Report Title:	**Responsible Investment**
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee 4 July 2022
Responsible Officer(s):	Damien Pantling, Head of Pension Fund
Wards affected:	None

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Royal Borough of Windsor & Maidenhead

REPORT SUMMARY

Whilst responsible investing and ESG have always been guiding principles in the Fund’s investment strategy, the decision to pool funds with LPPI from 1 June 2018 enabled more active monitoring and consolidation of its responsible investment outcomes.

The Pension Fund Committee agreed and released an Environmental, Social and Governance (ESG) public statement in late 2020 clarifying its commitment to long-term responsible investment of pension savings. Following this, the fund approved an updated Responsible Investment (RI) policy on 22 March 2021 supported by several values, principles, and priorities.

This report aims to update the reader quarterly on the Fund’s responsible investment activities and outcomes through presenting an RI report and dashboard – noting that climate change is one of the underlying priorities in the Fund’s RI policy and therefore carries material weight in this update. This report also seeks to provide the reader with a suite of key engagement activities undertaken on behalf of the Fund and the outcomes of these engagements.

In addition, this report seeks to update the reader on LPPI’s latest shareholder voting policy and voting guidelines along with LPPI’s approach to engagement.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That the Pension Fund Committee notes the report;

- **i) Acknowledges the Fund’s RI dashboard, RI report, active engagement report and achievement of associated outcomes, and;**
- **ii) Acknowledges LPPI’s latest shareholder voting policy, updated voting guidelines and engagement policy.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1 Since 1 June 2018, all Fund investments have been pooled and are actively managed by the Fund's Investment Manager LPPI. Responsible investing is an underpinning principal of LPPI's investment approach and is documented by a suite of detailed RI policies and reports available on their website.

2.2 From December 2021, the Fund has reported publicly on its implementation and outcomes concerning responsible investment. The report and dashboard as at Q1 2022 (or Q4 2021/22) are included at Appendix 1 and Appendix 2 to this report.

2.3 Notably, the report shows full "green/brown" portfolio exposures to all of the Fund's equity assets (listed equity, private equity, and infrastructure) plus corporate bonds within fixed income. The key takeaways from this analysis are as follows:

2.3.1 Investments in brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) make up just 1.47% of the portfolio.

2.3.2 Investments in green sectors (renewable energy generation, clean technology, and decarbonising activities) make up over 3.67% of the portfolio.

2.4 As illustrated above, the green exposure significantly outweighs the brown exposure within the identified portfolio, underpinning the principle of "net" zero. Further work is being undertaken by LPPI to report on the green/brown exposure of the whole Fund and this shall be reported in due course.

2.5 As detailed in the Fund's Responsible Investment policy, "the RCBPF considers engagement to be a route for exerting a positive influence over investee companies and encouraging responsible corporate behaviour." The Fund has appointed an engagement partner to ensure active engagement with companies across its credit and equity portfolios, seeking to improve a company's behaviour on ESG (Environmental, Social and Governance) related issues. The Fund's active engagement outcomes are reported as at Q1 2022 (or Q4 2021/22) at Appendix 3.

2.6 LPPI's engagement policy (published December 2020) has not yet been brought to the Pension Fund Committee for review and is being provided alongside the other key documents in this report for review as part of this RI update. This policy document was prepared by LPPI in response to EU Legislation SRD II, as adapted by the FCA for UK asset managers, however, SRD II is not yet a requirement under the LGPS investment regs and is provided for information purposes only in line with best practice, to provide context to the shareholder voting policy. Providing additional Responsible Investment policy documents that are not yet required under LGPS investment regulations demonstrates the Fund's commitment to RI and good governance. LPPI's shareholder engagement policy can be found at Appendix 4.

2.7 Since the last review of LPPI's shareholder voting policy in March 2021, there have been no material changes. However, LPPI have since published shareholder voting guidelines (August 2021) which complements the voting policy document. Both the policy and the guidelines are appended to this report for review and comment (Appendix 5 & 6).

2.8 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require Fund's to set out their "policy on the exercise of their rights (including voting rights) attaching to investments" within the Investment Strategy Statement (ISS). The latest revision of the ISS (March 2022) prescribes that these responsibilities are delegated to LPPI. Consequentially, LPPI's shareholder voting policy indirectly applies to the Fund and should therefore be reviewed at regular intervals by the Fund. The last date of review was March 2021

2.9 The Pensions Regulator also expects the Fund to have voting and engagement as key themes within its RI policy. The RI policy is currently under review by the Responsible Investment working group (the task and finish group), however, the position surrounding the adoption of LPPI's policies is unlikely to change in the short term. Any deviation from this position will require a further review of the Fund's ISS and extensive consultation.

3. KEY IMPLICATIONS

3.1 The Fund are receiving a growing number of Freedom of Information (FOI) requests regarding how the Fund's investment assets are being managed and invested responsibly. Moreover, the recent focus has been on environmental factors concerning carbon emissions and fossil-fuel exposure. The Fund's RI dashboard acts as a public document to be updated quarterly and aims to address the majority of public requests for information.

3.2 Responsible Investment is attracting increasing public, professional and regulatory interest. Failure to adopt and maintain a fit-for-purpose shareholder voting and engagement policy is likely to attract increasing criticism from the public, members of the Pension Fund, and the Pensions Regulator.

3.3 Whilst the Pension Fund Committee already agreed LPPI's shareholder voting policy in March 2021, the Committee since approved an updated ISS (March 2022) which set out the Fund's policy to fully delegate all shareholder voting and engagement to LPPI. Therefore, the policy documents appended to this report are for review and comment only as they have already been adopted and are in place.

4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 Net-zero strategy development and LPPI's recent decision to exclude extractive fossil fuel companies from its global equities fund has involved divesting from a relatively small opportunity set. However, these investments consumed disproportionate stewardship resources and the associated costs of maintaining these. Exclusion of these assets enables attention to move to a broader range of sectors impacted by transition risk and are required to decarbonise, providing the fund with future opportunities and an improved framework to manage risk.

4.2 At present, the Fund's investment performance and expected returns are not mutually exclusive to the achievement of its responsible investment policy outcomes. Therefore, the Fund's fiduciary duty and ultimate goal to pay pensions is not adversely affected by implementation of its existing RI and ESG policies.

4.3 Well-governed companies are best equipped to manage business risks and opportunities, and this contributes to achieving optimum risk-adjusted returns over the long term.

5. LEGAL IMPLICATIONS

5.1 Reporting against RI metrics and making a net-zero commitment are not legal requirements. TCFD reporting requirements, when published, will be a legal requirements and legislated by DLUHC (Department for Levelling up, Housing and Communities). These requirements will likely involve penalties and levies by tPR for non-compliance. TCFD requirements shall be implemented in due course and the Fund shall monitor these developments carefully.

5.2 The Fund is compliant with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, by setting out its policy on the exercise of its rights (including voting rights) within the Investment Strategy Statement. The Fund's policy as prescribed in its ISS is to outsource this function to LPPI. Consequentially, LPPI's policies are indirectly adopted by the Fund making it compliant with the LGPS investment regs as well as other sets of underlying legislation that does not explicitly apply to the LGPS (such as the Shareholder Rights Directive II which focuses on shareholder engagement).

6. RISK MANAGEMENT

6.1 The below table relates to risk "PEN005" from the risk register considered and approved by Pension Fund Committee on 6 December 2021.

Table 1: Impact of risk and mitigation (PEN005)

Risk Description	Gross Risk Score	Mitigating Actions	Net Risk Score
Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage if not compliant. The administering authority declared an environmental and climate emergency in June 2019, effect on Pension Fund is currently unknown.	**27**	1) Review ISS in relation to published best practice (e.g., Stewardship Code) . 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and Pensions and Lifetime Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and company directors.	**18**

TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2022/23.		4) An ESG statement and RI Policy was drafted for the Pension Fund as part of the ISS and approved in March 2021. 5) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance. 6) LPPI manage the fund's investments and have their own strict ESG policies in place which align with those of the fund.	

7. POTENTIAL IMPACTS

7.1 Equalities. Equality Impact Assessments are published on the council's website. There are no EQIA impacts as a result of taking this decision. A completed EQIA has been attached at Appendix 5 to this report.

7.2 Climate change/sustainability. This report is centred around the topic of climate change and sustainability and such impacts are documented in detail through the report and its appendices.

7.3 Data Protection/GDPR. There are no additional data protection/GDPR considerations as a result of taking this decision

8. CONSULTATION

8.1 The Fund's Investment Advisor LPPI was consulted in preparing this report.

9. TIMETABLE FOR IMPLEMENTATION

9.1 Responsible investment outcomes are not subject to any specific timeline and are instead ongoing.

10. APPENDICES

10.1 This report is supported by 7 appendices:

- Appendix 1: Responsible Investment Report Q1 2022
- Appendix 2: Responsible Investment Dashboard Q1 2022
- Appendix 3: Active Engagement Report Q1 2022
- Appendix 4: LPPI Engagement policy
- Appendix 5: LPPI Shareholder Voting Policy
- Appendix 6: LPPI Shareholder Voting Guidelines

11. BACKGROUND DOCUMENTS

11.1 This report is supported by 2 background documents available at Pension Fund Policies | Berkshire Pension Fund (berkshirepensions.org.uk)

- Responsible Investment Policy (March 2021)
- Environmental, Social and Governance (ESG) Statement (December 2020)

12. CONSULTATION (MANDATORY)

Name of consultee	**Post held**	**Date sent**	**Date returned**
Mandatory:	*Statutory Officers (or deputy)*		
Adele Taylor	Executive Director of Resources/S151 Officer	**06/05/2022**	
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	**06/05/2022**	**22/06/2022**
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	**06/05/2022**	**23/06/2022**
Elaine Browne	Head of Law (Deputy Monitoring Officer)	**06/05/2022**	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	**06/05/2022**	**12/05/2022**
Other consultees:			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	**06/05/2022**	

13. REPORT HISTORY

Decision type:	**Urgency item?**	**To follow item?**
Pension Fund Committee decision	~~Yes~~/No	~~Yes~~/No

Report Author: Damien Pantling, Head of Pension Fund

Royal County of Berkshire Pension Fund (RCBPF) Responsible Investment Report – Q1 2022

This report has been prepared by LPPI for Royal County of Berkshire Pension Fund (RCBPF) as a professional client.

1. Introduction

This report on Responsible Investment (RI) is a companion to the LPPI RI Dashboard (Appendix 1) and the Quarterly Active Ownership Report (Appendix 2).

It covers stewardship in the period 1st January - 31st March 2022 plus insights on current and emerging issues for client pension funds.

[R] This symbol indicates a term explained in the reference section at the end of this report.

Key takeaways for the period:

- In Q1 2022 LPPI voted on 98% company proposals, supporting 88% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.47% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 3.67% of the portfolio.
- LPPI confirmed its participation in the CDP[R] non-disclosure campaign for 2022, which includes involvement in the letter campaign to drive further corporate transparency around climate change, deforestation, and water security.
- LPPI received confirmation that it's Responsible Investment and Stewardship Report 2020-21 successfully met the standard required to be considered compliant with the UK Stewardship Code (2020).
- LPPI has appointed a new project manager to provide practical support for the activities flowing from net zero planning and also planning for the implementation of mandatory TCFD[R] reporting.

2. RI Dashboard – Portfolio Characteristics

This section of the report shares key takeaways from the RI Dashboard at Appendix 1.

As an enhancement, LPPI has developed and added three new metrics to the Listed Equites section and included a further summary of the Robeco report, which can be found in section 4 for this quarter. The new Governance Insights aims to enhance the understanding of the Global Equity Fund (GEF) and is in response to feedback from clients that readers would benefit from additional metrics. We welcome comments on this new section and on the new sections piloted in the Q4 2021 Dashboard and Report, including feedback on ways reporting can be further enhanced.

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q1 2022 outlined below.

Listed equities (Dashboard p1)

Sector Breakdown

Categorised by GICS[R] the largest sectoral exposures for the GEF are Information Tech. (26%), Consumer Staples (16%), and Financials (13%).

Comparing the GEF with its benchmark (MSCI ACWI)[R] gives insight into how sector exposures for the fund differ from a global market index. The length of each horizontal bar indicates by how much exposures differ in total (+ or –) compared with the benchmark, which is the outcome of active managers making stock selection decisions rather than passively buying an index.

Top 10 Positions

The top 10 companies (10 largest positions) make up 24% of the total LPPI GEF.

In Q1 2022 Microsoft remains the largest holding in the GEF, as Nestlé, Visa and Accenture also remain in the top four. Pepsi moved up 2 positions, whilst Colgate and Starbucks moved down 1 and 2 positions respectively. Costco, Apple, and Adobe were replaced by Diageo, Alphabet and SPDR Gold Shares.

Portfolio ESG Score

The GEF's Portfolio ESG score has not changed from 5.4 between Q4 and Q1. In the same period the equivalent score for the benchmark also remained at 5.2.

Transition Pathway Initiative (TPI)

Monitoring against TPI[R] Management Quality ratings confirms the GEF continues its relatively low exposure to highly carbon intensive activities with minimal changes in ratings since Q4. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has decreased from 12% to 11%, between Q4 and Q1.

The number of GEF companies in scope of TPI scoring has increased by 1 since Q4 2021, changing from 22 to 23.

Of the 23 companies in TPI scope:

- 96% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI3) and into their strategic planning (TPI 4). This is down from 97% in Q4 2021, which is a general reflection of the total market value decreasing for these companies TPI3 and higher.
- 4 companies are scored below TPI 3 and are under monitoring.

Governance Insights (New element for this quarter)

LPPI has produced three new metrics to provide insights on governance issues for the GEF using data from ISS DataDesk (Institutional Shareholder Services) our provider of shareholder voting services.

Women on the board: A measure of gender diversity confirming the average proportion of female board members for companies in the GEF (where data is available).

In Q1 2022, an average of 28% of board members were female in the GEF. There was a coverage of 84% data availability, which was a result of several companies not being in scope of the ISS database.

Board independence: The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence as a route to an appropriate breadth of ideas, skills and experiences being drawn upon.

In Q1 2022, on average 68% of board members were independent in the GEF. There was a coverage of 83% data availability, which was a result of several companies not being in scope of the ISS database.

Say-on-pay: The average level of investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

In Q1 2022, an average of 88% were in support for say on pay, which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 48% data availability, which was a result of a vast majority of companies not providing their outcomes for say on pay and several companies also not being in scope of the ISS database.

Other asset classes (Dashboard p2)

Private Equity

The largest sector exposure continued to be in Health Care, although reducing down from 47% in Q4 2021 to 42% in Q1. The largest geographical exposure has changed from Sweden to the United States, which now represnets 36% of the portfolio.

Infrastructure

The geographical exposures to UK based infrastructure slightly increased, moving from 43% exposure in Q4 to 47% in Q1. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 37% of the portfolio.

The Real-World Outcomes section of the dashboard features examples of socially positive investments and this quarter the focus is on Infrastructure. Pages 6-9 share information on a selection of investments within the RCBPF Fund portfolio which are developing solutions in large, small and mid-cap companies.

Real Estate

Sector and geographical exposures remained similar to those reported in Q4 2021. The portfolio continued to be largely deployed in the UK, with 74% assets here. The largest sectoral exposure continued to be Industrial assets, making up 31% of the portfolio.

Green & Brown Exposures

Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (Listed Equity, Private Equity, and Infrastructure) plus corporate bonds within Fixed Income. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position.

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but include other activities supporting lower emissions including district heating, and waste management. Brown activities are those directly involved with extracting, transporting, storing, and otherwise supplying fossil fuels, or using them to generate energy.

The dashboard presents information on the trend in Green and Brown exposures (commencing in Q2 2021). Quarterly changes in Green and Brown exposure reflect multiple factors at play including funds reaching maturity, assets being revalued, and investments being made and sold. The total value of the Royal County of Berkshire Pension Fund (RCBPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

Compared with Q4 2021, Brown exposure has increased from 1.10% to 1.47%. The biggest contributor to the increased exposure is from the Infrastructure asset class. This quarter, figures reflect a full re-evaluation based on the current categorisation process. This added some further companies within existing funds that have not previously been identified as Brown. This exercise increased Infrastructure's Brown exposure from 0.55% in Q4 to 0.80% of the portfolio in Q1. Another contributing factor has been a large mark-to-market increase reflecting the sector's strong performance of the Brown positions held in the Global Equities Fund, as well as a new position being added into fund.

Compared with Q4 2021, Green activities have slightly increased from 3.52% to 3.67% of the portfolio. The change again reflects the re-evaluation of Infrastructure assets, where new positions have been incorporated and several existing companies have now been identified as Green. This has increased Infrastructure's Green exposure from 3.32% in Q4 to 3.43% of the portfolio in Q1.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 51% of total Green exposure, and 94% of Green exposure is via Infrastructure assets.

3. Core Stewardship

This section of the report gives an overview of stewardship activities in the last quarter. Client pension funds delegate day to day implementation of the Partnership's Responsible Investment approach to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting, and engagement.

Shareholder Voting - LPPI Global Equity Fund (GEF) *(Dashboard page 3)*

Shareholder voting is overseen centrally by LPPI rather than by individual asset managers. LPPI receives analysis and recommendations from an external provider of proxy voting and governance research. We follow Sustainability Voting Guidelines focussed on material ESG considerations and liaise with providers and asset managers as needed to reach final voting decisions.

Full details of all shareholder voting by LPPI are publicly available from the LPP website within quarterly shareholder voting reports.

The period 1st January - 31st March 2022 encompassed 56 meetings and 491 resolutions voted. LPPI voted at 98% meetings where GEF shares entitled participation. The shortfall reflects the application of Do Not Vote to a Russian position that was not fully liquidated before trading restrictions were introduced.

Company Proposals

LPPI supported 88% of company proposals in the period.

