund Term	Lease or Fund Expiry or Break	Rent pa £ @ Purchase	Current Rent pa £	Ground Rent pa £	Next Rent Review	% Yield on Cost	% Return on Value
16 Upper Woburn Place		3rd & 4th	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	10 yrs	18/11/2027	224,238	640,303	-	19/11/2023	-	-
		2nd	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	8.33 yrs	18/11/2027	205,840	344,810	-	19/11/2023	-	-
		1st	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	10 yrs	18/11/2027	213,745	396,462	-	19/11/2022	-	-
		Gd (Pt)	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	10 yrs	18/11/2027	93,000	152,000	-	19/11/2022	-	-
		Gd (Pt)	London Upper Woburn Place Centre Ltd (t/a Regus)		Office	-	-	-	-	10 yrs	18/11/2027	0	22,075	-	19/11/2022	-	-
		Gd & LG	Prezzo Plc		Restaurant	-	-	-	-	20 yrs	04/01/2024	87,500	90,000	-	05/01/2019	-	-
		LG	Barry's Bootcamp Ltd		Gym	-	-	-	-	25 yrs	18/11/2027	75,460	98,116	-	23/07/2023	-	-
		B	EDF Energy Networks (LPN) Plc		Substation	19,770,540	12/08/2011	36,000,000	35,900,000	99 yrs	03/03/2106	0	0	-	-	9.4	5.2
LONDON WC2	22 Stukeley Street	4th	Directors UK Ltd		Office	-	-	-	-	10 yrs	28/07/2022	76,335	208,125	-	29/07/2021	-	-
3rd		Directors UK Ltd		Office	-	-	-	-	10 yrs	28/07/2022	42,073	114,500	-	29/07/2021	-	-	
3rd		AIG Edenspiekermann Ltd		Office	-	-	-	-	10 yrs	19/03/2025	50,827	119,493	-	20/03/2020	-	-	
2nd		Trentnet Ltd		Office	-	-	-	-	5 yrs	22/03/2021	83,250	222,800	-	On Expiry	-	-	
1st		Prospectus Ltd		Office	-	-	-	-	3 yrs	22/11/2023	85,360	192,705	-	On Expiry	-	-	
Gd & LG		Vacant		Office	-	-	-	-	-	-	80,765	0	-	-	-	-	
Gd & LG	Vacant		Office	FH	8,988,216	16/12/1998	23,800,000	22,750,000	-	-	49,200	0	-	-	9.5	3.8	
MANCHESTER	Old Exchange Buildings, 29/31 King Street	29	Hancocks Jewellers Ltd		Retail	-	-	-	-	10 yrs	01/06/2022	120,000	70,000	-	02/06/2022	-	-
31		The Brogue Trader Ltd (t/a Loake Shoemakers)		Retail	-	-	-	-	10 yrs	02/09/2028	106,000	60,000	-	03/09/2023	-	-	
1/2 St A		Framed Opticians Ltd		Retail	-	-	-	-	10 yrs	24/06/2024	62,500	57,500	-	25/06/2024	-	-	
3/4 St A		Vacant		Retail	-	-	-	-	-	-	60,000	0	-	-	-	-	
1st		Lucinda Ellery Ltd		Retail	-	-	-	-	3 yrs	19/09/2019	17,648	18,000	-	On Expiry	-	-	
2nd		Talent International (UK) Ltd		Office	-	-	-	-	5 yrs	26/05/2021	0	35,552	-	27/08/2019	-	-	
3rd & Pt 4th		Vacant		Office	-	-	-	-	5 yrs	-	29,377	0	-	-	-	-	
Pt 4th	Denton Corker Marshall		Office	6,591,908	11/08/2014	4,000,000	3,650,000	5 yrs	08/02/2020	0	10,955	-	-	3.8	6.9		
NOTTINGHAM	NCP Nottingham City 78 Mount Street		National Car Parks Ltd		Car Park	23,738,525	19/07/2018	23,100,000	16,900,000	34.9 yrs	21/05/2037	996,200	1045955	-	29/06/2021	4.4	6.2
LEICESTER	100 FORD		Halifax Plc	FH	Retail	2,146,455	11/09/1998	2,650,000	2,450,000	25 yrs	23/06/2030	135,000	183,500	-	24/06/2020	8.5	7.5
100/30 South Street																	
NOTTINGHAM	Centurion Park Bitterne Road		Cornerstone Telecoms Infrastructure Ltd		Phone Mast	-	-	-	-	10 yrs	12/10/2026	0	5,750	-	13/10/2019	-	-
A	Sulzer Electro Mechanical Services (UK) Ltd		Industrial	-	-	-	-	5 yrs	24/03/2022	104,000	131,617	-	On Expiry	-	-		
B	Nottingham Rehab Ltd		Industrial	-	-	-	-	7 yrs	31/07/2025	67,750	93,000	-	01/08/2025	-	-		
C	Vacant		Industrial	-	-	-	-	-	-	68,780	0	-	-	-	-		
D	Vacant		Industrial	-	-	-	-	-	-	61,450	0	-	-	-	-		
E	Vauxhall Trade Parts Ltd		Industrial	-	-	-	-	5 yrs	12/03/2023	30,000	42,500	-	On Expiry	-	-		
F	Bufab (UK) Ltd		Industrial	-	-	-	-	3 yrs	31/12/2024	33,000	43,899	-	On Expiry	-	-		
G	TLC (Southern) Ltd		Industrial	-	-	-	-	10 yrs	19/12/2022	29,750	41,780	-	On Expiry	-	-		
H	Toolstation Ltd		Industrial	-	-	-	-	5 yrs	17/12/2023	30,000	45,862	-	On Expiry	-	-		
J	He-Man Dual Controls Ltd		Industrial	-	-	-	-	10 yrs	24/10/2028	65,640	100,000	-	25/10/2023	-	-		
K	CJR Propulsion Ltd		Industrial	-	-	-	-	10 yrs	26/11/2027	49,000	66,424	-	27/11/2022	-	-		
L	CJR Propulsion Ltd		Industrial	-	-	-	-	10 yrs	26/11/2027	60,000	69,015	-	27/11/2022	-	-		
M (Land)												0	0	-	-	-	
P	The Post Office		Industrial	-	-	-	-	20 yrs	05/02/2029	146,772	145,850	-	05/02/2024	-	-		
R	Secretary of State for Transport		Industrial	-	-	-	-	3 yrs	31/01/2023	24,148	55,600	-	On Expiry	-	-		
S	Screwfix Direct Ltd		Industrial	FH	12,948,845	19/09/2000	15,325,000	15,900,000	10 yrs	26/09/2022	34,750	47,084	-	27/09/2022	6.9	5.6	
STAFFORD	Stone Computers Ltd		Industrial	FH	4,687,173	22/02/2011	6,900,000	8,750,000	15.5 yrs	25/05/2030	355,400	475,000	-	26/05/2025	10.1	5.4	
Granite 100, Acton Gate												0	0	-	-	-	
SWANSEA	263	Vacant			Retail	-	-	-	-	-	-	120,000	0	-	-	-	
263/265 Oxford Street & 8 Portland Street	265	Vacant			Retail	-	-	-	-	-	-	95,000	0	2,250	On Expiry	0.0	0.0
8	Vacant		LH	Retail	3,005,251	21/07/2000	575,000	350,000	-	-	-	-	-	-	-	-	
SWINDON	22 & 23	UK Storage Company (SW) Ltd			Industrial	-	-	-	-	25 yrs	21/09/2025	121,000	145,404	-	22/09/2025	-	-
Westmead Industrial Estate, Units 22/25 & Unit R, Westmead Drive	24	Network Rail Infrastructure Ltd			Industrial	-	-	-	-	10 yrs	19/01/2026	63,500	91,589	-	20/01/2026	-	-
25	West Swindon Parish Council		Industrial	-	-	-	-	5 yrs	21/02/2026	40,640	55,920	-	On Expiry	-	-		
R	PI Crouch, MA Clarke, PA Hopkins,		Industrial	FH	4,651,783	15/12/1999	3,700,000	5,100,000	125 yrs	31/01/2114	26,600	27,265	-	01/02/2024	6.9	6.3	

Dir/Ind	Property Address or Fund	Unit	Tenant or Fund	Tenure	Use	Total Cost £	Date of Purchase	Value £ @ 31/03/2020	Value £ @ 31/03/2021	Lease or Fund Term	Lease or Fund Expiry or Break	Rent pa £ @ Purchase	Current Rent pa £	Ground Rent pa £	Next Rent Review	% Yield on Cost	% Return on Value
			& Hornbuckle Medical Trustees Ltd														
	TRURO 11/15 Boscawen Street	11 & 12 13 14 & 15	Waterstones Booksellers Ltd Superdrug Stores Plc The White Company (UK) Ltd		Retail Retail Retail	- - 8,427,238	- - 11/11/1992	- - 6,000,000	- - 4,500,000	10 yrs 25 yrs 10 yrs	25/12/2026 24/12/2022 26/08/2023	269,950 154,000 97,500	230,000 154,000 140,000	- - -	25/12/2021 On Expiry On Expiry	- - 6.2	- - 11.6
	WARRINGTON Calver Road Winwick Quay		QAS Co Pak Ltd	FH	Industrial	2,654,601	24/03/1994	3,550,000	4,650,000	20 yrs	15/10/2021	160,000	220,000	-	On Expiry	8.3	4.7
	WEYBRIDGE 29 Avro Way Brooklands Business Park		Kite Glass Ltd	FH	Industrial	3,376,249	20/12/1990	9,000,000	10,000,000	15 yrs	28/09/2028	275,000	335,000	-	29/09/2023	9.9	3.4
	WOLVERHAMPTON Vernon Park,	A B C Land (D)	J Banks & Co Ltd DHL Supply Chain Ltd Mann + Hummel (UK) Ltd -		Industrial Industrial Industrial Industrial	- - - 8,223,193	- - - 21/07/2000	- - - 10,400,000	- - - 11,200,000	999 yrs 5 yrs 12 yrs -	28/09/3010 31/08/2022 12/06/2024 -	0 154,680 294,490 0	0 177,744 330,000 0	- - - -	On Expiry On Expiry On Expiry -	- - - 6.2	- - - 4.5
<b>Total:</b>	<b>Direct Property</b>					<b>413,340,558</b>		<b>415,343,737</b>	<b>418,565,000</b>			<b>23,884,573</b>	<b>22,303,173</b>			<b>5.4</b>	<b>5.3</b>
Ind	Ashford Investor Limited Partnership		LP owns the Designer Outlet Centre, 74 Retail Units, 1,231 car spaces	LP	Shopping Centre	18,543,685	23/05/2002	35,640,000	32,755,000	-	28/02/2032	514,312	0	-	n/a	0.0	0.0
	Hearthstone Residential Fund 1			LP	Residential	19,291,898		15,014,217	17,891,899			0	252,362	-	n/a	1.3	1.4
<b>Total:</b>	<b>Indirects</b>					<b>37,835,583</b>		<b>50,654,217</b>	<b>50,646,899</b>			<b>514,312</b>	<b>252,362</b>			<b>0.7</b>	<b>0.5</b>
<b>Total:</b>	<b>Portfolio</b>					<b>451,176,142</b>		<b>465,997,954</b>	<b>469,211,899</b>			<b>24,398,885</b>	<b>22,555,535</b>	<b>17,659</b>		<b>5.0</b>	<b>4.8</b>



**PENSIONS PANEL – 9 JULY 2021**

**Report of the Director of Corporate Services**

**RESPONSIBLE INVESTMENT (RI) REPORT QUARTER 1 2021**

**Recommendations of the Chairman**

1. That the Pensions Panel notes the content of the Responsible Investment (RI) report, including the Climate Stewardship Plan (Appendix 1), Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 2) and the LGPS Central Ltd Annual Stewardship Report for 2020 (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 latest version of the ISS includes investment beliefs,

specific to RI. The latest version of the ISS is available on the Pension Fund's website [www.staffspf.org.uk](http://www.staffspf.org.uk).

5. Under the 2016 Regulations, the 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. In 2020, the Financial Reporting Council 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. Further information will be brought to the Panel in 2021 on the work the Fund does, to meet the criteria of the enhanced UK Stewardship Code.
7. The Fund's 2018 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](http://www.staffspf.org.uk).

### **Investment Manager Engagement and Climate Stewardship Plan**

8. Following the production of the Climate Risk report by LGPS Central Ltd, which was presented to the Pensions Committee in March 2021, Fund Officers have produced a Climate Stewardship Plan, see Appendix 1. The plan is a working document for 2021/22, which will be updated periodically for review by the Panel as part of this RI Report. A new Climate Stewardship Plan for 2022/23 will be taken to the Pensions Committee alongside the Fund's Climate Strategy, in due course.
9. As the Fund appoints external investment managers, engagement with individual companies is delegated to these managers and the investment managers of pooled funds, in which the Fund also invests (e.g. LGPS Central ACS Funds) and jointly as part of LAPFF. Information on manager engagements and voting is requested routinely as part of the quarterly reporting the Fund receives from each of the managers. In Q1 2021 engagement topics included;
  - Co-authoring a paper with policy experts on EU Agricultural Policy and Climate goals.
  - Engagement with a large online shopping company on worker representation and labour practices.
  - Engagement with a banking group on leadership and governance.
  - Meeting with a pharmaceuticals company over succession planning.
  - Meeting with an industrial supplies company to discuss carbon reporting disclosures and supply chain ESG risks.

## LAPFF Quarterly report

10. LAPFF's Q1 2021 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 Ltd Annual Stewardship Report 2020

11. The LGPS Central Ltd Annual Stewardship Report for 2020 is attached as Appendix 3. This report has been produced instead of the usual Quarterly Stewardship Report in Q1 and is a wider document which will also be used as evidence to support the Company's Statement of Compliance with the UK Stewardship Code. Again, Pensions Panel Members are encouraged to read the report as it highlights the good work LGPS Central and its appointed voting and engagement partners do, in engaging with organisations on behalf of its eight Partner Funds.

## Quarterly voting summary

12. 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 Q1 2021.

### Investment Manager Voting Activity Q1 2021

	<b>Total resolutions</b>	<b>Vote with management</b>	<b>Votes against management</b>	<b>Abstain</b>
<b>JP Morgan</b>	233	228	5	0
<b>Aberdeen Standard</b>	98	93	5	0
<b>Longview</b>	39	39	0	0
<b>Legal &amp; General</b>	8929	7264	1559	106
<b>LGPS Central – Global Equity Fund</b>	389	372	17	0
<b>LGPS Central-Global Multifactor Fund</b>	1329	1196	131	2

**John Tradewell**  
**Director of Corporate Services**

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Contact: Melanie Stokes, Assistant Director for Treasury & Pensions  
Helen Wilson, Investment Accountant  
Telephone No.: (01785) 276330 / 895411

Background Documents:

LAPFF Quarterly Engagement Report  
LGPS Central Ltd Annual Stewardship Report 2020

**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.

# Climate Stewardship Plan

**April 2021**



## Staffordshire Pension Fund Climate Stewardship Plan

Staffordshire Pension Fund ('the Fund') recognises that climate change presents a risk which could be financially material and which must be addressed under the scope of the Fund's fiduciary duty.

Given the Fund's long-dated liabilities and the timeframe in which climate risks could materialise, a holistic approach to risk management covering all sectors and all relevant asset classes is warranted.

To mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. The issue faced by diversified investors (such as pension funds) is not limited to the oil & gas and power generation sectors, but also to the vast number of downstream sectors, whose products and services are derived from, or reliant on, fossil fuel extraction. Investors focussing exclusively on primary energy suppliers could fail to identify material climate risks in other sectors and to limit the demand.

Following the production of the Fund's Climate Risk Report, as presented to the Pensions Committee on 23 March 2021, a Climate Stewardship Plan (CSP) has been produced.

The Fund believes it is possible for companies with current high emission levels to change, reduce their emissions and thrive in a low carbon economy and that the support and stewardship of investors is key to influencing this.

The CSP focuses on the investments having most impact / of most relevance to Fund's climate risk, which improves upon the existing approach to climate-related engagement in terms of prioritisation. The companies recommended for engagement have been identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics;
- Weight of the company in the portfolio;
- Likelihood of achieving change; and
- Ability to leverage investor partnerships.

The fund managers recommended for engagement have been identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics and climate scenario analysis;
- Size (by AUM) of the portfolio; and
- Whether the mandate is expected to be long-term.

Although we have highlighted certain managers for specific monitoring questions, the option remains open to assess all external equity investment managers using the questions and scoring system in the "Addressing climate risks and opportunities in the investment process" guidebook, published by the Institutional Investors Group on Climate Change (IIGCC). Progress updates are recommended to be reported to the Pensions Panel each quarter as part of the Responsible Investment report and a

new CSP will be presented annually to the Pensions Committee, along with the Climate Strategy, the first version of which is currently being produced.

**Table 1. Companies recommended for engagement**

Company	Sector	Portfolio	Issue/Objective	Vehicle	Engagement Carried out
<b>BP</b>	Energy	<ul style="list-style-type: none"> <li>• LGIM UK Equities</li> <li>• LGIM All World Equities</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery on Net Zero Commitment</li> </ul>	LGIM, Standard Life, CA100+, LAPFF	engagement with CA100+. BP are increasing expansion into clean energy and have announced will be reducing oil and gas output by 40% over next 10 years with a view to reaching netzero by 2050.
<b>China Resources Cement</b>	Materials	<ul style="list-style-type: none"> <li>• JP Morgan Asset Management</li> <li>• LGIM All World Equities</li> </ul>	<ul style="list-style-type: none"> <li>• Lowering of carbon footprint</li> <li>• Better, more up to date GHG disclosure</li> </ul>	LGIM, JPMorgan, LAPFF	JP Morgan-April 2021 - discussion on high carbon emitting stocks held. JP Morgan do not now hold China Resources Cement, which was the stock with the biggest carbon footprint in their portfolio.
<b>Electricity Generating Public Company</b>	Utilities	<ul style="list-style-type: none"> <li>• JP Morgan Asset Management</li> <li>• LGIM All World Equities</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery of robust GHG emissions reduction target(s)</li> </ul>	LGIM, JPMorgan, LAPFF	
<b>Glencore</b>	Materials	<ul style="list-style-type: none"> <li>• LGPS Central GEAMMF: Harris</li> <li>• LGIM UK Equities</li> <li>• LGIM All World Equities</li> </ul>	<ul style="list-style-type: none"> <li>• Paris-aligned business model including scope 3 emissions</li> <li>• Lobbying and trade associations</li> </ul>	LGIM, Standard Life, LGPS Central via CA 100+, LAPFF	Standard Life- Q1 2021- Glencore is conscious that their exposure to thermal coal is unattractive to many investors. The exposure is running down naturally, but investor attitudes may encourage a more active response in due course.
<b>Lafargeholcim</b>	Materials	<ul style="list-style-type: none"> <li>• LGIM All World Equity</li> <li>• LGPS Central GEAMMF: Harris</li> </ul>	<ul style="list-style-type: none"> <li>• Paris-aligned carbon target</li> <li>• Continued reduction in clinker-cement ratio</li> </ul>	LGIM, LGPS Central via CA 100+, LAPFF	

<b>NextEra Energy</b>	Utilities	<ul style="list-style-type: none"> <li>• LGIM All World Equity</li> <li>• LGPS Central GEAMMF: Schroders</li> <li>• LGPS Central GEAMMF: Union</li> </ul>	<ul style="list-style-type: none"> <li>• Improved carbon risk management quality (measured by TPI score)</li> <li>• Better, more up to date, GHG disclosure</li> <li>• Lobbying and trade associations</li> </ul>	LGIM, LGPS Central via CA100, LAPFF	
<b>Rio Tinto</b>	Materials	<ul style="list-style-type: none"> <li>• LGIM UK Equities</li> <li>• LGIM All World Equities</li> <li>• JP Morgan Global Equity</li> </ul>	<ul style="list-style-type: none"> <li>• Paris-aligned business model including scope 3 emissions</li> <li>• Developing methodology for assessing Paris-alignment of diversified miners</li> <li>• Lobbying and trade associations</li> </ul>	LGIM, JP Morgan, Standard Life, CA100+, LAPFF	Q1 21 LAPFF has been engaging with BHP and Rio Tinto on the joint venture, Resolution Copper, to ensure that the project is being undertaken responsibly. Concerns have been raised about the type of engagement the companies have had with communities affected by the project. I
<b>Shell</b>	Energy	<ul style="list-style-type: none"> <li>• LGIM UK Equities</li> <li>• LGIM All World Equities</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment of Net Carbon footprint with the Paris Agreement</li> </ul>	LGIM, Standard life, CA100+, LAPFF	Q1. LAPFF continues to engage with Shell. In addition to its own engagement, LAPFF is engaging via the CA100+ group of investors on Shell. Last year, 2020, LAPFF recommended voting for a shareholder resolution at the Shell AGM that requested specific targets for Shell's claimed climate change ambitions.
<b>The Southern Company</b>	Utilities	<ul style="list-style-type: none"> <li>• LGIM All World Equity</li> </ul>	<ul style="list-style-type: none"> <li>• Integration of climate risk into the company's long-term business model</li> <li>• Reduction targets in line with a 2-degree scenario</li> </ul>	LGIM, CA100+, LAPFF	
<b>Vistra Corporation</b>	Utilities	<ul style="list-style-type: none"> <li>• JP Morgan Asset Management</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery on Net Zero commitment</li> </ul>	LGIM, JPMorgan, LAPFF	

		<ul style="list-style-type: none"><li>• LGIM All World Equities</li></ul>			
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**Table 2. Investment managers recommended for engagement**

<b>Investment Manager</b>	<b>Portfolio</b>	<b>Issue</b>	<b>Engagement Carried out</b>
<b>Standard Life Investments</b>	UK Equity Fund	<ul style="list-style-type: none"> <li>Stewardship activities with Anglo American and Glencore</li> </ul>	Staffordshire Pension Fund mandate with Standard Life terminated in April 2021
<b>JP Morgan</b>	Global Equity Fund	<ul style="list-style-type: none"> <li>Approach to climate risk management</li> <li>Engagement activities with China Resources Cement, Electricity Generating Public Company, Vistra Corp and NK Lukoil</li> </ul>	April 2021 - discussion on high carbon emitting stocks held. JP Morgan no longer hold China Resources Cement, which was the stock with the biggest carbon footprint in their portfolio. Follow on conversations held in May 2021 on JP Morgan's approach to ESG generally, and how climate risk is factored into this analysis – JP Morgan plan to discuss this further with Staffordshire Pensions Panel Members when they next meet (planned September 2021)
<b>LGIM</b>	All World Equity	<ul style="list-style-type: none"> <li>Voting and engagement with key fossil fuel stocks</li> </ul>	Continued engagement with high-carbon industries around their strategies for the energy transition.
<b>LGIM</b>	UK Equity Fund	<ul style="list-style-type: none"> <li>Stewardship activities with Glencore, BHP, Anglo American and CRH</li> </ul>	
<b>LGPS Central</b>	Global Equity Active Multi-Manager Fund	<ul style="list-style-type: none"> <li>Clarity on how LGPS Central manages climate risks for the portfolio</li> <li>Engagement with Glencore, LafargeHolcim and NextEra Energy</li> </ul>	
<b>Longview Partners</b>	Global Equity Fund	<ul style="list-style-type: none"> <li>Clarity on Longview's climate change beliefs and tools used to monitor climate risk</li> </ul>	April 2021 – discussions with Longview held regarding their approach to climate change. Despite low carbon footprint of portfolio, Longview aiming to participate more prominently in climate change debate. Longview also confirmed they are looking to sign up to a well know industry pressure group on climate change.

