



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

Report to:	<b>Pensions Committee</b>
Date:	<b>16 December 2021</b>
Subject:	<b>Responsible Investment Update</b>

**Summary:**

This paper provides the Committee with an update on Responsible Investment activity during the second quarter of the financial year 2021/22 (July to September inclusive).

**Recommendation(s):**

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

**Background**

1.1 This report provides a summary of various Responsible Investment (RI) activities that have been undertaken on behalf of the Fund during the quarter, and updates the Committee on any new initiatives relating to good stewardship. 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.

**2.0 Local Authority Pension Fund Forum Membership**

2.1 The Fund participates in the Local Authority Pension Fund Forum. LAPFF acts to promote the highest standards of corporate governance to protect the long-term value of local authority pension fund assets. The Forums current engagement themes include: climate risk, social risk, governance risk and reliable accounting risk. They also act through liaising with others and by responding to consultations.

## Outcomes Achieved through LAPFF Company Engagement

2.2 The latest LAPFF engagement report can be found on their website at [www.lapfforum.org](http://www.lapfforum.org). Some highlights from their work during the quarter include:

- During this quarter LAPFF undertook engagements with 82 companies, covering: human rights, social risk, climate change reporting and environmental risk, and general governance and board issues. This included engagements with:
  - Shell, ArcelorMittal, National Grid and SSE on climate related issues, Rio Tinto on recognising the financial impacts of its social challenges, and Anglo American and BHP on their commitment and engagement with local communities affected by their operations;
  - HSBC and Standard Chartered, in the banking sector, on their commitments to climate targets and how they will work with their clients on this matter; and
  - Sainsbury's through attendance at their 'Plan for Better' event and AGM, where they posed questions on the company's packaging practices, electric vehicles, supply chains, climate change and 'say on climate'.
- Collaborative engagements included: co-signing a letter to 50 companies in sectors highly exposed to physical climate risk asking them to adopt the expectations set out in the Institutional Investor Group on Climate Change guide on Investor Expectations of Companies on Physical Climate Risks and Opportunities.
- Consultation responses were submitted to a number of government consultations on carbon reduction, including: the Department for Transport's (DfT) 'Jet Zero' consultation on the strategy for net zero aviation and their consultation on a new carbon dioxide emissions regulatory framework. A response was also submitted to the consultation on ending the sale of new non-zero emission heavy goods vehicles.

2.3 Further details on their work during the quarter can be found in the quarterly engagement report. Members of the Committee should contact the author of this report if they would like further information on the Forum's activities.

### **3.0 Border to Coast Pensions Partnership Activity**

3.1 Border to Coast is the pooling company chosen by Lincolnshire Pension Fund. Border to Coast is 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.

3.2 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 ([Border to Coast 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 ([Quarterly Stewardship Report Q3 2021](#)). Highlights from their work during the quarter include:

- Publication of Border to Coast's first standalone Climate Change Policy, developed in collaboration with Partner Funds, and announcement of the commitment to achieve net-zero greenhouse gas emissions across all investments by 2050 or sooner, if possible. Border to Coast have also supported an Investor Position Statement on corporate net-zero transition plans, along with 54 other investors coordinated by the Institutional Investors Group on Climate Change (IIGCC).
- High level information on voting activity for the quarter across all Border to Coast funds.
- Engagement activity, which included 307 engagements carried out by: external managers appointed by Border to Coast; Robeco, as the Pool's engagement and voting manager; internal portfolio managers and by LAPFF.

3.3 Border to Coast quarterly ESG reports for their equity sub-funds are included on this agenda as part of the Investment Management Report at Item 13.

#### **4.0 Robeco Activity**

4.1 In addition to the direct RI work undertaken by Border to Coast they have appointed Robeco to provide voting and engagement services. A copy of their quarterly activity report can be found on the Border to Coast website ([Robeco Quarterly Engagement Report Q3 2021](#)).

4.2 During the quarter Robeco have voted at 127 AGM's, the percentage of meetings where they have at least one vote against management is 59%. During the quarter they have engaged with companies on 60 occasions on topics including: corporate governance, environmental and social. This quarter also saw the launch a new engagement theme for Robeco on human rights due diligence.

## **5.0 Voting**

- 5.1 To enable the Fund to fulfil its stewardship responsibilities as an active shareholder, the active equity managers are required to report on their voting on a quarterly basis.
- 5.2 Border to Coast has produced detailed proxy voting reports, which are attached at appendix A (Global Equity Alpha) and B (UK Listed Equities).
- 5.3 Please contact the author of this report if you wish to see further details on votes cast over the quarter.

## **Conclusion**

- 6.0 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	Border to Coast Global Equity Alpha Voting Activity
Appendix B	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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