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 and Advisory Panel – 19 September 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 a Responsible Investment (RI) policy on 22 March 2021 supported by several values, principles, and priorities. Since then, the Fund has been continuously improving its approach to RI and have been working towards an updated RI policy that is all encompassing and reflective of the current external environment – this updated RI policy is presented alongside this report in Appendix 4 as presented by the RI working group (Task & Finish group).

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 revised 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 the significant and positive progress made by LPPI in its net-zero journey as the Fund's primary asset manager.

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;

ii) Acknowledges LPPI's recent client update on Net-Zero;

iii) **Approves and adopts the Fund's revised RI policy for implementation, and;**

iv) **Approves the publication of the appendices contained within this report on the Pension Fund website.**

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 Q2 2022 (or Q1 2022/23) are included at Appendix 1 and Appendix 2 to this report.

2.3 Notably, the report and dashboard 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 1.63% of the portfolio.

2.3.2 Investments in green sectors (renewable energy generation, clean technology, and decarbonising activities) make up over 4.44% 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 (via LPPI) 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 Q2 2022 (or Q1 2022/23) at Appendix 3 to this report.

2.6 Whilst a separate RI policy is not compulsory for LGPS funds under the regulations, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, (regulation 7) requires that the authorities Investment Strategy Statement (ISS) must include the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments. The fund's ISS (last approved by the Pension Fund Committee on 7 March 2022) defines that a separate RI policy shall be in place with detailed guidance on the points within the regulations, and that implementation of said RI policy would be undertaken by LPPI.

2.7 A decision was taken by the Pension Fund Committee on 6 December 2022 to set up a RI working group (the Task & Finish Group) of Officers, Committee members, Board members, Advisory Panel members, LPPI and independent advisors. Terms of Reference were agreed and the group first met in April 2022. The Task & Finish group undertook various other meetings and discussions to develop a comprehensive revised RI policy that is modern, consistent with the current external environment, and that it reflects the values, principles and priorities of the Pension Fund Committee. The revised RI policy also serves as a position statement on the Fund's approach to RI.

2.8 The revised RI policy is attached at Appendix 4 to this report, reflecting months of work by the Task & Finish group to ensure it is fit for purpose. LPPI have also given a professional opinion that the policy will be implemented in practice and tailored reporting has been reflected in the relevant RI report and dashboard (appendix 1 and 2).

2.9 The revised RI policy encapsulates several changes such as the focus on continuous improvement as well as specific priorities of the Fund within the Environment, Social and Governance categories. The policy is underpinned by the fund's fiduciary responsibility to pay scheme members benefits as they fall due as an absolute priority with RI initiatives not expected to contradict the Fund's core duties.

2.10 Following LPPI's commitment to achieving Net Zero portfolio emissions by 2050 by signing the IIGCC (Institutional Investor Group on Climate Change) Net Zero Asset Manager Commitment (NZAMC) in November 2021 (as reported to the Pension Fund Committee on 6 December 2021), LPPI have provided a client update on the progress made against this commitment, attached at Appendix 5 to this report. This update focuses largely on the interim target setting as required by the IIGCC within 12 months of making the formal commitment to net-zero emissions.

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 report and dashboard acts as a public document to be updated quarterly and aims to address the majority of public requests for information.

3.2 The RI policy has undergone extensive review by the 'Task & Finish' group and has been confirmed by LPPI to be implementable in practice with no material changes to the Fund's investment activities or objectives.

3.3 It is in line with best practice to report upon any public commitment previously made, LPPI's net-zero update provides information on the positive progress made since making the net-zero commitment in November 2021.

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 revised responsible investment policy outcomes. Therefore, the Fund's fiduciary duty and ultimate goal to pay pensions is not adversely affected by implementation of its revised RI policy but this shall be kept under review.

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 requirement 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 (regulation 7) which requires that the authority's investment strategy statement (ISS) must include the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments. The fund's ISS (last approved by the Pension Fund Committee on 7 March 2022 defines that a separate RI policy shall be in place with detailed guidance on the points within the regulations, and that implementation of said RI policy would be undertaken by LPPI. The revised RI policy is this compliant with the regulations.

6. RISK MANAGEMENT

6.1 The Pension Fund Committee review and approve a risk register on a quarterly basis, prepared in line with CIPFA's guidance on "managing risks in the LGPS –

2018”. The latest risk register (including relevant actions and mitigations) has been prepared alongside the amendments within this report, with any relevant changes considered and documented as appropriate in the quarterly risk management report.

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 6 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 6 appendices:

- Appendix 1: Responsible Investment Report Q2 2022
- Appendix 2: Responsible Investment Dashboard Q2 2022
- Appendix 3: Active Engagement Report Q2 2022
- Appendix 4: Revised RI policy
- Appendix 5: LPPI client update on Net Zero
- Appendix 6: EQIA

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	**18/08/2022**	**25/08/2022**
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	**18/08/2022**	
Deputies:			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	**18/08/2022**	**06/09/2022**
Elaine Browne	Head of Law (Deputy Monitoring Officer)	**18/08/2022**	**24/08/2022**
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	**18/08/2022**	**18/08/2022**
Other consultees:			
Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee	**18/08/2022**	

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

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 April - 30th June 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 Q2 2022 LPPI voted on 98% of company proposals, supporting 89% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 1.63% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 4.44% of the portfolio.
- LPPI attended the Full Council of the Occupational Pension Scheme Stewardship Council (OPSC) where priority work strands for next year were discussed and agreed preparatory to planning getting underway.
- GLIL[R], has made its first investment in renewable energy generated by offshore wind turbines, helping to support the UK's energy transition and Net Zero ambitions.
- LPPI entered its second year as a supporter of the 10,000 black interns programme, hosting two interns for a 6-week training programme.

2. RI Dashboard – Portfolio Characteristics

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

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q2 2022 outlined below.

<u>Listed equities (Dashboard p1)</u>

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 Q2 2022 Microsoft remains the largest holding in the GEF. Visa, Nestlé, and Accenture also remain in the top four, although Visa moved up 1 position. Pepsi moved down 3 positions, whilst SPDR Gold Shares and Alphabet moved up 1 and 4 positions respectively. Starbucks was replaced by AutoZone, which makes up the last position in the top 10.

Portfolio ESG Score

The GEF's Portfolio ESG score has increased from 5.4 to 5.8 between Q1 and Q2. In the same period the equivalent score for the benchmark increased from 5.2 to 5.5. Methodology changes implemented by MSCI is the main driving factor for the increased scores.

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 Q1. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has decreased from 11% to 10%, between Q1 and Q2. This change is a reflection of the fluctuations in the % of market value for the companies under TPI.

The number of GEF companies in scope of TPI scoring has increased by 2 since Q1 2022, changing from 23 to 25. The two new companies came into scope at TPI 2 and TPI 4.

Of the 25 companies in TPI scope:

- 96% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI 3) and into their strategic planning (TPI 4). This is unchanged from Q1 2022.
- 5 companies are scored below TPI 3 and are under monitoring.

Governance Insights

These metrics 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 Q2 2022, an average of 29% 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 Q2 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 Q2 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 75% data availability, which was a result of several companies not being in scope of the ISS database.

<u>Other asset classes (Dashboard p2)</u>

Private Equity

The largest sector exposure continued to be in Health Care, although reducing down from 42% in Q1 2022 to 39% in Q2. The portfolio continued to have a strong United States presence, increasing slightly from 36% in Q1 2022 to 38% in Q2.