## Contact Us

In writing or in person

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## Quarterly Engagement Report

January-March  
2021



**National Grid,  
BHP, HSBC,  
Centrica, HSBC,  
Compass Group,  
Heidelberg  
Cement**

# CLIMATE EMERGENCY



## National Grid Commits to Vote on Climate

**Objective:** LAPFF has promoted a ‘Say on Climate’ at the National Grid AGM as a crucial mechanism for investors to be able to approve (or otherwise) the company’s net zero transition plans, preferably on an annual basis.

**Achieved:** Following a series of meetings held with the chair, the board announced in March that an advisory vote would be provided for shareholders at the 2021 AGM to put the company’s climate change-related targets and action plan to the 2022 AGM for review and approval.

**In Progress:** Within the Climate Action 100+ (CA100+) investor initiative, National Grid has come to be identified as a ‘leader’ in many respects, not least due to its ambition to operate a zero-carbon electricity system in the UK by 2025 and for the entire company to be net zero by 2050. In engaging we have continued to push on the long-term objective for the company to set targets for its scope 3 emissions and for it to identify a 1.5 degree scenario for the business. For National Grid, the biggest challenge for scope 3 emissions comes from the US

“As a supporter of ‘Say on Climate’, LAPFF is pleased to have been part of securing a vote at this year’s AGM for the company’s climate change targets and action plan. We appreciate the serious consideration the board has given to the matter and very much welcome the company taking this opportunity to seek shareholder support’.

CLlr Rob Chapman, LAPFF vice-chair

electricity and gas distribution businesses and from the carbon-intensity of heat in UK homes. In October 2020, the company announced scope 3 carbon emission reduction targets for the electricity and gas sold to customers of 20% reduction by 2030. This was welcome, and was a target aligned with the Science Based Targets Initiative’s two degrees pathway. CA100+ has issued its benchmarking analysis for National Grid, and engagement will pick up on those areas where further action can better align the company with a 1.5 degree pathway.

## Heidelberg Cement Commits to Review of Lobbying Activity

**Objective:** An ‘explicit and decisive’ response was sought from Heidelberg Cement to towards complying with investor expectations relating to corporate climate lobbying.

**Achieved:** A collaborative letter, under the auspices of the CA100+ initiative, set out a request for public disclosure of a comprehensive corporate lobbying review to assess the alignment of lobbying activities with the Paris Goals, and to set out what steps the Company intends to take in the event of areas identified in misalignment. After a call from lead investors, a response was forthcoming. The company noted it has pushed its associations to take a pro-active stance towards industry transformation in alignment with the Paris agreement and that these actions had already changed the stance of key organisations leading to the publication of carbon-neutrality roadmaps by them.

**In Progress:** The company has fully committed to a review to be published before the 2021 AGM.

# CLIMATE EMERGENCY



## HSBC Resolution Pulled after Shareholder Requests Met

**Objective:** A shareholder resolution was filed for the 2021 HSBC AGM asking for publication of a strategy, with short, medium and long-term targets, to reduce the company's exposure to fossil fuel assets on a timeline aligned with the goals of the Paris agreement.

**Achieved:** The LAPFF chair engaged with HSBC in July 2020 on the group's approach to climate change, with a particular focus on the insurance side of the business, raising concerns over the lack of clarity on climate and business strategy. Following the resolution filing, LAPFF participated in a meeting in February 2021 hosted by Investor Forum with the CEO & Chair to discuss the resolution. The company has acknowledged that 'expansion of coal-fired power is incompatible with the goals of the Paris agreement, and has committed to phasing out coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. Further, in line with the resolution, HSBC has

committed to set, disclose and implement a strategy with short- and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement. It will use 1.5C pathways that are not overly reliant on negative emissions technologies.

**In Progress:** Commitments made by the company are set out in a special resolution tabled by the bank for its 2021 AGM. The bank has committed to publishing a new coal policy by the end of 2021.

## New LAPFF Monitoring Pledge on Samarco Dam Collapse

**Objective:** LAPFF has been engaging with Vale and BHP for around two years now in relation to both the Samarco and Brumadinho dam collapses. Samarco is a particular concern in relation to the time it is taking to make appropriate reparations. Over five years from the dam collapse in Mariana, Brazil, only five of the over 500 houses destroyed have been re-built, and none of them are occupied. Houses represent only one aspect of the reparations needed, including a

restoration of water quality in the Doce River, community cohesion, and mental health services for people suffering from the impacts of the dam collapse.

The reparations were meant to be undertaken by the Renova Foundation, a joint venture established through Vale and BHP in partnership with Brazilian officials. However, Renova has been unable to follow through to date. Part of the problem appears to be that the affected communities do not trust Renova to act on their behalf. In fact, there has now been a lawsuit filed by the Brazilian Public Prosecutor in Minas Gerais, where Mariana is located, calling for Renova to be disbanded. The suit alleges that Renova has served to limit the liability of BHP and Vale rather than pursue the interests of the communities in the reparations process.

Given these obstacles and delays, LAPFF's primary objective is to put pressure on BHP, Vale, and Renova to speed up the reparations process. A corollary of this objective has been to determine what the specific community asks of the companies and of Renova are.

**Achieved:** While BHP Chair, Ken MacKenzie, does not appear to be eager to engage, Cllr McMurdo had another useful meeting with Sandra Guerra, a non-executive director at Vale. He also met with Renova Foundation's CEO, Andre de Freitas. Neither Ms. Guerra nor Mr. de Freitas is happy with the slow pace of reparations, but they both pointed to obstacles they believe have prevented a faster process.

Cllr McMurdo also joined Adam Matthews and John Howchin in LAPFF's quarterly discussion with affected community members. The community members present urged the investors to do more and emphasised the slow pace of reparations. The meeting was quite frustrating in that LAPFF was unable to ascertain exactly what the community is asking of BHP, Vale, and Renova. However, subsequently it became clear that they would like to see Renova disbanded and replaced with an entity that better respects and incorporates community voice into reparations decision-making.

LAPFF does not doubt that there are significant obstacles to providing reparations. Nonetheless, over five years on, it is also clear that no excuses can be made. Cllr McMurdo was clear

# COMPANY ENGAGEMENT

in both meetings that notwithstanding the obstacles articulated, both Vale and Renova, along with BHP, must find a way to speed up the reparations process. LAPFF therefore expressed its intention to all three parties to post monthly on the LAPFF website the number of houses that have been re-built. It is hoped that

all houses will be re-built by 5 November, the next anniversary of the Samarco dam collapse. This first post on the LAPFF website will take place in early April. **In Progress:** LAPFF will continue to engage with BHP, Vale, the Renova Foundation, and affected communities in the hopes of speeding up reparations. It

will check in monthly with Renova and the communities to ensure that it has the accurate number of houses to post on the LAPFF website. This process highlights the importance of ensuring that companies prevent these disasters rather than scrambling to make reparations, where these are even possible, after the fact.

## Resolution Copper Developments on Hold

**Objective:** LAPFF has been engaging with BHP and Rio Tinto on the joint venture, Resolution Copper, to ensure that the project is being undertaken responsibly. Concerns have been raised about the type of engagement the companies have had with communities affected by the project. In particular, the San Carlos Apache Tribe in Arizona has objected to the project, claiming that the proposed copper mine would destroy one of the tribe’s sacred sites. Other groups have expressed concerns that Resolution Copper and Rio Tinto – the operating partner in Resolution Copper – have not taken adequate steps to protect natural resources, such as water, affecting surrounding communities. Therefore, meaningful community engagement and protection of natural resources, including water, are the two overarching objectives of this engagement.

**Achieved:** For Resolution Copper to move forward, the US Forest Service must issue an impact assessment that allows for a land swap from the federal government to Rio Tinto. In the final days of the Trump Administration, this impact assessment was issued, and it was assumed that the land swap would follow within 60 days, as prescribed by the law governing the exchange. LAPFF spoke with representatives of Resolution Copper and Rio Tinto, including a representative of the Hopi tribe which, along with the San Carlos Apache, is affected by the Resolution Copper project to obtain the companies’ view of the project. LAPFF also reviewed the Forest Service impact assessment.

What emerged from this research was that there were huge gaps in the information provided by the Forest Service impact assessment. Neither the Resolution Copper nor Rio Tinto representatives have provided LAPFF with impact assessments of the mine itself,



despite repeated requests to both parties for this information. They only provided 36 cultural impact assessments pertaining to the land surrounding the mine. The Forest Service impact assessment also refused to assess the mine’s impact on the grounds that it would soon be private land and therefore not within the purview of its analysis. This assessment was issued notwithstanding the fact that the lands are still public and there is some question about the legality of transferring them to a private actor. In LAPFF’s view, the quality of this assessment was also extremely poor overall. Among other deficiencies, it failed to address water supply issues for the surrounding communities in any useful way.

The water concerns surfaced in a meeting between LAPFF Chair, Cllr Doug McMurdo, and Mayor of Superior, Arizona, Mila Besich. This meeting was very interesting because Mayor Besich is very keen for the Resolution Copper project to proceed. She believes it will bring



Top: Sunrise Dance on the San Carlos Indian Reservation Arizona

Above: Roy Chavez, a resident of Superior, Arizona, and former miner, shows a model detailing the subsidence that can occur from the block cave mining method at the Oak Flat Campground, which Chavez and others believe will be destroyed by eventual cave-in from the Resolution Copper mine.

Picture taken June 13, 2017

# COMPANY ENGAGEMENT

significant economic benefits to her town, which has suffered from job losses and economic woes since the 1980s. However, she spoke about her struggles in engaging with Resolution Copper and Rio Tinto. Specifically, she found the companies dismissive of her community’s needs, including access to water. Moreover, she expressed the opinion that what the companies needed to do to fix the water access concerns would have cost the equivalent of a rounding error to them.

LAPFF was concerned after this engagement that there was not enough information to make a good assessment about the risks of the project. Additionally, in LAPFF’s view, it made no sense to proceed with the land swap without understanding if the project was viable first. Therefore, LAPFF wrote to Deb Haaland, who was confirmed on 15 March as the new – and first ever Native American - US Secretary of the Interior. The letter expressed LAPFF’s concern about the risks surrounding the Resolution Copper project and the need for the companies to engage in a positive way with communities affected by their project.

Just after the Biden Administration took office, LAPFF received notification from a community representative that the US Forest Service impact assessment had been rescinded and that consequently the land swap would be postponed. The US Forest Service will issue a new impact assessment, presumably to help address some of the shortcomings of the rescinded assessment. The time frame for the new Forest Service assessment and land swap is not clear at this point.

**In Progress:** LAPFF has made clear to both BHP and Rio Tinto that there cannot be another Juukan Gorge (the event in Western Australia where Rio Tinto blew up two culturally significant caves against the will of the affected Aboriginal community). LAPFF has also made clear that it makes no sense for the land swap to proceed unless there is clear evidence of Resolution Copper’s viability. There are continuing discussions with both BHP and Rio Tinto on these issues. LAPFF continues to be open to discussion with a San Carlos Apache representative who has been invited to discuss the issue with Cllr McMurdo. It is also hoped that with Ms. Haaland’s confirmation, she might meet with Cllr McMurdo to share her thoughts on the project.

## Compass Group Food Parcels Questioned

**Objective:** In January 2021, multiple media articles came to light about Chartwell (a subsidiary of Compass Group Plc) and its contract awarded by the government to supply £30 for free school meals. The articles and pictures of school meals in the press presented what a family had been supposedly been provided for ten days and were highly critical of the allocation. Cllr McMurdo immediately reached out to Compass Group to ascertain what had gone wrong in Chartwell’s supply chain. He asked why there had been governance failings and what was being done to ensure this did not happen again.

**Achieved:** After a thorough conversation around where these failings had happened and why, Compass discussed how it was ensuring that this would not happen again with more thorough procedures in place in certain parts of theirs and Chartwell’s business operations, to ensure that all food parcels were of adequate standard. Compass also publicly made a commitment that free breakfast was going to be included in the food parcels for every child eligible for free school meals from the 25<sup>th</sup> of January, as a gesture of goodwill.

**In Progress:** The Forum has since reached out to Compass Group to discuss the

company’s governance as a whole during the pandemic and met with the company’s Investor Relations representatives on the 31<sup>st</sup> of March.

## Amazon Investor Letter Questions Company’s Trade Union Practices

**Objective:** LAPFF signed onto a letter coordinated by Folksam and Ohman to ensure that Amazon is respecting workers’ rights to free association and collective bargaining at the company’s facility in Bessemer, Alabama in the US. The request includes reassurance that a free and fair union election will take place at the facility.

**Achieved:** There are now investors with just over US\$7.1 trillion in support of this initiative. To date, Amazon has responded in letter form that it has appropriate human rights and labour standards in place. The company stated that it respects trade union rights and has good relationships with its employees. However, the investors in this collaborative engagement have not been satisfied with the company’s response. This is in part due to reports that Amazon has hired a consulting company to obstruct trade union activities.

**In Progress:** There has been a follow up letter sent requesting a meeting with Amazon to discuss this issue further. The investors are awaiting a response from the company.



## COMPANY ENGAGEMENT

### LAPFF Challenges Shell on Climate Transition Plan

**Objective:** LAPFF continues to engage with Shell. In addition to its own engagement, LAPFF is engaging via the CA100+ group of investors on Shell. The Forum is very keen to continue the collaboration with other investors, and make sure that investors collectively communicate a consistent and robust case to ensure all aspects of the company's financial outcomes and performance are understood fully.

**Achieved:** Last year, 2020, LAPFF recommended voting for a shareholder resolution at the Shell AGM that requested specific targets for Shell's claimed climate change ambitions. However, on 11 February 2021 Shell published goals that are ambiguous. For example, it claims to remove 120 million tonnes of carbon dioxide by introducing nature-based solutions (trees) by 2030. Achieving that target would require a mature forest the size of Washington State, which is difficult to envisage. In addition, Shell claims to want to remove 25 million tonnes of carbon dioxide by carbon capture and storage (CCS) by 2035. This has not been detailed or scheduled in any other material. The claim represents ten times the largest existing CCS project – [Gorgon Project](#) (Shell 25 percent, Chevron 75 percent) and this project in Australia continues to experience problems. Shell's announcement includes increasing liquid natural gas output by 20 percent by 2030 and only plans for a 17 percent reduction in oil extraction, compared to BPs 40 percent.

**In Progress:** Shell has proposed a non-binding shareholder resolution on its climate change plans. The LAPFF position will be guided by research and further engagement. At present, it is considered much more detail and evidence is required before any conclusions can be drawn about what vote is advisable.

### Israeli-Palestinian Letters

**Objective:** The Israeli-Palestinian Territories have long been fraught with controversy. In February 2020, the Office of the United Nations High Commissioner for Human Rights published a list of 112 business entities that it had identified as having business activities related to settlements in these territories. The

Forum has been monitoring the ongoing situation in the territories and reached out to 16 companies in which a number of member funds hold to seek an engagement meeting. The aim of these engagement letters was to ascertain whether these companies had undertaken human rights impact assessments on their operations and if not, ask them to do so.

**Achieved:** Out of the 16 companies, LAPFF had one engagement meeting in the third quarter of 2020 with Altice Europe NV and received a number of responses from other companies. As a general blanket response from those whom responded in only written form, companies considered that they were acting in accordance with local law by not discriminating against any residents of the territories in which they were operating. These companies were concerned that simply operating in these areas was justification enough for them to be included on what many observers have dubbed a 'blacklist' from the UN.

**In Progress:** The Forum reached out to the UN OHCHR, seeking a meeting to engage on a couple of aspects of the UN list: (1) the methodology used when deciding what companies would be included on their list; and (2) what the UN considers companies have to do or provide for them to be removed from the list. This meeting took place at the end of March. The Forum has also been investigating models for a human rights impact assessments as a baseline to provide companies with in what the Forum might expect them to be undertaking.

### Suzano and CA100+

**Objective:** Suzano, the Brazilian-based pulp and paper company, has been identified by CA100+ as critical to the net-zero energy transition. As one of two lead investors, LAPFF has been engaging with the company over the last 18 months, pushing it to take action to reduce greenhouse gas emissions, improve disclosures, and implement a strong governance framework from which company decision making can be made accountable. In January, LAPFF met with the company to encourage a response to the CA100+ net zero company benchmark. The benchmark will enable comparative assessment of the world's key emitters and the extent to which

businesses have aligned with a 1.5 degree global temperature rise.

**Achieved:** Since LAPFF began engaging with Suzano 18 months ago the company has set a target to reduce emissions intensity of scope 1 & 2 emissions by 15% by 2030. The company has also set a goal of removing an additional 40 million tons of carbon from the atmosphere by 2030, this on top of the already established target of carbon neutrality. Suzano has a forest base of approximately 2.2 million hectares and therefore the degree to which carbon can be sequestered naturally is significant. The company recognises the contribution its natural asset base can make to global net-zero efforts which is reflected in its carbon-negative ambition. In terms of disclosure, the company submitted a response to the CA100+ global benchmark during January 2021. After the data has been collated, LAPFF will be able to identify areas of the Suzano's carbon reduction strategy in which it is excelling as well as those areas improvements are required.

**In Progress:** LAPFF will continue to focus on the company's carbon reduction strategy with a focus on setting more ambitious scope 1 & 2 emission reduction targets. It is important that Suzano's natural offsetting capability is not used as a distraction from reducing its operational emissions. There is a finite carbon budget available all of which will be required to support industry in sectors that are harder to abate.

### Tesco and Nutrition

**Objective:** During January 2021, LAPFF met with Tesco to discuss the company's long-term strategy relating to health and nutrition. Part of the objective of this engagement was to encourage the company to disclose metrics relating to the proportion of healthy versus unhealthy produce available to customers and to set relevant targets to improve the availability of healthy items. This engagement aligns with the Healthy Markets initiative being coordinated by ShareAction.

**Achieved:** Tesco outlined that it already collected data relating to health and nutrition. Since the engagement took place, ShareAction has announced the filing of a resolution at the upcoming Tesco AGM requesting that the company disclose the share of total food and

## COMPANY ENGAGEMENT

non-alcoholic drink annual sales by volume made up of healthier products and publish a target to significantly increase that share by 2030.

**In Progress:** LAPFF is monitoring the company response to the shareholder resolution and will issue guidance to members in due course.

### Volkswagen and General Motors on Electric Vehicles and Climate Change

**Objective:** Vehicle emissions are a major contributor to carbon emissions. As a result, carmakers are facing tightening regulatory environments. Rapidly changing emissions standards present financial risks to those carmakers not seeking to move to electric vehicle production. LAPFF has sought to engage with the auto industry to ascertain how car makers will be approaching the challenges of electrifying their fleets, to push for net zero commitments, and to ensure that plans would support a just transition to net zero.

**Achieved:** The Forum met with General Motors (GM) and Volkswagen (VW). Both companies outlined their commitments to investing in and scaling up electric vehicle production. VW stated that it was committed to achieving net zero by 2050 and highlighted the reputational damage to the company caused by the emissions scandal.

GM stated that it was aiming for an all-electric future, was aiming for carbon neutrality, and was working with the Science-Based Taskforce Initiative on this aim. Two weeks after the engagement GM formally announced its plans for carbon neutrality by 2040 in products and operations and its aspiration to eliminate tailpipe emission for light-duty vehicles by 2035. The meeting also covered the level of investment in carbon reduction methods relative to other carmakers in electric vehicles and when price parity between electric and internal combustion engine vehicles would be achieved.

At both meetings, the just transition to net zero was discussed. This discussion included assurances from both companies about how they were seeking to support their workforce and ensure high standards within their supply chain, including the human rights of miners in the Congo.

**In Progress:** LAPFF hopes that manufacturers that haven't already set



Lithium Ion Battery for Chevrolet Volt Electric Car

science-based targets for their scope 3 emissions will do so imminently and also expects investee companies to ensure that they are sufficiently capable of electrifying their fleets. The Forum intends to continue engagements with carmakers to ensure that they are meeting their targets and that short-term emission reductions are being achieved. This goal is especially important given the rise in the sales of larger vehicles which in some cases is offsetting gains from greater fuel efficiency and increased electric vehicle sales.

### AngloAmerican on Climate

**Objective:** LAPFF wrote to AngloAmerican in November 2020 as part of a collaborative initiative coordinated by Sarasin and Partners, underscoring the vital role of accounting and audit in driving the net-zero transition. An Investor Expectation document provided guidance for ensuring material climate risks associated with the transition to a 2050 net zero pathway are fully incorporated into the financial statements. The letter asked that the guide be shared with all members of the Audit Committee as well as the auditor, from whom independent assurance on Paris-alignment is also being sought.

**Achieved:** One of the best responses received to date to a total of 36 letters sent to European companies in the

energy, transportation and materials sectors was from the Audit Committee Chair who clearly understands what was asked for and addresses it directly. He stated that the company has undertaken a review of climate risks in its financial statements and will publish the results in the forthcoming Annual Report and Accounts. The committee chair referred to specific risk areas including valuation of assets (i.e. impairment testing) where the committee considers carbon pricing and the impacts for assets and to asset exposure to physical risks – specifically the Chile copper mines to water scarcity – all of which feeds into the viability statement analysis.

**In Progress:** The audit committee chair has asked that, due to clear parallels, issues raised in this engagement be aligned with CA100+ engagement. LAPFF is also a member of the CA100+ collaborative investor group for Anglo-American.

### LAPFF Socio-Economic Diversity Engagement Kicks Off

**Objective:** LAPFF seeks to enhance the diversity of both boards and the workforce at investee companies. Ensuring diversity across a range of characteristics within boards helps to tackle group think while improving diversity in the workplace helps ensure that all talent

## ENGAGEMENT

available to companies is utilised.

**Achieved:** HM Treasury and BEIS have commissioned an independent taskforce to improve socio-economic diversity at senior levels in financial and professional services across the UK. The taskforce is being run by City of London Corporation with support from Deloitte. LAPFF met with a representative from Deloitte to discuss the taskforce and highlight the role of investors. Alongside this meeting, the Forum also attended the latest meeting of 30% Club investor group.

**In Progress:** Over the next quarter the Forum will be meeting with companies from the financial services sector, which has a wide gender pay gap, to push for greater diversity. The Forum intends to stay in contact with the socio-economic diversity taskforce.

