

**PENSIONS PANEL – 2 March 2021**

**Report of the Director of Corporate Services**

**RESPONSIBLE INVESTMENT (RI) REPORT QUARTER 4 2020**

**Recommendations of the Chairman**

1. That the Pensions Panel notes the content of the Responsible Investment (RI) report, including the Local Authority Pension Fund Forum (LAPFF) Quarterly Engagement Report (Appendix 2) and the change in process for this quarter in relation to the LGPS Central Ltd Quarterly Stewardship Report.

**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 is expected to become a signatory to the Financial Reporting Council's UK Stewardship Code. The Staffordshire Pension Fund was accepted as a Tier 1 signatory of the UK Stewardship Code in 2017. The Fund's statement of compliance with the UK Stewardship code was updated in 2018 and submitted to the Financial Reporting Council, who reaffirmed the Tier 1 status.
6. Earlier this year, 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 by 31 March 2021, to continue to be listed as signatories to the UK Stewardship Code. Further information will be brought to the Panel in 2021 on the work the Fund does, to meet the criteria of the enhanced UK Stewardship Code.
7. The Fund's Statement of Compliance with the UK Stewardship Code, as well as individual investment manager's RI policies and the UNPRI, are available on the Staffordshire Pension Fund website. [www.staffspf.org.uk](http://www.staffspf.org.uk).

### **Investment Manager Engagement**

8. As the Pension Fund appoints external investment managers, engagement with individual companies is delegated to these managers, and to the investment managers of pooled funds, in which the Fund also invests in (e.g. LGPS Central ACS Funds). Information on manager engagements and voting is requested routinely as part of the quarterly reporting the Fund receives 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.

## LAPFF Quarterly report

9. LAPFF's Quarter 4 2020 Engagement Report is attached for information at Appendix 2. Staffordshire joined LAPFF in March 2013, to reaffirm its commitment to RI matters. Pensions Panel Members are encouraged to read the report as it highlights the good work LAPFF does in engaging with organisations on behalf of its members.

## LGPS Central Limited Quarterly Stewardship report

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

## Quarterly voting summary

11. The Pensions Panel receives quarterly updates from the Fund's investment managers on details of votes cast on corporate resolutions. The following table summarises the voting activity of the Fund's investment managers in Quarter 4 2020.

### Investment Manager Voting Activity Quarter 4 2020

	<b>Total resolutions</b>	<b>Vote with management</b>	<b>Votes against management</b>	<b>Abstain</b>
<b>JP Morgan</b>	186	171	15	0
<b>Aberdeen Standard</b>	251	244	7	0
<b>Longview</b>	63	54	9	0
<b>Legal &amp; General</b>	7,583	6,133	1,309	141
<b>LGPS Central – Global Equity Fund</b>	125	106	19	0

**John Tradewell**  
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Background Documents:  
LAPFF Quarterly Engagement Report

## Appendix 1

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

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

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

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

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

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