Infrastructure

The geographical exposures to UK based infrastructure slightly increased, moving from 47% exposure in Q1 to 52% in Q2. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 35% of the portfolio.

Real Estate

Sector and geographical exposures remained similar to those reported in Q1 2022. 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 33% of the portfolio.

The Real-World Outcomes section of the dashboard features examples of socially positive investments and this quarter the focus is on Real Estate. Pages 6-7 share information on a selection of investments within the RCBPF portfolio which are based in the UK and abroad.

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 <u>indication</u>, 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 Q1 2022, Brown exposure has increased from 1.47% to 1.63%. The biggest contributor to the increased exposure is from both Private Equity and Infrastructure asset classes. This quarter, Infrastructure figures reflect a noticeable increase in the proportion of pooled funds RBCPF have allocated. This has increased Infrastructure's Brown exposure from 0.80% in Q1 to 0.92% of the portfolio in Q2. Other contributing factors have been a mark-to-market increase in the respective sector's performance of Brown positions held in Infrastructure and the Private Equity.

Compared with Q1 2022, green activities have increased from 3.67% to 4.44% of the portfolio. The change is a result of a large increased exposure from the Infrastructure asset class. The figures reflect several new companies being added to existing funds, which have been identified as Green. Combined with the increase in proportion of pooled funds RBCPF have been allocated, Infrastructure's Green exposure has increased from 3.43% in Q1 to 4.22% of the portfolio in Q2. Another contributing factor has been a mark-to-market increase reflecting the sector's strong performance of Green positions held in Infrastructure.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 60% of total Green exposure, and 95% 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.

<u>Shareholder Voting - LPPI Global Equity Fund (GEF)</u> *(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 April – 30th June 2022 encompassed 233 meetings and 3207 resolutions voted. LPPI voted at 98% of the 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, two companies in shareblocking markets where LPPI applied Do Not Vote, and two custodian errors in the voting chain. LPPI has worked with the custodian to fix the latter.

Company Proposals

LPPI supported 89% 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), 38% of votes against company proposals.
- non-salary compensation (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards), 18% of votes against company proposals.
- the support of shareholder resolutions, covering topics including climate change, human rights, diversity, and political lobbying (25%).

Case Study – Directors Related

LPPI voted against 145 directors-related resolutions across 66 companies. This was approximately 8% of all directors-related votes.

LPPI voted against 31 resolutions across 11 companies due to a lack of Board independence. Results (where disclosed): 8.9% - 49.3% Against.

LPPI voted against 18 directors across 16 companies due to the lack of diversity on the Board. Results (where disclosed): 0.9% - 63.3% Against.

LPPI voted against four directors across two companies due to overboarding. Results not disclosed.

Case Study – Non-Salary Compensation

LPPI voted against 66 compensation resolutions across 156 companies. This was approximately 22% of compensation-related votes. Of the 66 votes LPPI opposed, five received a majority of votes against.

At Agnico Eagle Mines Limited (USA: Gold), LPPI voted against the say-on-pay. This was driven by the fact that pay, persistently above the peer group median, has not reflected company performance vs the peer group over the one, three, and five year time periods. Result: 75.6% Against.

At Masimo (USA: Health Care Equipment), LPPI voted against the say-on-pay. This was driven by the presence of a single-trigger provision allowing the executive the ability to unilaterally discontinue employment and receive excessive severance pay-outs in the event of a change in control event (e.g. acquisition). Result: 52.6% Against.

At Netflix (USA: Movies and Entertainment), LPPI voted against the say-on-pay. This was driven by a lack of performance conditions linked to significant options grants. It also follows a lack of responsiveness to low support for previous say-on-pays. Result: 72.9% Against.

Shareholder Proposals

LPPI supported 115 out of 163 (71%) shareholder resolutions over the quarter.

LPPI supported 17 out of 22 (77%) diversity related shareholder resolutions. At McDonalds (USA: Restaurants), LPPI supported a shareholder resolution requesting the company oversee a third-party civil rights audit analysing its policies and practices on stakeholders. The vote passed with 55.1% support.

LPPI supported seven out of nine (78%) climate-related shareholder resolutions. At The Travelers Companies (USA: Property & Casualty Insurance), LPPI supported a shareholder resolution requesting the company issue a report considering how it intends to measure, disclose, and reduce GHG emissions associated with its insurance practices in line with the Paris Agreement[R]. The vote passed with 55.2% support.

LPPI supported 13 out of 16 (81%) political lobbying related shareholder votes. At Netflix (USA: Movies and Entertainment), LPPI supported a shareholder resolution requesting that the company increase its disclosures on its lobbying expenses and related policies and procedures. The vote passed with 60.1% support.

LPPI supported six out of six human rights specific shareholder resolutions. None of the votes received majority support. At Amazon (USA: Internet & Direct Marketing Retail), LPPI supported two shareholder resolutions seeking greater information around the human rights due diligence processes linked to surveillance technologies. The votes received 40.3% and 40.7% support.

Case Study – Manager Monitoring

Infrastructure

The infrastructure team has undergone a deep dive exercise to further develop its ESG monitoring approach, focused on what information could be readily identified, measured, and compared. For the most recent quarter, 5 managers who manage approximately 50% of externally managed assets and represent 20% of the total NAV in the investment pooling vehicle (IPV) were chosen. Priority was given to these managers on the basis of sector exposure, holding period and size. A combination of a manager ESG call and review of ESG documentation, was used to build a dashboard of key indicators on manager ESG processes. Our engagement found all 5 managers to be PRI signatories who provided or were in the process of providing some level of carbon reporting. However, managers were behind in setting Net Zero targets or formalised physical climate risk monitoring processes. The findings support LPPI's commitment to engage external managers on developing carbon reporting and integrating physical climate risk assessments into portfolio monitoring.

4. Robeco Summary

Net Zero Emissions

The new Net Zero Emissions theme is an extension of Robeco's existing corporate decarbonisation theme and will work with companies towards achieving net-zero emissions globally by 2050. It will outline expectations for companies to set long-term net-zero targets, and to substantiate them with credible short- and medium-term emissions reduction strategies, as well as transition plans that ensure a reduction in real-world emissions over the next decade reflecting the urgency to act now. Robeco have used external benchmarks such as Climate Action 100+[R] to define their objectives.

The Net Zero Emissions theme also brings an expansion to their company selection process for climate engagement, which has resulted in an additional 15 companies. They are also now co-leading the engagement for Climate Acton 100+[R] for five of the 15 companies and acting as a collaborative engager for a further five. Robeco expect to see quantitative results in 18-24 months' time.

Good Governance

The AGM season (when most companies hold their annual general meeting of shareholders) presents a unique opportunity for investors to engage with companies. The Covid-19 pandemic forced AGMs to be held virtually, with potentially lasting impacts. While digital meetings have allowed a wider set of shareholders to join meetings, it has led to low accountability as management can avoid awkward questions with little opportunity for shareholders to ask follow-up questions when the answers given are too vague. Hybrid AGM meetings are now being incorporated at many companies, as this allows a broad group of shareholders to attend online AGMs and ask questions from their location, whilst also facilitating an in-person attendance.