### COLLABORATIVE ENGAGEMENTS

#### Asset Manager Engagements

LAPFF Chair, Cllr Doug McMurdo, has met with a range of large global asset managers to discuss their approaches to responsible investment. Topics have covered climate change, human rights, and audit, among others. The goal of these engagements is to ensure that asset managers are engaging on behalf of LAPFF members in a way that facilitates LAPFF's responsible investment policies and objectives. There is some indication that asset managers are starting to take LAPFF's input on board and engage more meaningfully on areas like climate and human rights in the wake of these meetings, but it appears there is a long way to go.

#### CCLA and Rathbones Modern Slavery Engagements

LAPFF has signed up to CCLA's 'Find It, Fix It, Prevent It' engagement and has re-joined the Rathbones modern slavery engagement. Both initiatives pair LAPFF with other responsible investment partners to improve employment standards in companies' supply chains. Rathbones is re-running its vote against slavery engagement in 2021 with 69 FTSE350 companies after success in 2020 in getting target companies to comply with the UK Modern Slavery Act.

# WEBINAR



Local  
Authority  
Pension  
Fund  
Forum

**Webinar on securities lending and responsible investment**

**Webinar with Colombian Community Representatives Affected by Cerrejon**

**The burning of wood by Drax. Is it net zero, sustainable, and replicable?**

**Addressing Rio Tinto's legacy on Bougainville: ongoing environmental and human rights impacts of the Panguna mine**

“We continue to hear from community members affected by mining companies how little the companies engage with them, if at all. The companies then tell us they are engaging with communities and cherry pick people to extol the companies' virtues. This goes across the industry. Such a massive failure of communication is astounding to me. How do the companies begin to assess their social and environmental risks if they are so selective in their engagements that they don't speak to the people they are impacting the most?”

Cllr Doug McMurdo, LAPFF Chair

#### IIGCC Shareholder Resolutions Sub-Group meeting

LAPFF has been participating nearly weekly in the IIGCC shareholder resolutions sub-group meeting regarding climate resolutions expected to arise over the course of 2021.

### IOPA ENGAGEMENT MEETINGS

LAPFF has participated in the monthly IOPA meetings around after signing on to a number of letters last year calling for better governance at big pharmaceutical companies around employee safety and bonus structures in light of the current pandemic. There have been multiple resolutions filed through IOPA, one of which recently saw investors revolt against a 'Say on Pay' vote at AmerisourceBergen with 48% of all investors voting against the pay which was made up of 72% non-insiders.

### CONSULTATION RESPONSES

#### LAPFF Just Transition Inquiry

LAPFF has now held two inquiry sessions on the just transition through the All Party Parliamentary Group on local government. In the first session, attendees heard from Rachel McEwen, SSE PLC & Scottish Just Transition Commission, Katrina Szwarc, Grantham Research Institute on Climate Change, Tom Harrington, GMPF, and Alison Tate, International Trade Union Confederation. Lord Deben (Chair, Committee on Climate Change) and Polly Billington (Chief Executive, UK100) spoke at the next evidence session in mid-March. This inquiry will span the whole of 2021 and interim findings are reported at quarterly LAPFF Business Meetings. A final report will be made at the end of the year. A video of the launch on 20th January is [available here](#).

#### EU Human Rights and Environmental Due Diligence Consultation

LAPFF submitted a response to the European Union's consultation on whether to implement a legal framework on human rights and environmental due diligence. This consultation prompted over 100,000 responses, according to Didier Reynerds of the EU. The EU's consultation comes after passage of and referenda on such laws in EU countries including France and Germany. Switzerland also narrowly rejected a

# ENGAGEMENT

human rights and environmental due diligence law, although the proposal received the majority of the popular vote.

LAPFF supported the proposal for an EU legal framework on human rights and environmental due diligence. This position is rooted in LAPFF’s engagement work which suggests that there are real financial benefits linked to good social and environmental conduct by investee companies. LAPFF’s consultation response pointed to LAPFF engagements on climate and human rights to demonstrate how these issues are financially material. On climate, LAPFF has seen the fear of stranded assets come into full focus during the Covid pandemic with companies like Shell failing to offer cogent and convincing climate transition plans. On human rights, LAPFF’s work with community members affected by mining projects has highlighted the importance of companies’ social licenses to operate as a means of producing sustainable financial returns for investors.

It remains to be seen whether the EU decides to enact such legislation. All indications are that it will. However, there was a lot of debate about what the law might look like, including the role of director duties in this legislation, so we will have to see what form the draft law ultimately takes.

## MEDIA COVERAGE

<https://www.ipe.com/news/lapff-backed-parliamentary-group-launches-just-transition-inquiry/10050135.article>

<https://www.reuters.com/article/resolution-copper-lapff/uk-local-government-pension-group-raises-concerns-over-rio-bhp-arizona-mine-idUSL1N2JJ1XN>

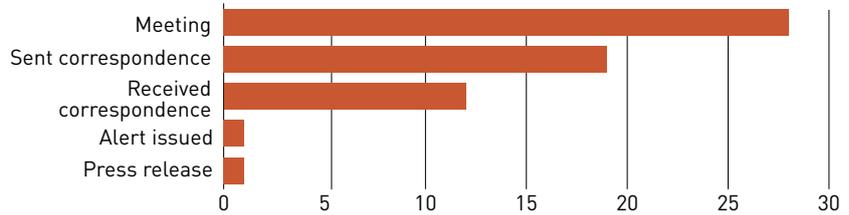
<https://www.ft.com/content/30d2fc62-aa44-11e9-984c-fac8325aaa04>

<https://www.newsroom.co.nz/2019/08/20/762606/nz-super-fund-corrals-15tn-for-livestreaming-action>

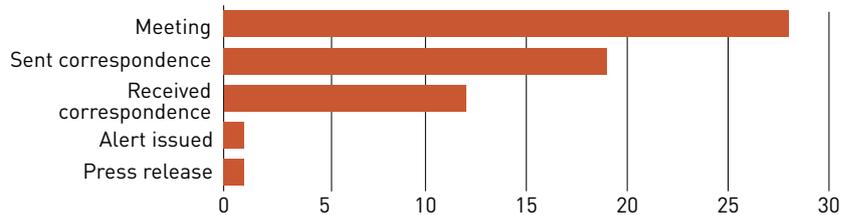
<https://www.itv.com/news/2021-03-25/will-deliveroo-stumble-on-its-stock-market-debut>

# ENGAGEMENT DATA

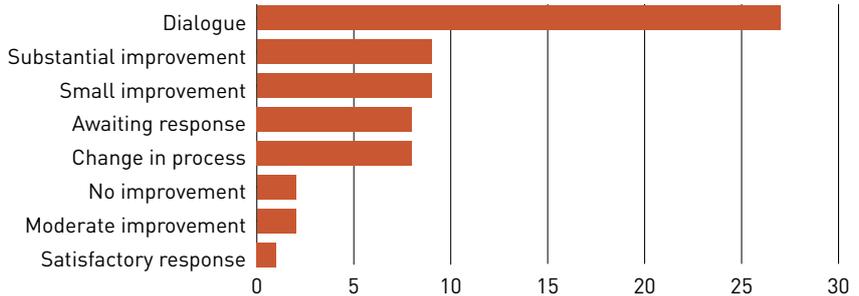
## ENGAGEMENT TOPICS



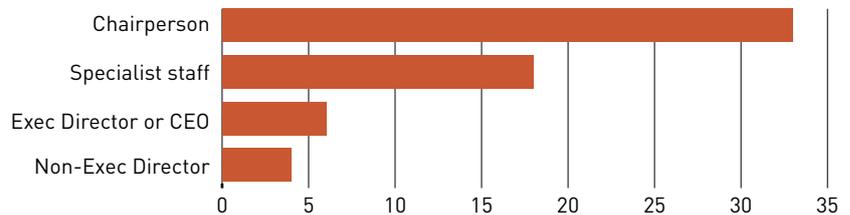
## ACTIVITY



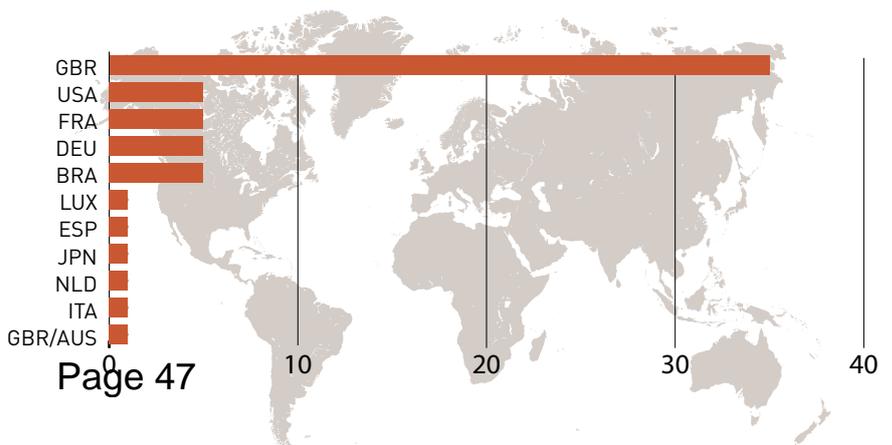
## MEETING ENGAGEMENT OUTCOMES



## POSITION ENGAGED



## COMPANY DOMICILES



## COMPANY PROGRESS REPORT

38 Companies engaged over the quarter

\*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

Company/Index	Activity	Topic	Outcome
AIR LIQUIDE SA	Sent Correspondence	Climate Change	Dialogue
AMAZON.COM INC.	Sent Correspondence	Employment Standards	Dialogue
ANGLO AMERICAN PLC	Received Correspondence	Climate Change	Substantial Improvement
ARCELORMITTAL SA	Meeting	Climate Change	Dialogue
AVIVA PLC	Sent Correspondence	Board Composition	Awaiting Response
BARCLAYS PLC	Meeting	Climate Change	Small Improvement
BHP GROUP PLC	Sent Correspondence	Human Rights	Dialogue
BLACKROCK INC	Meeting	Climate Change	Satisfactory Response
CAPITA PLC	Meeting	Employment Standards	Dialogue
CENTRICA PLC	Meeting	Climate Change	Change in Process
CITIGROUP INC.	Meeting	Climate Change	Small Improvement
COMPAGNIE DE SAINT GOBAIN	Received Correspondence	Climate Change	Change in Process
COMPASS GROUP PLC	Meeting	Governance (General)	Small Improvement
DAIMLER AG	Received Correspondence	Climate Change	Dialogue
DIXONS CARPHONE PLC	Meeting	Environmental Risk	Dialogue
E.ON SE	Meeting	Climate Change	Small Improvement
ENDESA SA	Received Correspondence	Climate Change	Substantial Improvement
ENEL SPA	Received Correspondence	Climate Change	Substantial Improvement
ENGIE SA.	Sent Correspondence	Climate Change	Dialogue
GENERAL MOTORS COMPANY	Meeting	Climate Change	Small Improvement
HEIDELBERGCEMENT AG	Received Correspondence	Climate Change	Substantial Improvement
HSBC HOLDINGS PLC	Meeting	Climate Change	Moderate Improvement
LLOYDS BANKING GROUP PLC	Sent Correspondence	Board Composition	Awaiting Response
LONDONMETRIC PROPERTY PLC	Received Correspondence	Governance (General)	Substantial Improvement
LYONDELLBASELL INDUSTRIES N.V.	Sent Correspondence	Climate Change	Change in Process
RIO TINTO PLC	Meeting	Climate Change	Substantial Improvement
ROYAL DUTCH SHELL PLC	Meeting	Climate Change	No Improvement
SAINSBURY (J) PLC	Received Correspondence	Environmental Risk	Dialogue
SERCO GROUP PLC	Sent Correspondence	Employment Standards	Awaiting Response
ST JAMES'S PLACE PLC	Sent Correspondence	Audit Practices	Awaiting Response
STANDARD LIFE ABERDEEN PLC	Received Correspondence	Board Composition	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Board Composition	Change in Process
SUZANO SA	Meeting	Climate Change	Small Improvement
TELEPERFORMANCE SE	Sent Correspondence	Employment Standards	Awaiting Response
TESCO PLC	Meeting	Other	Dialogue
TOTAL SE	Sent Correspondence	Climate Change	Moderate Improvement
VALE SA	Meeting	Governance (General)	Dialogue
VOLKSWAGEN AG	Meeting	Climate Change	Change in Process

## LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund	Ealing (London Borough of)	Leicestershire	Suffolk County Council Pension Fund
Barking and Dagenham (London Borough of)	East Riding of Yorkshire Council	Lewisham (London Borough of)	Surrey County Council
Barnet LB	East Sussex Pension Fund	Lincolnshire County Council	Sutton (London Borough of)
Bedfordshire Pension Fund	Enfield (London Borough of)	London Pension Fund Authority	Teesside Pension Fund
Bexley (London Borough of)	Environment Agency Pension Fund	Lothian Pension Fund	Tower Hamlets (London Borough of)
Berkshire Pension Fund	Essex Pension Fund	Merseyside Pension Fund	Tyne and Wear Pension Fund
Brent (London Borough of)	Falkirk Council	Merton (London Borough of)	Waltham Forest (London Borough of)
Camden (London Borough of)	Gloucestershire Pension Fund	Newham (London Borough of)	Wandsworth (London Borough of)
Cardiff and Vale of Glamorgan Pension Fund	Greater Gwent Fund	Norfolk Pension Fund	Warwickshire Pension Fund
Cambridgeshire Pension Fund	Greater Manchester Pension Fund	North East Scotland Pension Fund	West Midlands Pension Fund
Cheshire Pension Fund	Greenwich Pension Fund	North Yorkshire County Council Pension Fund	West Yorkshire Pension Fund
City and County of Swansea Pension Fund	Gwynedd Pension Fund	Northamptonshire County Council	Westminster CC
City of London Corporation	Hackney (London Borough of)	Nottinghamshire County Council	Wiltshire County Council
Clwyd Pension Fund	Hammersmith and Fulham (London Borough of)	Oxfordshire Pension Fund	Worcestershire County Council
Cornwall Pension Fund	Haringey (London Borough of)	Powys County Council Pension Fund	
Croydon LB	Harrow (London Borough of)	Redbridge (London Borough of)	<b>Pool Company Members</b>
Cumbria Pension Scheme	Havering LB	Rhondda Cynon Taf	Border to Coast Pensions Partnership
Derbyshire County Council	Hertfordshire	Shropshire Council	Brunel Pensions Partnership
Devon County Council	Hounslow (London Borough of)	Somerset County Council	LGPS Central
Dorset County Pension Fund	Islington (London Borough of)	South Yorkshire Pensions Authority	Local Pensions Partnership
Durham Pension Fund	Kingston upon Thames Pension Fund	Southwark (London Borough of)	London CIV
Dyfed Pension Fund	Lambeth (London Borough of)	Staffordshire Pension Fund	Northern LGPS
	Lancashire County Pension Fund	Strathclyde Pension Fund	Wales Pension Partnership



# Annual Stewardship Report

2020



# 01 Foreword



**Responsible Investment continues to be at the heart of everything we do. Our conviction remains that our Partner Funds’ best interests are served through a combination of comprehensive ESG integration and robust stewardship.**



During 2020 the COVID 19 health pandemic has caused significant disruption to markets, companies and people. While the situation is highly disruptive, our view that engagement is a key tool which helps us enhance the long-term value of our assets has not faltered, rather it has been reinforced. The pandemic has also brought home the point, in stark terms, that the “S” in ESG carries material risks. We believe that companies who actively engage their stakeholders and are attuned to stakeholders’ views are more likely to tackle the crisis well and be more resilient to future crises, including future pandemics and the ongoing climate crisis. Furthermore, it is important that conversations between investors and corporations around climate change are holistic and recognise the social implications of the transition to a low-carbon economy. As we continue our work to undertake ESG analysis alongside engagement, it is with a conviction that this helps both enhance our long-term investment performance and at the same time provide positive impacts for society.

The physical impacts of climate change are becoming ever more evident. We take the view that financial markets will be materially impacted by climate change and by the response of climate policymakers. During the course of 2020, LGPS Central Ltd conducted in-depth climate risk assessments for each individual Partner Fund and provided a Climate Risk Report (CRR) bespoke to each of them. We released our first stand-alone TCFD Report in 2020 following on from the interim report we produced in 2019. The report discloses in detail the steps we are taking to ensure climate-related risks are fully integrated into our investment process. We also supported seven of our Partner Funds in producing their own TCFD-compliant reports.

We have continued our focus on four, core Stewardship Themes in engagement with companies, industry standard setters and policy makers during 2020:

- Climate change
- Plastic pollution
- Responsible tax behaviour and
- Tech sector risks

This engagement work – undertaken by us, our stewardship provider EOS at Federated Hermes and our other engagement partners – has led to tangible positive results. Many companies across energy supply and the demand side have set Net Zero by 2050 ambitions and we see a greater focus and clarity around what a “plastic transition” entails across key sectors. While tax transparency remains low, investors’ insistence on the issue is likely to help companies view it through a lens of paying your fair share. Our dialogue with tech sector companies on social media content control has seen companies take critical steps to assess and remove objectionable content. We actively monitor and encourage engagements undertaken by our external managers. Topics covered in 2020 include the treatment of the Uyghur people and political lobbying in the technology and pharmaceutical sectors.

At LGPSC we apply an all-encompassing RI Integrated Status (RIIS) approach to any fund at launch and through the lifespan of that fund, and during 2020 we have achieved 100% success rate in this regard. We will continue to enhance our capabilities in terms of people, processes, and systems. We plan to grow our Responsible Investment & Engagement Team and to invest in analytical tools that will enable us to provide even more robust challenge to our external managers and help us to understand the ESG risks embedded in our investment portfolios.



**Mike Weston**  
Chief Executive Officer

## Key achievements and progress across our stewardship activities in 2020

### Responsible Investment Integration



All product launches and existing products have RI-Integrated Status

### Climate Risk Monitoring Service



All Partner Funds received a detailed Climate Risk Report  
7 TCFD Reports delivered to Partner Funds

### Stewardship Theme Activity & Progress

#### CLIMATE CHANGE

Key collaborative initiatives: CA100+, IIGCC and TPI  
Many companies have set Net Zero by 2050 ambitions and initial steps to set short- and medium-term targets in line with long-term ambition  
LGPS direct engagement with 10 companies



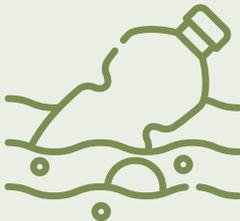
#### RESPONSIBLE TAX BEHAVIOUR

Engagement collaboration with four European investors, as a sub-group to a broader Tax Roundtable with more than 20 institutions from Europe, North America and Asia.  
Dialogue with six companies from technology, telecommunications, finance and mining sectors. The level of tax transparency is generally low across companies and sectors



#### PLASTIC POLLUTION

Focus on six packaging companies that have high exposure to risks/opportunities stemming from plastic transition  
1-2 meetings held with all companies as part of a collaboration led by Dutch asset managers



#### TECHNOLOGY & DISRUPTIVE INDUSTRIES

102 investor-strong collaboration on social media content control sees companies taking encouraging steps to efficiently assess content and to remove objectionable content from their platforms  
Human rights risks engagement initiative is building momentum after Investor Expectations were published and shared with technology companies Google (Alphabet), Amazon, Apple, Facebook, Microsoft and Twitter



### Broader Engagement

#### DEFORESTATION

LGPS Central is a member of the investor coalition “Investor Policy Dialogue on Deforestation” (IPDD) established in mid-2020  
Dialogue with the Brazilian government (including Vice President, Central Bank Governor and Congress)  
Outcomes expected from investors of the Brazilian authorities include significant reduction in deforestation rates, enforcement of Forest Code regulation as well as public access to deforestation data

#### MODERN SLAVERY

Investor group has engaged 22 laggard FTSE 350 companies that had failed to meet the reporting requirements of Section 54 of the UK Modern Slavery Act 2015  
High success rate: 20 out of 22 companies have become compliant with the Modern Slavery Act in the course of 2020  
Phase II of this project has begun in 2021 to engage a further 62 FTSE 350 companies

This report covers each of the **12 principles of the UK Stewardship Code 2020** in numerical order under four main headlines as follows:

PRINCIPLES

1-5

## Purpose and governance

- Purpose, investment beliefs, strategy and culture
- Governance, resources and incentives to support stewardship
- Conflict of Interest
- Identification and response to market-wide systemic risks to promote a well-functioning financial system
- Review of policies, assurance of processes and assessment of the effectiveness of activities

PRINCIPLES

6-8

## Investment approach

- Client communication on activities and outcomes of stewardship efforts
- Integration of material ESG issues including climate change
- Signatories monitor and hold to account managers and/or service providers

PRINCIPLES

9-11

## Engagement

- Engagement with issuers
- Participation in collaborative engagement to influence issuers
- Escalation of stewardship activities to influence issuers

PRINCIPLE

12

## Exercising voting rights and responsibilities

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# Purpose and governance



# 2.0 Purpose and governance



## PRINCIPLE 1 2.1 Purpose, investment beliefs, strategy and culture

### 2.1.1 Purpose and values

LGPSC is an FCA regulated institutional investment manager responsible for the pooled assets of eight Local Government Pension Funds in Central England. LGPSC was formed in April 2018 and is owned equally by all eight of its Partner Funds and is dedicated solely to the management of local government pension scheme assets.

The aim of the Company is to use the combined scale of its Partner Fund assets to reduce costs, improve investment returns, strengthen governance and widen the range of available asset classes for investment – for the benefit of local government pensioners, employees and employers. LGPSC Partner Funds have combined pooled assets of approximately £45 billion. At the end of the reporting year (2020), LGPSC had £21.66 billion in assets

under management and advice invested in listed equities (active and passive), fixed income, private equity, targeted return, property and infrastructure. The majority of pooled assets are invested in listed equities and fixed income under an Authorised Contractual Scheme (ACS) fund structure.

The pooling endeavour is dependent on continuous dialogue and collaboration; hence we refer to our eight owners as Partner Funds. All LGPSC Partner Funds view Responsible Investment (RI) and engagement as a “must have” and we build on a proud tradition of RI which has been spearheaded over many years by individual Partner Funds. We also seek to espouse values as a Company that mirror expectations that we have of investee companies and the wider investment value chain. Our values and behaviours are:

#### We put our clients first

- Working in partnership to deliver our Clients’ and Shareholders’ long-term needs
- Always acting with integrity, transparency and professionalism
- Doing the right thing

#### We are inclusive

- Collegiate and collaborative, delivering more as one team
- Valuing and treating everyone equally
- Listening to everyone’s ideas and using their experiences to support growth

#### We are ambitious

- Constructively challenging the status quo to continuously improve how we operate
- Combining a public service ethos with a commercial business focus
- Celebrate excellence

#### We are a great place to work

- Staff are encouraged to be open, learn from mistakes and grow in confidence
- Individual trust and empowerment combined with personal accountability and responsibility
- Friendly, honest and supportive in everything we do



As an example, LGPSC Limited is a member of the 30% Club, as well as the Investor Chapter of the 30% Club. We view diversity as integral to sound decision making and we believe that the most effective boards of companies include a diversity of skills, experiences and perspectives. This view is reflected both in our Responsible Investment & Engagement Framework and in our Voting Principles. LGPSC’s Board has 50% female representation and our Executive Committee has 33% female and ethnic minority representation. LGPSC’s own BAME (black, Asian and minority ethnic) and female ratio is currently 41%.

