

## PENSIONS PANEL – 1 MARCH 2022

### Report of the Director for Corporate Services

## RESPONSIBLE INVESTMENT & ENGAGEMENT (RI&E) REPORT QUARTER 4 2021

### Recommendations of the Chairman

1. That the Pensions Panel note the content of the Responsible Investment (RI) report, including the Climate Stewardship Plan (Appendix 1) and Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 2).

### 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. 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. Under the 2016 Regulations, the Fund was accepted as a Tier 1 signatory of the UK Stewardship Code in 2017 and reaffirmed in 2018. Existing signatories to the Code are required to submit a Stewardship Report that meets the FRC's new reporting expectations. Further information will be brought to the Panel in 2022 on the work the Fund does, to meet the criteria of the enhanced UK Stewardship Code.
6. 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).

### **Climate Change Strategy (CCS)**

7. In February 2022, the Pensions Committee approved the Fund's first Climate Change Strategy (CCS) which sets out the Fund's approach to managing the risks and opportunities presented by climate change, with the ultimate aim of achieving a net-zero carbon investment portfolio by 2050. To guide and monitor the Fund's decarbonisation roadmap, a series of 2030 targets have been included in the CCS. The CCs will shortly be available on the Fund's website [www.staffspf.org.uk](http://www.staffspf.org.uk).

### **Climate Stewardship Plan and Engagement**

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&E report. A new Climate Stewardship Plan for 2022/23 was approved by the Pensions Committee, alongside the Fund's CCS, in February 2022. Engagement activity will be reported against the new Climate Stewardship Plan, from the June 2022 Pensions Panel.
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 Funds) and jointly as part of LAPFF. Information on manager engagement and voting is requested routinely, as part of the quarterly reporting the Fund receives from each of the managers. In Q4 2021 engagement topics included:
  - Meeting with a major online retailer to discuss human rights issues, such as warehouse safety and controls around facial recognition.
  - A conference call with a scientific technologies company over governance issues and human rights issues. The manager gained reassurances that there were procedural measures in place to ensure their products did not end up in the wrong hands.

- Filing a shareholder proposal at a pharmaceutical companies' AGM requesting public disclosure of how government funding is being considered in the pricing of its Covid 19 vaccine.
- Meeting with a multi-national bank to discuss its climate strategy.

### **LAPFF Quarterly report**

10. LAPFF's Q4 2021 Engagement Report is attached for information at Appendix 2. Staffordshire joined LAPFF in March 2013, to reaffirm its commitment to RI&E 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 Quarterly Stewardship Report Q4 2021**

11. Members are asked to note that there is no Quarterly Stewardship Report from LGPS Central Limited this quarter. LGPS Central's Stewardship activities for the quarter ending December 2021 will be covered within their Annual Statement of Compliance with the UK Stewardship Code, which is submitted annually in April, and will be reported to the June 2022 Pensions Panel.

### **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 Q4 2021.

### **Investment Manager Voting Activity Q3 2021**

	<b>Total resolutions</b>	<b>Vote with management</b>	<b>Votes against management</b>	<b>Abstain</b>
<b>Impax</b>	15	14	1	0
<b>JP Morgan</b>	142	126	16	0
<b>Longview</b>	50	44	6	0
<b>Legal &amp; General</b>	7,583	6,133	1,309	141
<b>LGPS Central – Global Equity Fund</b>	294	262	32	0
<b>LGPS Central- Global Multifactor Fund</b>	1,386	1,092	232	62

**John Tradewell**  
**Director for 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 Quarterly Stewardship Report

**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.