Over the 2022 AGM season, Robeco have also seen an increasing number of remuneration reports and policies that have been subject to shareholder dissent. Regulations (such as the EU's amended Shareholder Rights Directive) have given more tools to express disapproval, and the Covid-19 pandemic has changed the perspective of what shareholders consider to be acceptable remuneration practices. Robeco's engagement with companies urge remuneration committees to use pay packages to align incentives with long-term value creation considering both financial returns and sustainability.

Social topics are also gaining support, as shareholders are increasingly using their voting rights to push companies to take responsibility for environmental and social issues. Although shareholder proposals are a good way to flag 'E&S' issues, such resolutions are not filed consistently across markets and geographies. Robeco want to push companies to introduce additional mechanisms e.g., submitting their climate transition plan or improving their risk reporting on sustainability issues.

Single Use Plastics

From 2019 to 2022, Robeco engaged with 10 companies with the aim of driving the global plastics value chain towards a more circular economic model. After three years, they have successfully closed 80% of the engagement dialogues. The results from this engagement saw companies implementing innovative recycling initiatives, but there is little progress towards a fully circular model and evidence of more responsible lobbying efforts regarding regulation was limited. Robeco has been leading the call for a UN treaty on plastics and has urged other investors and financial industry stakeholders to sign up to it.

Digital Innovation in Healthcare (DIH)

In May 2022, Robeco closed the DIH theme with two-thirds of the engagement cases closed successfully. Most companies under engagement have defined a comprehensive digital strategy and supported it by integrating newer digital technologies within their innovation process. When it comes to cybersecurity, companies remain reluctant to share detailed information on external attacks and internal policy adherence failures due to commercial sensitivity issues.

The digital transformation that health care has seen over recent decades is now accelerating on a wider scale. The onset of the Covid-19 pandemic has fast-tracked the adoption of digital technologies in the health care sector and also forced companies to overcome their non-technological barriers to adapt to the new dynamic and remain competitive in the post-pandemic era. Robeco have also seen an increased recognition of the importance of sound cybersecurity, either voluntarily, or sometimes involuntarily through learning their lessons following impactful cybersecurity breaches and taking active steps to mitigate third-party risks. However, the engagements Robeco have undertaken show some bottlenecks, for example, health care centres have tightened their budgets and now have more limited resources to invest in high-tech solutions.

Sustainable Development Goals (SDG) Engagement

The SDGs provide a holistic, measurable roadmap to the world, outlining what countries, civil society, organisations, and corporates should do to solve the planet’s most pressing issues. In 2021, Robeco created a new engagement programme, focused on improving companies’ contributions to the SDGs. It marks a new engagement approach that focuses on seeking a measurable improvement in the contribution that investee companies can make to the goals. The SDG engagement theme focuses on companies with a high, unfulfilled potential when it comes to positively contributing to one or more of the 17 SDGs. Robeco selects companies for engagement using their proprietary SDG framework, which assesses contribution to the SDGs throughout the companies’ products, procedures and potential involvement in controversies.

Guiding the SDG engagement are three key processes:

1. Fundamental analysis and engagement strategy
2. Engagement itself
3. Continued evaluation of the engagement impact

During its first year, Robeco have initiated engagement with 35 companies, engaging them on one or more of the 17 SDGs. While companies recognise that the SDGs are in everyone's interest, more structured and integrated approaches are needed to realise the 2030 goals.

Shareholder Engagement - Robeco Active Ownership

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 39 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 Q2 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**).

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 Q2 2022.

OPSC Future Work Streams (Meeting)

LPPI attended the Full Council of the Occupational Pension Scheme Stewardship Council (OPSC) where priority work strands for next year were discussed and agreed preparatory to planning getting underway.

Over the summer, LPPI communicated our areas of focus and ideas for how the OPSC could best support us in 1:1 meeting with the OPSC secretariat. These suggestions were collated across the membership into a longlist of possible themes for the year ahead. LPPI then cast our votes for our priority areas and attended the Full Council meeting where the themes were debated and finalised. The final list includes: climate change and TCFD[R] (approaches and best practice), joint engagement with service providers, workshops to streamline reporting, developing portfolio monitoring and engagement practices for private assets.

Investor Statement to Governments in the Climate Crisis 2022

LPPI once again added our name to the 2022 Global Investor Statement to Governments on the Climate Crisis. LPPI has been a signatory to successive Global Investor Statements to Governments on Climate Change since 2018. The annual statements are co-ordinated by The Investor Agenda and are a collective call to governments to rapidly implement priority policy actions that will enable investment of the trillions in private capital needed to respond to the climate crisis and meet the goals of the Paris Agreement[R]. The 2021 Statement had been the most demanding one to date and was directly cited as part of the COP26 discussions in order to demonstrate financial industry support for greater ambition. The most recent statement calls for governments to keep their COP26 pledges and ensure their targets and actions are in line with limiting global emissions to 1.5C. This is a great example of policy advocacy we carry out which supports our Net Zero by 2050 commitment as part of the NZAMI[R].

6. Other News and Insights

GLIL

GLIL[R] has made its first investment in renewable energy generated by offshore wind turbines through a stake in Hornsea One, the world's largest operational offshore wind farm which is located off the Yorkshire coast and spans more than 400 square kilometres.

As an investor in GLIL[R], the fund is directly helping to support the UK's energy transition and Net Zero ambitions. Further information on this recent investment is available here.

Consideration of Social Risks by Occupational Pension Schemes

In March 2021, the Department for Work and Pensions launched a call for evidence seeking views on whether Occupational Pension Scheme trustees' policies and practices on social factors are sufficiently robust and what the Government could do to ensure that trustees are able to meet their legal obligations in this respect.

LPPI submitted a response welcoming the focus on 'S' within ESG and suggested the Government's most productive role would be as:

- a facilitator using influence to encourage the investment sector to convene and develop standards that will solve perceived issues in a resource efficient way
- an advocate for the good practice being called for
- an exemplar of the processes and outcomes being urged on pension fund trustees (through incorporating material social factors within Covid recovery planning, and improving the ability of investors to hold companies to account by setting high standards for corporate governance via routes including listing rules).

The DWP published its response to the consultation on 15th July 2022 which confirmed the Department's view that *"it is up to schemes to determine how to consider financially material social risks and opportunities and whether to take an integrated approach to ESG or create standalone policies covering specific social factors. Whichever approach is taken, trustees should – where possible – consider financially material social risks and seize opportunities in this space. This will help trustees fulfil their fiduciary obligations by mitigating against financial risk and thereby safeguarding savers' money"*.

The main outcome is the creation of a new cross-department Minister-led working group which will lead work to:

1. Identify reliable data sources and other resources, which could be used by pension schemes to identify, assess and manage financially material social risks and

opportunities; and which could be used to inform guidance on investment risks from social factors;

2. monitor and report on developments with the International Sustainability Standards Board, and other international standards.

The DWP response can be read in full here.

FRC - The Impact of the Stewardship Code

The Financial Reporting Council (FRC) commissioned new research into the impact the revised UK Stewardship Code has had on the practice and reporting of asset managers and owners. The research consisted of a survey and interviews, carried out by a team from Minerva Analytics, the Durham University Business School and The Dickson Poon School of Law, King's College London, on behalf of the FRC. 55 asset managers and owners took part and provided evidence, with both groups providing very positive feedback about the impact of the revised 2020 Code. Notably, there was strong evidence of material changes to practice in the areas of governance and resourcing of stewardship, stewardship activities, processes and outcomes, and monitoring and reporting of stewardship.