Voting against management concentrated on:

- the election of directors (addressing individual director issues, overall board independence, and over-boarding), 29% of votes against company proposals.
- non-salary compensation (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards), 46% of votes against company proposals.
- the support of shareholder resolutions, covering topics including climate change, human rights, diversity, and political lobbying (14%).

Case Study – Directors Related

LPPI voted against 5 resolutions across 2 companies due to a lack of Board independence. Result (only one disclosed): 13.5% Against.

LPPI voted against 6 directors across 3 companies due to the lack of diversity on the Board. Result (only one disclosed): 15.0% Against.

At Svenska Handelsbanken AB (Sweden: Diversified Banks), LPPI voted against the Board Chair due to overboarding. Result not disclosed.

Case study – Non-Salary Compensation

LPPI voted against 27 out of 63 (42.9%) compensation votes across 30 companies.

At Apple (USA: Technology Hardware, Storage & Peripherals), LPPI voted against the say-on-pay. This was driven by the lack of transparency over the terms of the equity grant, the fact it was 50% time-based, and the choice of metrics on the performance element. Result: 35.6% Against.

At Hologic (USA: Health Care Equipment), LPPI voted against the say-on-pay. This was driven by insufficient responsiveness following the low support for last year's remuneration report. Result: 29.5% Against.

At SimCorp A/S (Denmark: Application Software), LPPI voted against the say-on-pay. This was due to the downwards discretion applied to in-flight LTIPs. Result: not disclosed.

Shareholder Proposals

LPPI supported 8 out of 14 (57%) shareholder resolutions over the quarter. At Costco Wholesale Corporation (USA: Hypermarkets & Super Centres), LPPI supported the shareholder resolution requesting Costco adopt short, medium, and long-term science-based greenhouse gas emissions targets across their value chain to achieve net zero by 2050. The vote passed with 69.9% support.

At Apple (USA: Technology Hardware, Storage & Peripherals), LPPI supported a resolution urging the company to produce a third-party audit considering the impact of the company's policies and practices on its stakeholders. The vote passed with 53.6% support. LPPI supported a second resolution at Apple that passed with majority support (50%). It requested the company report on risks associated with the use of concealment clauses (e.g. non-disclosure agreements) in the context of potential barriers to accountability with regards to harassment. LPPI also supported three further shareholder resolutions at Apple that did not pass covering forced labour, human rights, and gender pay gaps. Support ranged from 31.7% to 33.7%.

At Starbucks (USA: Restaurants), LPPI supported a shareholder resolution seeking a report assessing the effectiveness and outcomes of company efforts around the prevention of discrimination and harassment in the workplace. The vote did not pass but received support of 32.1%.

Shareholder Engagement

Company and manager engagements are underway on an ongoing basis, directly through board seats and Limited Partner Advisory Committees (LPAC) for private market assets, and more conventionally through shareholder engagement with listed companies.

LPPI's engagement partner Robeco has completed a full quarter of engagement activity. The RI Dashboard (page 4) presents engagement headlines for the quarter which confirm the Robeco Active Ownership Team undertook 37 activities in total, and the predominant focus (by topic) was Environmental Management.

Page 5 of the Dashboard summarises the status of each live engagement theme (as it stood at the end of Q1 2022).

The Active Ownership Report at Appendix 2 provides detailed narrative on thematic engagements underway with listed companies (representing shares held by the Global Equities Fund, or corporate bonds held by the LPPI Fixed Income Fund).

Case study – Manager Engagement

As part of regular portfolio monitoring, LPPI completed the third annual responsible investment review discussions with our external equities managers in Q1. This is an in-depth assessment that is complementary to regular quarterly, thematic, and ad hoc discussions. This year, our delegate managers completed our updated responsible investment due diligence questionnaire giving us an updated point-in-time baseline for their practices. Highlights from conversations included finding out developments in their thinking and processes around net zero, reiterating our net zero ambition and explaining the implications, and sharing our greater expectations around human rights.

4. Robeco Summary (New element for this quarter)

Global Controversy

Robeco have refined the Global Controversies engagement theme which considers companies that have breached international norms such as the UN Global Compact (UNGC). The changes focus on internal governance, data, and engagement principles.

To enhance governance, a Controversial Behaviour Committee (CBC) has been established. It meets on a quarterly basis and has oversight and decision-making responsibilities related to the controversial behaviour of corporates and the response of the Robeco Active Ownership team. Feeding the CBC discussions is data from SustainAlytics' Global Standards Screening (GSS) research which monitors for breaches of international norms including the UNGC. Finally, Robeco have improved the engagement process undertaken when the CBC agrees on the need to open an enhanced engagement case. This includes the application of a five-point engagement plan and a stricter escalation strategy at the annual progress reviews in the event of unsatisfactory progress.

As a result of these changes, Robeco expects to see more companies entering the Global Controversies theme and hopes target companies will take more proactive approaches in mitigating and addressing their impact to stakeholders.

Lifecycle Management of Mining

While holding the key for the future of clean technologies, mineral extraction can come at high costs for biodiversity and local communities. Robeco have identified four key engagement objectives for the integration of sustainability across a mine's lifecycle.

- Water risks: a focus on policies and transparency, including engagement with the CDP[R] to encourage mining companies to disclose to their annual water survey.
- Tailings safety: a focus on safety monitoring and transparency in addition to mitigating action where high risk dams have been identified.
- Asset retirement: assessing how companies integrate closure activities into the mine business plan prior to operations beginning. Includes the short, medium, and end-of-

life planning processes throughout the mine's life, covering environmental, social and economic considerations.

- Financial assurances: assurances provided for mine closure must cover the operator's cost of reclamation and closure as well as redress any impacts that a mining operation causes to wildlife, soil and water quality.

The engagement results to date have been mixed, finding that mining companies often follow different asset retirement standards depending on their age and location. More importantly, disclosures do not provide investors with sufficient information to assess the extent to which companies have appropriate financial assurances to finance the costs of mine closures and land rehabilitation.

Improving the Brazilian Proxy Process

According to Robeco, Brazil has long been a thorn in the side of everyone involved in the proxy voting chain. The country has a complicated proxy voting system that is especially unsuitable for international investors. Robeco joined forces with Brazil's Stewardship Association and sent a letter to engage with Brazil's stock exchange and regulator to seek improvements. The engagement is already beginning to yield results against key objectives. Especially encouraging was the commitment from Brazilian Securities and Exchange Commissions (CVM) to create a working group to focus on the issues related to the exercise of voting rights by national and foreign shareholders at AGMs to enable the necessary regulatory improvements for the effective protection of minority shareholders. Furthermore, the letter urges issuers to adhere to the timely disclosure of documents in both English and Portuguese.

5. Collaborations and Partnerships

LPPI participates in a range of investor groups and partnerships which provide opportunities for shared learning and a platform for collective action. The following are headlines for Q1 2022.

Co-signing CDP Letters

CDP (formerly the Carbon Disclosure Project) runs a non-disclosure campaign on an annual basis. The objective of the campaign is to drive further corporate transparency around climate change, deforestation, and water security. This is an opportunity for investors to actively engage companies and encourage participation from those that have received the CDP disclosure request but have not provided a response. During Q1, LPPI identified relevant focus companies in the Global Equities Fund across all three environmental pillars and confirmed our participation for 2022 which includes involvement in the letter campaign.

WWF Plastics

LPPI supported the WWF-led Business Case for a UN Treaty on Plastic Pollution. It called on governments to ensure high ambition in the then forthcoming UN Environment Assembly international negotiations, laying the groundwork to drive the transition to a circular economy for plastics globally and at scale. This aligned with engagement LPPI undertakes directly and through Robeco Active Ownership on packaging waste at our portfolio holdings. The talks were widely considered a success, with the UN setting the ambition of completing a draft global legally binding agreement by the end of 2024 to address the full lifecycle of plastics. Additionally, the role of business in supporting the legally binding treaty was highlighted by a number of representatives during the negotiations.

Robeco Active Ownership – Acceleration to Paris Engagement Theme Launch

As part of Robeco Active Ownership's new climate engagement theme, Robeco identified 200 companies with the largest carbon footprints in the Robeco investment universe. LPPI was invited to co-sign private letters to target companies (where Robeco was able to obtain contact details) outlining engagement expectations to mark the start of the engagement theme. 29 companies, who were identified as laggards, received personalised letters and will be the focus of more intensive engagement from Robeco. 113 companies, whose current actions are more developed, received generic letters and are not expected to receive further correspondence. The remaining companies did not receive letters due to the lack of contact details. While LPPI holds only six of the 200 target companies, Robeco were keen for investors' voices to be heard across the investable universe and hence was a signatory to all letters.

6. Other News and Insights

Climate Lobbying, Investment Standard for Lobbying

In March 2022, leading international investor groups unveiled the new Global Standard on Responsible Climate Lobbying which provides a framework to ensure companies' lobbying and political engagement activities are in line with the goal of restricting global temperature rise to 1.5ºC above pre-industrial levels. The Standard calls on companies to make formal commitments to responsible climate lobbying, to disclose the funding and other support they provide to all trade associations involved in climate change-related lobbying and to take action if lobbying activity undertaken by them, or their trade associations, runs counter to the goals of the Paris Agreement[R]. Investors supporting the Standard commit to championing responsible lobbying activity by engaging with those companies whose lobbying practices do not align with the Standard.

Global Standard on Tailings Dams

Following further engagement with the 256 companies that were contacted regarding their support for and implementation of the Global Tailings Management Standard, the Church of England Pensions Board have launched an online company database on Tailings Standard Implementation.

The team also continues to work closely with partners UN Environment Programme in the creation of the Independent Global Tailings Management Institute and with the support of the International Advisory Panel. They are pleased to note that the International Council on Metals and Mining (ICMM) has re-engaged with the Advisory Panel and are meeting regularly with them to ensure an Institute can be created as soon as possible and with the confidence of all stakeholders.

Stewardship Code

In March 2022, LPPI received the Financial Reporting Council's assessment that our Responsible Investment and Stewardship and Report 2020-21 successfully met the standard required to be considered compliant with the UK Stewardship Code (2020). LPPI has duly been listed as a signatory to the 2020 Code which sets a significantly higher standard for stewardship disclosure than the prior Code it replaced.

All Signatories to the 2020 Code are required to produce annual reporting on stewardship activities which meets all the disclosure requirements in full every year. Failing to continuously meet the standard can result in being delisted as a signatory.

Net Zero Update

LPPI's commitment to net zero by 2050 remains a priority focus. A first climate action plan is due to be published in October setting out initial targets and actions. LPPI has appointed a project manager to provide practical support for the activities flowing from net zero planning and also planning for the implementation of mandatory TCFD[R] reporting. The project manager will give practical support to efforts already underway to select a data provider, undertake portfolio analysis and make decisions on the approach to target setting, monitoring and engagement.

Boycott, Divestment, Sanctions (BDS) Update

The Public Service Pensions and Judicial Offices Act 2022 passed into law at the beginning of March and included power for the Secretary of State to make guidance to authorities that administer public sector pension schemes (including the LGPS) that they may not make investment decisions that conflict with the UK's foreign and defence policy.

The power to make guidance now exists, but will not be utilised without a period of consultation to allow consideration and comment on the detail of any proposed guidance and its impact.

For Reference

GICS - Global Industry Classification System
The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes. For more information on GICS and the activities that fall into each sector, please see:
https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf

Paris Agreement
The Agreement is a legally binding international treaty to tackle climate change and its negative impacts. The Agreement includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change. It entered into force on 4 November 2016.

The Agreement sets long-term goals to guide all nations to:

- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

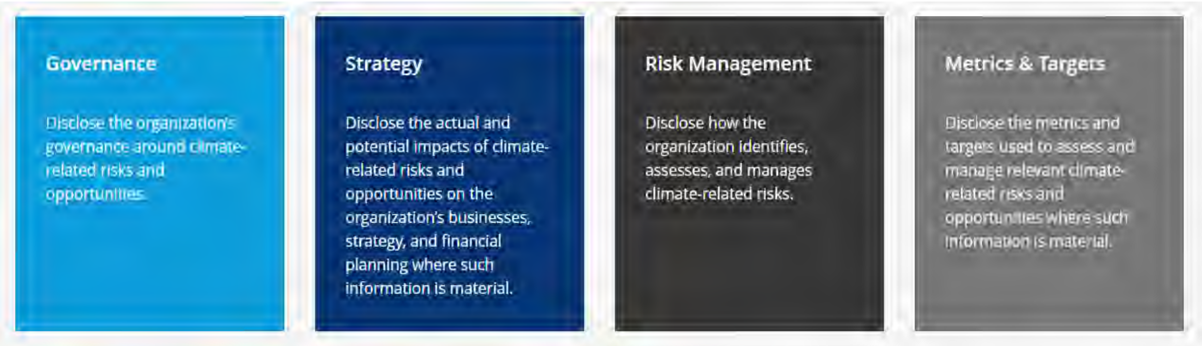
https://www.un.org/en/climatechange/paris-agreement

CDP
CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

MSCI ACWI - MSCI All Country World Index
A stock index designed to track broad global equity-market performance. The LPPI Global Equity Fund's benchmark.

MSCI - Morgan Stanley Capital International
A global index provider.

TCFD - Taskforce on Climate Related Financial Disclosure
The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.
Recommendations include annual disclosure under 4 pillars:



TPI - Transition Pathway Initiative https://www.transitionpathwayinitiative.org/
The TPI assesses the highest emitting companies globally on their preparedness for a transition to a low carbon economy. 368 companies are rated TPI 0-4* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.

Responsible Investment Dashboard Q1 2022

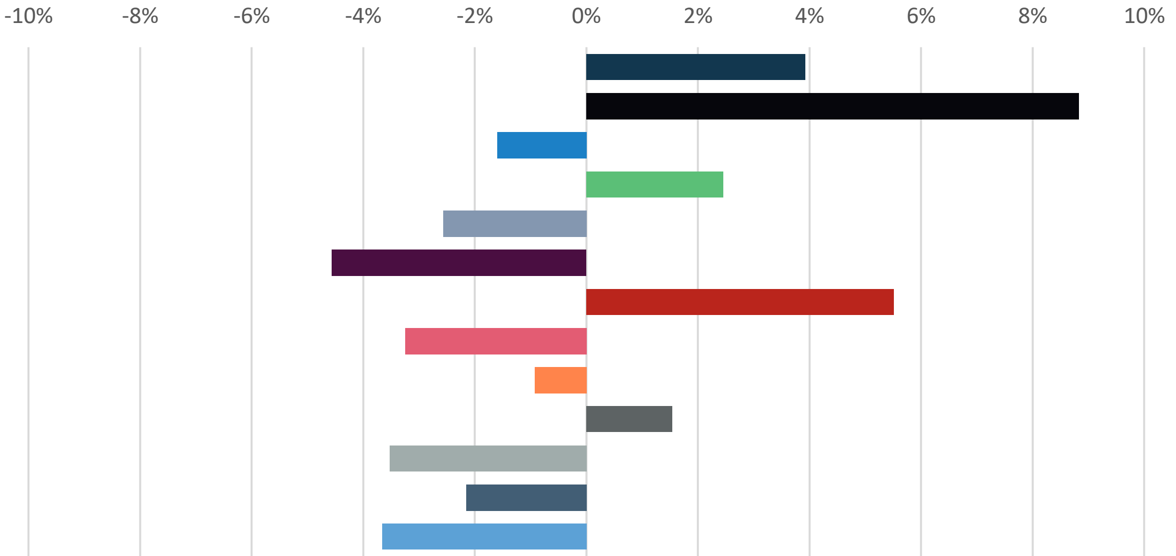
1. Portfolio Insights

Listed Equities (LPPI Global Equities Fund)

Sector Breakdown (%)

Information Tech.	26.3
Consumer Staples	15.7
Financials	13.0
Industrials	12.0
Consumer Discretionary	9.1
Health Care	7.3
Cash	5.5
Communication Services	4.9
Real Estate	1.8
Others	1.5
Materials	1.5
Utilities	0.7
Energy	0.7

LPPI Global Equities Fund Sector Weights vs MSCI ACWI ND



Top 10 Positions

	Portfolio (%)
1. Microsoft	4.0
2. Nestle	3.3
3. Visa	3.3
4. Accenture	2.5
5. Pepsico	2.1
6. Colgate-Palmolive	2.0
7. Diageo	1.9
8. Starbucks	1.8
9. Alphabet	1.8
10. SPDR Gold Shares	1.6

Governance Insights (ISS DataDesk)

Women on the Board (Average)

28%

Coverage of GEF

84%

Board Independence (Average)

68%

Coverage of GEF

83%

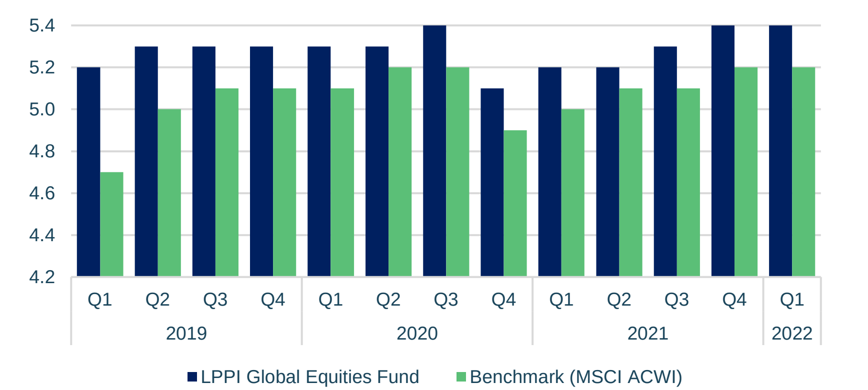
Support for Say on Pay (Average)

88%

Coverage of GEF

48%

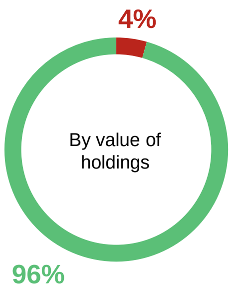
Portfolio ESG Score (MSCI ESG Metrics)