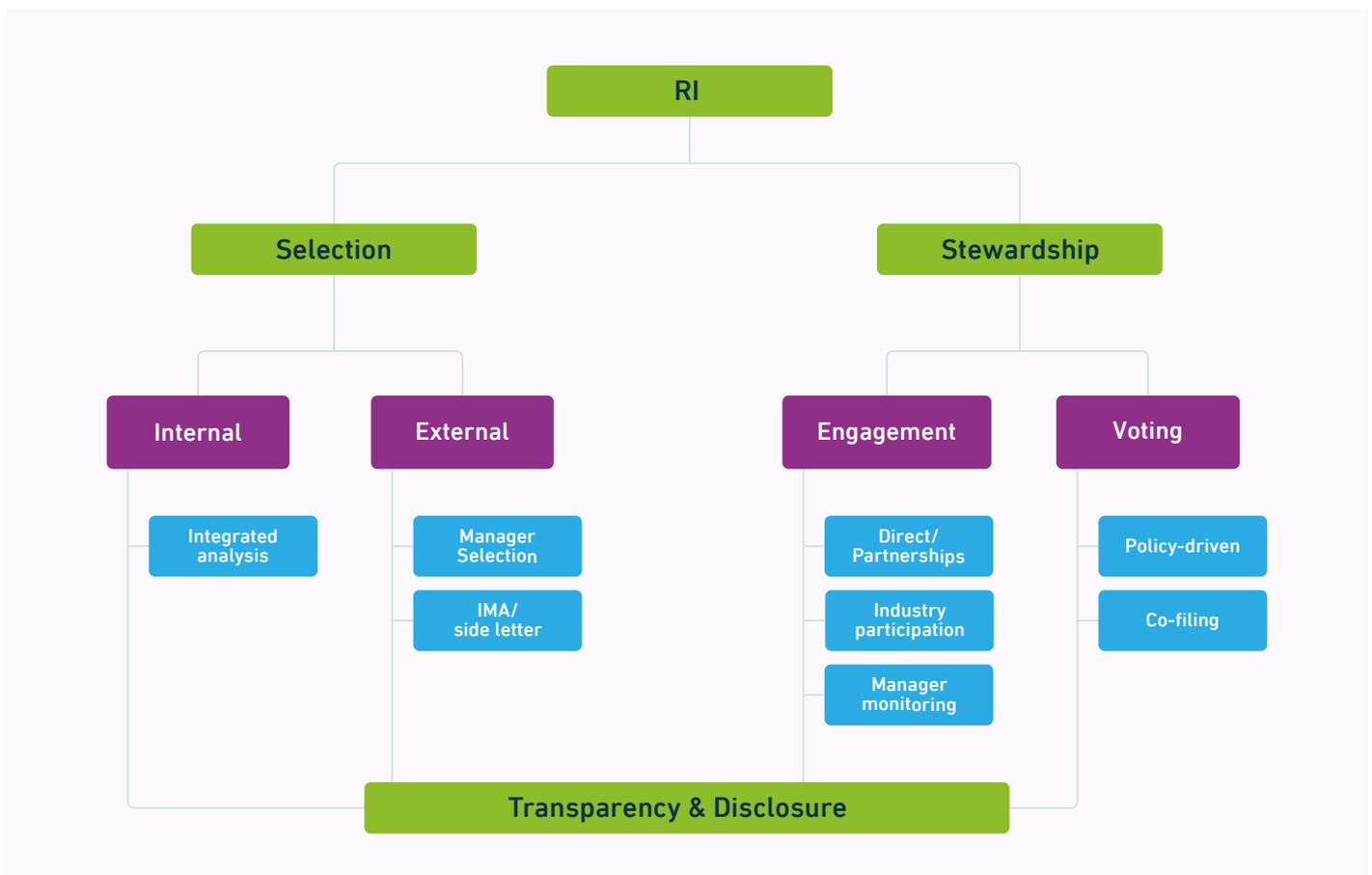
Our Company is a member of the Employers Network for Equality & Inclusion and we participate in a number of work streams of the Diversity Project promoting good practice on flexible working, ethnicity, working families and an early careers programme (mentoring potential graduates from socially disadvantaged communities). When selecting external managers for LGPSC investment mandates, we expect both good in-house diversity across the organisation, and we expect that the manager integrates diversity in their ESG assessments of companies they invest in. Diversity is one element of our broader assessment of a given manager’s culture and ethos and we view strong diversity across gender, culture and ethnicity as indicative of overall strong governance.

### 2.1.2 Responsible Investment integral to our asset management operations

At inception of LGPSC in April 2018, we established a Framework for Responsible Investment and Engagement which builds on the investment beliefs of the Company’s eight Partner Funds. The Framework establishes two high-level objectives for all LGPSC RI-related efforts. These are:

- (1) primarily, to support investment objectives;
- (2) secondarily, to be an exemplar for RI within the financial services industry, promote collaboration, and raise standards across the marketplace.

The RI&E Framework is applied in a manner that promotes these objectives both before the investment decision (which we refer to as the **Selection** of investments) and after the investment decision (the **Stewardship** of investments). Furthermore, we aim to be **Transparent** to all stakeholders and accountable to our Partner Funds through regular **Disclosure** of RI activities.



We take the view that strong RI policy and action increases our ability to protect and grow stakeholder value. Against this premise, key targets of our RI efforts are to:

1. Integrate material environmental, social and governance factors into investment decisions both pre and post investment
2. Influence corporate behaviour at company and sector levels through engagement and voting
3. Participate in and contribute to industry-wide best corporate and investor practices
4. Enhance trust with our stakeholders through ongoing dialogue and a high level of transparency

The strategy to meet the key objectives and the way we aim to measure success against them, is described in the Sections below of this document. Table 2.1.2.1 shows, at high level, our objectives and how we measure achievement against them.

**TABLE 2.1.2.1: SUMMARY OF TARGETS, STRATEGIES AND MEASURES OF SUCCESS**

TARGETS	STRATEGY	MEASURES OF SUCCESS (MOS)
<b>Integrate material ESG factors into investment decisions</b>	Define an RI Integrated Status approach for each fund prior to launch and through its lifecycle	100% of relevant products achieve and maintain RI Integrated Status (RIIS) RIIS is approved by the Investment Committee and maintenance is checked quarterly by the Quarterly Portfolio Review Committees See Section 2.2.1 below
<b>Influence corporate behaviour</b>	Engagement and voting at company and sector levels	Achieve the majority of the MoS listed in Section 4.2 below (Stewardship Themes)
<b>Participate in and contribute to industry standards</b>	Engagement at industry and policy levels	Active contribution to theme-relevant industry initiatives and broader initiatives of relevance to LGPS Funds Contribution to a minimum of three public consultations on standards/regulation with market-wide application and/or theme-relevant application See Section 2.4 below
<b>Enhance trust with stakeholders</b>	Transparency and disclosure	<u>Quarterly stewardship disclosure</u> (this will change to three times a year from 2021, with the fourth quarter covered by the Annual Stewardship Report) Quarterly RI meetings with Partner Funds Annual RI events for Partner Funds to allow dialogue on key themes and to build knowledge Annual Stewardship Report in line with UK Stewardship Code PRI report in line with PRI Framework, achieving a high score (LGPSC received an A+ rating for its 2019 report) AAF report including testing of the accuracy of RI data and implementation of RI processes See Section 3.1 below for more detail

During 2020, we have largely achieved these measures of success as is evidenced in the relevant sections of this report (see references in the right-hand column of the above table).



### 2.1.3 A “One-for-eight” model

Since inception, LGPSC’s RI&E function has implemented a “one for eight” model. This means that we operate one framework, one service offering, one approach, that delivers the same service to our eight Partner Funds. This aligns well with the overarching goal of the pool, which is to reduce costs, improve investment returns, strengthen governance and widen the range of available asset classes for investment while implementing high quality RI services. We label this “Mandate Services”. One of the core functions of the Pool is to provide Partner Funds with investment opportunities suited to their investment needs as these evolve. As part of our Mandate Services we apply an all-encompassing *RI Integrated Status (RIIS)* approach to any fund at launch and through the lifespan of that fund. Through RIIS we ensure that RI objectives are reflected at inception of new funds through to deployment/selection of asset managers and their ongoing monitoring. RIIS is described in more detail in Section 3.2 below.

While still in a phase where Partner Fund assets are transferring to LGPSC, we also offer some customisation of client-specific deliverables; “Call-off Services”. These include assistance with RI&E policy design/update, RI-specific training for boards and pension committees, and ad-hoc queries from beneficiaries on RI-related matters. During Q1 2019 and throughout the reporting year 2020, LGPSC introduced a Climate Risk Monitoring Service (CRMS) which is bespoke to each Partner Fund and tailored to their strategy and asset allocation. CRMS is described in further detail in Section 2.4. below.

### 2.1.4 Looking ahead

Looking ahead, LGPSC recognises the growing importance of sustainability to the investment process and the evolving demands of our stakeholders. Signals from government and consumers are becoming clearer and analytical tools and the outputs they produce are becoming more sophisticated. We have undertaken a review at the start of 2021 of resourcing within the LGPSC RI&E Team to make sure that both people and systems resourcing is in line with the team business plan and associated deliverables.

Key areas of focus going forward include extending the work we do on climate risk analysis at portfolio level to a broader set of ESG risks and reviewing LGPSC’s position on Net Zero and Paris alignment. We are committed to ensuring that our climate analysis remains fit for purpose and in step with industry developments in this area.

As part of the process we have reviewed our RI & E Framework and Voting Policies to reflect the UK Stewardship Code 2020 and to strengthen our position on diversity and climate change performance. We expect UK companies to have at least 33% female representation on their boards and to be reporting ethnic minority representation at board level. We review these expectations annually so that they remain both realistic and demanding. We have also re-set our expectations of investee companies in terms of climate change management quality score against Transition Pathway Initiative assessments, expecting a higher score than 3 (with 4 being top score). This reflects both the urgency with which companies need to address climate change risks and the progress that has already been made.

The RI&E team works closely with internal investment teams on the development of new products, and the assessment of potential providers. The Director of RI&E is a voting member of both the Investment Committee and the Private Markets Investment Committee. The RI&E Director is also a member of the LGPSC Senior Management Team and has input into the implementation of our Company strategy.

**PRINCIPLE 2 2.2 Governance, resources and incentives to support stewardship**

**2.2.1 Organisation and lines of communication**

Figure 2.2.1.1: LGPSC Organisational Structure and Communication on RI-related matters



- LGPSC’s Board approve and monitor on a regular basis, LGPSC’s RI & E Policy, which is overseen operationally by LGPSC’s Executive Committee (see Section 2.2.2 below)
- Our organisational structure reflects a collaborative approach whereby LGPSC Partner Funds have direct influence and dialogue with LGPSC on the overall stewardship effort through a Practitioners’ Advisory Forum (PAF) at the high level, and through a Responsible Investment Working Group (RIWG) which assesses RI matters in more detail
- The RIWG feeds into the PAF which is made up of Client Fund Officers and meets on a monthly basis
- As from January 2021, RI matters are a standing item on the agenda of the PAF due to increasing stakeholder interest and concern on various ESG issues, including climate change. The RI&E Team provides an update on its activities during the meeting and an update on broader RI developments
- The RI&E Team now also attends the PAF Investment Working Group, to field any questions related to RI matters
- At quarterly PAF RIWG meetings, Partner Funds are given updates and can scrutinise LGPSC’s implementation of engagement and voting activities, integration of ESG across funds, as well as Client-specific services such as the Climate Risk Monitoring Service
- LGPSC’s external stewardship provider, EOS at Federated

- Hermes (see Section 2.2.2 below), takes part in RIWG meetings to provide granular detail on specific topics/sectors of interest to PFs (all four Stewardship Themes were covered during 2020)
- The Client Joint Committee meeting is held annually. At the 2020 meeting, 18 questions from members of the public regarding RI were read and answered during the meeting. This is a significant increase in attention to RI compared to the 2019 Client Joint Committee meeting, which had only one RI question
- LGPSC provides reporting to shareholders and stakeholders through regular stewardship updates (voting and engagement), quarterly performance reports (ESG integration, engagement and voting as part of performance assessment), annual PRI report and as of 2021, an Annual Stewardship Report

**2.2.2 Board oversight and ownership across the organisation**

LGPSC’s Board is responsible for approving and monitoring implementation of the Responsible Investment & Engagement Policy (RI&EP). We have established a Board-level KPI that 100% of relevant products achieve and maintain RI Integrated Status, and regular updates on progress are provided to the Board. The Board meets at least six times a year. RI&E, including climate change, is a regular item on the Board’s agenda.

During 2020, the RI&E Team provided LGPSC’s Board with an overview of the Company’s latest TCFD report as well as a bespoke

training session covering stewardship and engagement, and an update on the Climate Risk Monitoring Service. Alongside on-going oversight and knowledge building, Board members sometimes get involved in our broader RI effort e.g. through speaker assignments or in ongoing engagements. During Q1 of 2021, the Chair of the Board, Joanne Segars, took part in a meeting with the Vice President of Brazil, representing LGPSC as a member of the investor coalition "Investor Policy Dialogue on Deforestation". Please see further detail on this engagement, which was initiated in July 2020, in the case study under Section 4.1.3.

We believe it is critical that RI is owned and practiced across LGPSC. As such, the RI&E Team performs a coordinating function relying on regular interaction with colleagues in asset class teams, in the broader Investment Team and across back-office functions including Operations, Legal, HR and Compliance. The RI&E Team reports to the Chief Investment Officer (CIO). As previously mentioned, the Director of RI&E is a member of the Investment Committee, the Private Markets Investment Committee and the Senior Management Team. RI&E related matters are regularly brought to the LGPSC Executive Committee for discussion and approval, for example annual reviews of LGPSC RI&E related policies, our ongoing sponsorship of the Transition Pathway Initiative (TPI) and our contribution to an industry-wide plastic pellet project (see Section 4.2 below).

LGPSC's RI Integrated Status (RIIS) approach inherently requires and allows detailed dialogue between the RI&E Team and the relevant asset class team from inception of a fund and throughout its lifespan. This approach also ensures that the RI approach taken for a given fund or asset is co-sponsored by the Director of RI&E and the relevant Investment Director, reinforcing a shared ownership to RI integration. RIIS could be viewed as an in-house form of "RI certification" which covers the following key elements: Beliefs, Documentation, Process, Reporting and Review. See further detail on RIIS under Section 3.2 below.

LGPSC staff are incentivised to integrate stewardship and investment through the following means:

- Investment Directors have RI and ESG integration objectives included in their semi-annual Personal Development Reviews
- Training and knowledge sharing: As an example, during Q4 of 2020 the RI&E team provided a training session on LGPSC's Climate Risk Monitoring Service (see Section 2.4 below) which had very high attendance and inspired a lot of questions and discussion
- All staff are being asked to think about RI & E and sustainability initiatives as part of smarter working as we move into a new office working arrangement mid-2021
- Going forward, all job descriptions for staff at LGPSC will reflect RI integration

There is no variable pay at LGPSC. Other means are used to incentivise staff to deliver above and beyond. On a monthly basis, members of staff and a team will be recognised with a "Val-U-Me" Award. Colleagues nominate peers for demonstrating the right values and behaviours and going above and beyond their formal roles.

### 2.2.3 Dedicated in-house stewardship resources

At the start of 2020, the RI&E Team at LGPSC had two permanent senior members – Director of RI&E and a Stewardship Manager – and a 1-year intern. It was a clear aim to increase the RI&E resource to four permanent members during 2020 in order to deliver key strategic projects and to cover for key person risk. Towards the last quarter of 2020, and due to staff turnover, the Team had one permanent senior member and two permanent RI&E analysts. In light of increasing expectations from Partner Funds in terms of breadth and depth of the RI service, we aim to expand the team to six in 2021.

Going into 2021, the RI&E Team consists of an Investment Director, Stewardship Manager and two IMC qualified analysts, both of whom are working toward their CFA certificate in ESG.

Team members come from diverse academic backgrounds and specialisms across RI policy development, ESG integration in public and private markets, stewardship and engagement across the value chain and climate expertise. We welcome this diversity and breadth of perspectives. The team leverages a strong network among peer investors both in the UK and globally, as well as investee companies, industry associations and relevant regulatory bodies.

### 2.2.4 External stewardship resources

With limited in-house resources we have contracted an external Stewardship Provider, EOS at Federated Hermes (EOS), to provide global voting and engagement. Following a comprehensive due diligence process EOS were selected as their beliefs align well with LGPSC's and the Partner Funds' beliefs. We share the view that dialogue with companies on ESG factors is essential to build a global financial system that delivers improved long-term returns for investors, as well as more sustainable outcomes for society.

EOS reports on voting and engagement activity across relevant ACS funds every quarter, as well as annually. Through this regular dialogue, we are able to ensure that our values remain aligned. EOS also engages with regulators, industry bodies and other standard setters to shape capital markets and the environment in which companies and investors can operate more sustainably.

We expect our external managers to engage investee companies on our behalf on material issues including ESG factors. We receive quarterly data from external fund managers on the number of engagements undertaken and the weight in portfolio. See further detail under Section 3.3. below.

## PRINCIPLE 3 2.3 Conflict of Interest

LGPSC's approach to managing and mitigating risks associated with conflicts of interest is outlined in the [LGPSC conflicts of interest policy](#). This is made available to all staff and Partner Funds of LGPSC. While this policy is intended to ensure compliance with FCA rules (SYSC 4 & 10) and regulations around conflicts management and requirements under MIFID II, the policy is also designed to ensure fair outcomes for Partner Funds and to ensure that LGPSC fulfils its stewardship responsibilities to its pool partners in terms of how their assets are managed.

The policy was signed off by the LGPSC Investment Committee, Executive Committee and Board when implemented. The policy is reviewed annually and changes to the policy are approved through the same governance process.

LGPSC employees, including senior management and members of the executive committee are required to complete conflicts management training on an annual basis and confirm their adherence to its standards. This training includes guidance on what constitutes a conflict of interest. The conflicts policy is also contained within the LGPSC Compliance Manual. It is readily available to all staff whether working from home or office based.

When LGPSC appoints external managers, a thorough due diligence process is undertaken. This includes consideration of the external managers process and procedures around the Management of Conflicts of Interest. We expect our managers to have robust controls and procedures in place around conflict management and to demonstrate commitment to managing conflicts fairly.

LGPSC only manages Partner Fund assets and the majority of our active portfolios are managed externally. LGPSC staff are not remunerated through a bonus scheme. These two factors are key mitigants in terms of conflict risk.

### Examples of Conflicts of Interest

#### ***Appointment of Transition Manager for the Global Active Equities fund***

All colleagues involved in the appointment process were required to complete a conflicts of interest declaration. The declaration asks colleagues to provide details of any conflicts with any of the potential transition managers for assessment by the compliance team. Conflict will inevitably arise particularly in the form of existing business relationships and previous periods of employment with the investment managers on the shortlist. As long as these conflicts are declared and recorded, they can be managed.

### ***Voting***

Conflicts of interest can arise during the voting season. This can for instance be the case where a proxy voting provider also provides other services to corporates or possibly in some circumstances where they engage with and provide voting recommendations in relation to a pension scheme's sponsor company.

We expect our proxy voting providers to be transparent about conflicts of interest and to implement measures to ensure they manage these conflicts such as Chinese walls, conflicts management policies and conflicts registers. As from Q1 of 2021, EOS at Federated Hermes – LGPSC's external stewardship provider – applies an enhancement to its service to further improve transparency by informing voting clients of potential significant conflicts of interest when EOS provides voting recommendations. One such conflict would be when EOS recommends a vote in relation to clients' sponsor companies, and specific assurance of EOS' independence in assessing this stock is needed.

EOS has a publicly available [Stewardship conflicts of interest policy](#). EOS conflicts are maintained in a group conflicts of interest policy and conflicts of interest register. As part of the policy, staff report any potential conflicts to the compliance team to be assessed and, when necessary, the register is updated. The conflicts of interest register is reviewed by senior management on a regular basis.

### ***Fairness in the provision of RI&E Services from LGPSC to Partner Funds***

During 2020, LGPSC provided Climate Risk Reports to all eight Partner Funds, as part of a Climate Risk Monitoring Service that we have made available to them. For the 2021 provision of the same service, we are following the same delivery order as last year. This is to ensure consistency and fairness among Partner Funds and to avoid some receiving reports six months apart or others +14 months apart.

LGPSC operates a one for eight service model. This ensures that we deliver a consistent level of service to all eight partner funds ensuring that no conflicts arise in terms of the level of support they get from the RI&E Team.

**PRINCIPLE 4 2.4 Identification and response to market-wide and systemic risks to promote a well-functioning financial system**



**Stewardship Themes**

In close collaboration with its Partner Funds, LGPSC has identified four core Stewardship Themes that guide the pool’s engagement and voting efforts. These are climate change, plastic pollution, responsible tax behaviour and ‘tech sector’ risks. These themes have been chosen based on the following parameters:

- Economic relevance
- Ability to leverage collaboration
- Stakeholder attention

Identifying core themes that are material to the Partner Funds’ investment objectives and time horizon, that are likely to have broader market impact, and that are perceived to be of relevance to stakeholders, helps us prioritise and direct engagement. We fully acknowledge that the spectrum of ESG risks is broad and constantly evolving. However, and in agreement with our LGPSC pool partners, we consider it appropriate to pursue these themes over a three-year horizon, at a minimum. This helps us build strong knowledge on each theme, seek or build collaborations with like-minded investors, identify and express consistent expectations to companies on theme-relevant risks and opportunities, and to measure the progress of engagements. Furthermore, we take the view that engagement on a theme needs to happen at multiple levels in parallel: company-level, industry-level, and policy-level. With our long-term investment horizon, we take a whole-of-market outlook and changing the “rules of the game” through industry and policy dialogue is as important, if not more important, than individual company behaviour. Under Section 4 below, we give a detailed overview of engagement activity and progress for each Stewardship Theme.

**Climate Risk Monitoring Service**

Climate action failure is the stand-out, long-term risk the world faces in likelihood and impact according to the 2020 Global Risks Report from the World Economic Forum. If ‘business as usual’ continues, the world could heat up by about 5 degrees by 2100 which would cause profound societal damage and significant human harm. A Paris-aligned transition to a low-carbon economy would lead to lower economic damage and for long-term investors is preferable to alternative climate scenarios. We believe investors can best encourage this transition through a combination of a) understanding the risks to their portfolios at a granular level, b) stress-testing portfolios against various temperature scenarios, c) identifying tools and actions that can be taken to address and minimise risk.

