

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.

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.

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

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

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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.