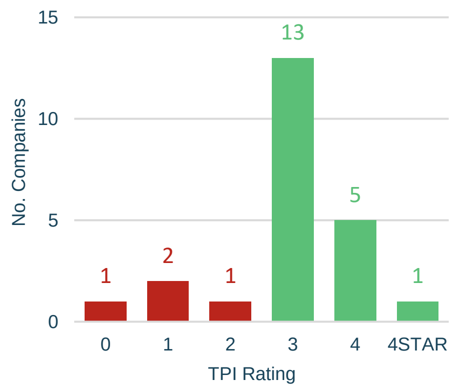


Transition Pathway Initiative – Management Quality Headlines

10.6%

GEF covered by TPI analysis (Q1 2022)





TPI Management Quality Ranking

0 - Unaware
1 - Aware
2 - Building capacity
3 - Integrated into operational decisions
4 - Strategic assessment

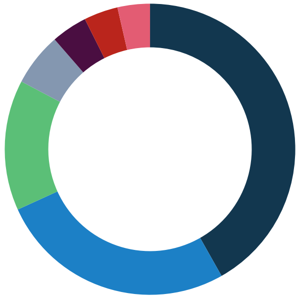
Responsible Investment Dashboard Q1 2022

1. Portfolio Insights

Other asset classes

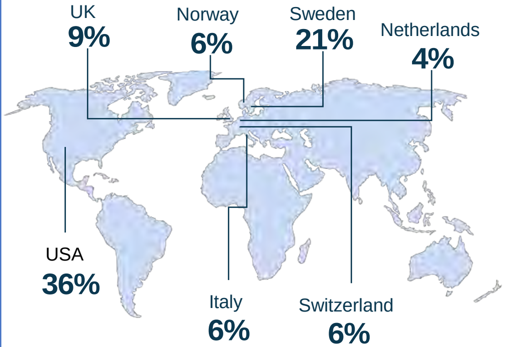
Private Equity

Industry Breakdown (%)



Health Care	42	Consumer Discretionary	4
Information Technology	26	Financials	4
Industrials	15	Consumer Staples	4
Remaining Industries	6		

Region Breakdown (%)

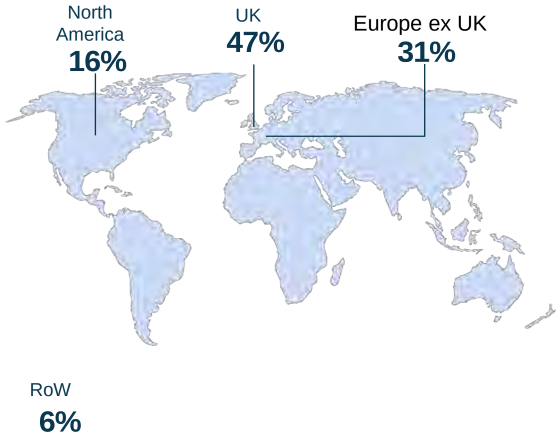


Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)

Traditional Energy, Renewable Energy, Waste	37	Regulated Assets	17
Transport and Distribution	23	Social (incl PFI)	13
		Other	10

Region Breakdown (%)

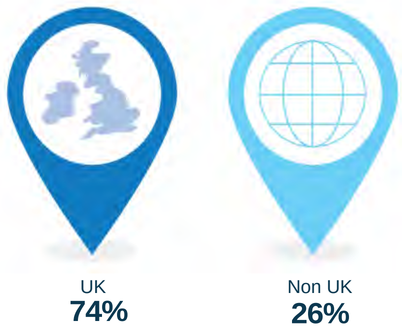


Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)

Industrial	31	Other	13
Residential	20	Retail	13
Office	15	Agriculture	9

Geographical Exposure (NAV %)



Green & Brown Exposure

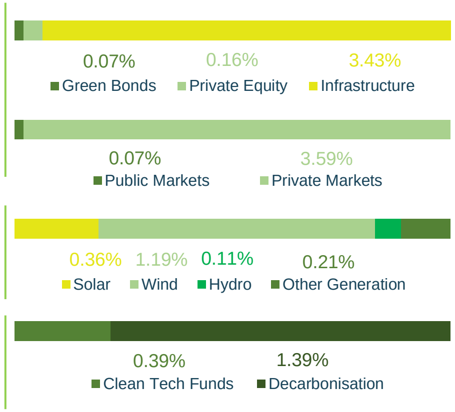
Green

Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the pension fund.

3.67% of portfolio

1.88% Renewable Energy Generation

1.79% Other "Green"



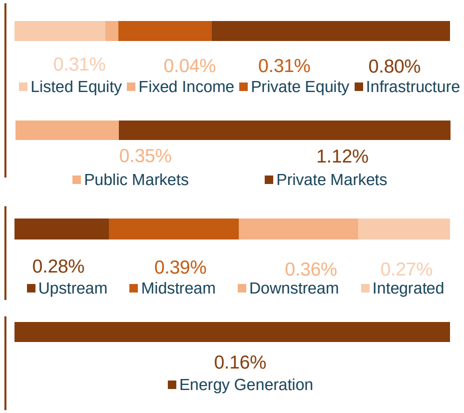
Brown

Investments in traditional energy (based on fossil fuels) expressed as a % of the total value of the Pension Fund.

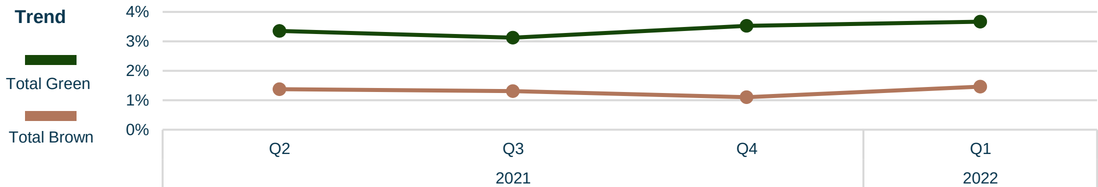
1.47% of portfolio

1.31% Energy

0.16% Generation



Trend



The above Green and Brown metrics apply to parts of the portfolio which have exposure to a specific set of activities as per our definition of Green and Brown, and which are quantifiable at the time of publication (please see appendix). LPPI's Responsible Investment team continually endeavour to provide clients with the greatest picture of exposure possible.

Responsible Investment Dashboard Q1 2022

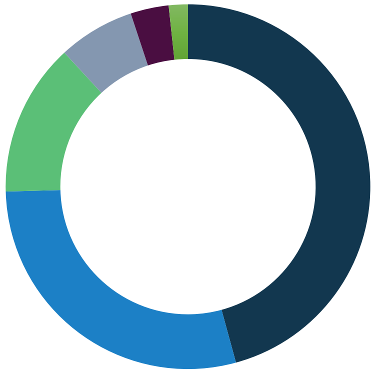
2. Stewardship Headlines

Shareholder Voting

Shareholder Voting Statistics (LPPI Global Equity Fund)

Headlines

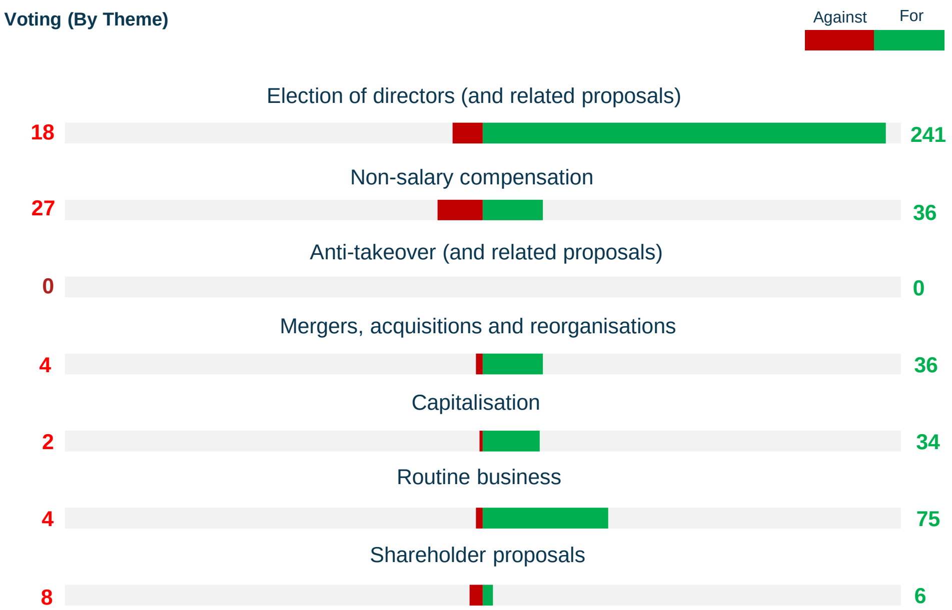
55	491	Supported 88% 477	Supported 57% 14	36%
Meetings Voted	Proposals Voted	Company Proposals	Shareholders Proposals	Meetings with a vote against Management



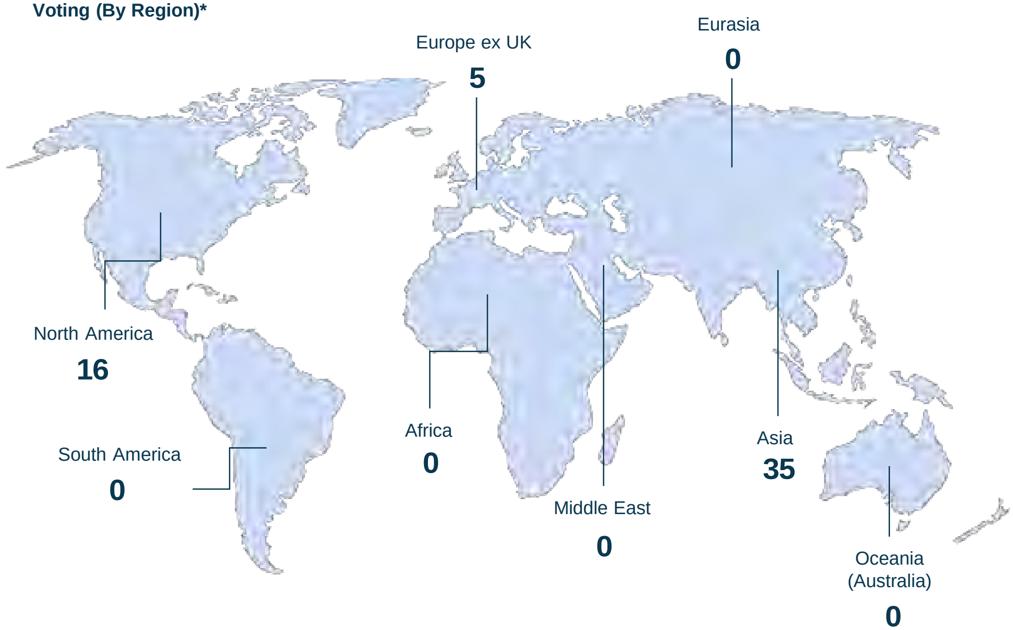
Votes Against Management (By theme)

Non-salary compensation	27
Election of Directors (and related)	17
Shareholder Resolutions	8
Routine business	4
Mergers, acquisitions and reorganisations	2
Capitalisation	1
Anti-takeover (and related proposals)	0

Voting (By Theme)



Voting (By Region)*



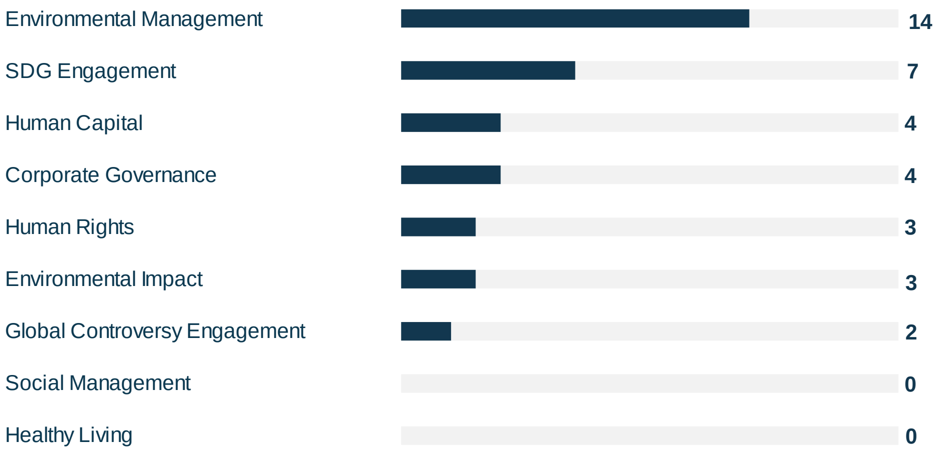
***Total votable meetings**

Responsible Investment Dashboard Q1 2022

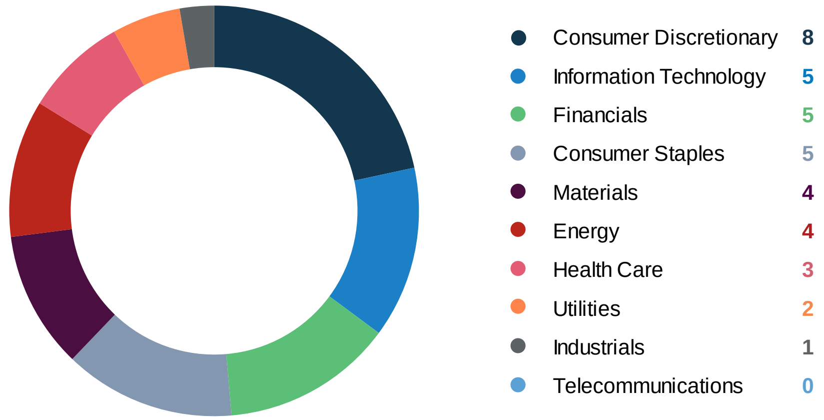
2. Stewardship Headlines

Engagement (Public Markets)

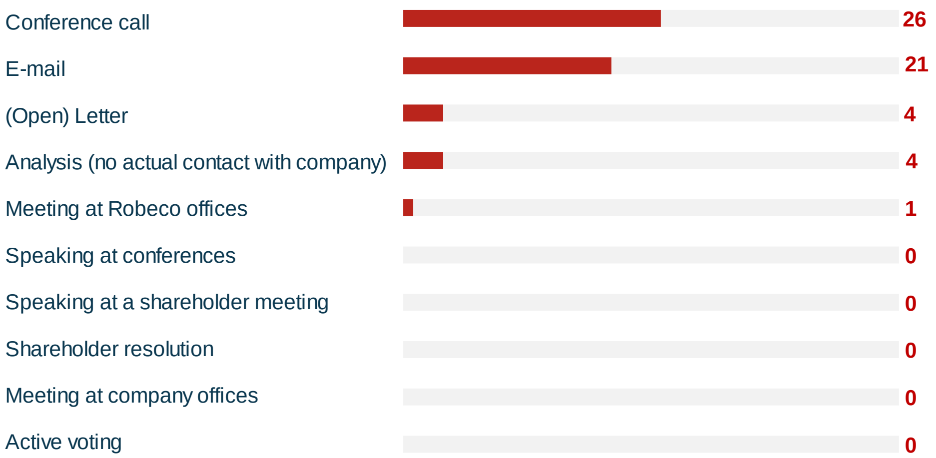
Activity (By Topic)



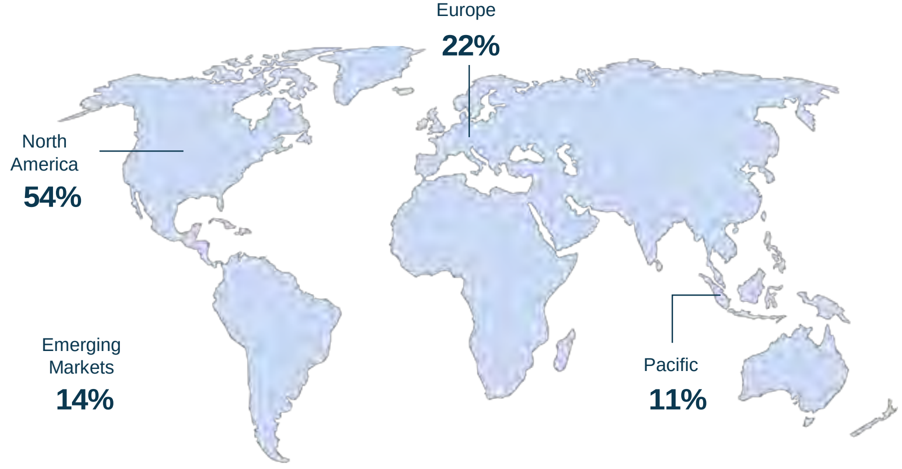
Activity (By Sector)



Activity (By Method)



Activity (By Region) (%)