LGPSC’s Climate Risk Monitoring Service aims to address each of these aspects. During 2020, LGPSC conducted in-depth climate risk assessments for each individual Partner Fund and provided a Climate Risk Report (CRR) bespoke to each of them. The CRR is designed to allow each Partner Fund a view of the climate risk held through their entire asset portfolio allocation (both pooled and non-pooled assets) accompanied by proposed actions each could take to manage and reduce that risk. To facilitate TCFD disclosure, the CRR is deliberately structured to align with the four disclosure pillars. Table 2.4.1 gives a summary of the methods we use to assess financially material climate-related risks and opportunities.

**TABLE 2.4.1: METHODS OF ASSESSING CLIMATE-RELATED RISKS AND OPPORTUNITIES**

SECTION	ANALYSIS
<b>Governance</b>	The purpose of this section is to identify areas in which the Fund's governance and policies can further embed and normalise the management of climate risk. We provide a review of the Fund's documentation from the perspective of climate strategy setting and issue recommendations on how the Fund could improve its governance of climate-related risk
<b>Strategy</b>	We assess the extent to which the Fund's risk and return characteristics could be affected by a set of plausible climate scenarios. This includes an estimation of the annual climate-related impact on returns (at fund and asset-class level), and climate stress tests (to explore the potential impact of a sudden climate-related price movement). An external con-sultant provides analytical support for this section
<b>Risk Management</b>	Based on the report findings we provide a Climate Stewardship Plan which identifies the areas in which stewardship techniques could be leveraged to further understand and manage climate-related risks within the portfolio. The plan includes plans to engage both individual companies and fund managers
<b>Metrics &amp; Targets</b>	We conduct a bottom-up carbon risk metrics analysis at the company and portfolio level. For the most part, four types of carbon risk metric are utilised: portfolio carbon footprint, fossil fuel exposure, weight in clean technology and climate risk management (via the Transition Path-way Initiative)

Our Partner Funds have used the findings of their CRRs to develop individual Climate Strategies covering governance, beliefs, objectives, strategic actions and reviews in relation to their climate-related risk. To date, five of our Partner Funds have published Climate Strategies, with three more upcoming in 2021. Aside from strategy setting, the CRRs have also been used to facilitate TCFD disclosure (which seven of our Partner Funds have achieved to date); formulate Climate Stewardship Plans; conduct training sessions on climate change; initiate governance and policy reviews; and for exploring potential investments in sustainability-themed investment products.

LGPS will provide bespoke CRRs to each of our Partner Funds on an annual basis. It is our intention that future iterations of the report will show progress against the baseline of data collected in the first year. The upcoming 2021 reports will explore 1) how the results have changed in the past year 2) what recommendations have been achieved and 3) how our Partner Funds can continue to develop in this space. As part of the third objective, we have been exploring the areas of convergence and commonality across each of the eight bespoke CRRs in order to facilitate collective action as a Pool. We have identified recommendations that feature in all of the CRRs and are currently working in collaboration with our Partner Funds to crystallise these into specific pool-level workstreams. Examples of potential actions we are considering include issuing a joint statement on climate change as a pool, holding a joint Partner Fund training day, and updating the Pool's TCFD Report (which has already been achieved).

**Participation in industry dialogue, partnerships and building of standards**

LGPS is an active participant in the debate on good corporate and investor practice. We value collaboration with peer investors and with industry initiatives, which gives a stronger voice and more leverage in engagement. Taking part allows us to access data, research and tools available to members – and at the same time influence further development of these initiatives.

Table 2.4.2 overleaf is a list of organisations and initiatives that LGPS is an active member of and includes a brief assessment of the efficiency of the initiative and outcomes during 2020.

TABLE 2.4.2: PARTICIPATION IN INDUSTRY DIALOGUE

ORGANISATION/INITIATIVE NAME	ABOUT AND OUR PARTICIPATION	EFFICIENCY AND OUTCOMES
<p>PRI</p> 	<p>Largest RI-related organisation globally. Helps with research, policy influence and collaborative engagement. During 2020, LGPSC Director of RI&amp;E was a member of the Listed Equity Committee and the Stewardship Manager was a member of the PRI Plastics Working Group</p>	<p>PRI is a standard bearer of good practice for responsible investment. LGPSC has been a member of PRI since inception of the pool. We view LGPSC's active participation in PRI through submission of an annual report and through membership of PRI Working Groups as clearly value-adding to ongoing RI development and pursuit of Stewardship Theme engagements</p>
<p>IIGCC (Institutional Investor Group on Climate Change)</p> 	<p>Influential asset owner and asset manager group. Useful for climate change research and policy influence. During 2020, LGPSC Director of RI&amp;E was a member of the Shareholder Resolutions Committee and the LGPSC Stewardship Manager has been appointed to the Corporate Programme Advisory Group</p>	<p>IIGCC's corporate engagement and policy engagement programmes are both highly value-adding to LGPSC's work on climate change on behalf of all Partner Funds. It has a clear purpose and seems attentive to member needs and input. IIGCC engages broadly with stakeholders, for example the International Energy Agency in regard to the Net Zero Scenario and the need for that to include price projections to at least 2040</p>
<p>Cross-Pool RI Group within LGPS</p>	<p>Collaboration group across the LGPS pools (and Scotland recently). Includes funds and pool operators. LGPSC Stewardship Manager is Vice Chair of the group</p>	<p>This is a good forum to allow discussion between like-minded investors, who operate in the same regulatory environment and with similar expectations from Partner Funds and beneficiaries, on RI topics of interest and/or urgency (e.g. The Ministry of Housing, Communities and Local Government (MHCLG)'s work to introduce TFCF aligned reporting across LGPS Pools and Funds)</p>
<p>FRC Investor Advisory Group (Financial Reporting Council)</p> 	<p>Influence new policies and standards, on governance, stewardship, reporting and audit matters. LGPSC Director of RI&amp;E was a member of the Investor Advisory Group</p>	<p>This has been a useful opportunity for LGPSC to discuss and provide input to the FRC, in particular in the development and lead up to implementation of the Stewardship Code 2020</p>
<p>Transition Pathway Initiative (TPI)</p> 	<p>Analysis of listed equities in terms of carbon risk vs a benchmark. Industry influence and access to high profile company engagements. LGPSC has been a member of the TPI Steering Committee since inception of our company</p>	<p>TPI is a highly useful tool that LGPSC uses directly to inform engagement and voting on behalf of Partner Funds. We view very positively TPI's close collaboration with CA100+ during 2020 in the roll-out of the Benchmark Framework which will allow evaluation of company progress against Paris alignment on key parameters (targets, actions, disclosures)</p>

<p><b>30% Club Investor Group</b></p> 	<p>Investor group engaging both UK listed equities and increasingly companies abroad, on gender diversity.</p> <p>LGPSC has been a member since inception of our Company</p>	<p>This forum has a clear target and allows for discussion, learning and direct engagement with like-minded peers on an ongoing critical governance issue. During 2020, a sub-set of 30% Club Investor Group members, including LGPSC, has engaged in the Japanese market</p>
<p><b>BVCA</b> <b>British Private Equity and Venture Capital Association</b></p> 	<p>UK trade body for private equity. Director of RI&amp;E was a member of the RI Advisory Group during 2020</p>	<p>This forum is very useful for deal flow information. It also runs discounted training courses which helps build knowledge</p>
<p><b>LAPFF</b> <b>Local Authority Pension Fund Forum</b></p> 	<p>Engagement with companies in the UK and abroad, assisting LGPS funds with ethical investment challenges</p>	<p>LAPFF has conducted engagements that is complimentary to LGPSC's stewardship theme engagement effort, for instance in reaching out to companies during 2020 on human rights risks that stem from operating in conflict zones such as Palestinian/Israeli territories</p>
<p><b>Climate Action 100+</b></p> 	<p>More than 570 investors, responsible for over 50% of all global assets under management. Engaging 161 companies on climate risk. LGPSC Stewardship Manager is a member of the Mining and Metals Sector Group and the Shareholder resolutions group</p>	<p>This is a robust, targeted and strong investor collaboration which LGPSC views as highly value adding relative to climate change risk management. The 2020 CA100+ Benchmark Framework embeds structure and rigour to assessments of companies against a Paris trajectory</p>
<p><b>Investor Forum</b></p> 	<p>High quality collaborative engagement platform set up by institutional investors in UK equities. LGPSC has been a member since inception of our Company</p>	<p>LGPSC co-sponsored an Investor Forum coordinated plastic pellet prevention project formally launched in June 2020. The overarching goal of this project is to help companies achieve and maintain zero pellet loss across their pellet handling operations. At the start of 2021, an expert group had drafted an industry standard specification which has been out for consultation</p>

## Policy engagements and consultation responses

Since inception of LGPSC in April 2018, the Company has taken active part in policy dialogue on behalf of Partner Funds across various themes and regulations including on ethnicity pay reporting, tax transparency, modern slavery, and sustainability reporting requirements.

During Q2 of 2020, LGPSC signed IIGCC-coordinated letters to EU and UK leaders calling for a sustainable recovery from the COVID 19 pandemic. From a long-term investment perspective, it is critical that both the EU and UK align their recovery efforts with existing climate goals (EU Green Deal, UK's Net Zero Emissions target by 2050, respectively). It is encouraging that the European Council decided, in July 2020, to ensure that the COVID-19 recovery package and long-term EU budget expenditures must comply with the EU's objective of climate neutrality by 2050 and the 2030 climate targets.

LGPSC provided a response to the European Commission review of the Non-Financial Reporting Directive (NFRD). As a long-term, global investor we would like to see more consistent, complete, and reliable disclosure of material environmental, social, and corporate governance information. In the response, we welcomed the proposed broadening of the scope and requirements for the reporting of "non-financial" information. We suggested that fair and transparent tax behaviour merits specific mention in the NFRD because it is intrinsically tied in with managing/reducing market-wide risks and crisis including the climate change crisis and the current COVID-19 health pandemic. In tandem with this policy response, LGPSC contributed to a consultation on Fair Trade Mark's (FTM) report "The Essential Elements of Global Corporate Standards for Responsible Tax Conduct" which seeks to identify common, international norms for responsible tax conduct.

LGPSC's stewardship provider, EOS, regularly engages with a wide range of stakeholders, including government authorities, trade bodies, unions, investors, and NGOs, to identify and respond to market-wide and systemic risks. As an example, EOS co-hosted a thematic workshop on the changing landscape of human rights due diligence and workforce reporting in the context of Covid-19. The co-host was the Workforce Disclosure Initiative (WDI), of which EOS is a signatory. The event allowed companies and investors to learn more about the WDI and speak candidly about the challenges and opportunities faced when conducting human rights due diligence.

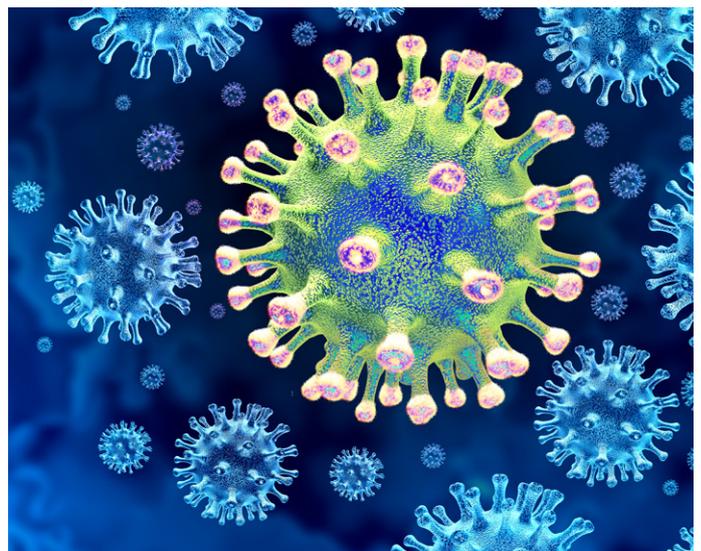
EOS also engages on market-specific trends and policies and as an example, in 2020 made several recommendations as part of Japan's Corporate Governance Code revision. EOS pressed for improving board effectiveness through the separation of chair and CEO, increased diversity, more stringent criteria for independence, and director training.

## COVID 19 pandemic

In engaging companies (directly, in collaboration and through EOS), LGPSC is cognisant of the unprecedented challenges that the health pandemic poses to individual companies and to sectors. At the same time, core expectations that we express for management of risks and opportunities on LGPSC's four Stewardship Themes are still reasonable and timely to uphold. Companies have largely been receptive and welcoming of engagement, which in some respects has been more efficient when carried out via virtual means. See engagement and voting examples under Section 4 below.

In April 2020, EOS sent an open letter on behalf of clients to the chairs and CEOs of the companies in its engagement programme<sup>1</sup>, explaining that dialogue during and after the pandemic would focus on business resilience and stakeholders. Most companies had a good narrative for how they were protecting their operations and key stakeholders, including employees, although we challenged one large US retailer over allegations of poor COVID practices in its stores. In contrast, UK supermarket Tesco did well to adapt its operating environment and customer proposition, and we completed a long-standing engagement on their audit and risk management.

Despite the lockdown restrictions, EOS' engagement activity was higher than in 2019, with similar or higher levels of access to board directors and senior executives due to lack of travel. These efforts resulted in some positive outcomes, with oil and gas major **BP** announcing a new net-zero strategy with capex and accounting assumptions aligned with the Paris Agreement goals, and similar indications from **Repsol**, **Total** and **Royal Dutch Shell**. There was also significant progress at **Amazon** on net-zero targets, **LafargeHolcim** on science-based targets, **Rolls-Royce** on net-zero emissions, even as it faced a collapse in air travel, and **Anglo American** on carbon neutral mining.



<sup>1</sup> EOS engagement plan identifies 12 key themes and 36 related sub-themes. This breadth of coverage is necessary to reflect the diversity of the issues affecting companies in the global engagement programme.

## PRINCIPLE 5 2.5 Review of policies, assurance of processes and assessment of the effectiveness of activities

### Review of LGPSC RI & E policies

Prior to the launch of LGPSC in April 2018, LGPSC's Board approved three RI-related policy documents; [LGPSC RI&E Framework](#), [LGPSC RI&E Policy](#) and [LGPSC Voting Principles](#). Each document is subject to annual review by the LGPSC Board which happens at the start of every year. Ahead of each annual review, LGPSC consults its Partner Funds to solicit their views. Revisions will then be taken through LGPSC's Investment Committee and Executive Committee for discussion and approval before the Board finally assesses and approves them. The Board take an active interest in these policies and often recommend alterations and enhancements. They are familiar with the issues and their perspectives are welcome and add value.

In addition to Partner Fund consultation, we discuss trends and developments in RI with investor peers on a continuous basis, in particular with our LGPS Pool peers (see overview of Initiative memberships in Section 2.4 above). We also discuss voting trends with EOS and with peer investors ahead of revision of our Voting Principles. As an example, we have over the last two years heightened our expectations on companies' governance of Board and Senior Management diversity, sustainability reporting and climate risk management. We have done this in tandem and close alignment with similar changes to EOS' voting policies and those of close peers.

At the start of 2021, we compiled an RI Emerging Risk Register. This will help us stay attuned to any regulatory initiatives (hard and soft law) that may impact on our RI approach and policies. We consider this a "live" document that will be updated on a regular basis in close collaboration with LGPSC's Legal Team. We have shared this document with Cross-pool peers through the Cross-pool RI Working Group. Discussion on upcoming regulation, consultations, other standard developments will be a regular item for discussion within this group.

### Ongoing information-sharing and review of Stewardship Themes

Through our quarterly PAF RIWG meetings (See Section 2.2.1 above), we allow for information-sharing and debate/checks on LGPSC's provision of RI services against the RI&E Framework. All our Partner Funds take a keen interest in RI and engagement, which is a reflection of their ultimate beneficiaries' ongoing interest in climate change and broader sustainability issues.

LGPSC undertake an annual review of the effectiveness of the Stewardship Themes in close collaboration with Partner Funds. During 2020, we conducted a review through PAF RIWG discussions which resulted in the following minor adjustments and acknowledgements:

- Climate change remains the number one theme
- "Just transition" related elements to be included in climate change<sup>2</sup>
- "Single-use plastics" to be converted to "plastics" (to include broader plastic pollution risks)
- To reflect both a) the time taken to establish engagements and deliver results and b) the long-term investment approach of Partner Funds, it is a presumption that stewardship themes will be for 3 years in duration, with an annual review
- Themes identified in 2019 will remain in focus for a three-year period between 2020 - 2023

At the start of the financial year 2020-21, LGPSC informed Partner Funds of our plan to make the quarterly stewardship reporting more compact. This was done in part to make the stewardship reporting more accessible and easier to digest, and in part due to the fact that annual stewardship reporting (as of 2021) will lessen the need for detail on a regular basis.

### AAF controls

During the reporting year LGPSC carried out an externally assessed AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations under the guidance issued by the Institute of Chartered Accountants in England and Wales. These internal controls include testing of the accuracy of RI data and implementation of RI processes in relation to LGPSC's voting policy, voting implementation, and accuracy of voting data. As part of the AAF controls, LGPSC carries out quarterly internal quality controls of engagement and voting data before this is shared with Partner Funds through Regular Stewardship Updates. We also conduct an annual review of EOS' stewardship services, which is based on multiple interactions with EOS in the course of a year (see Section 3.3 below). This review is shared with our CIO and the LGPSC Investment Committee.

We have considered whether the new Senior Managers and Certification Regime (SMCR) affects our oversight of external stewardship provider services. Key elements in this regard are to Evidence meetings and interaction; Sharing of information with senior management up to the top of the organisation; Demonstration of good oversight including having good test points and key performance indicators (KPIs) under AAF. While we view the current KPIs related to RI processes as robust, we have initiated a project in 2021 to review these KPIs and to consider adjustments and/or expansions in order to capture the full breadth of RI efforts. EOS has its voting process independently assured on an annual basis (AAF 01/06).

<sup>2</sup> LGPSC responded to an All-Party Parliamentary Group for Local Authority Pensions Funds consultation on Just Transition on 4 May 2021 [Responsible Investment for a just transition: An inquiry by the all-party parliamentary group for local authority pensions \(lgpscentral.co.uk\)](#)

# Investment approach

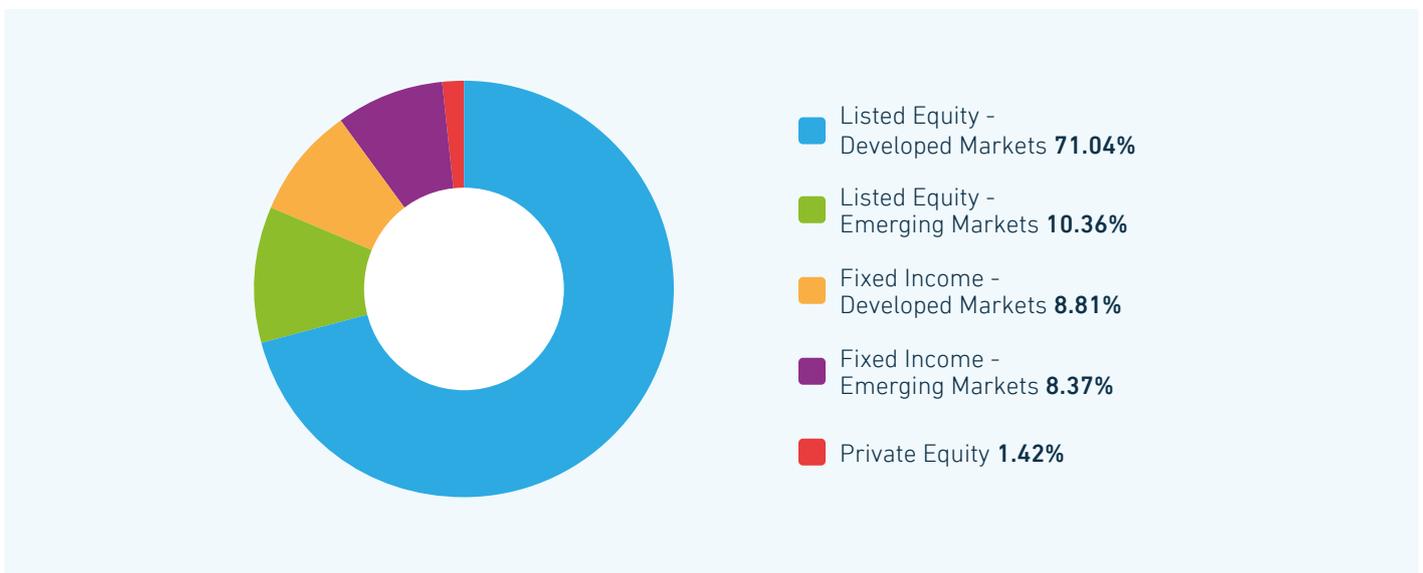


# 3.0 Investment approach



## PRINCIPLE 6 3.1 Client communication on activities and outcomes of stewardship efforts

Figure 3.1.1: Breakdown of LGPSC Assets under Management as at 31 December 2020



\* Emerging Markets for both Equities and Fixed Income includes emerging, frontier and other markets.

Figure 3.1.1 shows a breakdown of LGPSC ACS Fund which have been set up to meet Partner Fund investment needs. LGPSC is in continuous dialogue with its Partner Funds on both the development of new investment funds and reviewing existing funds to ensure that RI is clearly visible both at inception and throughout the life of the fund offerings. The primary tool to ensure this, is LGPSC’s RI Integrated Status approach (see Section 3.2 below).

### Development of new funds

LGPSC aims to offer investment products to support Partner Funds, to manage climate risk and to capture climate change opportunities. Our All World Climate Multi Factor Fund (launched October 2019) takes account of the risks and opportunities associated with climate change by design. While seeking exposure to five style factors, the fund tilts away from companies that are carbon intensive or own fossil fuel reserves, and tilts towards companies that generate green revenues.

During the latter part of 2020, LGPSC’s Active Equities team started work to develop a sustainable equity investment solution in line with Partner Fund needs. Due to rising investment interest in “Sustainable Investing”, alongside rapid market developments in this space, the team placed a notice on the LGPSC webpage inviting submissions for research and white papers on the topic. Based on this detailed research (over 50 submissions were received) and further in-house analysis, LGPSC is collaborating with Partner Funds to build an investment product that will target this growing area of the market. It is likely that the product would offer access to three different sustainable strategies: Broad, Thematic and Targeted. This is in order to provide a sufficient range of investment opportunities and satisfy demands among Partner Fund. Additionally, the Active Equities team has met with FTSE (LSE Group) to learn more about the different mainstream and niche ESG indices which may prove useful for benchmarking purposes in the future. Meetings have also been held with Sustainable Investing teams and fund managers from different asset management groups to learn more about the different approaches and strategies employed across the sector.

