



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
BP	Energy	<ul style="list-style-type: none"> • LGIM UK Equities • LGIM All World Equities 	<ul style="list-style-type: none"> • Delivery on Net Zero Commitment 	LGIM, CA100+, LAPFF	
China Resources Cement	Materials	<ul style="list-style-type: none"> • JP Morgan Asset Management • LGIM All World Equities 	<ul style="list-style-type: none"> • Lowering of carbon footprint • Better, more up to date GHG disclosure 	LGIM, JPMorgan, LAPFF	JP Morgan-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.
Electricity Generating Public Company	Utilities	<ul style="list-style-type: none"> • JP Morgan Asset Management • LGIM All World Equities 	<ul style="list-style-type: none"> • Delivery of robust GHG emissions reduction target(s) 	LGIM, JPMorgan, LAPFF	JP Morgan-July 2021 – Further discussions held with JP Morgan on high carbon emitting stocks. JP Morgan no longer hold Electricity Generating Public Company.
Glencore	Materials	<ul style="list-style-type: none"> • LGPS Central GEAMMF: Harris • LGIM UK Equities • LGIM All World Equities 	<ul style="list-style-type: none"> • Paris-aligned business model including scope 3 emissions • Lobbying and trade associations 	LGIM, 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.
Lafargeholcim	Materials	<ul style="list-style-type: none"> • LGIM All World Equity • LGPS Central GEAMMF: Harris 	<ul style="list-style-type: none"> • Paris-aligned carbon target • Continued reduction in clinker-cement ratio 	LGIM, LGPS Central via CA 100+, LAPFF	

NextEra Energy	Utilities	<ul style="list-style-type: none"> • LGIM All World Equity • LGPS Central GEAMMF: Schroders • LGPS Central GEAMMF: Union 	<ul style="list-style-type: none"> • Improved carbon risk management quality (measured by TPI score) • Better, more up to date, GHG disclosure • Lobbying and trade associations 	LGIM, LGPS Central via CA100, LAPFF	
Rio Tinto	Materials	<ul style="list-style-type: none"> • LGIM UK Equities • LGIM All World Equities • JP Morgan Global Equity 	<ul style="list-style-type: none"> • Paris-aligned business model including scope 3 emissions • Developing methodology for assessing Paris-alignment of diversified miners • Lobbying and trade associations 	LGIM, JP Morgan, CA100+, LAPFF	LAPFF – In Q1 2021 LAPFF engaged 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.
Shell	Energy	<ul style="list-style-type: none"> • LGIM UK Equities • LGIM All World Equities 	<ul style="list-style-type: none"> • Alignment of Net Carbon footprint with the Paris Agreement 	LGIM, CA100+, LAPFF	LAPFF – In Q1 2021 LAPFF continued 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.
The Southern Company	Utilities	<ul style="list-style-type: none"> • LGIM All World Equity 	<ul style="list-style-type: none"> • Integration of climate risk into the company's long-term business model • Reduction targets in line with a 2-degree scenario 	LGIM, CA100+, LAPFF	
Vistra Corporation	Utilities	<ul style="list-style-type: none"> • JP Morgan Asset Management 	<ul style="list-style-type: none"> • Delivery on Net Zero commitment 	LGIM, JPMorgan, LAPFF	

		• LGIM All World Equities			
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Table 2. Investment managers recommended for engagement

Investment Manager	Portfolio	Issue	Engagement Carried out
Standard Life Investments	UK Equity Fund	<ul style="list-style-type: none"> Stewardship activities with Anglo American and Glencore 	Staffordshire Pension Fund mandate with Standard Life terminated in April 2021
JP Morgan	Global Equity Fund	<ul style="list-style-type: none"> Approach to climate risk management Engagement activities with China Resources Cement, Electricity Generating Public Company, Vistra Corp and NK Lukoil 	<p>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)</p> <p>July 2021 – Further discussions held with JP Morgan on their portfolio and high carbon emitting stocks. JP Morgan have now sold the top 5 carbon emitting stocks held at 31 March 2020, as identified in the LGPS Central Climate Risk Report.</p>
LGIM	All World Equity	<ul style="list-style-type: none"> Voting and engagement with key fossil fuel stocks 	
LGIM	UK Equity Fund	<ul style="list-style-type: none"> Stewardship activities with Glencore, BHP, Anglo American and CRH 	
LGPS Central	Global Equity Active Multi-Manager Fund	<ul style="list-style-type: none"> Clarity on how LGPS Central manages climate risks for the portfolio Engagement with Glencore, LafargeHolcim and NextEra Energy 	
Longview Partners	Global Equity Fund	<ul style="list-style-type: none"> Clarity on Longview's climate change beliefs and tools used to monitor climate risk 	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

		<p>looking to sign up to a well known industry pressure group on climate change.</p> <p>July 2021 – Longview confirmed they have joined the IIGCC in June 2021. Also, During Q2 2021 Longview engaged with Glass Lewis, the proxy voting advisor, on the topic of “Say on Climate” (which calls for greater disclosure of carbon emissions and transition plans by companies and requests an annual advisory vote on the plans and progress), which is broadly in line with IIGCC thinking. Longview encouraged Glass Lewis to incorporate the principles of “Say on Climate” into their voting advice to clients.</p>
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