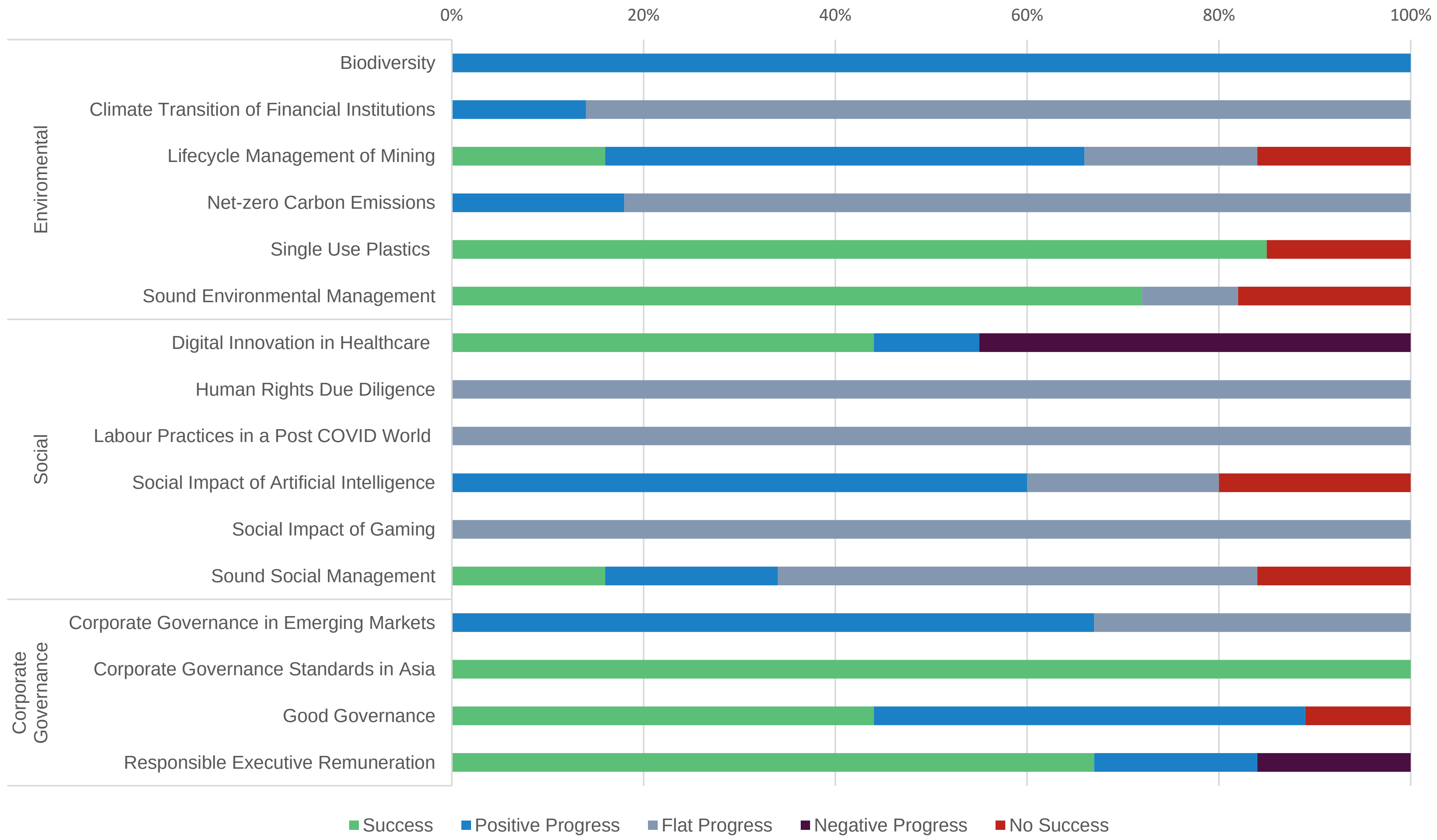
Source: Robeco Active Ownership Report Q1 2022

Responsible Investment Dashboard Q1 2022

2. Stewardship Headlines

Engagement (Public Markets)

Engagement Results (by Theme)



Source: Robeco Active Ownership Report Q1 2022

The Electric Company®

El Paso Electric

El Paso Electric (EPE) is a vertically integrated electric utility serving 450,000 residential, commercial, industrial, public authority and wholesale customers in Texas and New Mexico. EPE has 2GW of owned generation capacity and 1,100 employees.

EPE's mission is to transform the energy landscape while improving customer satisfaction by expanding technologies, programs and offerings to ensure affordable energy to customers.

80%

carbon free* energy by 2035

In Q3 2021, EPE adopted several **carbon free* energy goals**, including a commitment to **80% carbon free* energy by 2035** and **100% decarbonisation of the generation portfolio by 2045.**

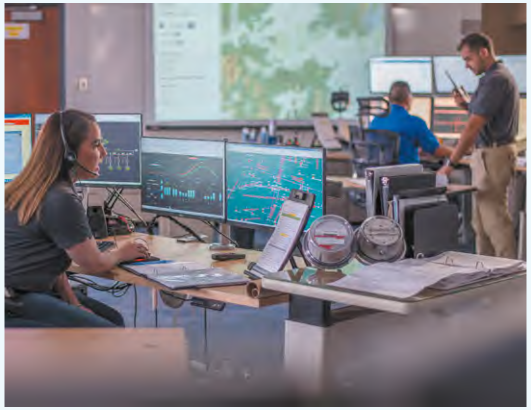
*Carbon free - Includes a combination of renewables, storage and power generation using hydrogen.

Provided diversity training to members of management

Diversity training was provided to **100 members of management** which included **diversity concepts, historical perspective and systemic racism.** Local experts from the University of Texas and the El Paso Diversity Resiliency Centre facilitated and moderated the training.

Launch of a Customer Advisory Partnership (CAP)

Launched a **Customer Advisory Partnership (CAP)** to drive collaboration between **EPE and the local community.** The CAP comprises 16 members from local businesses and community organisations. The partnership allows EPE to **gather input from the community** on new technology and infrastructure to enhance customer experience and modernise EPE.



cologix

Cologix is a leading, connectivity-centric, scalable data centre ecosystem in North America.

The business includes 39 data centres across 11 strategic North American markets. Its network and cloud connectivity provides critical IT infrastructure to over 1,600 customers across varying industries.

Given data centres' intensive use of power, Cologix has undertaken the following sustainability initiatives:

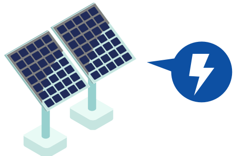
- Use of hydropower in Quebec and British Columbia for data centres in Montreal and Vancouver
- Installation of efficient chillers with free cooling where possible (currently in 11 data centres)
- Optimization of water usage and installation of the most efficient uninterruptible power sources in the industry.

Commited to setting Science-Based Targets (SBTs)

In Q4 2021, Cologix outlined plans for **2022 to commit to setting Science-Based Targets (SBTs)** and become a member of **RE100 and the Clean Energy Buyers**

Key green certifications

Cologix is actively working to align the company's basis of design for new facilities with **key green certifications** including **Leadership in Energy and Environmental Design (LEED)** in the USA and **BREEM** in Canada.



45%
renewable power

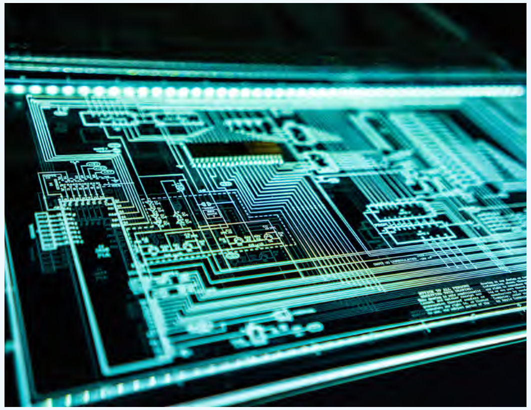
Cologix currently utilises **45% renewable power across its footprint.**

51
energy efficiency projects

51 energy efficiency improvement projects completed in 2020.

$15m
of investment

Since 2016, Cologix has **invested $15m of capital expenditure** in environmental projects .

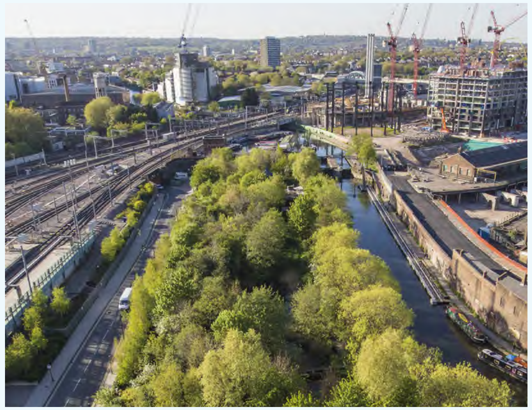


cologix.com

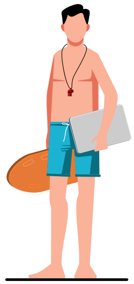
Cubico SUSTAINABLE INVESTMENTS

Cubico Sustainable Investments is one of the world's leading independent renewable power providers with assets held across Europe, Australia and the Americas. GLIL has held renewable energy assets in the Cubico portfolio since January 2020.

Cubico have many ongoing projects of support through community benefit schemes across the UK portfolio. Some of the ongoing local community support in Middlewick and Kelmarsh for 2021 is outlined below.

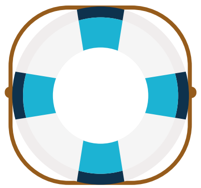


Projects of Support



Maldon & Essex Lifesaving Swimming Club

Maldon & Essex Lifesaving Swimming Club - To continue to **provide funding for life support and basic first aid training** roadshows for local schools and the Maldon district community.



Thames Barge Sailing Trust

Support for Thames Barge Sailing Trust - To **replace the galley stove in the Pudge sailing barge** in readiness for its post refurbishment service and charter.

Naseby Book Exchange

Support in the Creation of **Naseby Book Exchange for Naseby** and surrounding villages.

Kelmarsh Choir

Funding for Kelmarsh Choir for new equipment (PA system, speakers, printer for posters and flyers)

love every drop
anglianwater

GLIL purchased a stake in Anglian Water Group Limited (AWG) jointly with Dalmore in 2017. Anglian Water Services Limited (AWS) provides water and wastewater services to more than 6 million customers in the East of England. AWG is the largest water and sewerage company in England and Wales by geographic area, and the fourth largest water company as measured by Regulated Capital Value (RCV).

Anglian Water believe water is vital to health and wellbeing, to the economic prosperity of the East of England, and to maintaining a thriving natural environment. Anglian Water recognises the climate emergency and as a result contributes to balancing the needs of society, business and the environment to enable a sustainable future particularly at a time the world faced the challenge of a global pandemic.

Community Investment

28,563

people reached or supported in 2020/21

Anglian Water measures **community investment using the London Benchmarking Group (LBG)1 framework** which captures community investment that is both charitable and voluntary. In **2020/21, an estimated 28,563 people were directly reached or supported** by Anglian Water community investment activity

Support for students

In light of the global pandemic Anglian Water provided **support for students with online education, temporary accommodation for homeless people** and sent **Christmas cards to those isolating alone** through the industry charity Water Aid.

Temporary accommodation given to homeless people

The Community Education programme **reached and supported approximately 19,140 people during 2020/21**. **Six cabins were installed in Wisbech**, giving **temporary accommodation to 14 homeless people** during the covid-19 pandemic

www.anglianwater.co.uk/siteassets/household/about-us/community-investment-report_2021.pdf

Portfolio Insights (Pages 1 - 2)

Sector Breakdown (%)

- Identifies the Global Equity Fund's ("GEF") sector breakdown and their proportions.

GEF Sector Weights

- Comparison of sector weights against their benchmark.
- The larger the bar the bigger the difference between GEF and benchmark weightings.
- Where a positive number is shown, this indicates the GEF is overweight to a sector.
- Where a negative number is shown, this indicates the GEF is underweight to a sector.

Top 10 Positions

- The top 10 GEF companies as a % of the asset class portfolio.

Governance Insights

- **Women on the board:** A measure of gender diversity based on the average proportion of female board members for companies in the GEF.
- **Board independence:** The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence.
- **Say-on-pay:** The average investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

Portfolio ESG Score

- This is a relative indicator and not a measure of portfolio ESG risk exposure.
- Individual companies are assigned an ESG score (between 0-10). The final numbers shown in the bar chart are the weighted averages of these scores for the stocks held in the GEF vs its benchmark through time.
- This table is a comparison with the benchmark and reviews changes over time.
- LPPI utilise an established methodology (developed by MSCI) for determining the ESG score of stocks within the GEF. Further details can be found here: https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf
- The higher the score shown, the better the ESG credentials of the GEF / benchmark.

Portfolio Insights (Pages 1 - 2)

Transition Pathway Initiative (TPI) Headlines

- TPI assess how well the largest global companies in high carbon emitting sectors are adapting their business models for a low carbon economy.
- The % of GEF covered by TPI shows the portfolio exposure to high emitting companies.
- The number/proportion of companies with top scores (TPI 3 and 4) is a measure of the quality of transition management by the high emitting companies held within the GEF.
- Detailed TPI methodology can be found through the following link: https://www.transitionpathwayinitiative.org/methodology

Private Market Asset Classes

- These metrics indicate the industry sector and regional breakdown as a % of the asset class for Private Equity, Infrastructure and Real Estate investments.

Green & Brown

- These metrics indicate the Pension Fund's total portfolio exposure (%) to green and brown assets. Current coverage extends to: Listed Equity, Fixed Income, Green Bonds, Private Equity, and Infrastructure.
- These are further broken down into their sectors/activities related to green and brown.
- Please be aware that due to rounding within the different breakdowns the totals may not sum correctly.

Green

These are investments in renewable energy and sectors/activities assisting in renewable energy generation, low carbon tech and wider decarbonising activities.

Brown

Investments in energy and power generation based on fossil fuel activities, including: extracting (upstream), transporting (midstream), refining (midstream), supplying (downstream), or some energy companies that legitimately span all aspects (integrated). Fossil fuels used to generate energy is part of electricity generation.

Stewardship Headlines (Pages 3 - 5)

Shareholding Voting

- Key shareholder voting metrics for LPPI's GEF.
- The Headline section provides insight into the scope of voting activity, including how votes against management is concentrated.
- LPPI is responsible for voting on each decision taken, working in partnership with Institutional Shareholder Services to best inform views prior to taking action.
- The map of votes per region is included because different jurisdictions have different voting seasons. This provides context to the reporting of voting statistics quarter to quarter as votes take place in batches depending on the companies domicile at different points throughout the year.

Engagement (Public Markets)

- Engagement is an active, long-term dialogue between investors and companies on environmental, social and governance factors, which can be executed through a variety of channels.
- This section outlines the engagement activities undertaken in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution).
- "Activity by method" summarises engagements by category / method and can include multiple inputs from the same company.
- The updated Robeco Active Ownership report summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).
- Page 9 of the Robeco stewardship policy outlines further details of their process: https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf

Real World Outcomes (Pages 6 - 8)

- This section provides real world ESG case studies, relevant to the Pension Fund's holdings, which rotate between asset classes each quarter.
- The focus of the real world outcomes rotates between asset classes for each quarter in the following pattern:
  - Q1 – Infrastructure
  - Q2 – Real Estate
  - Q3 – Private Equity
  - Q4 – GEF
- The case studies are an in-depth review of positive ESG practices for current investments within the portfolio over the past year.

ROBECO
The Investment Engineers

ACTIVE OWNERSHIP REPORT

ROBECO | 01.01.2022 - 31.03.2022

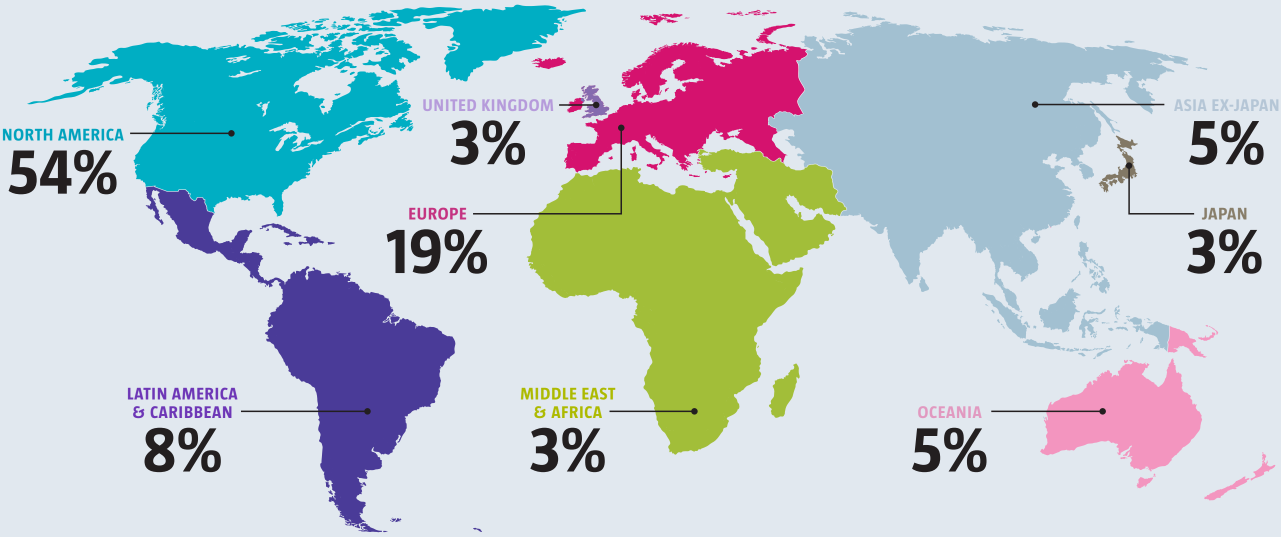
Q1
2022

LPP
Local Pensions Partnership Investments

Sustainable Investing Expertise by ROBECOSAM

Q1|22 FIGURES ENGAGEMENT

Engagement activities by region



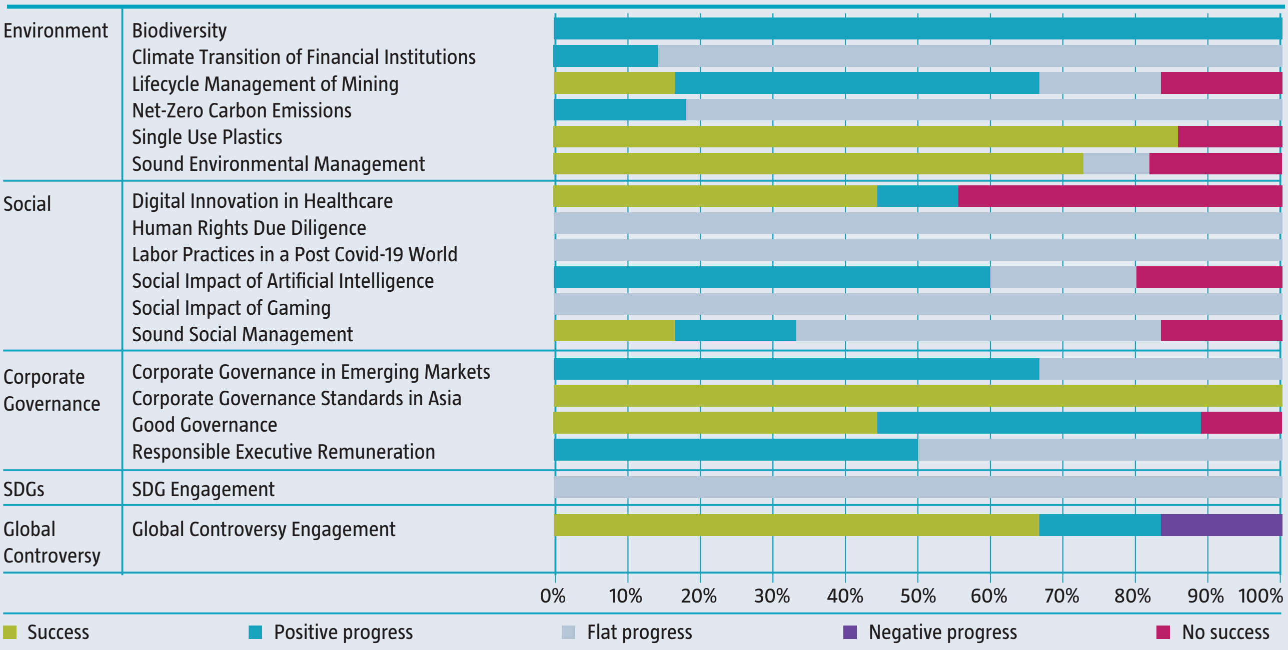
Number of engagement cases by topic

	Q1	Q2	Q3	Q4	YTD
Environment	17				17
Social	7				7
Corporate Governance	4				4
SDGs	7				7
Global Controversy	2				2
Total	37				37

Number of engagement activities per contact type

	Q1	Q2	Q3	Q4	YTD
Meeting	1				1
Conference call	26				26
Written correspondence	25				25
Shareholder resolution	0				0
Analysis	4				4
Other	0				0
Total	56				56

Progress per theme



CONTENTS

INTRODUCTION

The first quarter of 2022 has left many in shock. As the Russia-Ukraine crisis led the news around the world, many investors have been looking how to respond to the Russian invasion of a sovereign state. In this report, we want to provide you with a special insight into how Robeco assesses companies displaying controversial behavior, and explain our strengthened controversy engagement approach.