## Ongoing dialogue with Partner Funds on application of the RI&E Framework

- LGPSC seeks Partner Fund views when identifying and revising Stewardship Themes
- Quarterly RIWG meetings allow for knowledge sharing and scrutiny
- Annual RI Days have been held over the last three years to allow a deeper debate on key topics (divest/engage; climate change)
- Increasing attention to RI at the AGM and at Client Joint Committee Meetings with all Partner Funds
- PAF meetings: RI included as a standing item at the start of 2021, in response to increased interest in this area from Partner Fund Pension Committee members and the broader stakeholder group

## Ongoing Stewardship reporting

- Regular Stewardship Updates including engagement and voting examples (progress, outcomes)
- Vote by vote disclosure on LGPSC website
- Quarterly Performance Reporting including RI narrative
- Quarterly Media Roundup which gives highlights of RI-related news and developments
- Measures of Success against the Annual Stewardship Plan are presented to Partner Funds at each RIWG
- PRI report
- Annual Stewardship Report

While LGPSC aims for a high level of transparency and disclosure we also want to make sure that the reporting is suited to Client needs and their ability to absorb information in a timely fashion. We generally observe a heavier RI reporting burden on investors through various initiatives and question whether this automatically enhances the value in terms of quality of reporting and value for Partner Funds. In the UK market, a closer alignment between the PRI and the UK Stewardship Code would in our view be of great benefit both to reporting organisations and to their stakeholders.

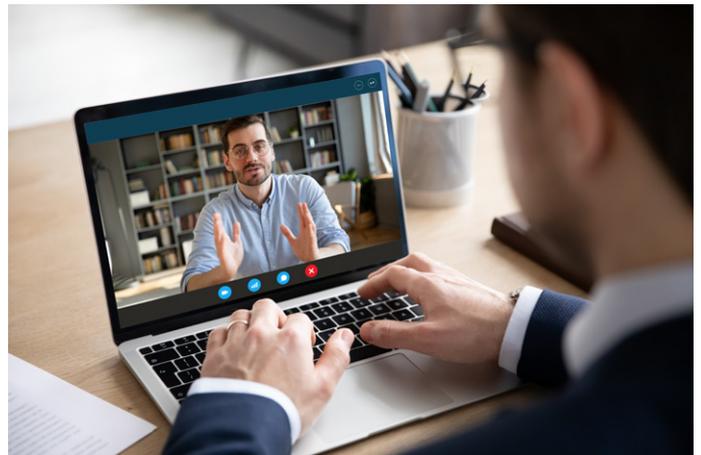
## Bespoke assistance to Partner Funds

The bulk of the time for the LGPSC RI & E Team is intended for Mandate services which benefit all Partner Funds and ensures that existing LGPSC Funds are managed in according to the Fund's RI Integrated Status. We also provide Call-off Services in the form of:

- Communications (ad-hoc ethical queries, Freedom of Information requests)
- Training
- Policy development
- Presentations
- Climate Risk Monitoring Service (see Section 2.4 above)
- Compliance with the UK Stewardship Code 2020

## Client satisfaction surveys

LGPSC conducts annual Client Satisfaction Surveys on our overall services, including the RI & E function. Client satisfaction with LGPSC across all services has increased from 52.8% (2019) to 67.6% (2020). Partner Funds have expressed a high level of satisfaction with the RI Strategy since inception of the company giving an 85% score for 2020, and we have received specific, positive feedback from Partner Funds on the assistance LGPSC has been able to provide related to RI activities.



### Case study

#### More compact Stewardship Updates:

Since inception of LGPSC, we have provided Partner Funds with Quarterly Stewardship Reports including market developments, engagement examples, voting examples and industry participation/policy dialogue. These submissions have been well received by Partner Funds. However, providing a QSR at near 20 pages with in-depth analysis and narratives takes up resources and we saw a risk that it was taking time away from actual engagement and voting. During early 2020 we started discussing with our Partner Funds, whether a more compact Quarterly Stewardship Update might be a more appropriate format. It was agreed that an update would be centred around examples of engagements and voting that illustrate the value in our stewardship efforts, e.g. where good progress is made or where we escalate an engagement to achieve results. We also took into consideration the fact that a slimmer quarterly update would be better suited to complement the more in-depth annual report that is required under the revised UK Stewardship Code from 2021 onwards. We made the change of going from a Report to an Update as we entered the new financial year (2020-21).

PRINCIPLE

7

## 3.2 Integration of material ESG issues including climate change

### 3.2.1 LGPSC's RI Integrated Status for all ACS Funds

Since April 2018 we have been integrating RI & E into all (relevant) asset classes<sup>3</sup>. We established an overarching KPI that 100% of product launches must receive our RI Integrated Status (RIIS). This feature enables an all-encompassing RI approach to any fund at launch and through the lifespan of that fund to give internal and external stakeholders straightforward assurance that RI is being integrated with the breadth and quality they desire. The proposal for RIIS within particular investment products is communicated via an RIIS Document, which is co-sponsored by the Director of Responsible Investment & Engagement and the relevant Investment Director for the product(s). By requiring co-sponsoring of the RIIS documents, we ensure that RI&E is an integrated process. The specific RIIS proposal is brought to the Investment Committee for review and approval if and only if the committee is satisfied that the combination of processes, techniques, activities and reporting achieve, in a manner suitable to the asset class, product, or mandate in question, the Company's agreed responsible investment aims: (1) primarily, to support the Company's investment objectives; (2) secondarily, to be an exemplar for RI within the financial services industry and raise standards across the marketplace. RIIS status criteria to be met are:

- Our RI beliefs relevant to the asset class or mandate in question
- Relevant RI related documentation supports the decision to invest, e.g. policies and procedures at external managers or co-investment companies
- Fund managers factor RI into their selection of portfolio assets
- RI reviews are carried out by the fund managers frequently and at the appropriate levels
- Our delegated Stewardship responsibilities are carried out thoroughly, e.g. engaging with companies, shareholder voting, manager monitoring, industry participation
- Fund managers are transparent in their reporting to Partner Funds and the wider public (where appropriate)

#### Case study

#### RI Integrated Status for Private Equity funds

We believe that responsible investment is supportive of risk-adjusted returns over the long term, across all asset classes. The RI Integrated Status document for Private Equity (funds) is split into three components: Selection, Stewardship and Transparency & Disclosure.

- **Selection:** RI is integrated into due diligence on a 5-pillar scoring framework that covers: Policy, People, Process, Performance and Transparency & Disclosure. If a fund is considered high risk, either due to its sector or geographical location, a more rigorous due diligence assessment is conducted. The findings of the due diligence report are considered as part of the Private Markets Investment Committee approval process. When appointed, we include reference to our RI&E policy in a side letter and, in certain instances, include a request for particular ESG disclosure.
- **Stewardship:** We request that the manager report on material ESG incidents. We conduct an annual review of our primary funds focusing on five pillars (see Selection) which were assessed during due diligence. Following this annual review, we rescore the manager on each pillar and assess whether they have improved since the initial due diligence.
- **Transparency & Disclosure:** RI is included in regular internal quarterly reports, which go to the Quarterly Review Committee, and externally to Partner Funds, through quarterly performance reports.

The RI & Team recently worked closely with the Private Equity Team to engage with a co-investment manager to identify and establish KPI's for the ongoing monitoring of ESG risk faced by the underlying portfolio company. It was important that the KPI's were risk based and covered the material risks specific to the business model of the company. The KPI's will be monitored on an ongoing basis and will give comfort to the Private Equity team that ESG related risks are being managed effectively. This exercise has provided a template for how we intend to monitor our other co-investments. It is important that the right KPI's are identified as within the co-investment framework our access to the underlying portfolio company is limited.

<sup>3</sup> Relevance is judged case by case but only in exceptional circumstances would it be deemed not relevant to integrate RI. In one case, UK Gilts, have we deemed RI and ESG integration as irrelevant.

### 3.2.2 LGPSC’s monitoring of managers’ ESG integration and engagement (ESG questionnaires etc.)

Once appointed, we require external Public Market fund managers to complete a quarterly ESG questionnaire. Some disclosure items are “by exception” (for example alerting us to changes in ESG process or personnel) and others are mandatory. LGPSC receives quarterly data from external fund managers on the number of engagements undertaken and the weight in portfolio. We set expectations regarding the volume and quality of engagement, and we assess climate risk including portfolio carbon footprint, and exposure to oil, gas and coal producers. To send a unique voting signal to investee companies LGPSC votes its shares - whether externally or internally managed - according to one set of Voting Principles. Whilst the ultimate voting decision rests with LGPSC, we have a procedure through which we capture intelligence and recommendations from external fund managers.

The RI&E team attend quarterly monitoring meetings with external managers. The purposes of RI&E monitoring are to analyse the level of ESG risk and climate risk in the portfolio, determine whether the manager is successfully applying the ESG process that was pitched, and assess whether that ESG process is proving successful. Monitoring is achieved through a combination of our own internal portfolio analysis, inspection of the manager’s responses to quarterly data requests, and via dialogue at the quarterly meetings.

LGPSC has developed a RAYG rating for manager monitoring, of which RI&E is a core component. These ratings get updated each quarter based on the discussion at the manager meetings. The RAYG rating is split into four possible ratings: green (manager shows clear strengths tailored to requirement), yellow (manager is fulfilling role but with minor areas of concern), amber (manager warrants closer scrutiny with potential for going on “watch”) and red (manager fails to convince, warrants formal review with potential manager exit). We score managers on four components of their RI&E approach:

1. philosophy, people and process
2. evidence of integration
3. engagement with portfolio companies
4. climate risk management.

Reflecting its importance, the RI&E component carries 13% of the weight in the overall score.

### 3.2.3 Cross-team interaction in development of new LGPSC funds

Proposals for product development are discussed and challenged at the Investment Committee (IC) and the Private Markets Investment Committee (PMIC), which derives its authority from the IC and the Board. These committees scrutinise investment proposals at a preliminary stage and authorise appropriate expenditure in connection with full due diligence and negotiation of investments. The RI and Stewardship implications are first discussed and scrutinised during this initial preliminary review. A due diligence report, including due diligence by the RI & E team, is presented to the IC or PMIC for scrutiny and final approval.

**Case study**

**Launch of Infrastructure Fund**

A recent example of cross-team interaction is provided by the Q1 2021 launch of the LGPSC Infrastructure Fund which invests in a variety of renewable energy solutions. The RI & E team had full access to all the deal documentation and met with the ESG teams at the shortlisted managers. Due diligence showed that overall ESG integration and stewardship were strong at both managers, however areas for improvement were identified around supply chain management and one of the company’s human rights policy. These concerns will be assessed and discussed as part of the ongoing monitoring of the asset manager.



**PRINCIPLE 8 3.3 Signatories monitor and hold to account managers and/or service providers**

**Monitoring of external managers**

External fund managers are monitored in order to ensure the ongoing application and efficacy of their approaches to RI and stewardship. Managers report on a regular basis to LGPSC in respect of how engagement activities have been discharged during the period in review. In 2020, LGPSC’s external managers conducted 203 direct engagements with companies held in the Global Equity Active Multi-Manager Fund and Emerging Equity Market Active Multi-Manager Fund.

In Q4 2020, BMO (part of LGPSC Emerging Market Equity Active Multi-Manager Fund) conducted an engagement with a large multinational consumer goods company on potential forced labour risks in supply chains connected to the Xinjiang Uyghur Autonomous Region. BMO have asked the company to conduct enhanced due diligence for operations in high risk regions where standard auditing procedures may not suffice. The engagement forms the start of a targeted programme by BMO addressing human rights risks in the supply chains of fifteen multinational companies.

In Q3 2020, Schroders (part of LGPSC Global Equity Active Multi-Manager Fund) initiated a large-scale engagement with over 20 companies on their political lobbying. The sectors of the companies covered in the engagement include Financials, Technology, and Pharmaceutical. The engagement was initiated following research on political lobbying and its relationship to companies’ financial performance coupled with the rise in shareholder resolutions focusing on political lobbying. Schroders explained the reporting expectations, which focus on transparency and alignment, that they expect these companies to adhere to.

Engagement undertaken by LGPSC’s external managers in 2020 has been comprehensive and robust. These managers are all long-term investors with sizeable positions in their highest conviction portfolio holdings, giving them excellent access to company management which they used effectively to drive company change. There were a few occasions where the level of engagement disclosure was unsatisfactory, or where the link between an engagement and subsequent investment decision-making was not clear. In these instances, fund managers were marked down during our RAYG rating (red – amber – yellow – green) review and LGPSC discussed its concerns in the quarterly meetings.

An example of this occurred in Q2 2020 when LGPSC downgraded two parts of the RAYG score of one manager from green to amber. LGPSC asked for assurances regarding the consistency of ESG integration across the portfolio, as the manager appeared

confident in pre-prepared examples of ESG analysis, but less so in the companies that LGPSC had selected. It was also unclear how the outcomes of recent engagements had been incorporated back into investment decision-making. Six months later, LGPSC has now reinstated part of this score. After initiating a two-way dialogue LGPSC was able to attain a much better understanding of how the manager’s engagement outcomes feed back into portfolio construction. LGPSC still is not fully comfortable with the explanation of ESG analysis and will continue to press the manager during quarterly discussions. Anything that is not adequately addressed during these quarterly meetings will be scrutinized as part of LGPSC’s in-depth annual manager review.

LGPSC views engagement with fixed income issuers as fully possible and value accretive, both via information gains and via the potential to influence company management. LGPSC tests this during the initial due diligence process when selecting and onboarding managers. The Company looks for evidence of robust issuer engagement and any manager unable to provide this is marked down. Following on from the selection process, LGPSC continues to monitor engagements undertaken by fixed income managers during quarterly monitoring meetings. LGPSC seeks to determine whether the manager is successfully enacting the level of engagement that was pitched, and challenge accordingly if their response seems unsatisfactory. These discussions subsequently feed into LGPSC’s manager scoring system.

The engagement conducted by LGPSC’s fixed income managers in 2020 was rigorous and effective. One of the Emerging Market Debt managers, M&G, have developed an enhanced engagement process. This includes a Climate Engagement Priority 100 list which is selected according to a multitude of factors including: contribution to total emissions; likelihood of achieving change; size and materiality of holding; and position as a leader/laggard relative to the wider industry. This high-quality stewardship gives LGPSC confidence in M&G’s ability to effectively manage the climate-related risks the portfolio may be exposed to.

**Future developments to the manager monitoring**

We plan to undertake 12-month reviews in 2021 for Active Equity, Fixed Income and Private Equity managers. The Director of RI & E provides challenge to the external manager scores through attendance at the LGPSC quarterly portfolio review meetings. It is envisaged that this structure will be rolled out asset class by asset class during 2021 and early 2022.

This structure is further evidence of LGPSC’s commitment to integrating RI across investment teams and our belief that RI is not just a prerogative of the RI & E team, it is something that all colleagues need to embrace if we are to realise the benefits in full.

## Review of EOS' services

LGPS holds, at minimum, one client service review meeting per year with EOS to discuss our overall satisfaction with services, any issues over the last period, alongside engagement and voting trends and voting policy reviews. However, we meet more frequently during the year to discuss specific votes and engagements and we find this ongoing dialogue to be extremely helpful particularly during proxy voting season. The EOS team also attend our quarterly PAF RI WG meetings, which gives our Partner Funds the opportunity to ask specific questions about engagements and prioritisation. Further to this, there are multiple touchpoints for clients to review EOS' activities, by way of regular reporting (client portal, quarterly and annual reporting) and opportunities to provide feedback, for instance through EOS' semi-annual client conference which hosts client-only discussion forum.

The RI&E Team undertakes an annual review of EOS' services to provide assurance to the Investment Committee that the Stewardship Provider, EOS at Federated Hermes, is delivering sufficiently against the terms of the contract. This document is issued to and approved by the Investment Committee on an annual basis. See below an extract from the 2020 review, which highlights Q3 engagement and voting data as full-year data at this point was not yet available.

### Summary for 2020 review:

- Provider has given generally strong and value-adding services to LGPS
- Provider has given direct support to Partner Funds through participation at virtual RI Day in July 2020 and at all PAF RI Working Group meetings during the year

KPI AREA	KPI REVIEW
Global engagement	Engaged 261 companies, with a regional and thematic breakdown shown in Appendix 1
Engagement quality	At least one milestone was moved forward for 39% of current engagement objectives (year to end Q3 2020)
Voting coverage	Made voting recommendations at 339 meetings, with a regional breakdown shown in Appendix 3
Client service	Majority of queries to EOS were dealt with in less than 24 hours
Complaint handling	LGPS discovered two voting-related mistakes during voting season; following discussion measures have since been taken to prevent similar mistakes in future
Client service meeting	Three meetings held pre, during and post voting season 2020 relating to planning of voting season, complaint handling and overall feedback on EOS' services
Reporting punctuality	Reporting on schedule for Q1, Q2 and Q3 2020
Reporting quality	Overall good quality, but Q1 fund-by-fund statistics gave a design error that had to be rectified by EOS
Team stability	Significant growth in North American team with satisfactory overall turnover



# Engagement



# 4.0 Engagement



## PRINCIPLE 9 4.1 Engagement with issuers

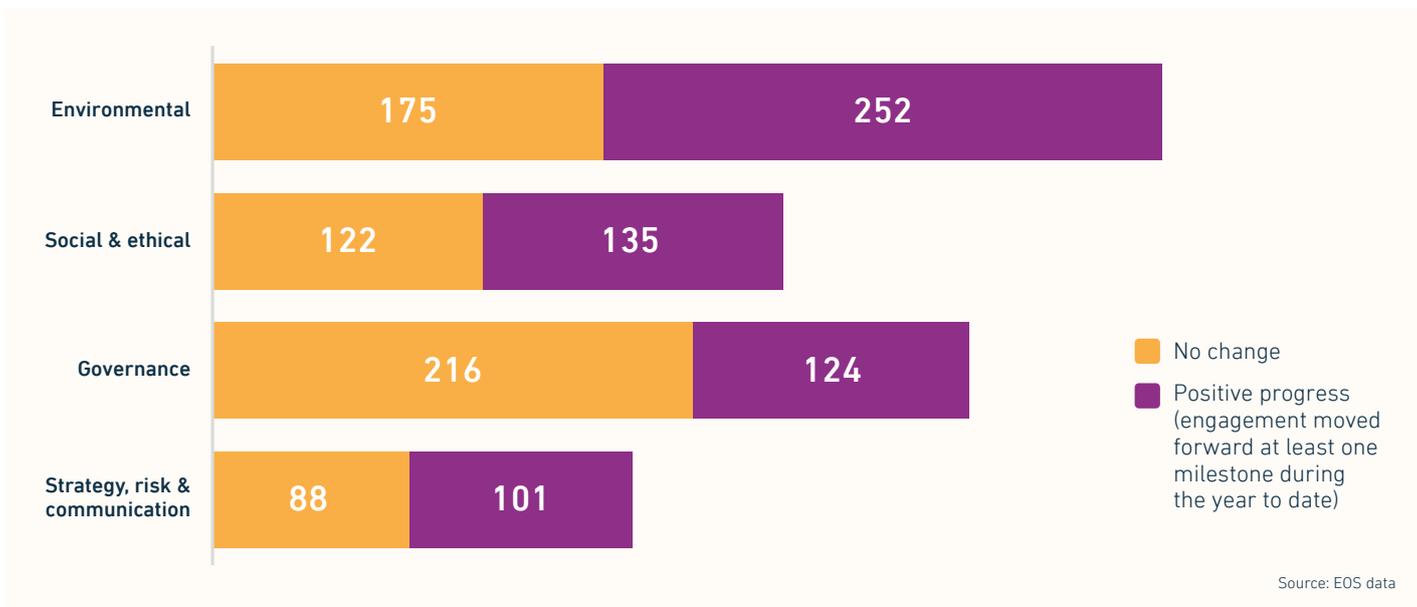
Alongside our own direct engagements, we have several partners that engage companies on our behalf: EOS at Federated Hermes (Stewardship provider to LGPSC) and LAPFF. Through these partnerships, LGPSC was able to engage more than 1,000 companies on material ESG related issues in the course of 2020. Below we give further detail and examples to some of these engagements, including engagements that relate to LGPSC’s Stewardship Themes (see Section 4.1.1).

The majority of these engagements were conducted by EOS who engaged with 845 companies on 3,043 environmental, social, governance, strategy, risk and communication issues and objectives. EOS takes a holistic approach to engagement and typically engages with companies on more than one topic simultaneously. 1,406 of

the issues and objectives engaged in 2020 were linked to one or more of the UN Sustainable Development Goals (see Figure 4.1.2 below). At least one milestone<sup>4</sup> was moved forward for about 50% of EOS’ engagement objectives during the year. Figure 4.1.1 below describes how much progress has been made in achieving the milestones set for each engagement.

LGPSC and all our Partner Funds are members of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds. In 2020, LAPFF engaged 123 companies through more than 250 meetings across a spectrum of material ESG issues. In 79 out of 308 engagement interactions LAPFF saw improvements and/or change in progress.