Some of the key findings are as follows, with the full report found here.

- All organisations in the sample had undertaken some organisational restructuring to better integrate stewardship within their investment decision-making, a new requirement of the Code.
- 96% of the respondents reported increases in the size of their stewardship teams since the introduction of the revised Code and noted opportunities for more formal career progression in stewardship.
- 77% said the quality of engagement was better because of the Code's influence.
- Asset owners reported the most significant way the Code has influenced their approach is that they now feel more empowered to monitor their investment managers and were supportive of the contribution to industry-wide change on long-term goals for the investment community.

Next steps for the FRC, working with the Financial Conduct Authority, the Department of Work and Pensions and the Pensions Regulator, is to carry out a review of the regulatory framework for effective stewardship including the operation of the Code, from 2023. This research is the first step in assessing whether the Code is creating a market for effective stewardship and the need for any further regulation in this area.

Net Zero Update

Significant progress has been made this quarter on developing LPPI's Net Zero climate action plan. MSCI has been brought on board as our preferred climate data provider for listed equities, and we have used their analytical capabilities to understand the Global Equities Fund's emissions baseline and begun to set targets against this using the IIGCC framework for asset managers. Our focus over the next quarter is on developing an engagement strategy which will underpin these targets and prepare for publication in October. Please see our recent client update for more details.

10,000 Black Interns

This summer, LPPI entered its second year as a supporter of the 10,000 black interns programme. Two interns joined us for a 6-week training programme which saw them rotating between different teams, seeing the full breadth of work that we do at LPPI. Both spent a week with the Responsible Investment team and showed great curiosity and enthusiasm for the work we do Their research projects involved investigating recent incidents of greenwashing across the finance industry and the latest advice on assessing deforestation risk in order to support development of our Net Zero engagement strategy.

Stewardship Code Update

LPPI is preparing its Annual Report on Stewardship and Responsible Investment (2021/22) to the Financial Reporting Council, ahead of the October 2022 deadline. The report is our annual submission as a signatory to the UK Stewardship Code (2020) and reflects LPPI's commitment to high standards of stewardship defined as the responsible allocation, management, and oversight of capital.

This is the second time LPPI is submitting a report under the more demanding requirements of the UK Stewardship Code (2020), we intend to build upon our achievement and continue to improve our stewardship processes. The FRC will assess LPPI's Report and confirm (in early 2023) whether it meets the standard required for retaining signatory status.

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

Climate Action 100+
Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

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,

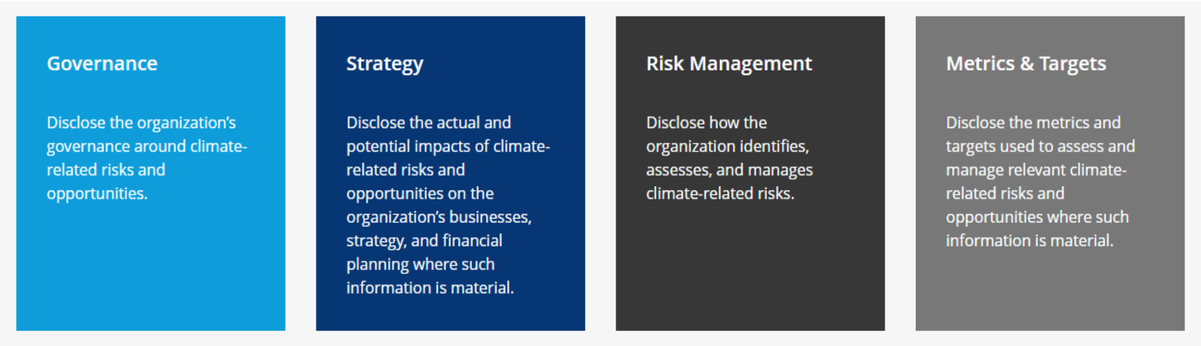
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

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

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.

NZAMI – Net Zero Asset Managers Initiative https://www.netzeroassetmanagers.org/
The Net Zero Asset Managers Initiative launched in December 2020 and aims to galvanise the asset management industry to commit to a goal of Net Zero emissions.

GLIL - https://www.glil.co.uk/
GLIL is an innovative collaboration between aligned and like-minded investors who are seeking investment into core infrastructure opportunities predominately in the United Kingdom.

Responsible Investment Dashboard Q2 2022

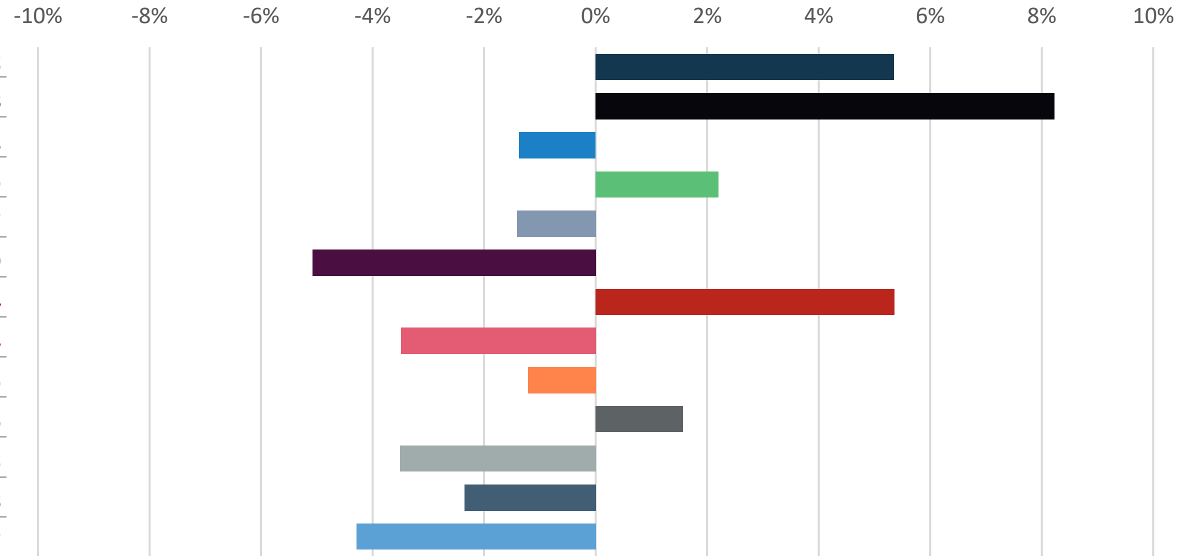
1. Portfolio Insights

Listed Equities (LPPI Global Equities Fund)

Sector Breakdown (%)

Information Tech.	26.2
Consumer Staples	15.8
Financials	13.1
Industrials	11.6
Consumer Discretionary	9.7
Health Care	7.9
Cash	5.4
Communication Services	4.4
Real Estate	1.6
Others	1.6
Materials	1.3
Utilities	0.8
Energy	0.7

LPPI Global Equities Fund Sector Weights vs MSCI ACWI ND



Top 10 Positions

	Portfolio (%)
1. Microsoft	3.8
2. Visa	3.4
3. Nestle	3.4
4. Accenture	2.4
5. Alphabet	2.2
6. Colgate-Palmolive	1.8
7. Diageo	1.8
8. Pepsico	1.8
9. SPDR Gold Shares	1.6
10. Autozone	1.5