The newest report by the UN Intergovernmental Panel on Climate Change (IPCC) highlighted how natural ecosystems and biodiversity are being put under increasing threat as climate change advances.

In this context our Lifecycle Management of Mining program is entering the last year of its engagement, addressing not just water and tailings dam risks, but increasingly also pushing for adequate asset retirement planning. While acknowledging the differences in asset retirement standards and plans linked to the age and location of each mine, the engagement aims to encourage companies to think about the end-of-life management of their mines, and overcome the wide disclosure gap currently obscuring risk management processes.

Lastly, we are pleased to share the outcomes of our engagements with the Brazilian Stock Exchange, around creating a stronger proxy voting process. The Brazilian proxy voting system has long been a thorn in the side of international investors, limiting investors' ability to challenge director appointments and have a say on last minute agenda additions. Following our collaborative engagement, the Brazilian Securities and Exchange Commission issued new guidelines for publicly traded companies, including several of Robeco's suggestions which will hopefully lead to reducing the administrative burden associated to proxy voting in Brazil.

Amid the turbulent events marking the beginning of 2022, we see that investors' focus on using their power and influence towards invested companies to improve their sustainable practices is gaining even more momentum. We are pleased with the progress we have made throughout this quarter and are looking forward to another year of meaningful engagement.

Carola van Lamoen
Head of Sustainable Investing

The search for Global Ethics

GLOBAL CONTROVERSY ENGAGEMENT

YUMI FUJITA – *Controversy Engagement Specialist*

The war in Ukraine, the military regime in Myanmar, the climate crisis and various other human rights and geopolitical events that have shaped the world over the last years have all triggered debates on the role of companies during these difficult times. Triggered by these events and growing regulation around sustainable finance, we have seen renewed emphasis on adhering to some of the commonly accepted international norms and ethical standards, such as the UN Global Compact (UNGC).

Robeco acts in accordance with the UNGC, the OECD Guidelines for Multinational Enterprises (OECD Guidelines), and the UN Guiding Principles on Business and Human Rights (UNGPs). We have also been guided by international treaties underlining these standards to assess the behavior of companies over recent years. Given Robeco's strong commitment to sustainable investing and the growing importance of these standards, we have updated our approach to assessing companies' controversial behavior and our means of dealing with it using our enhanced engagement program.

Updated approach to controversial behavior

The updated approach is designed to ensure robust governance around decision making, as well as comprehensive, timely and consistent assessment of companies' behavior and engagement with them when required. Some of the most important features of this improvement include:

- A strengthened oversight and decision making process by establishing the Controversial Behavior Committee
- Acquiring robust data on UNGC and OECD Guidelines breaches
- Implementation of a stricter escalation strategy for our enhanced engagement program
- Onboarding a dedicated controversy engagement specialist who leads the renewed process and enhanced engagements with companies.

Controversial Behavior Committee

Establishing the Controversial Behavior Committee in 2021 was a key milestone for the updated approach. The committee meets on a quarterly basis and has oversight and decision-making responsibilities related to the controversial behavior of corporates, focused on:

1. The assessment of controversial behavior that is (potentially) in breach of UNGC and OECD guidelines
2. The implications of this for Robeco's active ownership activities and investment strategies, and
3. Any changes that become necessary to the framework and processes related to controversial behavior assessments.

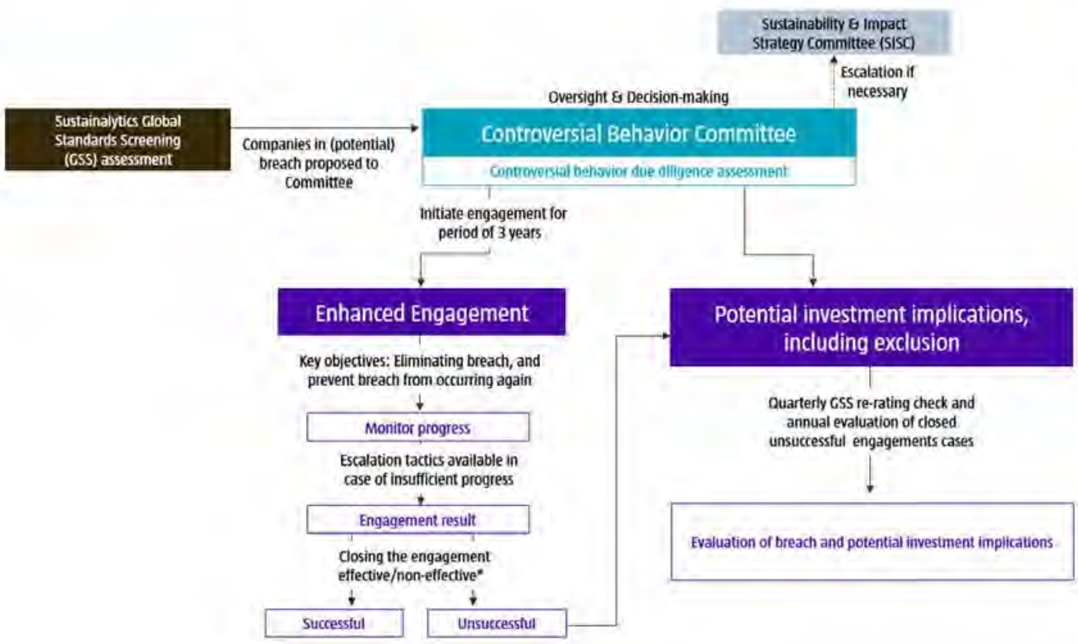
The committee is chaired by Robeco's controversy engagement specialist and consists of representatives from the investment teams, including the domains for Chief Investment Officers, sustainable investing, risk management and Compliance. As a severe breach of UNGC and OECD Guidelines triggers an enhanced engagement process with potential investment implications that could include exclusion, all assessments and proposals for opening and closing engagements require approval from the committee.

We believe that this will all lead to increased accountability and transparency with regards to our assessment of UNGC and OECD Guidelines breaches. These have gained further significance over the recent years, due to the EU Sustainable Finance regulations and a number of human rights and geopolitical events around the world.

Screening and assessment

Robeco uses Sustainalytics' Global Standards Screening (GSS) research as a source for our analysis of breaches of the UNGC and

Figure 1: Overview of the updated controversial behavior process



* Initial assessment is conducted by the responsible engagement specialist, and will be proposed to the Committee. Final decision to close the engagement case effective/non-effective lies with the Committee.

OECD guidelines. This data source covers a large number of issuers and provides clear reporting by flagging (potential) breaches of the UNGC, OECD, UNGP and other international conventions.

We will review the list of potential breaches on a quarterly basis and conduct our own assessments in terms of the nature and severity of their impact, the response of company management and their accountability for the issue. These assessments also include inputs from Robeco's SI analysts and the outlook for any future engagement. Once all the information has been gathered, the committee will decide whether a new enhanced engagement case should be opened.

Most companies that are assessed as 'non-compliant' by Sustainalytics are typically included in our enhanced engagement program, subject to our own assessment and whether the company's securities are held in our or our clients' portfolios. In addition, we monitor all companies that are assessed as potential breaches on the Sustainalytics Watchlist , a process which is described in figure 1.

Engagement approach and a stricter escalation strategy

An enhanced engagement process is applied to companies that have severe breaches of these principles and guidelines. Once a new case is opened, the enhanced engagement is aimed at eliminating the breach, followed by implementing proper management systems to prevent such a breach from reoccurring.

For all cases, the following five objectives are set:

1. Elimination of the breach
2. Development and implementation of policy in the relevant area
3. Establishing a constructive dialog with stakeholders
4. The implementation of effective risk management systems
5. Transparency on the breach and remediation efforts

When an engagement leads to a successful closure of the first objective (i.e. elimination of the breach) and at least two additional objectives, the committee will decide whether to close the engagement case successfully, based on an overview of the dialog. It is also important to note that an engagement case closed unsuccessfully is reviewed by the committee at least once a year in order to ensure a timely (re-)assessment of a breach.

We allow a maximum of three years for engagement with a company in this program. With the updated approach, we also apply a stricter escalation strategy compared to before, where the engagement trajectory is assessed at the end of one and two years. The enhanced escalation strategy is represented in figure 2. If the trajectory is not positive, we may propose that the committee closes the case unsuccessfully with potential investment implications that could include exclusion, without waiting for the full three years to elapse. We believe that this creates more accountability for companies face up to what they have done, and to improve their management of the issue to prevent a reoccurrence.

Looking ahead

While concrete outcomes of the updated approach and the engagement are likely to become clearer in the next few quarters, we expect to see an increase in the number of companies that we engage with on the global controversy engagement theme. As Robeco takes such a strong stance on breaches of international standards, we hope to see more companies' themselves taking a proactive approach to mitigating and/or addressing their impact on their stakeholders. ■

Figure 2: Escalation strategy for enhanced engagements

The Sustainable Mine Cycle

LIFECYCLE MANAGEMENT OF MINING

SYLVIA VAN WAVEREN – *Engagement specialist*

Clean technologies are leading to booming demand for minerals. There's been a lot of talk in the energy world about whether mineral supply problems might pose a threat to the clean energy transition.

To limit warming to 1.5°C relative to pre-industrial levels, the world must cut greenhouse gas emissions in half by 2030 and reach net zero by 2050. To do that, it must radically ramp up production of green technologies such as solar panels, wind turbines, batteries and electric vehicles.

These technologies are far more mineral intensive than equivalent fossil fuel technologies. A typical electric car requires six times the mineral inputs of a conventional car, according to the International Energy Agency (IEA). An onshore wind plant requires nine times more mineral resources than a gas-fired plant of the same capacity. This soaring demand for minerals will potentially have significant adverse impacts on ecosystems and communities. Mining activities often have negative impacts on natural landscapes, disrupt ecosystems, and divert scarce water resources to the detriment of local communities. For that reason, as investors in the mining industry, we launched an engagement program in 2020 with the objective of encouraging our investee mining companies to assess, manage and minimize their environmental footprints.

First key issues: water and tailings

In the first years of our engagement, we reached out to the mining companies to discuss two of the most material sustainability issues for the mining industry: water management and tailings safety risks.

Our engagement has found that the majority of companies (77%) in the peer group have adopted adequate water management policies, while 53% are disclosing the performance of their operations on water-related metrics. Robeco has participated in the CDP's Non-Disclosure campaign, where we asked five mining companies to disclose their water practices and performance in the CDP's annual Water Security assessment.

As a result, three of them have responded for the first time, significantly enhancing their disclosures. However, more work needs to be done on setting targets. Only two companies (15%) in the peer group have set targets to improve their water use efficiency, while two others are planning to do so.

When we look at the issue of tailings safety, we see that the industry has responded positively to the call for enhanced disclosures. The Investor Mining and Tailings initiative has played an important role in bringing this topic to the attention of top management across all mining companies. In our peer group, all companies with the exception of one (92%) now disclose information about all their tailings storage facilities under operation.

Moreover, nine companies (70%) have committed to implementing the Global Industry Standard on Tailings Management, which sets best practice on integrating environmental, social and technical considerations to enhance the safe management of tailings facilities. Our objective on phasing out high-risk tailing storage structures has seen less traction, with only two companies (15%) committing to developing dry-tailings storage for any new facilities, and five others (38%) considering measures mitigate safety risks from dams classified as high risk.

As we are entering in the last year of our engagement, we are now focusing on another important and financially material issue. Recent research shows that in addition to water and tailings issues, asset retirement planning and their financial provisions are also a material concern in the mining industry.

Asset retirement planning has quickly become a key topic

Minimizing the environmental impacts of mining activities is most successful when they are anticipated before operations have even started, and are subsequently managed throughout the entire life of a mine. In our engagement, we expect companies to identify, access and manage environmental risks, impacts and opportunities in a structured and ongoing manner throughout the lifecycle of mines.

Companies need to integrate closure activities into the mine business plan, including the short, medium and end-of-life planning processes throughout the mine's life, considering environmental, social and economic considerations. Moreover, the closure plan should include a vision and objectives that articulates what the company wants to achieve post-closure, and the legacy it will leave behind. The closure objectives should provide concrete, site-specific and typically measurable statements of what closure activities or measures aim to achieve.

Financial assurances for mine closure need to be better disclosed in the annual report

The financial assurances for mine closure must cover the operator's cost of reclamation and closure as well as redress any impacts that a mining operation causes to wildlife, soil and water quality. In addition, during mining, assurance levels should be subject to periodic reviews, in order to allow regulators to adjust operators' assurance amounts upwards or downwards as clean-up needs, environmental risks or economic factors dictate. So, we expect companies to disclose in their annual reports cost estimates at an asset level, along with the level of liquidity of their financial assurance and the accessibility of these funds.

Our engagement findings so far are mixed and depend on the location of the mines

Our engagement so far has found that mining companies often follow different asset retirement standards depending on their age and location. More importantly, disclosures on this important matter do not provide investors with sufficient information to assess the extent to which companies have appropriate financial assurances to finance the costs of mine closures and land rehabilitation.

This is the main reason our engagement is focused on enhancing transparency and setting targets at the asset level. We have already seen progress on the adoption of an asset-level approach in water use management and tailings dam safety. We are now calling on the companies for a comprehensive approach that helps investors gain a good understanding of the asset retirement risks across assets, the actions being taken to mitigate them, and the financial provision that guide these actions. ■

CASE STUDY: FORTESCUE

Fortescue is operating relatively young mines and none of them are expected to close within the next decade. Nevertheless, Fortescue has recently enhanced transparency around the processes required by its mine closure policy, publishing the closure plans for all of its mines. These plans include a detailed overview of the stakeholders consulted, the post-land use objectives, and the key actions that will need to be taken to rehabilitate the land. Despite the long-term horizon for the mine closures, Fortescue has established a closure steering committee that reports annually to the board's Audit & Risk Management and Sustainability Committees, ensuring that top management and the board pay enough attention to this matter.

'MINIMIZING THE ENVIRONMENTAL IMPACTS OF MINING ACTIVITIES IS MOST SUCCESSFUL WHEN THEY ARE ANTICIPATED BEFORE OPERATIONS HAVE EVEN STARTED.'

SYLVIA VAN WAVEREN

Improving the Brazilian Proxy Process

CAROLINA VERGROESEN – *Active ownership analyst*
LUCAS VAN BEEK – *Active ownership analyst*

Brazil has long been a thorn in the side of everyone involved in the proxy voting chain. The country has a complicated proxy voting system that is especially unsuitable for international investors. Robeco joined forces with Brazil's Stewardship Association to engage with Brazil's stock exchange and regulator to seek improvements. These joined efforts achieved the desired result in early March as both the stock exchange and regulator showed steps towards significant improvement.

As a responsible investor, Robeco believes that executing voting rights at Annual General Meetings (AGMs) is an essential part of our stewardship responsibilities. Increasingly, clients and the public at large also want to see more transparency on the matter.

As a result, it becomes even more important that we can guarantee our voting practices across all markets. While we acknowledge that emerging markets in general are raising corporate governance standards and shareholder rights, we continue to experience issues with exercising our voting rights in Brazil.

Complex proxy voting issues

The Brazilian market is notorious for its proxy voting mechanisms. There are two major concerns. The first is the system for electing directors which in most jurisdictions offer a key opportunity for shareholders to hold individual directors of the board accountable, and to express dissent where necessary such as by voting against them.

