

**Open Report on behalf of Andrew Crookham, Executive Director -
Resources**

Report to:	Pensions Committee
Date:	18 March 2021
Subject:	Responsible Investment Update

Summary:

This paper provides the Committee with an update on Responsible Investment activity during the third quarter of the financial year 2020/21 (October to December inclusive).

Recommendation(s):

The Committee note the report and and discuss the Responsible Investment activity undertaken during the quarter.

Background

1.1 This report is a summary of various Responsible Investment (RI) activities that have been undertaken on behalf of the Fund during the quarter. This includes work by Local Authority Pension Fund Forum (LAPFF), Border to Coast Pensions Partnership (BCPP) and Robeco, who are appointed by Border to Coast to provide voting and engagement services.

Local Authority Pension Fund Forum Membership

1.2 The Fund participates in the Local Authority Pension Fund Forum that has a work plan addressing the following matters:

- **Corporate Governance** – to develop and monitor, in consultation with Fund Managers, effective company reporting and engagement on governance issues.
- **Overseas employment standards and workforce management** – to develop an engagement programme in respect of large companies with operations and supply chains in China.
- **Climate Change** – to review the latest developments in Climate Change policy and engage with companies concerning the likely impacts of climate change.

- **Mergers and Acquisitions** – develop guidance on strategic and other issues to be considered by pension fund trustees when assessing M&A situations.
- Consultations – to respond to any relevant consultations.

Outcomes Achieved through LAPFF Company Engagement

1.3 The latest LAPFF engagement report can be found on their website at www.lapfforum.org. Some of the highlights during the quarter included:

- During this quarter LAPFF undertook 172 engagements with 145 companies, on issues ranging from human rights and employment standards to climate change reporting and environmental risk. The outcomes of these engagements are shown in the company progress report, included in their quarterly engagement report.
- In December, LAPFF came out in support of the ‘Say on Climate’ initiative which aims to secure a ‘say on climate’ vote at a wide number of company AGMs. The difference between this initiative and, for example, Climate Action 100+ is that it is not exclusive to high carbon-emitting companies but can be applied to all listed companies. Recommended actions also include advocating for a mandatory ‘say on climate’ which would mean it would be on every company AGM ballot.
- As a founding member of the Valuing Water Task Force, LAPFF attended the second task force meeting at the end of November. The purpose of the meeting was to provide feedback on the global impact assessment currently being undertaken by a team at the University of Saskatchewan. Task Force members discussed the importance of highlighting the link between water resources and climate change as well as the need for a solution-orientated approach. Members also discussed how best to encourage asset allocation for the future of water security.
- Forum representatives attended a number of human rights-related webinars, including one on the impact of Covid-19 on human rights and the launch of this year’s Corporate Human Rights Benchmark (CHRB). This year’s benchmark covers the auto industry for the first time with auto companies performing very poorly.
- A Forum representative attended Legal and General Investment Management’s annual stakeholder forum, held this year via video conference. The idea behind the event is to highlight upcoming issues for LGIM to consider in its voting and investing activities. This year, topics covered included antimicrobial resistance, climate, and human capital management.
- A letter on climate change was sent to the International Energy Authority (IEA) expressing LAPFF’s concerns about carbon capture and storage

(CCS). The letter points out the unproven record and technical lack of viability of CCS, coupled with the drastically reduced price of renewables in the last couple of years in questioning the IEA's position in support of CCS. The CCS issue is of growing concern as company reporting in many of the hard-to-abate sectors appears to promote the technology and a meeting in December with the Global CCS Institute (GCCSI) revealed the extent of unsubstantiated and misleading material being shared with investors.

- The LAPFF vice chair joined the first meeting of the Financing a Just Transition Alliance which aims to translate financial sector commitments into real world impact. The Alliance aims to build on positive momentum to encourage tangible action and profile promising case studies. Co-ordinated by the London School of Economics, a report will be produced setting out recommendations in time for COP 26.

1.4 Members of the Committee should contact the author of this report if they would like further information on the Forum's activities.

Border to Coast Pensions Partnership and Robeco

1.5 Border to Coast is the pooling company chosen by Lincolnshire Pension Fund. Border to Coast are a strong advocate of RI and believe that businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. As a representative of asset owners, they practice active ownership by holding companies and asset managers to account on Environmental, Social and Governance (ESG) issues that have the potential to impact corporate value. They also use shareholder rights by voting at company meetings, monitoring companies, engagement and litigation.

1.6 Their approach to RI and stewardship is set out in their RI Policy and Corporate Governance and Voting Guidelines. These documents can be viewed on the Border to Coast website (<https://www.bordertocoast.org.uk/sustainability/>). They also publish a quarterly stewardship newsletter detailing the activity they have undertaken during the quarter. A copy of the report for the latest quarter can be found at on their website: <https://www.bordertocoast.org.uk/app/uploads/2021/02/Quarterly-Stewardship-Report-Q4-2020-Final.pdf>

1.7 In addition to the direct RI work undertaken by Border to Coast they have appointed Robeco to provide voting and engagement services. During the quarter Robeco have voted at 121 AGM's and voted against management 42% of the time. During the quarter they have engaged with companies on 84 occasions on topics including: corporate governance, environmental management and human rights. A copy of their quarterly activity report can be found on the Border to Coast website: https://www.bordertocoast.org.uk/?dlm_download_category=engagement

Voting

- 1.8 To enable the Fund to fulfil its stewardship responsibilities as an active shareholder, the active equity managers (Invesco and Border to Coast) are required to report on their voting on a quarterly basis.
- 1.9 Appendix A presents summarised information in respect of how Invesco have voted in relation to the Fund's equity holdings, specifically where they have voted differently to the company management's recommendation. Border to Coast has produced more detailed proxy voting reports, which are attached at Appendix B (Global Equity Alpha) and C (UK Listed Equities).
- 1.10 Please contact the author of this report if you wish to see full detail of all votes cast over the quarter.

Conclusion

- 2.1 This report brings to the Committee information on the various Responsible Investment (RI) activities that have been undertaken on behalf of the Fund during the quarter.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Invesco Voting Activity
Appendix B	Border to Coast Global Equity Alpha Voting Activity
Appendix C	Border to Coast UK Listed Equity Voting Activity

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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