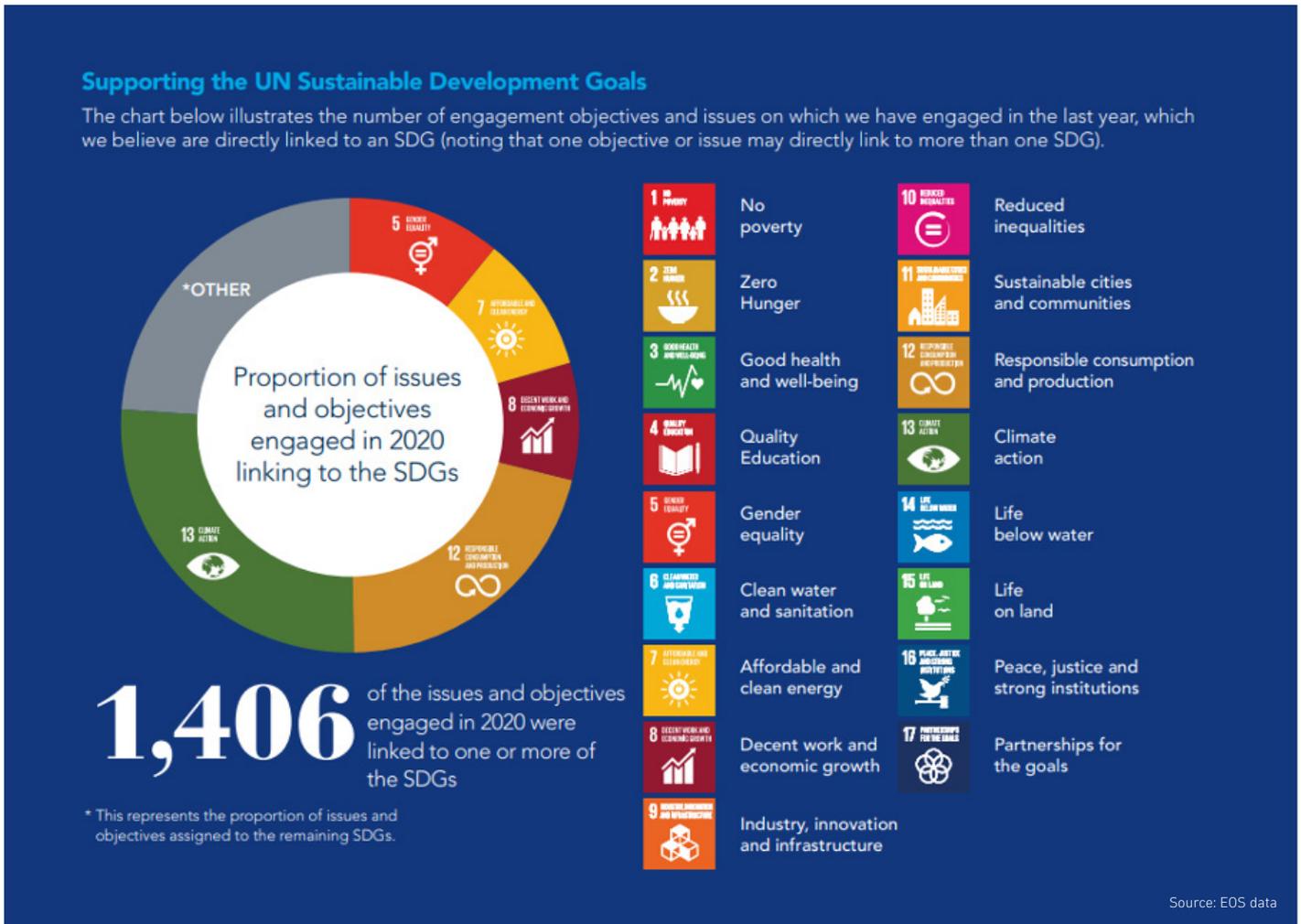
Figure 4.1.1 Progress against engagement objectives in 2020



<sup>4</sup> EOS’ proprietary milestone system allows tracking of engagement progress relative to the objectives set at the beginning of interactions with companies. The specific milestones used to measure progress in an engagement vary depending on each concern and its related objective. They can broadly be defined as follows:

- **Milestone 1** Concern raised with the company at the appropriate level
- **Milestone 2** The company acknowledges the issue as a serious investor concern
- **Milestone 3** Development of a credible strategy/Stretching targets set to address the concern
- **Milestone 4** Implementation of a strategy or measures to address the concern

Figure 4.1.2 Engagement supporting the UN Sustainable Development Goals



#### 4.1.1 Stewardship Themes

It is not feasible to engage all companies we hold through ACS portfolios (current holdings across equity portfolios is 2,600 stocks), even with the assistance of a high-calibre external stewardship specialist. Identifying core themes that are material to our investment objectives and time horizon, and that are perceived to be of relevance to stakeholders, helps prioritise and direct engagement.

In collaboration with our Partner Funds, we identified four themes at the start of the financial year 2019-20, which have been given particular attention in our ongoing stewardship efforts:

- Climate Change,
- Plastics,
- Fair and Transparent Tax Behaviour, and
- Technology and Disruptive Industries Risks.



## 4.1.2 Stewardship Theme engagements - progress and outcomes

# Climate Change

### Stewardship strategy:

Engagement is done through key collaborative initiatives including CA100+, Institutional Investor Group on Climate Change (IIGCC) and the Transition Pathway Initiative (TPI).

### Measures of success:

We assess progress against the underlying objectives of the CA100+ engagement project, and against improvements on TPI score for management quality and carbon performance. Our aims are:

- To lead or be in the focus group of at least three CA100+ company engagements over the next year
- To see improvements on TPI score for management quality in key engagements
- To see improvements on TPI score for carbon performance in key engagements

### Climate engagement case

During 2020, LGPSC continued engagement with audit committees of companies with high exposure to climate change risks. The initiative is a satellite to the CA100+ engagement project and supports the overall goals of CA100+. In November 2019, letters went to three oil and gas majors – BP, Shell and Total – asking for assurances that key financial disclosures to shareholders take due account of all risks, including climate change. If climate risk is not taken into account, the longevity and value of assets held by the company may be over-estimated, which could lead to capital being misdirected. The investor group, led by Sarasin & Partners, published a statement in June 2020 welcoming a recent announcement by BP that the company will lower long-term oil and gas price assumptions used in financial statements to reflect a decarbonising world. The group commended **BP** for this move and the statement also positively acknowledges the fact that **Shell and Total** have similarly lowered their oil and gas price assumptions used in their 2019 audited accounts. The companies in question are willing to engage on the subject and this positive momentum has been harnessed during 2020 through a broader engagement based on a set of Investor Expectations for Paris-aligned Accounts. These expectations were communicated by letter to 36 energy, material, transportation companies in November of 2020.



### Engagement highlights during 2020

- 10 live climate-related engagements (eight of which are Climate Action 100+ companies)
- Taking a holistic outlook with engagement across sectors, both supply and demand for fossil fuels, as well as auditors who audit accounts and banks that provide lending
- Done through key collaborative initiatives including Climate Action 100+, Institutional Investor Group on Climate Change (IIGCC) and the Transition Pathway Initiative (TPI)
- LGPSC's voting is engagement-led and reflects the expectation of Paris alignment. Specifically, if a company is assessed by the TPI's Management Quality Framework to be at a level 2 or below (where 4 is maximum score), LGPSC will consider voting against the company Chair, and other relevant directors or resolutions. Ahead of the 2021 voting season, LGPSC expresses a heightened expectation in that companies should be above a level 3 in TPI's Management Quality Framework
- We have seen progress during 2020 through the setting of net-zero by 2050 ambitions and initial steps to set short- and medium-term targets aligned with long-term ambition. There is also progress among the majority of these companies in partially or fully including Scope 3 emissions in target-setting
- TPI scores for the majority of these companies have stayed neutral or improved
- Gaps: As evidenced through the CA100+ Benchmark Framework assessments (published in March 2021), most companies are still in the early stages of the shift to a net zero economy. Gaps remain in aligning capital expenditure plans with net-zero ambitions and in linking delivery of climate targets with remuneration. Climate policy lobbying also remains an area of concern, where most companies need to improve processes and transparency around how they ensure alignment with their own climate positions and the advocacy done on their behalf through industry associations

# Plastic pollution

## Stewardship strategy:

We will leverage investor collaboration opportunities for instance through the PRI Plastics WG and Investor Forum’s Marine Plastic Pollution project. Voting will be engagement led, and we will e.g. consider co-filing or supporting shareholder resolutions that relate to better risk management (reduce plastic use, reduce plastic waste, increase recycling, invest in relevant R&D).

## Measures of success:

- We aim for positive interactions at senior levels of target companies and acknowledgement of plastic as a business risk, along with commitments to strategies or targets to manage those risks
- We aim to lead or be part of at least three plastics-related company engagements over the next financial year
- We aim to support investor expectations – e.g. as expressed by the PRI Working Group – in dialogue with companies

## Case study

LGPS engaged a **US-based industrial packaging company** which is seeing greater interest from its customer base for sustainability in the last 4-5 years and as a result, is expanding its post-consumer resin (PCR) products, capabilities and technologies. Demand for PCR is greater among customers in Europe than in North America and the Company is actively educating its customers both on the quality and safety of recycled products and on emissions impacts for specific products. In all these engagements, the investor group would like to see ambitious targets for reduction, re-use and replacement of plastic and clear Key Performance Indicators (KPIs) and timelines for how targets can be achieved. The aforementioned Company is currently going through a KPI setting procedure and we encouraged them to integrate relevant KPIs on sustainability progress in executive remuneration. The Company seems to welcome further investor input to the KPI setting process, and the group will continue dialogue to discuss the development of targets and what progress is being made against those.



## Engagement highlights during 2020

- Six live engagements
- Focus on packaging companies, which is one of the sectors more exposed to risks and opportunities stemming from plastic transition
- Collaborative engagement through a sub-group of the PRI Plastic Working Group, led by Dutch investors Achmea Investment Management and Actiam
- The objective is to engage and support progress for companies in a ‘Plastics transition’ - to reduce, re-use and replace fossil-fuel based plastics
- With increasing attention from governments to the negative impacts of plastic use and consumers calling for less harmful alternatives, investee companies in the plastic value chain are exposed to increasing regulatory risks, environmental risks, reputational risks and the risk of missing out to market developments
- 1-2 meetings have been held with each of the companies in the course of 2020 with an overall high level of receptiveness to investor concerns
- Direct engagement has been combined with “knowledge sharing” events hosted by PRI Plastic WG where some of the companies have taken part
- Sector-specific expectations have been developed by the broader PRI WG and engagement will continue with the six companies during 2021 based on these

# Responsible Tax Behaviour

## Stewardship strategy:

We will leverage investor collaboration opportunities for instance through PRI Tax Investor Working Group and a newly initiated Tax Roundtable (led by NBIM (Norway) and APG (Netherlands)). Voting will be engagement led, and we will consider co-filing or supporting shareholder resolutions that relate to better risk management (through tax policy, board oversight, country-by-country reporting).

## Measures of success:

- We aim for positive interactions at senior levels of target companies and acknowledgement of lack of tax transparency as a business risk, along with commitments to strategies or targets to manage those risks
- We aim to lead or be part of at least three tax-related company engagements over the next financial year
- We aim to support investor expectations – e.g. as expressed by the GRI tax standard and the UK Fair Tax Mark – in dialogue with companies

## Case study

In conversation with a **US-domiciled software and services company**, LGPSC and fellow investors discussed the Company's approach to tax and how it defines and manages tax related risks. The Company established a Global Corporate Income Tax Matter Policy in 2019 and we were told that the Board stays closely involved and asks questions around tax risk through its Audit Committee. The investor group probed the Company on its tax strategy for digital products and the use of foreign jurisdictions with lower tax rates. It is generally concerning if companies appear to utilise aggressive tax planning strategies. While the company we engaged assured investors that it is not seeking tax havens, we would like to see that more clearly articulated in both policy and practice. The Company has a subsidiary incorporated in Ireland, but which is tax resident in another jurisdiction paying zero tax. This raises some 'red flags' from the outset and does not appear to be in line with OECD's Base Erosion and Profit Shifting Framework. The investor group will seek further clarification from the Company on the underlying realities and whether we might expect a change in tax practices under the newly established tax policy.



## Engagement highlights during 2020

- Six live engagements
- LGPSC has formed a collaboration with four other, European investors which is a sub-group to a broader Tax Roundtable led by Norges Bank Investment Management and APG
- Group has sought engagement with companies across technology, telecommunications, finance and mining sectors where a low effective tax rate was an initial concern with several of these
- Engagements have been initiated through letter outreach and subsequent meetings with five out of six companies
- Key asks: Board oversight of tax policy and risk assessment; disclosure of tax strategy and policy; robust management of tax related risks, including preferably a country-by-country tax disclosure; link between company's purpose, sustainability goals and tax strategy; engagement with tax policy makers and other stakeholders
- Alongside direct engagement, the broader Tax Roundtable is developing a set of Tax Transparency expectations that amalgamate expectations set by individual investors
- Engagement will continue with all companies, bar one, which is considered a best practitioner, and may be expanded in scope. The level of tax transparency is generally low across companies and sectors

# Technology and disruptive industries risk

## Stewardship strategy:

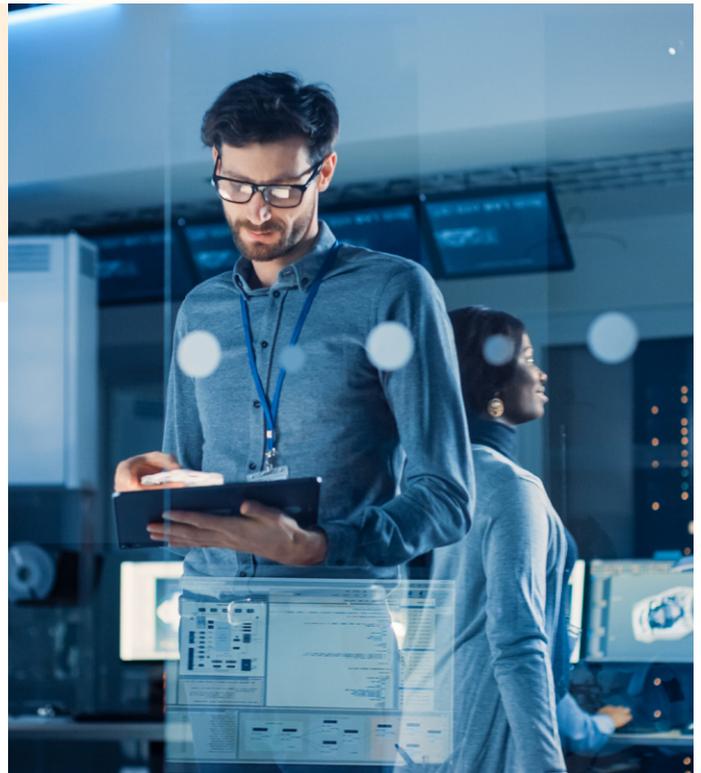
We will leverage investor collaboration opportunities for instance the New Zealand Crown-owned investors' coalition aimed at eliminating terrorist and violent extremist content online. Voting will be engagement led, and we will e.g. consider co-filing or supporting shareholder resolutions that relate to better risk management on social media content control and human rights risks.

## Measures of success:

- We aim for positive interactions at senior levels of target companies and acknowledgement of the above-mentioned risks faced by many tech companies
- We aim to lead or be part of at least three engagements with tech companies over the next financial year
- We aim to support benchmarks such as Ranking Digital Rights, the Workforce Disclosure Initiative and a potential new SASB standard on social media content control

## Case study

During the latter half of 2019 and all of 2020 LGPSC has taken part in collaborative investor engagement, led by the New Zealand Crown-owned investors, with **Facebook** and **Twitter** to discuss their governance and operations to ensure appropriate social media content control. This big tech engagement project was initiated following the horrific Christchurch attacks in March 2019 which were livestreamed on social media platforms. Both companies are taking encouraging steps to efficiently assess content and to remove objectionable content from their platforms. Technology is developing rapidly and with the help of AI the companies appear more effective at capturing contextual content such as hate speech. Facebook has established an Oversight Board to ensure fair decision-making in situations where free speech is at odds with authenticity, safety, privacy and dignity, and that will assist in hearing difficult and important content removal decisions. The Board may overrule management and may comment on policies in order to ensure that these are aligned with the company's core values. Rebuilding trust with advertisers and users should be a focus for Facebook going forward. We expect them to move the discussion from a focus on risk management



## Engagement highlights during 2020

- Six live engagements
- LGPSC is part of two collaborative initiatives: one focusing on social media content control, and one addressing human rights more broadly (see further detail on the latter under Principle 10 below)
- Big tech companies have initially been hard to engage due to the founder/owner governance structure of most of these companies and a seeming inclination to ignore minority shareholders' voices
- The social media content control engagement project has garnered impressive investor support from 102 financial institutions including West Midlands Pension Fund and LGPSC since inception in March 2019 (see further detail in case study below)
- In the face of COVID19 and a highly polarised US presidential election November 2020, the social media content control engagements garnered momentum through pressure from advertisers and other stakeholders (including World Federation of Advertisers) on harmful content including hate speech and aggression

and mitigation to prevention. Twitter provides a public biannual transparency report which describes how content is managed in relation to issues like elections integrity, cyber security, data protection and harmful content amongst others. Twitter actively seeks collaboration with peers and other stakeholders in order to discuss the challenges and how they can best be tackled. The investor coalition has signalled to both companies the importance of board oversight and has requested to meet board directors at both companies as engagement continues.

### 4.1.3 Engagement on themes and issues outside of Stewardship Themes

#### **Engagement case: Diversity**

Japanese boards have one of the lowest proportions of female representation in major markets and therefore it is highly welcome that the 30% Investor Club opened a 30% Investor Club Chapter in Japan in May 2019. Together with fellow 30% Investor Club members, and led by Royal London Asset Management, we engaged a Japanese financial services company on the issue of diversity and inclusion during 2020. Interestingly, the Company had not been approached by investors to discuss diversity previously, so this was the first dialogue on the issue. The Company has established a Diversity Promotion Committee to ensure that measures such as child-care leave, flexible and shortened workhours, flexibility to change work location, support of women's empowerment (e.g. through leadership seminars) are offered to employees across the organisation. A general hurdle to achieving greater diversity at board level is the fact that historically, Japanese women in their 40ies and 50ies gave up their careers to raise families. During the investor meeting, we found the company had no targets for gender representation on the Board and deemed 30% Club aims unrealistic. Its only gender diversity goal is to increase female senior executives, which currently represent 4%, from 10 people to 20 people by 2025. We encouraged the Company to set and/or increase targets for diversity at all levels of the organisation and to provide more information to investors on how these targets will be met going forward.

#### **Combatting modern slavery**

In the course of 2020, LGPS Central joined a collaborative investor-initiative convened by Rathbones Brothers Plc (Rathbones) to press 22 laggard **FTSE 350 companies** that had failed to meet the reporting requirements of Section 54 of the Modern Slavery Act 2015. According to the Act, companies over a certain size (turnover of more than £36 million per year) have to post a modern slavery statement on their website. Furthermore, they must have a process in place by which the statement is approved by the board; signed by a director; and reviewed annually. The project has a two-fold objective of highlighting the importance of eradicating modern slavery in supply chains of FTSE 350, and across businesses globally, as well as encouraging a greater degree of challenge from investors on social issues. The engagement was a success and 20 out of 22 companies have become compliant with the Modern Slavery Act during 2020 due to investor pressure. A phase II engagement project has been launched by Rathbones during Q1 of 2021, to engage a further 62 FTSE350 companies asking Modern Slavery Act compliance. As per end April 2021, all companies have responded and 45 are now compliant. Initial positive responses have given an opening for future meetings to discuss companies' approaches to modern slavery. This is an important step beyond the initial ask of compliance with the Modern Slavery Act, to focus on the content of the statement and to enable investors an understanding of the key risks facing individual companies.

### 4.1.4 Further refinement of engagement and voting going forward

#### **Engagement:**

We want to allow more room for research, especially given that three of our four Stewardship Themes are relatively new. During 2020, LGPSC was either leading or actively involved in 28 engagements. Even with an expansion of the RI&E team, (see Section 2.2.2), we view it as appropriate and efficient to aim for approximately 12-15 live, direct engagements per year. We will also aim for a better balance between the four Stewardship Themes, with approximately 3-5 live engagements per theme. During 2020, Climate Change was by far the most dominant engagement theme. This is to a degree warranted due its dominance as a material financial risk among ESG issues, but we still view it as appropriate with a larger degree of balance between themes. Outside of themes, we also engage on issues of core corporate governance including remuneration and board diversity, hence the stewardship theme related engagements should ideally be at a somewhat lower number.

We also aim to link up our engagement activity closely with ESG risks identified in our portfolios. This will be driven by individual company exposures, industry concentrations and exposure to ESG related themes.

#### **Voting:**

Based on learning over the 2020 proxy season, we aim to reduce the number of Watch List companies down from 70-80 companies to around 50 (see further detail on the Voting Watch List under Section 5.2 below). Thorough assessment of resolutions at any given company's AGM is time consuming and we aim for quality over quantity. A shorter list will also increase our ability to ensure that voting is engagement-led for that selection of companies. This makes the voting more impactful. We stay in close contact with our stewardship provider on these issues and may adjust the watch list further in future.



**PRINCIPLE 10 4.2 Participation in collaborative engagement to influence issuers**

LGPSC has taken part in and helped build strong investor collaborations in pursuit of better corporate standards across ESG issues and in particular for each of the Stewardship Themes<sup>5</sup> during 2020. The pool has also supported theme-relevant industry standards and benchmarks, which clarify investor expectations of companies and provide a mechanism for measurement of progress. For a list of initiatives that LGPSC actively supports and engages with, we refer back to Section 2.4 above.

**Examples of collaborative initiatives of particular importance to LGPSC’s stewardship effort in 2020:**



**Climate Action 100+**

LGPS has since inception been an active member of Climate Action 100+ (CA100+). CA100+ engages 161 companies across the globe that are responsible for 80% of industrial carbon emissions globally. The project is currently being ramped up through a Benchmarking project asking companies to set an explicit target of net-zero emissions by 2050, and to provide verifiable evidence that this will be achieved in the short, medium and long term. LGPSC is actively involved in leading and/or supporting eight CA100+ engagements across mining, oil & gas, industrial technology, and integrated energy sectors. All companies have set a high-level ambition of being net-zero by 2050, with varying remits in scope. LGPSC is pleased to note that two of the eight companies we engage directly (**Glencore** and **Royal Dutch Shell**) have made a decision to allow shareholders an advisory vote on their respective Climate Transition Plans. While neither company has fully disclosed strategies to achieve Paris goals across all scopes and over relevant time horizons (2025, 2036 and 2050), they have taken key steps that can set each company, respectively, on a Paris trajectory. In the case of Glencore, we will particularly encourage clear and ambitious short-term targets that align with their 40% GHG emissions reduction target across all scopes by 2035, and net-zero by 2050. We will also push the company to provide more information on their climate policy lobbying activities, both directly and indirectly through industry associations, giving shareholders assurances that misalignment will be addressed in a robust manner.

**Plastic pellet industry standard**

Plastic pollution is a very serious global issue, with billions of plastic pellets or “nurdles” making their way into the natural environment each year. This poses a serious threat to the ecosystem and is potentially also a health threat to people. LGPSC is collaborating with the Investor Forum, peer investors and other stakeholders including Marine Scotland, the British Plastics Federation and the British Standards Institute to sponsor and create the first industry specification to prevent plastic pellet pollution. The new specification, a so-called Publicly Available Specification (PAS), will set out measures to prevent plastic pellet leakage and help companies demonstrate good practice in pellet loss prevention across their supply chains. The overarching goal of this PAS is to help companies achieve and maintain zero pellet loss across their pellet handling operations. After 9 months of preparation, an expert group with representatives from 23 organisations (plastic pellet producers, plastic manufacturers, recyclers, retailers, trade associations, NGOs and government agencies) proposed a plastic pellet PAS which went out for consultation during Q1 of 2021. Fauna & Flora International, the investor-sponsor group’s representatives, are pleased that the expert group achieved consensus on the following key points; the need for the PAS to be a performance standard, allowing verification of efficacy of the pellet management measures being used, and continual improvement in performance by companies. Influencing corporate practices on a theme across industries is a powerful engagement tool and we will use the plastic pellet PAS as a direct reference in engagement with relevant industries including plastics manufacturers, transportation, retailing and recycling organisations once it is made public.