However, the election method in Brazil that enables directors' appointments to be challenged is only adopted at less than 5% of AGMS. Moreover, this method of election often leads to confusion and comes with a large administrative burden for asset managers and proxy advisors, as it cannot be accommodated through the electronic voting infrastructure.

The second major issue concerns last-minute additions or amendments to the agenda of the meeting when international investors can no longer alter the votes they have previously cast. All in all, it is worrying that international investors are not able to correctly perform their stewardship responsibilities for such a vital part of corporate governance.

Raising the issues

Given the ongoing issues experienced with proxy voting in Brazil, Robeco decided to take action in the fourth quarter of 2021. Our proxy advisor Glass Lewis provided us with analysis that showed our frustrations were also experienced by other investors.

We synthesized all the information we were able to gather into a letter. This letter summarized the main issues we experienced and requested a meeting with both the Brazilian Stock Exchange (B3) and the Brazilian Securities and Exchange Commission (CVM).

To ensure that the letter would get the desired attention, we leveraged our partnership with Brazil's Stewardship Association, the Associação de Investidores no Mercado de Capitais (AMEC). AMEC brings together around 60 foreign and domestic institutional investors representing assets under management of around 700 billion Brazilian reals in the Brazilian stock market.

Since its establishment in 2006, AMEC has played a key role in pushing for minority shareholder rights and good corporate governance in the Brazilian market. Daniela da Costa-Bulthuis, Portfolio Manager in Robeco's Emerging Markets Equities and Global SDG Equities, has been a member of AMEC's board of directors since 2019. AMEC embraced our call for change and sent the letter to both CVM and B3 on behalf of all its members.

Initiating a dialogue

B3 accepted the invitation to hold a call with AMEC, Robeco and other institutional investors soon after receiving the letter, and we were pleased to see the stock exchange so receptive to hearing our concerns.

During the call, B3 showed us an overview of all the issues they had gathered from market participants. This showed they were aware of some of the problems and were already taking initial steps to improve the system. For example, B3 said it was in the process of aligning with major custodians in the market to solve the issue regarding the incompatibility of the alternative election system with the electronic proxy infrastructure.

Although it was good to hear that B3 was aware of the issues, it also emphasized the importance of getting the CVM on board, as the stock exchange indicated the limitations to change that it faced due to the current legislation in place.

The AMEC board also represented investors in a call with CVM. During this call, CVM welcomed any suggestion to be submitted to them in writing, even when they involved regulatory changes, but warned that such changes could not be implemented until 2023 at the earliest. B3 had also earlier warned that any regulatory changes would be unlikely in 2022 due to the country's national elections. Robeco submitted several concrete suggestions to AMEC and the Association delivered investor's suggestions to CVM both for the short- and long-term.

Initial steps to progress

The initiative has yielded some results. Each year at the end of February, CVM publishes an official letter with guidelines on procedures to be observed by publicly traded companies. This year the letter included several of the suggestions raised by Robeco and AMEC.

Especially encouraging was the commitment from CVM to create a working group to focus on the issues related to the exercise of voting rights by national and foreign shareholders at AGMs to enable the necessary regulatory improvements for the effective protection of minority shareholders. Furthermore, the letter urges issuers to adhere to the timely disclosure of documents in both English and Portuguese.

Additionally, Glass Lewis confirmed that the stock exchange's efforts in solving the incompatibility of infrastructure problem were successful. This is a major step in reducing the administrative burden of international investors in Brazil.

We are pleased to see these steps towards a more structural and permanent improvement of the Brazilian proxy voting system and will closely monitor the regulatory changes in the upcoming years.

COMPANIES UNDER ENGAGEMENT

Lifecycle Management of Mining
Newcrest Mining
BHP Billiton
Barrick Gold Corp.
Fortescue Metals Group Ltd.
Grupo Mexico SAB de CV
Polyus Gold OAO

Net-Zero Carbon Emissions
CRH Plc
WEC Energy Group Inc
Enel
Berkshire Hathaway
BHP Billiton
Ecopetrol SA
Petroleo Brasileiro
Phillips 66

Climate Transition of Financial Institutions
Bank of America Corp.
Barclays Plc
Citigroup, Inc.
HSBC
ING Groep NV
BNP Paribas SA
Sumitomo Mitsui Financial Group, Inc.

Sound Environmental Management
Royal Ahold Delhaize N.V.
Colgate-Palmolive Co.
Danone
Grupo Bimbo SAB de CV
McDonalds
Mondelez International
Nestlé
Wal-Mart Stores
BHP Billiton
Guangdong Investment Ltd.

Biodiversity
Mondelez International
Suzano Papel e Celulose SA

Single Use Plastics
Berry Plastics Group, Inc.
Henkel AG & Co. KGaA
Nestlé
PepsiCo, Inc.
Procter & Gamble Co.
Danone

Labor Practices in a Post Covid-19 World
Amazon.com, Inc.
InterContinental Hotels Group Plc
Meituan Dianping
Wal-Mart Stores

Human Rights Due Diligence for Conflict-Affected and High-Risk Areas
Booking Holdings, Inc.

Social Impact of Artificial Intelligence
Microsoft
Booking Holdings, Inc.
Visa, Inc.
Accenture Plc

Digital Innovation in Healthcare
AbbVie, Inc.
CVS Caremark Corp.
Fresenius SE
Quintiles IMS Holdings, Inc.
HCA Holdings, Inc.
Anthem, Inc.

Social Impact of Gaming
Tencent Holdings Ltd.

Sound Social Management
Teva Pharmaceutical Industries Ltd.
Procter & Gamble Co.
Thermo Fisher Scientific, Inc.
Aon Plc
Reckitt Benckiser Group Plc

Corporate Governance in Emerging Markets
Midea Group Co. Ltd.
Samsung Electronics

Corporate Governance Standards in Asia
Samsung Electronics

Good Governance
Samsung Electronics
Persimmon Plc

Nissan Motor
Sumitomo Mitsui Financial Group, Inc.

Responsible Executive Remuneration

Henkel AG & Co. KGaA
Linde Plc
NIKE
Wolters Kluwer
Booking Holdings, Inc.

SDG Engagement

Adobe Systems, Inc.
Alphabet, Inc.
Amazon.com, Inc.
Anthem, Inc.
Apple
Boston Scientific Corp.
Charter Communications, Inc.
Facebook, Inc.
JPMorgan Chase & Co., Inc.
Novartis
Salesforce.com, Inc.
Samsung Electronics
Union Pacific

Global Controversy Engagement

During the quarter, 6 companies were under engagement based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

ENGAGEMENT BY ASSET CLASS

Accenture Plc	Equity
Adobe Systems, Inc.	Equity
Alphabet, Inc.	Equity
Amazon.com, Inc.	Equity
Barrick Gold Corp.	Equity
Berkshire Hathaway	Credit/Equity
BHP Billiton	Credit
Booking Holdings, Inc.	Credit/Equity
Boston Scientific Corp.	Credit
Citigroup, Inc.	Credit
CRH Plc	Equity
Danske Bank AS	Credit
Ecopetrol SA	Credit
Enel	Credit
Heineken Holding	Credit/Equity
ING Groep NV	Credit
InterContinental Hotels Group Plc	Credit
Meituan Dianping	Equity
Midea Group Co. Ltd.	Equity
Mondelez International	Credit
NIKE	Credit/Equity
Novartis	Equity
PepsiCo, Inc.	Equity
Petroleo Brasileiro	Credit
Phillips 66	Credit
Procter & Gamble Co.	Credit/Equity
Salesforce.com, Inc.	Equity
Samsung Electronics	Equity
Sumitomo Mitsui Financial Group, Inc.	Credit
Teva Pharmaceutical Industries Ltd.	Credit
Wal-Mart Stores	Equity
WEC Energy Group Inc	Equity
Wolters Kluwer	Equity

CODES OF CONDUCTS

Robeco's Engagement Policy

Robeco actively uses its ownership rights to engage with companies on behalf of our clients in a constructive manner. We believe improvements in sustainable corporate behavior can result in an improved risk return profile of our investments. Robeco engages with companies worldwide, in both our equity and credit portfolios. Robeco carries out two different types of corporate engagement with the companies in which we invest; value engagement and enhanced engagement. In both types of engagement, Robeco aims to improve a company's behavior on environmental, social and/or corporate governance (ESG) related issues with the aim of improving the long-term performance of the company and ultimately the quality of investments for our clients.

Robeco adopts a holistic approach to integrating sustainability. We view sustainability as a long-term driver of change in markets, countries and companies which impacts future performance. Based on this belief, sustainability is considered as one of the value drivers in our investment process, like the way we look at other drivers such as company financials or market momentum.

More information is available at: https://www.robeco.com/docm/docu-robeco-engagement-policy.pdf

The UN Global Compact

One of the principal codes of conduct in Robeco's engagement process is the United Nations Global Compact. The UN Global Compact supports companies and other social players worldwide in stimulating corporate social responsibility. The Global Compact became effective in 2000 and is the most endorsed code of conduct in this field. The Global Compact requires companies to embrace, support and adopt several core values within their own sphere of influence in the field of human rights, labor standards, the environment and anti-corruption measures. Ten universal principles have been identified to deal with the challenges of globalization.

Human rights

1. Companies should support and respect the protection of human rights as established at an international level
2. They should ensure that they are not complicit in human-rights abuses.

Labor standards

3. Companies should uphold the freedom of association and recognize the right to collective bargaining
4. Companies should abolish all forms of compulsory labor
5. Companies should abolish child labor
6. Companies should eliminate discrimination in employment.

Environment

7. Companies should adopt a prudent approach to environmental challenges
8. Companies should undertake initiatives to promote greater environmental responsibility
9. Companies should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Companies should work against all forms of corruption, including extortion and bribery.

More information can be found at: https://www.unglobalcompact.org/

CODES OF CONDUCTS

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries, and are another important framework used in Robeco's engagement process. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards.

The Guidelines' recommendations express the shared values of the governments of countries from which a large share of international direct investment originates and which are home to many of the largest multinational enterprises. The Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide.

More information can be found at: http://mneguidelines.oecd.org/

International codes of conduct

Robeco has chosen to use broadly accepted external codes of conduct in order to assess the ESG responsibilities of the entities in which we invest. Robeco adheres to several independent and broadly accepted codes of conduct, statements and best practices and is a signatory to several of these codes. Next to the UN Global Compact, the most important codes, principles, and best practices for engagement followed by Robeco are:

– International Corporate Governance Network (ICGN) statement on
– Global Governance Principles
– United Nations Global Compact
– United Nations Sustainable Development Goals
– United Nations Guiding Principles on Business and Human Rights
– OECD Guidelines for Multinational Enterprises
– Responsible Business Conduct for Institutional Investors (OECD)

In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices. In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices.

Robeco's Voting Policy

Robeco encourages good governance and sustainable corporate practices, which contribute to long-term shareholder value creation. Proxy voting is part of Robeco's Active Ownership approach. Robeco has adopted written procedures reasonably designed to ensure that we vote proxies in the best interest of our clients. The Robeco policy on corporate governance relies on the internationally accepted set of principles of the International Corporate Governance Network (ICGN). By making active use of our voting rights, Robeco can, on behalf of our clients, encourage the companies concerned to increase the quality of the management of these companies and to improve their sustainability profile. We expect this to be beneficial in the long term for the development of shareholder value.

Collaboration

Where necessary, Robeco coordinates its engagement activities with other investors. Examples of this includes Eumedion; a platform for institutional investors in the field of corporate governance and the Carbon Disclosure Project, a partnership in the field of transparency on CO_2 emissions from companies, and the ICCR. Another important initiative to which Robeco is a signatory is the United Nations Principles for Responsible Investment. Within this context, institutional investors commit themselves to promoting responsible investment, both internally and externally.

Robeco's Active Ownership Team

Robeco's voting and engagement activities are carried out by a dedicated Active Ownership Team. This team was established as a centralized competence center in 2005. The team is based in Rotterdam, the Netherlands, and Hong Kong. As Robeco operates across markets on a global basis, the team is multi-national and multi-lingual. This diversity provides an understanding of the financial, legal and cultural environment in which the companies we engage with operate. The Active Ownership team is part of Robeco's Sustainable Investing Center of Expertise headed by Carola van Lamoen. The SI Center of Expertise combines our knowledge and experience on sustainability within the investment domain and drives SI leadership by delivering SI expertise and insights to our clients, our investment teams, the company and the broader market. Furthermore, the Active Ownership team gains input from investment professionals based in local offices of the Robeco around the world. Together with our global client base we are able leverage this network to achieve the maximum possible impact from our Active Ownership activities. ■

ROBECO

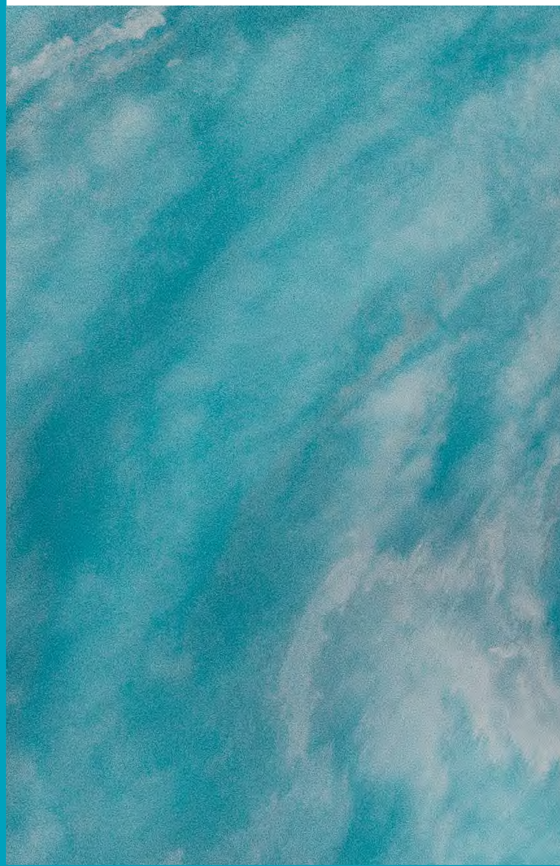
Robeco Institutional Asset Management B.V. (Robeco) is a pure play international asset manager founded in 1929. It currently has offices in 15 countries worldwide and is headquartered in Rotterdam, the Netherlands. Through its integration of fundamental, sustainability and quantitative research, Robeco is able to offer institutional and private investors a selection of active investment strategies, covering a range of asset classes.

Sustainability investing is integral to Robeco's overall strategy. We are convinced that integrating environmental, social and governance (ESG) factors results in better-informed investment decisions. Further we believe that our engagement with investee companies on financially material sustainability issues will have a positive impact on our investment results and on society.

**More information can be found at:
https://www.robeco.com**

IMPORTANT INFORMATION

ROBECO
The Investment Engineers



Contact

Robeco
P.O. Box 973
3000 AZ Rotterdam
The Netherlands

T +31 10 224 1 224
I www.robeco.com

1318-0422

Local Pensions Partnership Investments Ltd

Shareholder Rights Directive II
Engagement Policy

1. Introduction

This document presents the disclosures required of LPPI under Article 3g of the European Shareholder Rights Directive II (SRD II) which is implemented in the UK via Shareholder Rights Directive (Asset Managers and Insurers) Instrument 2019 (FCA 2019/68).

SRD II aims to promote effective stewardship and long-term investment decision making by the institutional investment community. It mandates enhanced transparency by investment firms through public disclosure on their approach to shareholder engagement.

2. Scope

LPPI is a regulated Alternative Investment Fund Manager (AIFM) investing on behalf of UK public sector pension funds. Our disclosures under SRD II relate to our investments in shares traded on regulated markets through our Global Equities Fund (GEF). The Fund invests across global equity markets through a combination of internally managed and third-party managed investments and is typically biased towards active management without constraints to invest according to any specific index construction.

Under SRD II we are required to disclose how LPPI:

1. integrates shareholder engagement within investment strategy
2. monitors investee companies on relevant matters, including:
   a) strategy
   b) financial and non-financial performance and risk
   c) capital structure
   d) social and environmental impact and corporate governance
3. conducts dialogues with investee companies
4. exercises voting rights and other rights attached to shares
5. cooperates with other shareholders
6. communicates with relevant stakeholders of investee companies
7. manages actual and potential conflicts of interests arising from its engagements.

As a long-term responsible investor, LPPI has existing policies in place which articulate an approach to responsible stewardship that applies to all the asset classes we invest in, these are publicly available from our company website.