Governance Insights (ISS DataDesk)

Women on the Board (Average)

29%

Coverage of GEF

84%

Board Independence (Average)

68%

Coverage of GEF

83%

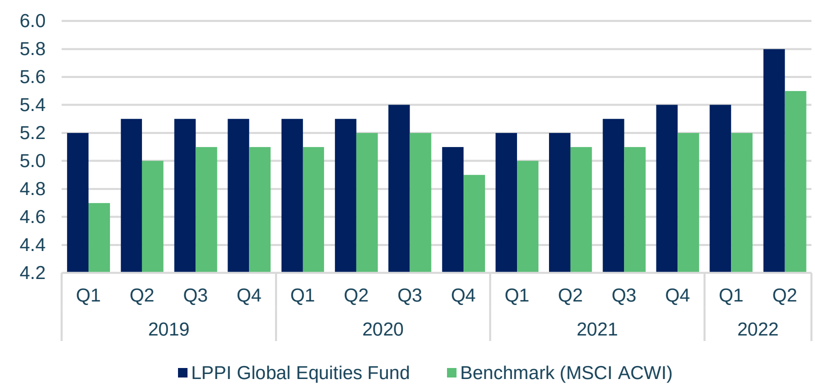
Support for Say on Pay (Average)

88%

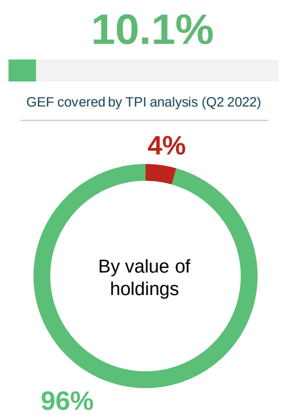
Coverage of GEF

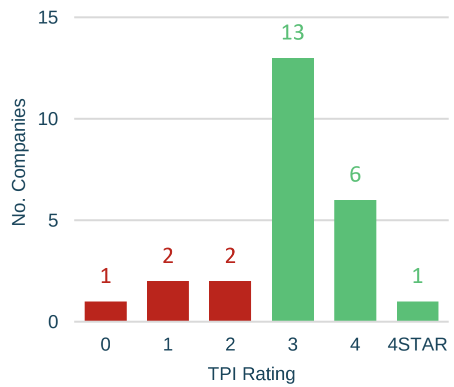
75%

Portfolio ESG Score (MSCI ESG Metrics)



Transition Pathway Initiative – Management Quality Headlines





TPI Management Quality Ranking

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

Responsible Investment Dashboard Q2 2022

1. Portfolio Insights

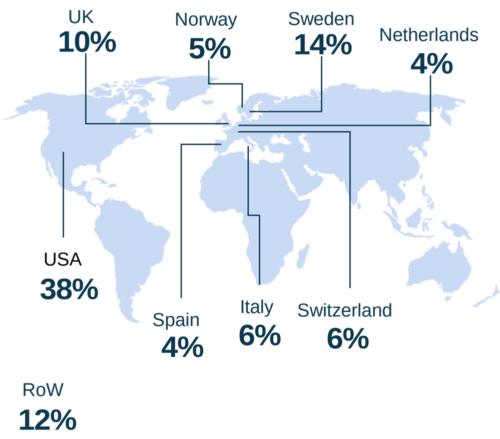
Other asset classes

Private Equity

Industry Breakdown (%)

Health Care	39		Communication Services	3
Information Technology	23		Other	3
Industrials	15		Financials	3
Consumer Discretionary	6		Remaining Industries	3
Consumer Staples	4			

Region Breakdown (%)

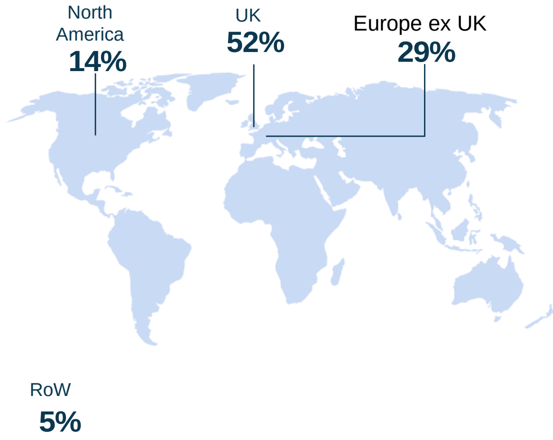


Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)

Traditional Energy, Renewable Energy, Waste	35	Transport and Distribution	19
		Regulated Assets	13
Social (incl PFI)	23	Other	10

Region Breakdown (%)

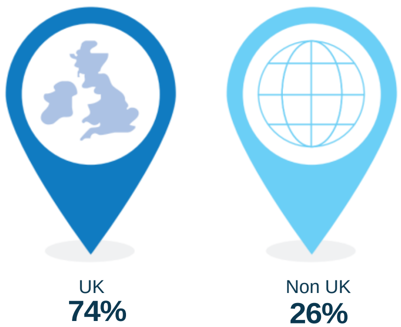


Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)

Industrial	33	Retail	12
Living	20	Alternative	12
Office	14	Agriculture	9

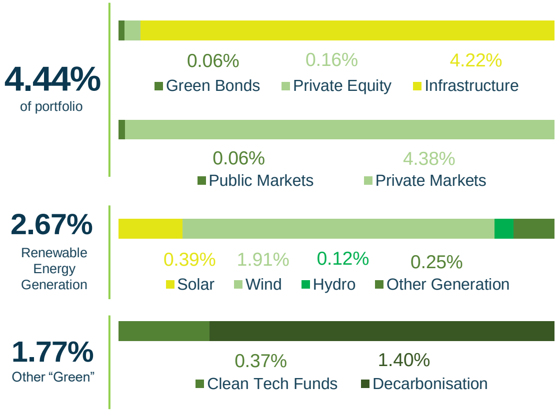
Geographical Exposure (NAV %)



Green & Brown Exposure

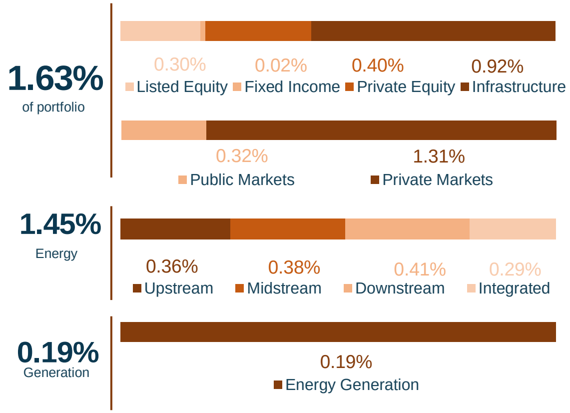
Green

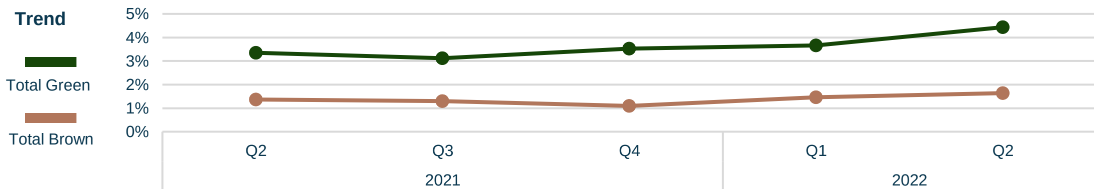
Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the pension fund.