<sup>5</sup> Confer with response to Principle 4 (p14) above for further detail on LGPS Central Stewardship Themes



## Tech sector and human rights standards

LGPSC has taken part in collaborative investor engagement, led by the Council on Ethics to the Swedish National Pension Funds discussing human rights risks with a group of American technology companies. This engagement is part of a broader project to engage technology companies on a wide range of human rights risks including privacy and data protection; freedom of expression; disinformation in public and political discourse; and discrimination and hate speech. These are complex issues that require solutions both within the companies' own sphere of influence, as well as industry standard and public policy intervention. Through this engagement project, investors are opening a line of dialogue and collaboration to encourage greater transparency, better governance and board oversight and overall alignment with existing human rights standards by technology giants. In partnership with the Danish Institute for Human Rights, the Council on Ethics has identified what are reasonable human rights expectations of companies such as Facebook, Google (Alphabet) and Twitter. These expectations were shared and discussed with technology companies during Q4 of 2020 and officially published in December 2020. With clearly articulated expectations, investors have a good baseline for ongoing engagement with technology companies and a means for a more constructive and effective dialogue regarding the companies' responsibility for and impacts on human rights. We view it as critical that big tech firms work strategically on human rights risks and that they are willing to collaborate across their value chain in order to find adequate solutions. Encouragingly, we note that several companies welcome the articulation of comprehensive investor expectations and seem willing to engage on these, and to contribute to the setting of common standards for the industry.

## Deforestation

LGPSC engages on the long-term investments risks inherent in deforestation continues, both at policy and company levels. The pool company recognises the crucial role that tropical forests play in tackling climate change, protecting biodiversity and ensuring ecosystem services, which again has an impact on economic development and the stability and well-functioning of capital markets. During Q1 of 2021, the Chair of the LGPSC Board, Joanne Segars, took part in a meeting with the Vice President of Brazil, representing LGPSC as a member of the investor coalition "Investor Policy Dialogue on Deforestation" (IPDD). This was one of several meetings initiated by IPDD with the highest political levels in Brazil across government, central bank and the congress<sup>6</sup>. LGPSC and fellow investors expect Brazilian authorities to halt and reverse deforestation while allowing investors access to data to monitor progress. The Brazilian government acknowledges the urgency in reducing illegal deforestation, however actions taken so far have been inadequate and the rate of deforestation in the Amazon is sadly continuing to increase. We will continue this important engagement, harnessing what appears to be a joint view from both sides that the forest is more valuable standing than destroyed.

<sup>6</sup> IPDD is led by Storebrand (Norway) and BlueBay Asset Management (UK) and LGPSC is on the IPDD Advisory Committee. IPDD will be a two-year project that also aims to span other regions of the world that face deforestation risk.

**PRINCIPLE 11 4.3 Escalation of stewardship activities to influence issuers**

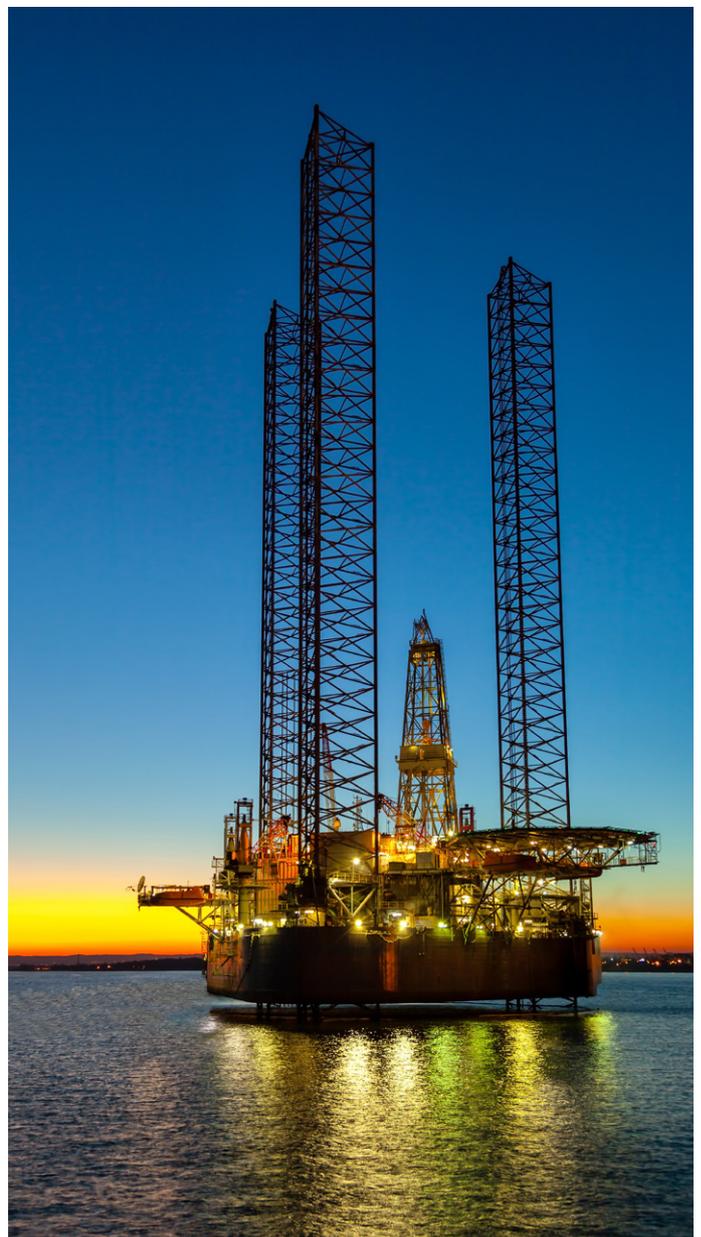
**Barclays**

LGPSC alongside 10 other investor institutions and led by Share Action, filed a shareholder proposal at **Barclays Bank** in January 2020. The proposal stipulates that Barclays should disclose targets to phase out the provision of finance to companies in the energy and utility sector, that are not aligned with the Paris climate change goals. In other words, investors asked Barclays to establish and disclose plans/strategies to align their loan books with the Paris accord. The proposal received 34% support including abstentions at the AGM.

- The investor group held multiple meetings with senior management of the company during the first part of 2020, as well as directly with the Chair of Barclays Board
- Barclays – close to the AGM in May 2020 – announced an ambition to become a “net-zero bank” covering emissions across Barclays’ own operations and those of its Partner Funds
- Developments post AGM: The investor group very much welcomes the bank’s decision to join the Partnership for Carbon Accounting Financials (PCAF), its development of a methodology to measure and reduce GHG emissions that covers its capital market activities, and its setting of emissions reduction targets for energy and power & utilities portfolios
- Although LGPSC at the time of filing held only 0.05% of the company, that shareholding allowed the pool to take strong shareholder action on behalf of Partner Funds that spurred constructive dialogue and clear, positive outcomes at Barclays
- More broadly, this engagement can be a conduit to engagement across the banking sector and help raise the bar for climate risk management in that sector
- Gaps: Some concerns remain, such as the bank’s exposure to fossil fuel assets, including coal and oil sands. As per April 2021, the bank has not updated its position on these fuels since it announced its net-zero ambition. Engagement will continue to address this, and LGPSC is keen to see further evidence that all of Barclays’ lending activities, including those that bear the most climate risk, will be addressed with Paris agreement urgency

**Repsol**

In December 2019 Repsol became the first oil and gas company to commit to a net-zero emissions goal, supported by a decarbonisation pathway with interim targets. In 2020, together with the co-lead for the company under Climate Action 100+, EOS submitted a statement to the company’s annual meeting. Repsol’s net-zero commitment is welcome. In light of the low oil price and the coronavirus pandemic, which would have a material impact on the climate strategy, it was pleasing to hear the company reaffirm its decarbonisation ambition. The engagement between EOS at Federated Hermes, the broader Climate Action 100+ engagement group and Repsol continues to advance, now with a focus on implementation of the net-zero pathway.



# Voting



# 5.0 Exercise of rights and responsibilities



## 5.1 Objectives

### High-level objectives:

LGPSC views voting as a core component of our Stewardship efforts. In a long-term perspective, all voting activities we undertake aim to:

1. support the long-term economic interests of our stakeholders and
2. ensure boards of directors are accountable to shareholders.

### Principles-based approach:

We take a principles-based approach to voting and are guided by LGPSC's established Voting Principles. At high level, we expect companies to:

- Adhere to essential standards of good governance for board composition and oversight
- Be transparent in their communication with shareholders
- Remunerate executives fairly
- Protect shareholder rights and align interests with shareholders
- Promote sustainable business practices and consider the interests of other stakeholders

In situations where companies are faced with a market-wide crisis that cause unprecedented disruption, uncertainty and challenges to their business models, operations, workforce and finances – such as the Coronavirus pandemic – we will consider applying a more flexible voting approach. We would in these situations explain to our Partner Funds and other stakeholders, including external managers, how we may deviate from our Voting Principles, on what issues and relative to which sectors (if different sectors are affected differently).

### Voting reinforcing engagement:

As far as possible, we aim to use voting to reinforce and promote ongoing engagements, whether carried out directly through LGPSC, through collaborative initiatives or through our external stewardship provider EOS at Federated Hermes. This means that we regularly raise issues concerning environmental sustainability, including climate change, and broader social issue like human rights risk oversight and management through our voting. Many votes against management concern good governance (board composition, board oversight and skill sets, remuneration etc.) – these votes are often an expression of underlying concerns with lack of expertise and or/oversight at board level on issues

like climate change or human rights. We also know that strong governance increases the likelihood of companies dealing well with environmental and social risks. During April – June 2020 (high voting season) many ESG-related shareholder proposals got very strong or even majority support.

## 5.2 Strategy

### Ensuring that Voting Principles are applied:

We have set up a structure whereby EOS at Federated Hermes provides us with voting recommendations based on our Voting Principles which are input on the ISS voting platform prior to the vote deadline. The voting recommendations are then cast as voting instructions if there is no further intervention, except in the case of share-blocking votes. We currently hold approximately 2,600 companies through our ACS equities funds. With this voting structure, we have reasonable certainty that votes are cast according to LGPSC Voting Principles across a voting universe that under no circumstance could be checked manually at each individual company level. In minority cases where a company we are engaging and/or that LAPFF has issued a voting alert for falls outside EOS' main engagement, we often consult ISS research directly.

### Voting Watch List:

It is not feasible for the RI & E team to do in-depth research into all proxies that will be voted at each of the companies we hold through our ACS equity funds. In order to prioritise, we establish a "Voting Watch List" annually that consists of approximately 50 companies which cover larger holdings and/or core engagements in and outside of Stewardship Themes. Votes at these companies will be given particular scrutiny ahead of the AGM. While it is not feasible to attend all these companies' AGMs, we would aim to attend AGMs virtually (if permissible) for core Climate Action 100+ engagements and for any company with which we have filed a shareholder resolution. Watch List companies are a combination of larger holdings across our equity universe and/or core engagement companies. The Voting Watch List serves a further purpose, in allowing us to test whether our votes are generally cast in alignment with our Voting Principles.

### Interaction with EOS at Federated Hermes:

- We share the Voting Watch List with EOS ahead of each voting season, who will provide more detailed analysis to substantiate their voting recommendations for companies on the list ahead

of the AGM

- We will seek ad-hoc interactions/meetings with EOS in regard to core holdings or key engagements, where either they or we would like further input from the other ahead of a vote

**Interaction with external managers:**

It is our intention to capture intelligence and recommendations from active equity fund managers relative to key holdings and/or contentious voting issues:

- At a minimum, the Stewardship Manager will hold one voting-related meeting with each external manager annually ahead of the voting season
- External Managers will be kept up to date on any changes to LGPSC Voting Principles
- We will share with each external manager our Voting Watch List with an explicit incentive to communicate their views on companies on this list that are held in their portfolio
- The Stewardship Manager may reach out on an ad-hoc basis in cases where we would like to elicit views on contentious issues in core holdings or key engagements that can supplement views from EOS



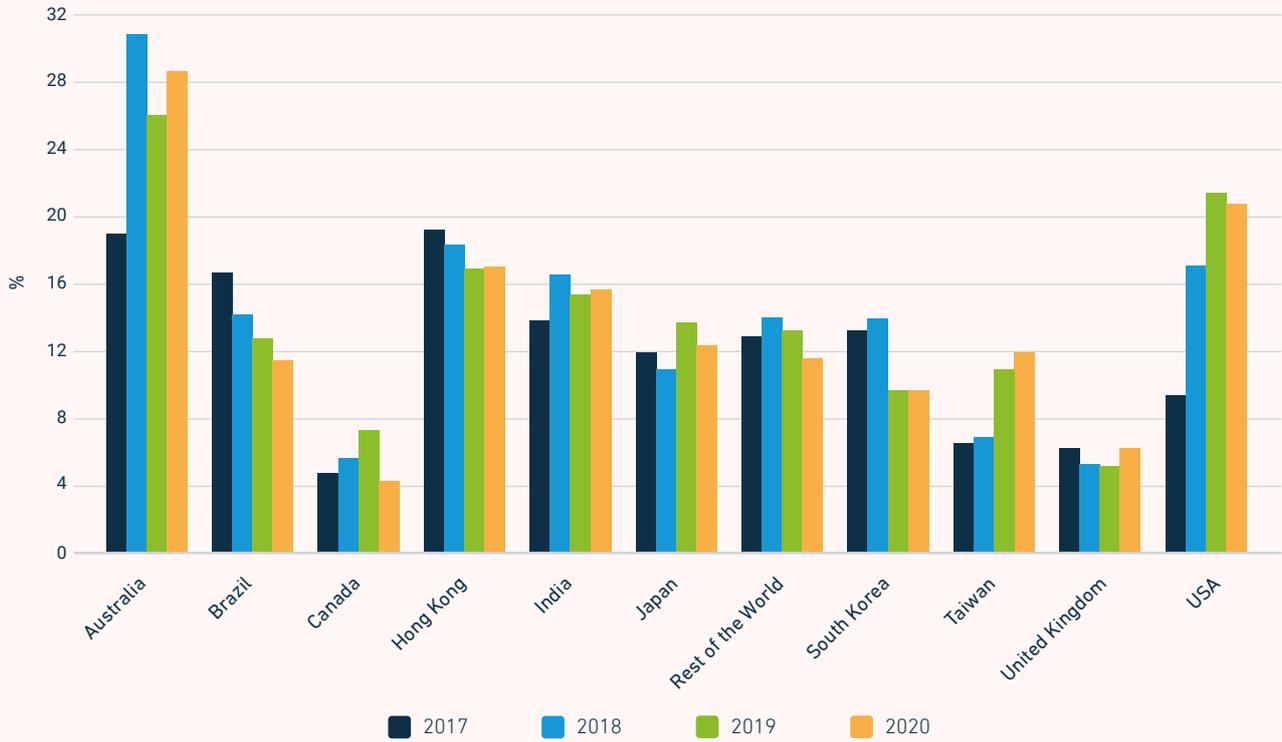
**5.3 Voting highlights 2020**

The 2020 voting season saw many companies in the US and Europe opt for virtual shareholder meetings against the backdrop of COVID 19. While the virtual format posed fresh challenges for companies and investors alike, it is clear that the attention to material ESG issues remains high on investors’ agendas and many ESG-related shareholder proposals got very strong or even majority support. The majority of shareholder proposals that we voted for (against managements’ recommendation) were on environmental and social & ethical issues.

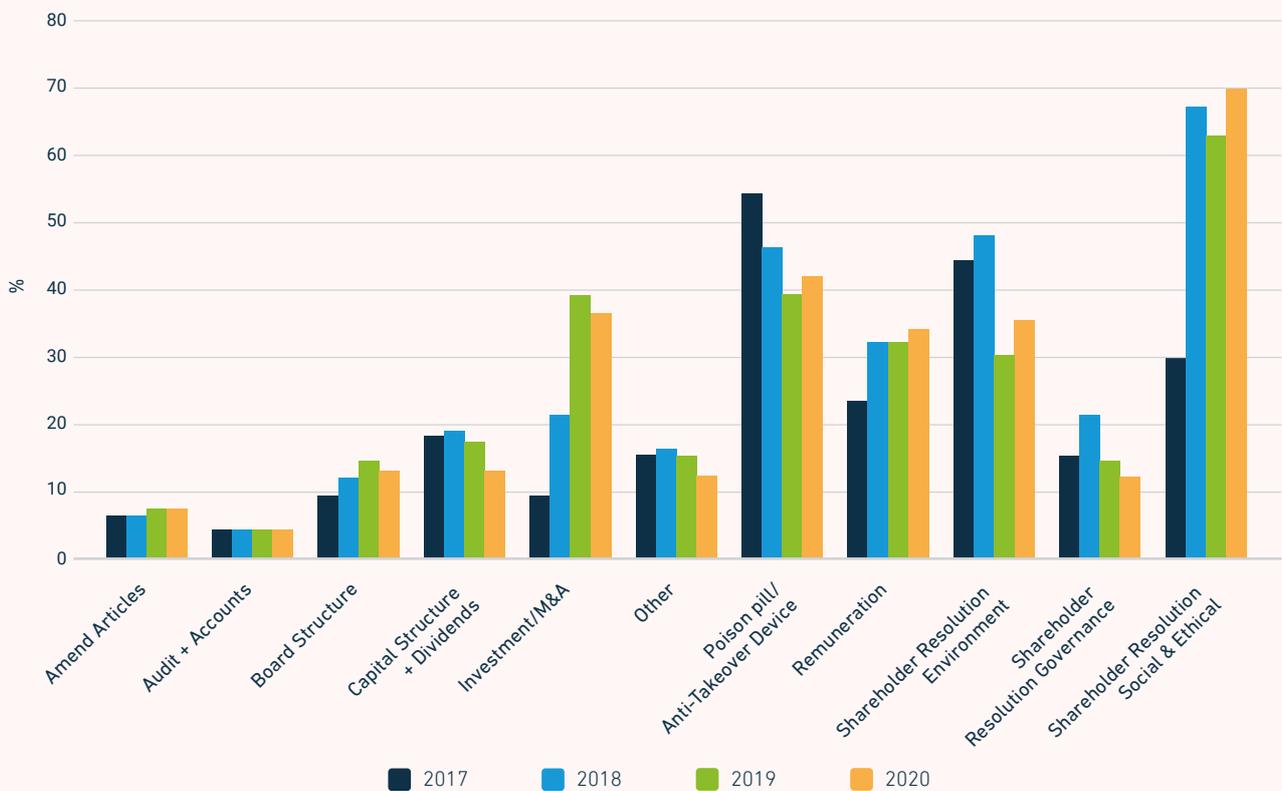
**2020 Voting Statistics:**

- Voted at more than 11,000 meetings
- 124,000 resolutions
- Attended 3 virtual AGMs (Glencore, Honeywell Inc and Citigroup)
- EOS attended 24 AGMs on our behalf, including Deutsche Bank, BP, Google owner Alphabet, Novartis, Amazon and Facebook
- Voted against management for one or more resolutions at 55% of meetings
- Climate change, human capital management during COVID 19, and gender and ethnic diversity were at the forefront of investors’ concerns
- High-profile successes in investors calling for Paris-alignment: Woodside Petroleum (50% support), Santos (47% support) and Barclays (34% support including abstentions)
- Voted against approximately 1,500 proposals due to concerns relating to board composition and lack of independence and/or diversity
- Voted against 35% of pay proposals
- In the US, we opposed 81% of pay proposals including at McDonalds’ due to concerns about excessive severance package awarded to the former CEO, and at Facebook, due to concerns about high pay and the lack of shareholding requirements for executives
- In the UK, we opposed 50% of remuneration policy proposals. This was for concerns including an excessive variable pay opportunity (as at GSK, AstraZeneca and Royal Dutch Shell), insufficient share ownership guidelines (Intercontinental Hotels Group) or insufficient action to align executive pension contributions with those available to the workforce (J Sainsbury)
- We are seeing more Chinese state and non-state companies introducing or proposing amendments to share incentive schemes, giving us the opportunity to push for better practices

### Percentage of proposals voted against management per key market in 2020



### Proportion of resolution type with recommended votes against management



Source: EOS data

At the start of voting season 2020, LGPSC provided its Partner Funds with a briefing on the application of LGPSC’s Voting Principles in light of the health pandemic disruptions. Table 5.3.1 below is an overview of elements where flexibility was applied and examples:

**TABLE 5.3.1: VOTING APPROACH DURING COVID 19 PANDEMIC**

LGPS COVID 19 VOTING APPROACH	EXAMPLES OF VOTES REFLECTING COVID APPROACH
<p>An intention to be supportive of <b>hybrid AGMs</b> and of companies that facilitate additional shareholder events with the board of directors</p>	<p>LGPSC attended and asked questions at three virtual shareholder meetings; <b>Honeywell Inc, Citigroup Inc</b> and <b>Glencore</b>                      EOS attended and asked questions at 24 virtual shareholder meetings, including <b>Deutsche Bank, BP, Google owner Alphabet, Novartis, Amazon</b> and <b>Facebook</b>, up from nine in 2019. EOS made statements for nine companies and asked live questions at six meetings, submitting questions in advance for others</p>
<p><b>Director elections</b> – we will consider voting “For, by exception” directors that we might otherwise have opposed for reasons of poor corporate governance (tenure, diversity, over-boarding, etc)</p>	<p>In some circumstances LGPSC was more supportive of the re-election of those directors who we believed were critical to short-term crisis management, while continuing to communicate our longer-term governance concerns. For example, at <b>Morrisons</b> and <b>UniQure</b>, we supported re-election of Board directors by exception, while communicating concerns about persistent poor board gender diversity. At <b>Ocado Group</b> we also voted “for by exception” while emphasising our concern around board independence and potential conflicts of interest arising from the company secretary also being an executive director, an unusual arrangement for a FTSE 100 company</p>
<p><b>Remuneration</b> – we welcome announcements already made by companies making downward adjustments to executive pay and will keep a close eye on pay awards especially at companies expecting the brunt of the crisis to be borne by shareholder capital or by the company’s own human capital</p>	<p>LGPSC opposed pay proposals where we did not believe appropriate adjustments had already been made in terms of “sharing the pain” felt by stakeholders, including employees, customers, suppliers and the public – such as at <b>JPMorgan Chase &amp; Co, Disney</b> and <b>Delta Airlines</b>                      Overall, LGPSC voted against 35% of pay proposals, compared with 37% in 2019 across investee companies</p>
<p><b>Engagement priorities</b> including climate-relating voting – where there are no indications of imminent financial distress, we will continue to vote against companies performing poorly on climate risk, notably those companies in our engagement set; we will consider voting “For, by exception” at companies currently performing poorly but where there is a reasonable prospect of positive engagement over the longer term</p>	<p>LGPSC Voting Principles reference the Transition Pathway Initiative (TPI) management scoring pathway as a benchmark against which management of climate change risks and opportunities for larger and more exposed companies are assessed                      We voted against management during 2020 voting season where we remained concerned about the low level of climate ambition following engagement, such as at <b>Yanzhou Coal Mining, Apache</b> and <b>China Shenhua Energy</b>                      For companies with indications of imminent and severe financial distress (such as in the airline and shipping sectors), or where we believed there was a reasonable prospect of positive engagement on climate change over the longer term, we voted “For, by exception”. We took this approach at <b>Ovintiv, Diamondback Energy, Berkshire Hathaway, Ameren Corp</b> and <b>Lufthansa</b>, amongst others</p>

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