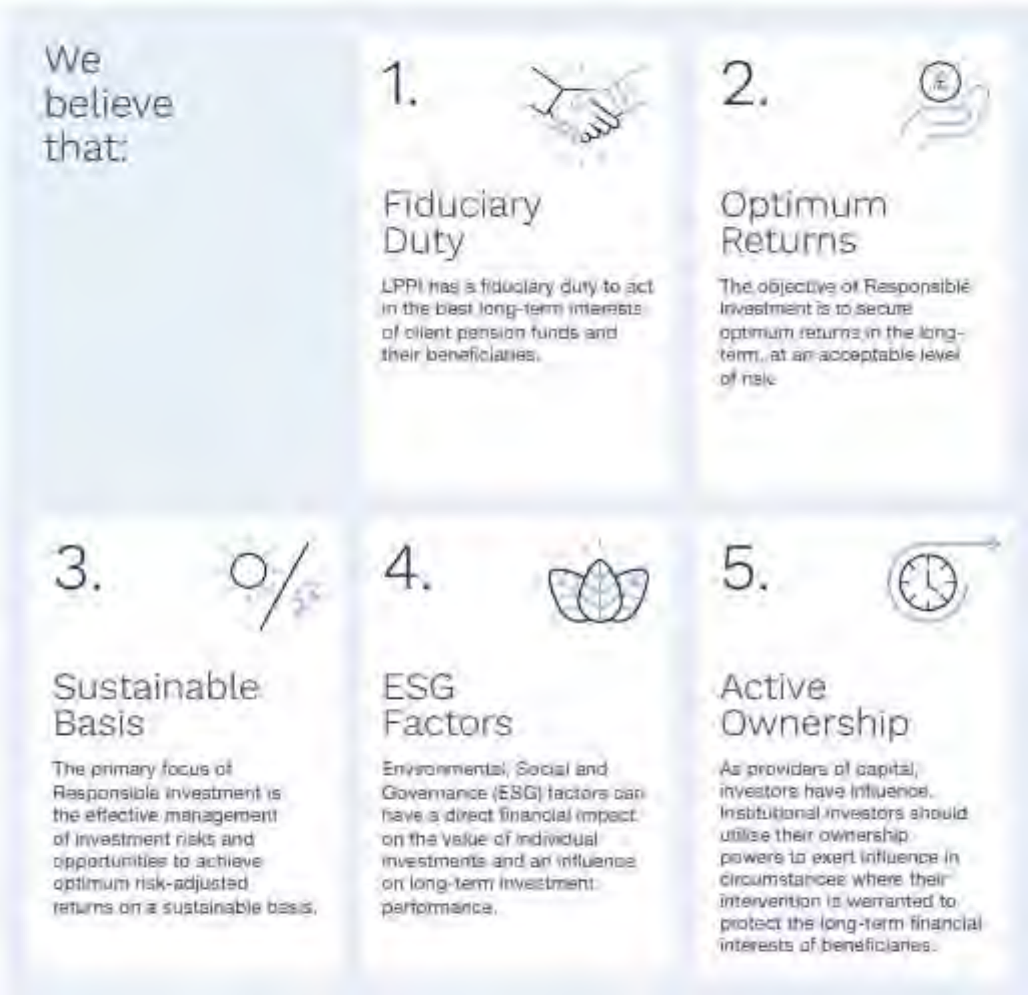
In focussing explicitly on listed equities here, we are inevitably condensing the detail and context explained more fully in our policies and in the disclosures we make on our stewardship activities as a signatory to the Principles for Responsible Investment and the UK Stewardship Code.

3. Disclosures

Integration of shareholder engagement

Our approach to stewardship applies to all the asset classes we manage on behalf of client pension funds and is explained in a Responsible Investment (RI) Policy and accompanying annexes which are publicly available from our website:

Our RI Policy explains the beliefs, standards, procedures, and activities that underpin LPPI's approach to stewardship. Our arrangements are a translation of 5 core RI beliefs:



We seek to ensure the assets under our management are subject to appropriate stewardship arrangements, either through our in-house investment teams, or through the standards we require of third-party managers and the service providers we select to work with us. Monitoring and engaging with investee companies is an integral part of our investment management approach and within listed equities, shareholder voting and engagement are a core part of our ongoing stewardship activities.

Monitoring investee companies

Encouraging strong corporate governance by investee companies and identifying issues that are cause for concern involves assessing and monitoring companies on an ongoing basis. Assets under management by LPPI are being continually monitored by members of our in-house Investment Team (where portfolios are internally managed) or by third party managers appointed and overseen by LPPI (where assets are externally managed). Investment Managers maintain detailed knowledge of the companies within their portfolios and have the most current understanding of the business risks and opportunities they face.

Investment teams and external managers gain and maintain insights into strategy, financial performance, and underlying business characteristics by monitoring companies, but also identify material ESG matters and how well these are being anticipated and managed as part of broader corporate governance by investee companies. Monitoring insights are direct inputs to the ongoing evaluation of each company's risk and sustainability profile.

Monitoring activity typically incorporates information from a range of sources including company reporting, news media, real time market metrics, and the insights of research and ratings providers. Wider insights from NGOs, trade unions, regulators and other representative groups are also referenced as appropriate. External managers are encouraged to share any material company insights gained from their review activities as part of regular monitoring calls with LPPI.

Portfolio and company monitoring influence the direction of LPPI's shareholder voting, the selection of priority engagement themes and the targeting of LPPI's participation in wider investor collaborations which are a route for influencing change.

Dialogue with investee companies

LPPI is committed to using ownership influence to encourage corporate decision-making aligned with the long-term best interests of our client pension funds as beneficial shareholders. Engagement is a time consuming and resource intensive activity and our approach acknowledges the challenges of fulfilling ownership responsibilities for a large, diverse portfolio incorporating both inhouse and external management.

Direct dialogue with investee companies is underway as part of the evaluation, monitoring, oversight, and portfolio management activities of our internal team and delegate asset managers. Their company specific and portfolio-focused dialogues are supplemented by a thematic engagement programme resourced through an external provider of engagement services. We meet with and receive detailed reporting on engagement activities underway and identify priority issues for our portfolio as part of a Client Panel which collectively influences future engagement themes and targets.

Our partnership with an external provider augments our internal stewardship capacity. Experienced staff and established processes, relationships, and data infrastructure expand our engagement resources and assist the co-ordination of data on engagement activities which enhance our reporting capabilities.

Exercise of voting rights attached to shares

The voting rights for shares held by the GEF are retained and exercised centrally by LPPI rather than being delegated to third party external managers. This facilitates an objective approach consistent across the equities held by the fund whilst allowing voting to be responsive to company context.

Shareholder voting and our reporting on voting activities are overseen by LPPI's Responsible Investment Team in accordance with a clear policy on shareholder voting for the GEF which is publicly available from our website. Voting activity is reviewed quarterly by our Stewardship Committee whose membership includes our CEO, Chief Investment Officer (Chair) and Head of Public Markets.

We use our best efforts to vote every shareholder meeting we are entitled to participate in, but sometimes it may be impractical for us to do so. For example, in international markets where share blocking applies, we typically may not vote due to liquidity constraints.

Our overriding aim is to ensure that:

- Our voting rights are exercised appropriately
- Our voting process is consistent, efficient, and auditable
- Voting decisions are congruent with our investment beliefs and reflect the long-term financial interests of our clients
- Voting activity reflects our commitment to responsible investment.

We employ an external provider of proxy voting services to oversee ballot management and vote execution and receive detailed analysis and voting recommendations ahead of each company meeting. We liaise with our asset managers, engagement partner, and proxy voting provider as needed to reach final voting decisions.

Voting recommendations are in accordance with Sustainability Proxy Voting Guidelines which focus on identifying material ESG considerations and support our commitments as a signatory to the Principles for Responsible Investment. Sustainability Voting Guidelines are reviewed and updated annually and LPPI participates in the Global Policy Survey which informs policy development.

We publish summary voting headlines and detailed quarterly reports on all shareholder voting activity for the GEF on our website.

Cooperation with other shareholders

A central pillar in our RI approach is the recognition that effective partnerships build strength and influence through scale, consensus, and a collective voice. Achieving influence as a minority shareholder can often include collaboration with other shareholders to build critical mass.

LPPI actively seeks opportunities to work with other responsible investors on identified shared priorities. The concentration of collective stewardship resources and unified shareholder support for appropriately framed and clearly articulated outcomes can achieve a reach and influence greater than acting alone.

Examples of organisations LPPI regularly works with on a collaborative basis include the Principles for Responsible Investment (PRI), Institutional Investor Group on Climate Change (IIGCC), Local Authority Pension Fund Forum (LAPFF) Pensions and Lifetime Savings Association (PLSA), Transition Pathway Initiative (TPI), Local Government Pension Scheme Cross Pool Responsible Investment Group, UK Pension Schemes RI Roundtable, Workforce Disclosure Initiative (WDI) and Climate Action 100+.

Communication with broader stakeholders

It is one of our 5 RI beliefs that as providers of capital, investors have influence.

We recognise that in addition to using the rights of share ownership to communicate with companies, our oversight should incorporate the way in which investee companies impact upon customers, clients, employees, stakeholders, and wider society. This acknowledges the interdependency of the companies we invest in and the cultural, economic, political, and environmental contexts they operate within.

We do not restrict our stewardship activities to direct dialogue with investee companies or conference with fellow shareholders. We are active within a wider network of responsible asset owners and asset managers discussing broad priorities and sharing thinking on issues of common concern. Our stewardship and engagement activities consider wider circumstances and contexts for the companies and sectors we invest in and can involve us in dialogue with a broad range of stakeholders including government departments and regulators, industry and special interest groups, NGOs, and community groups.

Where they relate to issues material for our portfolio, we will consider signing investor letters, publicly giving support to investor initiatives, submitting responses to focussed consultations and sharing feedback. Our stewardship reporting routinely includes examples of our participation in networks and initiatives where broader engagement activities are focussed on priority issues and themes.

Conflicts of Interest

LPPI conducts its business in accordance with the Financial Conduct Authority's 8th Principle of Business which requires the Firm to manage conflicts of interest fairly, both between the Firm and its clients as well as between one client and another client.

The Firm's policy is to take all appropriate steps to maintain and operate effective organisational and administrative arrangements to identify and prevent or to manage potential and actual conflicts of interest in the Firm's business.

Our Conflicts of Interest Policy sets clear parameters for good governance in the management of actual and potential conflicts of interest and includes a section on stewardship which identifies that conflicts may arise in the exercise of the ownership rights which attach to companies we invest in.

In overseeing, protecting and exercising rights and relationships in this respect, LPPI is conscious of the potential for conflicts of interest and always seeks to act in accordance with sound principles of good stewardship and specifically in line with standards prescribed by the UK Stewardship Code.

Examples of instances where the potential for conflict arises include decision-making on the direction of shareholder voting for the GEF, decision-making on participation in shareholder litigation and decision-making on the focus of engagement actions.

In all such stewardship considerations, LPPI consistently seeks to promote the long-term value and success of the companies we invest in for the benefit of all clients, and to engage with relevant stakeholders to enable this outcome.

Local Pensions Partnership Investments

Disclaimer
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This document has been prepared to inform the intended recipient of information regarding Local Pensions Partnership Ltd and/or its subsidiary, Local Pensions Partnership Investments Ltd (LPPI) only (together the LPP Group), subject to the following disclaimer.

LPPI is authorised and regulated by the Financial Conduct Authority. It does not provide advice on legal, taxation or investment matters and should not be relied upon for any such purpose including (but not limited to) investment decisions.

No other person or entity may rely or make decisions based on the content of this document whether they receive it with or without consent and this disclaimer is repeated fully in respect of such third party.

This information may contain 'forward-looking statements' with respect to certain plans and current goals and expectations relating to LPP Group's future financial condition, performance results, strategic initiatives and objectives. By their nature, all forward-looking statements are inherently predictive and speculative and involve known and unknown risk and uncertainty because they relate to future events and circumstances which are beyond LPP Group's control. Any projections or opinions expressed are current as of the date hereof only.

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Document Title: Shareholder Rights Directive II Engagement Policy

Version No.	Description of change	Owner	Approval	Date of Approval	Date of Issue
1.0	First version for approval	FD	Stewardship Committee	Nov 2020	
1.0	First version for approval	FD	Board	Dec 2020	

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All Staff and Company Website

Local Pensions Partnership Investments Ltd

Shareholder Voting Policy

1. Introduction

Local Pensions Partnership Investments Ltd (LPPI) is committed to achieving sustainable investment returns over the long term through an approach to stewardship which embraces responsible investment principles and practice.

We believe that well-governed companies are best equipped to manage business risks and opportunities, and this contributes to achieving optimum risk-adjusted returns over the long term.

We encourage strong governance and sustainable business practices through our oversight and engagement activities. These feature company monitoring and dialogue (directly and via the third-party managers we select to work with us) representation on investor groups and shareholder voting. We support and participate in wider collaborations and frequently work alongside other investors as part of initiatives that build consensus and seek to use collective influence to encourage positive change.

In this document we articulate our approach and arrangements for shareholder voting.

2. Policy Objectives

We aim to ensure that:

- Our voting rights are exercised appropriately;
- Our voting process is consistent, efficient and auditable;
- Voting decisions are congruent with our investment beliefs and reflect the long-term financial interests of our clients;
- Voting activity reflects our commitment to responsible investment

3. Voting Arrangements

The listed equities we manage fall within the LPPI Global Equities Fund (GEF) which comprises an internally managed portfolio supplemented by segregated external mandates.

The voting rights for stocks within the GEF are retained and exercised centrally by LPPI rather than being delegated to third party external managers. We use our best efforts to vote each shareholder meeting we are entitled to participate in. However, in some circumstances it may be impractical or impossible for us to vote. For example, in international markets where share blocking applies, we typically may not vote due to liquidity constraints.

Where LPP participates in securities lending, procedures are in place to assess the appropriateness of recalling lent stock ahead of shareholder meetings in order to ensure the ability to vote. In each case, the direct monetary impact of recalling shares will be considered against the discernible benefits of exercising voting rights. Decisions will reflect the significance of items on the ballot and whether LPP has actively supported reform of the company's governance practices via engagement or other coordinated efforts including shareholder proposals.

The day-to-day management of our shareholder voting activities is undertaken by the Responsible Investment Team which overseen by the Head of Responsible investment. The process is supported by services from an external provider, Institutional Shareholder Services (ISS).

- A web-based voting and research platform (ISS ProxyExchange);
- Voting recommendations in line with a designated voting policy;
- Access to governance data, research and analytics;
- Ballot administration and vote execution;
- Monitoring and reporting functionality

Voting recommendations are made in accordance with the ISS Sustainability Proxy Voting Guidelines. These guidelines are designed to reflect the requirements of investors who have made commitments to the integration of environmental, social and corporate governance (ESG) issues and to responsible investment practices in line with the Principles of Responsible Investment. The Sustainability Guidelines are reviewed and updated annually to ensure they reflect changes in norms and standards as well as new academic research, empirical studies, and market commentary as appropriate.

As part of ongoing oversight, the Responsible Investment Team identifies upcoming company meetings with votes on priority themes and reviews the related ISS analysis and recommendation. Where resolutions are complex or contentious, the Responsible Investment Team will discuss the issue with the internal investment team to agree an appropriate stance. They may also seek insight from a third-party manager who has been in direct dialogue with the company as part of an engagement programme.

As warranted, the Head of Responsible Investment will seek the views of the LPP Stewardship Committee which is chaired by the Chief Investment Officer. Collectively, the Stewardship Committee is the ultimate arbitrator on stewardship matters.

In cases where a decision is taken to depart from the ISS voting recommendation, the underlying voting rationale is recorded for reporting purposes.

The Stewardship Committee receives and reviews voting statistics quarterly.

4. Reporting and Disclosure

To protect confidentiality and remove the opportunity for undue influence as a result of external intervention or duress, LPPI will not enter dialogue about voting intentions in advance of company meetings taking place.

Pre-disclosure may be considered for specific resolutions in exceptional circumstances subject to authorisation from the Stewardship Committee. Generally, we would only pre-disclose where there was a pre-existing commitment to working collaboratively with other investors as part of an initiative agreed in advance.

LPPI provides regular reports to client pension funds on shareholder voting activity for the GEF as part of information on wider stewardship and responsible investment activities.

LPPI publicly discloses summary information on voting activity through quarterly reports published retrospectively on the company's website.

Our approach to asset selection (for internally managed assets) and to manager selection and monitoring (for assets managed by external managers) is built around detailed risk analysis and an up-to-date understanding of context as part of due diligence. This approach suits the complexity and multi-dimensional nature of climate change and the challenge it poses for strategy integration.

5. Voting Philosophy

In our view, shareholder voting is not a route to micro-manage companies or impose formulaic standards. We use voting to encourage companies to adopt best practice standards but recognize that pragmatism is needed to accommodate local circumstances and scenarios.

We have no management bias and will consider voting against management where companies lag consistently behind accepted norms of good governance, are resistant to dialogue or fail to show evidence of sufficient progress. In circumstances where we use voting to voice concerns, we will seek to target the individual, committee or proposal most directly associated with the specific issue. For example, a failure to provide adequate disclosure in compliance with applicable standards is most likely to be addressed through voting on the annual report and accounts or other statutory publications.

We assess shareholder proposals on their individual merits. We will consider giving support to resolutions which provide an impetus for positive change on matters of significance to institutional shareholders where they;

- Are carefully drafted and proportionate;
- Are accompanied by an appropriate system of checks and balances;
- Are protective of the best interests of long-term investors;
- Do not seek to negate the responsibilities of Board.

Shareholder resolutions are most likely to be viewed sympathetically when they introduce proposals that are proportionate to the underlying issue, are not unnecessarily complex or onerous and have implementation costs which are reasonable in light of the scope of the benefit to be produced.

LPP I will consider co-filing shareholder resolutions with other investors where this offers an appropriate route for active engagement on issues of stewardship priority.

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Document Title: Best Execution Policy

Version No.	Description of change	Owner	Approval	Date of Approval	Date of Issue
1.0	First version	FD	Stewardship Committee	August 2018	August 2018
2.0	Annual review	FD	Stewardship Committee	November 2019	December 2019

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LPP
Local Pensions Partnership Investments

LPPI Shareholder Voting Guidelines

August 2021

LPPI Shareholder Voting Guidelines

Introduction

Shareholder voting is an important channel for exercising the rights and responsibilities of share ownership on the collective behalf of client pension funds who invest in the Local Pensions Partnership Investments Ltd (LPPI) Global Equities Fund.

These Voting Guidelines have been developed to support the consistent and transparent application of our Shareholder Voting Policy and to communicate a clear stance to investee companies and wider stakeholders on our approach, reflecting our beliefs, expectations, and priority themes.

A multiplicity of issues arise at company meetings each year. Rather than an exhaustive handbook, these Guidelines set out the core considerations and standards that influence the stance we will generally take on key issues. Whilst we routinely integrate material environmental, social and governance (ESG) considerations, differences in country, culture, company size, and corporate context will also have an influence. Our voting decisions are ultimately made on a case-by-case basis.

Voting Philosophy

As part of our stewardship of listed equity assets, shareholder voting focusses on encouraging arrangements likely to increase long-term, sustainable value creation and corporate resilience, contributing to the objective of preserving and growing our clients' capital over the long-term.