Brown

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





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.

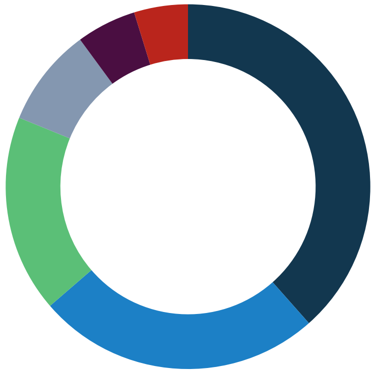
Responsible Investment Dashboard Q2 2022
2. Stewardship Headlines

Shareholder Voting

Shareholder Voting Statistics (LPPI Global Equity Fund)

Headlines

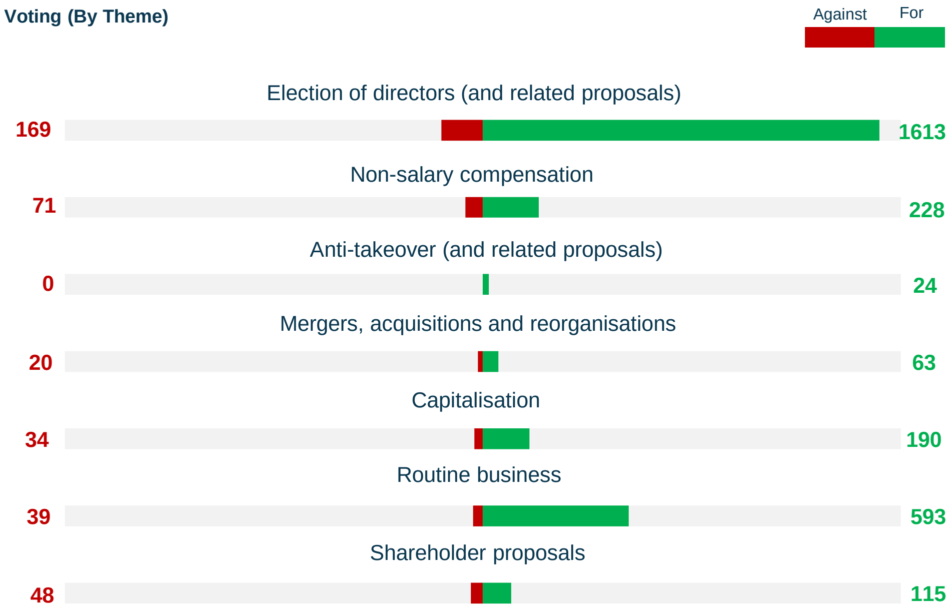
Meetings Voted	Proposals Voted	Company Proposals	Shareholders Proposals	Meetings with a vote against Management
233	3207	3044	163	55%
		Supported 89%	Supported 71%	



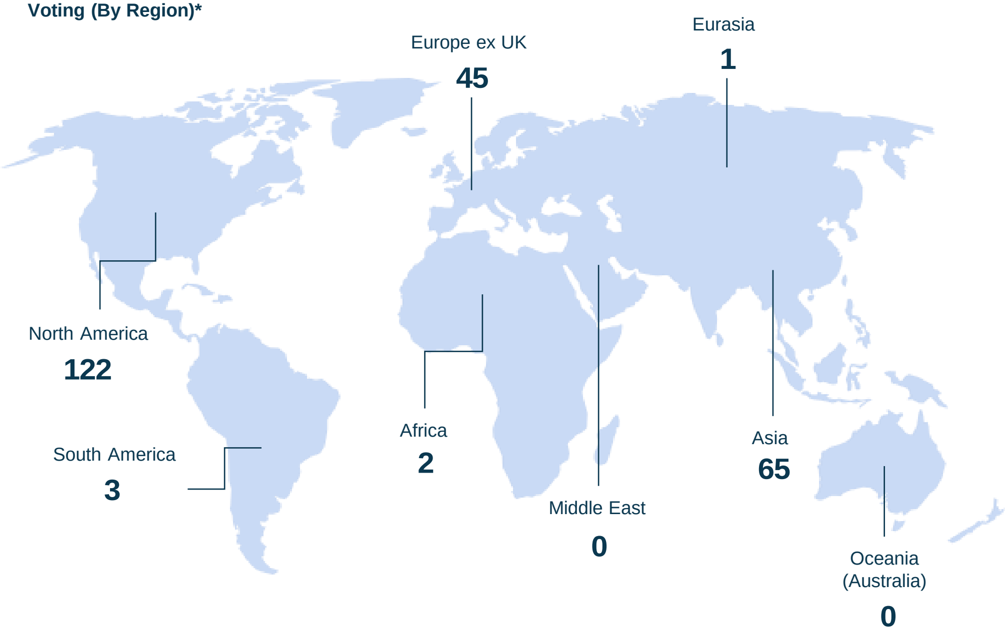
Votes Against Management (By theme)

Election of Directors (and related)	145
Shareholder Resolutions	95
Non-salary compensation	66
Capitalisation	33
Mergers, acquisitions and reorganisations	20
Routine business	18
Anti-takeover (and related proposals)	0

Voting (By Theme)



Voting (By Region)*



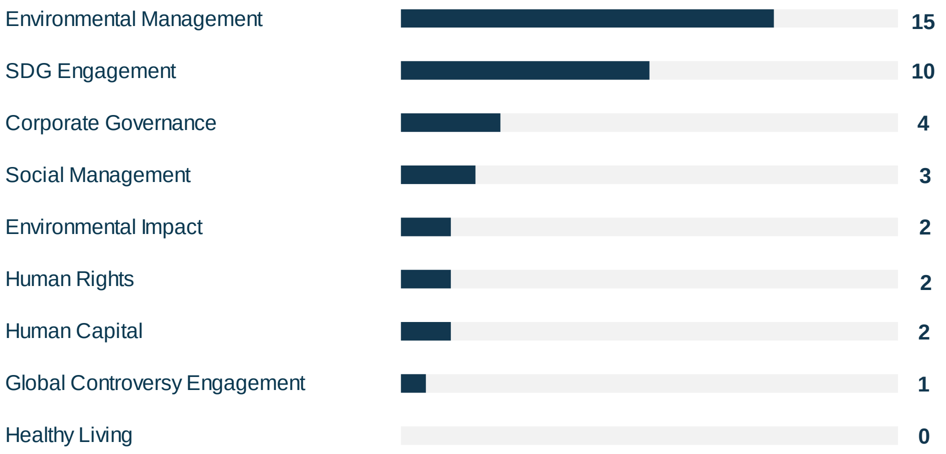
***Total votable meetings**

Responsible Investment Dashboard Q2 2022

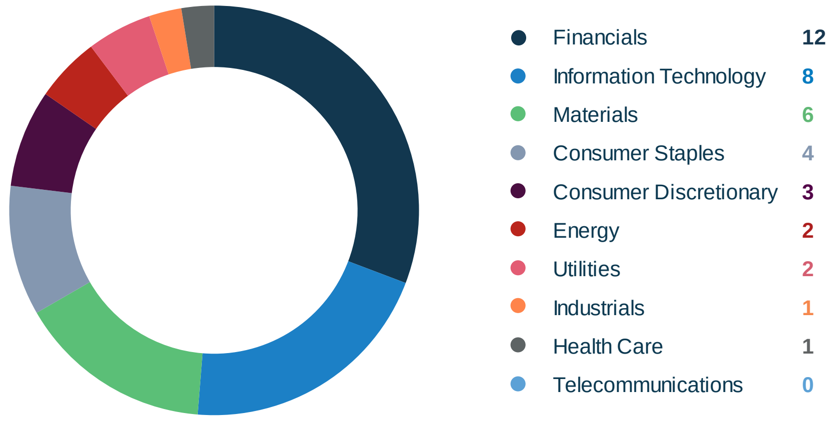
2. Stewardship Headlines

Engagement (Public Markets): Robeco

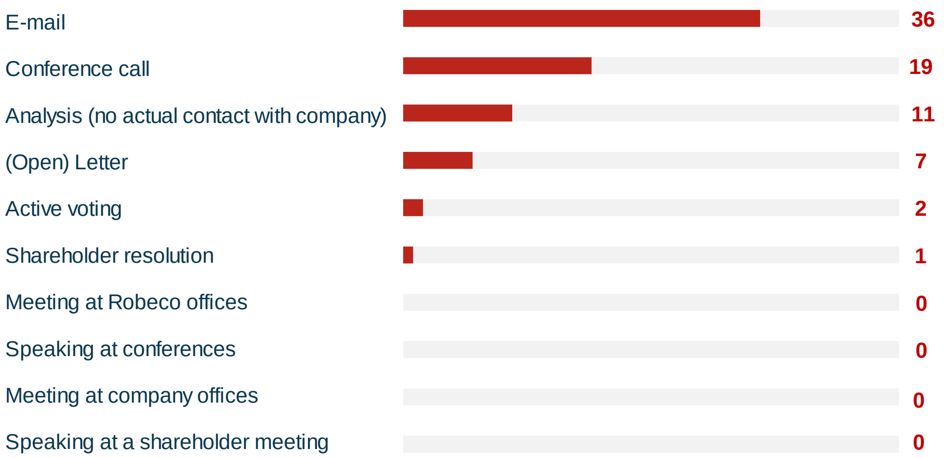
Activity (By Topic)



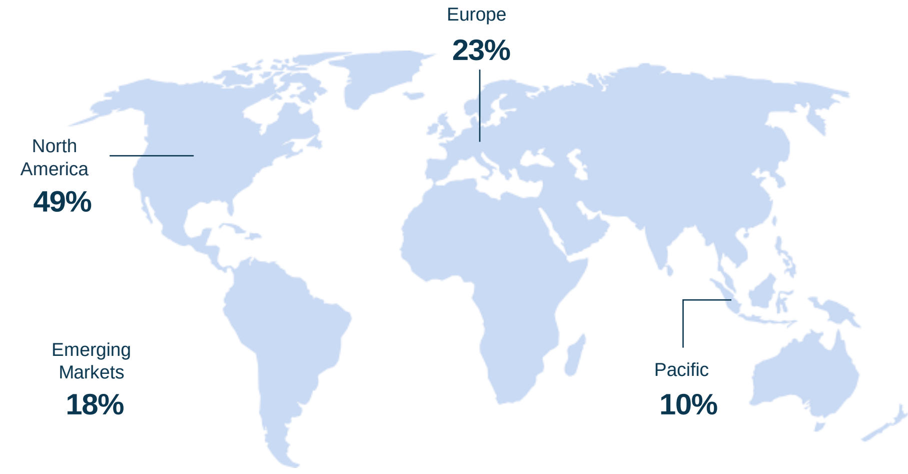
Activity (By Sector)



Activity (By Method)



Activity (By Region) (%)

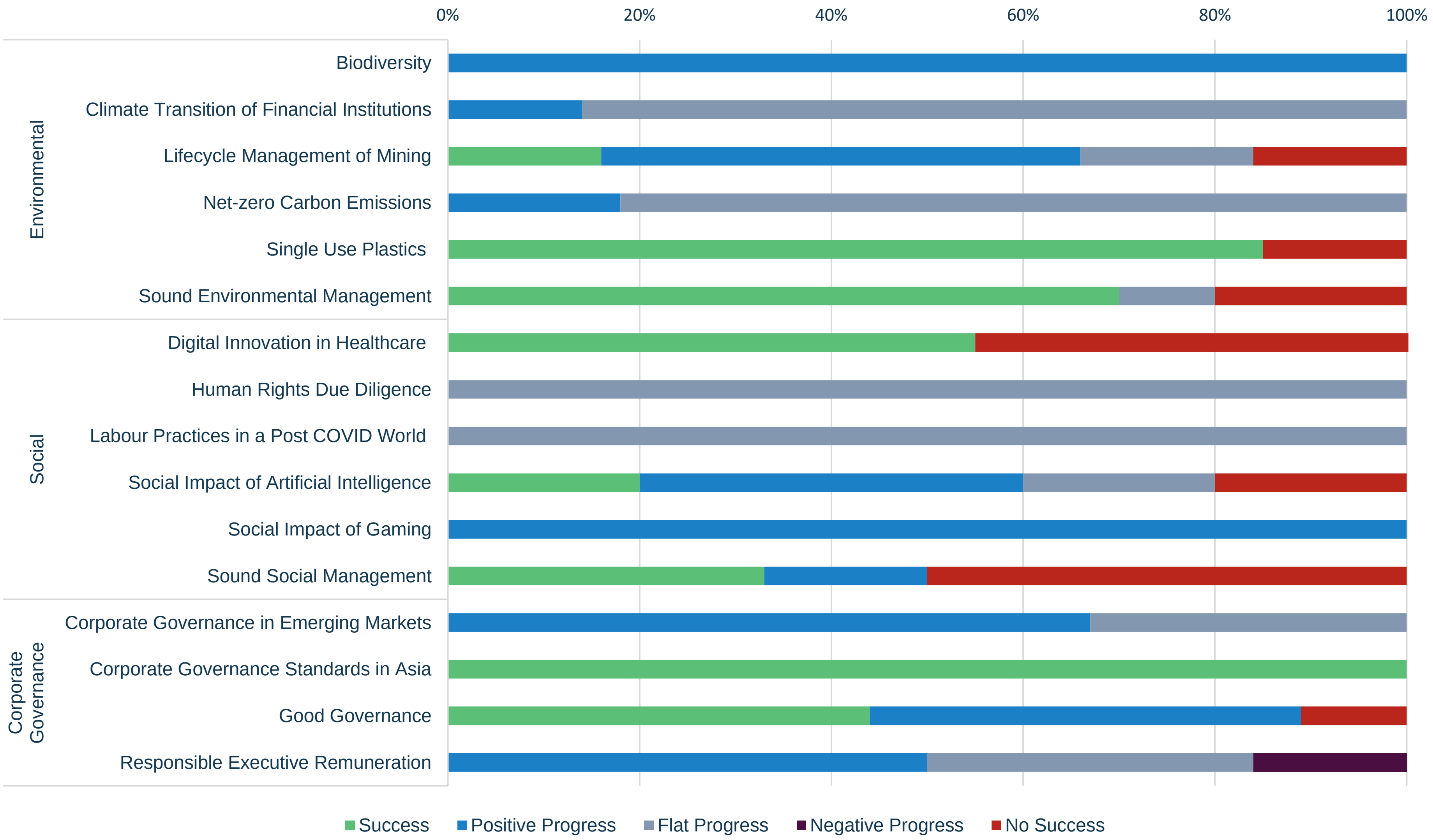


Source: Robeco Active Ownership Report Q2 2022

Responsible Investment Dashboard Q2 2022
2. Stewardship Headlines

Engagement (Public Markets): Robeco

Engagement Results (by Theme)