Our voting approach is informed by the following beliefs:

- Strong ESG characteristics tend to be identifiers for quality companies. Well managed organisations with effective corporate governance systems are more likely to identify pertinent ESG risks and deliver long-term sustainable value creation for shareholders.

- Company Boards incorporating diverse experience and alternative perspectives into decision-making on corporate strategy are more likely to identify and manage business risks and opportunities successfully.

- Shareholder voting is not a route for micro-managing investee companies. Voting rights provide the opportunity to support strategy which evolves good corporate practice and confers a responsibility to register concern where a company is judged to be falling short.

- Shareholder voting forms part of engagement and should reinforce dialogues directly underway with companies by LPPI and via our delegate managers, our engagement provider, or investor initiatives we are supporting.

- The use of voting rights to signal shareholder concern should target the most appropriate resolution (or combination of resolutions) available. Voting against standard items of business or supporting a shareholder proposal calling for specific actions are equally appropriate (in some cases simultaneously).

- LPPI strongly supports the "one share, one vote" principle and will encourage companies to avoid mechanisms designed to prevent a change of control, unless in exceptional circumstances. It is essential that companies have scope to achieve a balance between measures which protect the long-term interests of the company, its shareholders and stakeholders, and measures which prevent hostile takeover bids.

- Companies should be given adequate time to respond to shareholder concerns and to plan and implement appropriate solutions. Where a company consistently lags behind accepted norms of good practice, is resistant to dialogue, or fails to show evidence of sufficient progress, further escalation is appropriate. Dependent on circumstances, this could progressively lead to a focus on the individuals most directly responsible, for example, the Chair of the Remuneration Committee on matters relating to executive pay, or ultimately to voting against a whole Committee where warranted.

Voting Arrangements

To ensure we apply a consistent approach, shareholder voting for the LPPI Global Equities Fund is overseen centrally by LPPI's Responsible Investment Team, rather than delegated to individual asset managers.

We receive analysis and voting recommendations for each company meeting from an external provider of proxy voting and governance research. Voting analysis and recommendations reflect our provider's Sustainability Voting Guidelines which explore material ESG considerations and provide a foundation for our review and decision-making process. On a case-by-case basis, we determine whether we are in consensus with voting recommendations or hold an alternative view that leads us to depart from them, for example, when we favour additional stretch on priority issues or where we take a more nuanced view. We liaise with our asset managers, engagement partner, and proxy voting provider as needed to reach final voting decisions.

For the internally managed mandates within LPPI's Global Equities Fund, our internal Portfolio Managers retain voting discretion and apply detailed knowledge of individual companies to reach their voting decisions. This incorporates consideration of the research and voting recommendations received from our external provider and their judgement on the stance which supports the best interests of our clients.

We disclose shareholder voting information for our Global Equities Fund on a quarterly basis via our website, sharing both summary statistics and a detailed report on all resolutions voted. We make further information and insights available through our reporting on stewardship and responsible investment including our annual disclosure to the Principles for Responsible Investment.

Priority Themes

We have identified the following priority themes as further context for our decision-making. We consider each company's current position and performance against them in determining whether to support the relevant resolutions.

Adequate Transparency

To make informed judgements on the quality of investee companies' practices, shareholders need adequate information on their standing. Companies are required to publish a range of prescribed information under applicable laws and regulations (which vary by jurisdiction) but the scope, format, and detail of the disclosure required is frequently open to interpretation. On issues of material importance to LPPI, we will consider whether a company has released sufficient information to support shareholder insight on the adequacy of their approach and assurance on reasonable outcomes. Where companies provide insufficient information on issues shareholders and wider stakeholders consider material, they should expect to be urged to improve.

Appropriate Remuneration

The individuals leading a company (its Chair, Board members and Executive Committee) set corporate culture and hold ultimate responsibility for generating sustainable, long-term value. Attracting and retaining high calibre individuals and ensuring their interests and performance align with long-term company success is critical.

In assessing compensation policies, our focus is principally on how the incentives are structured rather than the absolute quantum of the compensation. Large awards are acceptable only in cases where such incentives are aligned with shareholder's interests and our principles. We prefer that performance measures are at least to some degree based upon long-term trends in returns on capital, and that long-term executive compensation should be linked to measurable performance goals that are under the direct influence of the individual.

Effective Management of Climate Change

LPPI views climate change as a systemic risk arising from the effects of sustained changes in weather patterns due to global warming (physical) and human interventions to manage these changes or adapt to new circumstances through regulation, technological innovation, or other societal shifts (transition). Climate change has the potential to destroy value where business risks are not being recognised and integrated into effective strategic planning, but also presents opportunities for products and services to be developed which solve problems and address societal needs.

Company meetings provide an avenue for engaging with investee companies on their management of the risks and opportunities arising from climate change. LPPI will use shareholder voting rights to encourage companies to align their activities with the achievement of targets for global decarbonisation under the Paris Agreement and will apply frameworks including the Taskforce on Climate Related Financial Disclosures (TCFD), the Transition Pathway Initiative (TPI), and Climate Action 100+ to assess their approach and performance.

LPPI has signalled support for guidance produced by the Institutional Investor Group on Climate Change (IIGCC) which provides a clear framework for assessing net zero alignment disclosure by companies. We will seek to apply these guidelines in the use of our voting rights.

Where LPPI has set performance benchmarks which are not being achieved (a minimum TPI score for Management Quality for example), or corporate disclosure and target-setting are mis-aligned with the Paris Agreement goals, LPPI will signal concern. Depending on context we may vote against:

- the adoption of the annual report and accounts;
- a Board member with lead responsibility for climate change;
- the Chair of the Board (holding them ultimately accountable).

We are likely to support appropriately framed shareholder proposals pressing for improved disclosure, clear targets for decarbonisation, and ambition in strategic and operational planning.

Voting Guidelines

The opportunity voting affords for giving support, signalling concern, and urging improvement arises via highly orchestrated meetings between a company and its shareholders. Meeting agendas are routinely dedicated to gaining approval for company proposals on standard aspects of business and corporate governance, including the adoption of financial statements, election of directors, and appointment of auditors. The voting guidelines that follow reflect matters which typically arise at company meetings and indicate the primary considerations that will influence how LPPI is likely to vote.

In some instances, we may vote in specific company meetings in a manner that is not in accordance with the following Guidelines, provided the decision is consistent with the best interests of our clients and our objective of maximising long-term investment returns.

1. Statutory reporting

The provision of adequate information through corporate disclosure is a critical foundation for enabling shareholders and stakeholders to make informed judgements about the current standing and future positioning of a company.

LPPI will consider voting against the adoption of the annual report and accounts where reporting practices fall below acceptable market standards regarding detail, transparency, and frequency.

In addition to reporting on corporate strategy, financial performance, and key risks (within 'typical' corporate publications) LPPI expects reasonable disclosure on the company's identification and management of material ESG risks and opportunities, recognising that disclosure standards vary by industry and geography.

2. Board composition

A cohesive Board operating in accordance with effective procedures is central to good corporate governance. The calibre, character, and effectiveness of a Board derives from the collective experience and expertise of its members, and on operating practices which recognise, optimise, and deploy these capabilities effectively.

Voting rights give shareholders influence over the appointment of individuals to the Board and its key committees. They are also an avenue to express concerns at processes perceived to be weak, or responsibilities judged to be poorly executed. Through the implementation of these guidelines, LPPI is ultimately aiming to encourage desirable governance characteristics.

Board – Independence Expectations

LPPI has a strong preference for independent boards. We expect a majority of independent board members in all developed markets and at least one third independent members in emerging markets. LPPI will consider voting against management where:

- we believe that Board independence is insufficient;
- non-independent directors are nominated to sit on the major Committees;
- the election of further non-independent directors to a board contributes to a level of independence below what is deemed acceptable for the given market.

We generally do not view long board tenure alone as a basis to classify a director as non-independent, although we consider lack of board turnover and need for a fresh perspective as important factors in deciding how to vote.

Board Chair

It is our preference for the Board Chair and CEO roles to be held separately. An independent Chair contributes to the balance of power on the Board and avoids the conflicts of interests that can arise through the integration of the two roles. We recognise there are circumstances (e.g. transition periods) and markets in which the practice of a joint role is more common, and in these instances, we expect a strong lead independent director to be identified as a counterbalance.

We hold the Chair of the Board ultimately responsible for poor corporate governance and we will vote against them to signal our concern at:

- instances of exceptionally poor management (e.g. fraud);
- board and committee composition and practices that fall below appropriate standards; (e.g. where major committees are not held or function inappropriately).

We may also vote against the Chair as an appropriate escalation where broader shareholder concerns remain unacknowledged or have not been suitably addressed after dialogue and a reasonable period of due consideration.

Election of Directors

LPPI will generally vote in line with management recommendations where the appointment of nominated candidates contributes to attaining or maintaining desirable Board characteristics. Our support is dependent on being able to ascertain the benefit of the recommended nominees through a clear and convincing rationale.

LPPI will consider voting against management recommendations where poor governance outcomes will arise from (or be perpetuated by) the election of proposed candidates. Examples of weak practices include, but are not limited to:

- Inadequate or untimely disclosure about nominees;
- A poor record of attendance (<75%) by nominees who are existing Board members without sufficient justification;
- Overboarded directors (informed by best practice in the local market);
- Specific concerns regarding an individual director, for example, convictions relating to corruption.

Nomination Committee

The Nomination Committee has responsibility for refreshing the composition of the Board and identifying how to sustain and improve its effectiveness through the selection of appropriate skills and experience.

LPPI has a strong preference for majority independent Nomination Committees and an expectation this standard will be met across all markets. LPPI will consider voting against members of the Nomination Committee when:

- A non-independent director is nominated for election to the Nomination Committee;
- There are concerns around overall board composition;
- Board diversity falls below the standards outlined in these guidelines.

In line with our belief in the benefits of having a variety of voices, backgrounds, expertise, and experience to call upon, LPPI will seek to hold the Chair of the Nomination Committee accountable where nominations fail to reflect an appropriate regard for diversity (assessed through discernible characteristics including gender, ethnicity, age, and experience). Specifically, if the Board has no female directors and all director nominees are male, and the company does not recognise or have a clear strategy for addressing this issue, LPPI is likely to vote against the Chair of the Nomination Committee or an appropriate alternative.

For FTSE350 companies, LPPI will vote against the Chair of the Nomination Committee where women make up less than 33% of the Board, unless the firm has a plan to meet the 1/3 standard within a year. Where the Chair of the Nomination Committee is not subject to re-election, or is not identified, LPPI will consider voting against other (and potentially all) existing members of the Nomination Committee who are subject to re-election.

LPPI expects the recommendations of the Parker Review into the ethnic diversity of UK Boards to be implemented, and will begin to vote against the Chair of the Nomination Committee (or Nomination Committee members subject to re-election) where FTSE100 companies do not have at least one ethnically diverse Board member by 2022. The same expectation (at least one non-white director by 2022) is also considered an appropriate standard for FTSE350 and Russell 3000 companies.

Remuneration Committee

As a core standard (applicable to all markets), LPPI expects Remuneration Committees to be majority independent and to have no executive director members. In addition, we expect the Committee to consider shareholder interests, for example, by being responsive to shareholders and by conducting outreach in the event of high levels of shareholder dissent on remuneration proposals.

LPPI will consider opposing the election or re-election of Remuneration Committee members where:

- An executive director is nominated to join the Committee;
- The Committee fails to meet acceptable standards for independence;
- Remuneration policy and practices persistently fall below market standards and the appropriate expectations of shareholders;
- There is poor responsiveness to shareholder concerns in the event of a significant vote against remuneration proposals.

Audit Committee

The Audit Committee has responsibility for ensuring the interests of shareholders are properly protected in relation to financial reporting and internal control.

LPPI has a strong preference for fully independent Audit Committees and, as a minimum in all markets, expects the Audit Committee to be majority independent. In addition, we expect the Committee to be responsive to shareholder questions and to address concerns raised.

LPPI will consider opposing the election or re-election of Audit Committee members if:

- A non-independent director is nominated for Audit Committee membership;
- There has been a material failure of process or control;
- Process failures have not been recognised and adequately addressed and rectified;

- More than 50% of the audit fee relates to non-audit services without adequate explanation or justification;
- The Auditor has been in place for more than 20 years (and the company has not held a tender for their auditor at least every 10 years).

3. Remuneration

LPPI favours remuneration policies that incentivise long-term value creation through transparent performance metrics that are appropriate and not overly complex.
We prefer approaches that build an alignment of interests between management and shareholders, through appropriate incentives, encouragement of share ownership and sufficient risk mitigation (e.g. through strong clawback policies). In addition, we will generally support remuneration arrangements that encourage management to consider shareholder and wider stakeholder value through a transparent incorporation of ESG metrics.

Due to the unique circumstances surrounding each company's renumeration policy and the wide range of renumeration plans, LPPI will consider each compensation plan on a case-by-case basis. Typically, LPPI will consider voting against remuneration policies in instances including, but not limited to:

- The structure and application of incentives is misaligned with performance in the interests of long-term shareholders.
- Incentives are based on outputs (e.g. share price growth or total shareholder return) as opposed to inputs that encourage management to make decisions that will create shareholder value over time, i.e. long-term trends in returns on capital.
- The overall quantum of pay is excessive, either in absolute terms or relative to an appropriate peer group.
- Transparency is poor (e.g. performance measures within long-term incentives are not disclosed, or are only disclosed after awards have been granted).
- There is a lack of risk mitigation (e.g. clawback mechanisms and requirement for post-retirement shareholding).
- Long-term incentives are linked to short term metrics, for example, those that include annual review periods.

In markets where remuneration reports are presented for approval annually (the 'say on pay'), LPPI will consider the outcomes of the remuneration policy being implemented in practice. Factors that may lead to a vote against the say on pay include:

- Excessive or poorly explained use of discretion by the Remuneration Committee.
- Excessive pay increases without sufficient transparency and justification.
- Performance measures and incentives clearly misaligned with the interests of long-term shareholders.
- Lack of appropriate stretch in performance incentives, for example, by awarding the maximum pay out for performance which could be considered as business as usual.

4. Appointment and remuneration of Auditor

Investors rely on high-quality independent audits to receive a true and fair view of the status and financial health of a company.

LPPI will generally support the re-election of auditors and proposals relating to auditor fees where the incumbent meets high standards for independence and audit quality.
LPPI will consider voting against proposals in instances where:

- There are serious concerns about the effectiveness of the auditors, for example, where the lead audit partner has been linked to a significant auditing controversy.

- Disclosure is poor.
- More than 50% of the audit fee relates to non-audit services without adequate explanation and justification.
- The lead audit partner(s) are affiliated with the investee company.
- The auditor has been in place for more than 20 years.

5. Capital Allocation

The effective deployment of capital is fundamental to generating sustainable, long-term value for shareholders. Through internal and external managers, LPPI generally selects high quality, well run companies whose management understand the importance of capital allocation. Company proposals regarding capital allocation will be examined on a case-by-case basis as they are a natural extension of an investment decision. Where we believe a corporate restructure or M&A activity is not in the best interests of our clients, we will generally abstain or vote against management.

Allocation of income and dividends

LPPI expects investee companies to disclose clear dividend policies where applicable. Notably, we do not wish to sanction excessive dividend policies which would be to the detriment of the company’s solvency or its ability to invest in its business over the long term.

Share buyback authorities

LPPI expects the use of share buybacks to contribute to the best outcomes for long-term shareholders. LPPI favours buybacks considered an investment, i.e. when shares are trading at a price management believes undervalues the intrinsic value of the company. Buying back shares without reference to the prevailing market price can lead to shareholder value destruction.

LPPI will generally support resolutions to authorise the market purchase of ordinary shares where the authority requested complies with levels permitted under market listing rules, and the period covered is less than 18 months. Where performance measures like EPS inform remuneration, LPPI expects the impacts of share buybacks to be excluded when assessing executive performance.

Mergers and Acquisitions

We will consider votes to approve M&A activity on a case-by-case basis and taking into consideration the specific circumstances of each proposal to determine what action we believe is in the best interests of clients.

In considering each M&A proposal, LPPI’s Investment and RI teams will consider the fundamental and ESG implications of the proposal before a voting decision is made, for example, the impact on corporate governance practices, and the consideration of the impact on the workforce.

6. Shareholder resolutions

Shareholder proposals are non-binding recommendations to management proposing or supporting a specific course of action. Proposals are an opportunity for shareholders to signal they hold common concerns and are a basis for establishing or escalating a focussed dialogue with management.

LPPI assesses shareholder proposals on their individual merits given company context. Shareholder resolutions are most likely to be viewed sympathetically when they introduce proposals that are proportionate to the underlying issue, are not unnecessarily complex or onerous, and have implementation costs which are reasonable in light of the scope of the benefit to be produced.

When drafted appropriately and communicated effectively, shareholder resolutions can contribute to delivering positive outcomes which benefit the company, its shareholders, and broader stakeholders. LPPI is minded to support shareholder proposals that strengthen the rights of minority shareholder and seek greater transparency on materially relevant topics including, but not limited to:

- The management of climate change;
- Human rights due diligence policy and practices;
- Gender and ethnic pay gaps, and median pay ratios;
- Political contributions/lobbying;
- Biodiversity and natural capital management;
- Tax transparency.

Shareholder rights & takeover defences

LPPI will generally favour proposals that are likely to promote shareholder rights and/or increase shareholder value. Proposals that seek to limit shareholder rights, such as the creation of dual classes of stock will generally not be supported.

Measures that impede takeovers or entrench management will be evaluated on a case-by-case basis, taking into consideration the rights of shareholders.

LPP
Local Pensions Partnership
Investments

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Local Pensions Partnership Investments,
First Floor, 1 Finsbury Avenue,
London,
EC2M 2PF

@LPPPensions
lpppensions
Local Pensions Partnership

localpensionspartnership.org.uk
info@localpensionspartnership.org.uk