Source: Robeco Active Ownership Report Q2 2022

Direct investments

Direct Real Estate holdings in the UK (examples)

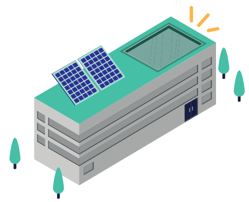
GWR Building
Bristol

designed with sustainability in mind

new planting along the terraces

- **110,000 sq. ft. mixed-use redevelopment** that will have a ground floor eatery with offices on the floors above
- The development has been designed with **sustainability in mind**, replacing old stock with in-demand energy efficient space that will also **support local growth through new employment opportunities**.
- The development is targeting BREEAM '**Outstanding**', the highest possible BREEAM rating
- The asset will be powered by **100% renewable energy**
- The development will benefit from '**green ribbons**' of planting along the terraces to support and increase local biodiversity

Hilton Cross
Wolverhampton



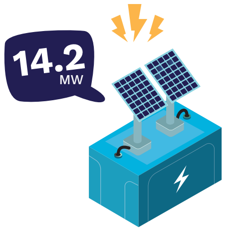
natural light through skylights

electric vehicle charging

- Project Wolfpack is the acquisition and development of a site in Hilton Cross, Wolverhampton to create **3 logistics units**
- The units will achieve BREEAM '**Excellent**' as well as an EPC '**A**'
- The units will be fitted with **high efficiency air source heat pumps and LED lighting**
- The warehouse will benefit from **10% of the roof producing natural light through skylights** as well as **photovoltaic panels** placed on the roofs
- As part of the development of the site there are a number of contributions to both on-site and **local biodiversity projects including financial contribution and wildlife walkways.**
- The units will be fitted with provision for **electric vehicle charging**, both for employees as well as in the loading bays

Examples of investments in Real Estate Funds

Charter Hall
Prime Industrial Fund



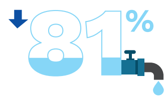
14.2MW of photovoltaic systems installed

partner charities Morsl and Kickstart

- **Charter Hall Prime Industrial Fund (CPIF)** provides exposure to Industrial and Logistics assets within Australia
- Charter Hall scored **80** in their most recent **GRESB assessment** placing them in the **2nd quintile in the GRESB universe**
- The CPIF portfolio is powered by **100% renewable energy**, with all assets having climate change and adaptation plans
- The CPIF portfolio also generates **14.2MW of photovoltaic systems** installed and the fund actively partners with tenants to drive low carbon outcomes
- **100% coverage of scope 1 and scope 2** and **88% of Scope 3 emissions**
- CPIF partners with a number of charities: **Morsl**, which focuses on providing tenants with **healthy food options and supports wellbeing**, **Kickstart**, which runs training programs and supports **creating employment for vulnerable youth** and "Property Industry Foundation", which creates **emergency housing** and focuses on **stopping youth homelessness**

GPT
Wholesale Office Fund

GRESB 5* green rating



reduction in water use since 2005

- **GPT Wholesale Office Fund (GWOF)** provides exposure to office assets across a number of Australia's Central Business Districts
- GWOF have achieved a GRESB 5* green rating, having achieved **93/100 on the development benchmark and 94/100 on the standing assets benchmark.**
- The fund achieved verified **carbon neutral status for 100% of its operating assets** in 2020 (nb. the fund now has some development assets which will remain unrated until they are operational)
- **81% reduction in water use since 2005**
- Using the National Australian Built Environment Rating System (NABERS) the portfolio has an **average score of 6** (maximum available) across all rated buildings
- GPT have established "The GPT Foundation" to engage with their **7 chosen community partners** through skilled and grass roots staff volunteering, the provision of other support using resources available to GPT, and GPT's work place giving program, Give for Change.

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.
- LPPI has engaged an external provider (Robeco Active Ownership Team) to supplement dialogue underway by LPPI and external delegate managers.
- This section outlines the engagement activities undertaken by Robeco 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 | 01.04.2022 - 30.06.2022

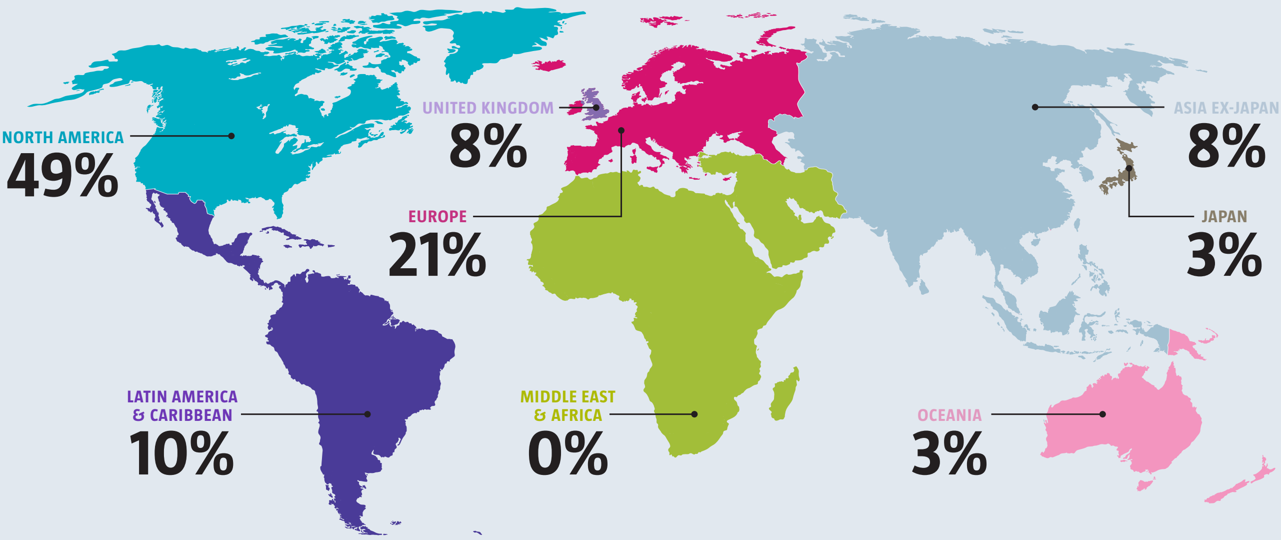
Q2
2022

LPP
Local Pensions Partnership Investments

Sustainable Investing Expertise by ROBECOSAM

Q2|22 FIGURES ENGAGEMENT

Engagement activities by region



Number of engagement cases by topic

	Q1	Q2	Q3	Q4	YTD
Environment	17	17			22
Social	7	7			12
Corporate Governance	4	4			7
SDGs	7	10			15
Global Controversy	2	1			2
Total	37	39			58

Number of engagement activities per contact type

	Q1	Q2	Q3	Q4	YTD
Meeting	1	0			1
Conference call	26	19			45
Written correspondence	25	43			68
Shareholder resolution	0	1			1
Analysis	4	11			15
Other	0	2			2
Total	56	76			132

Progress per theme

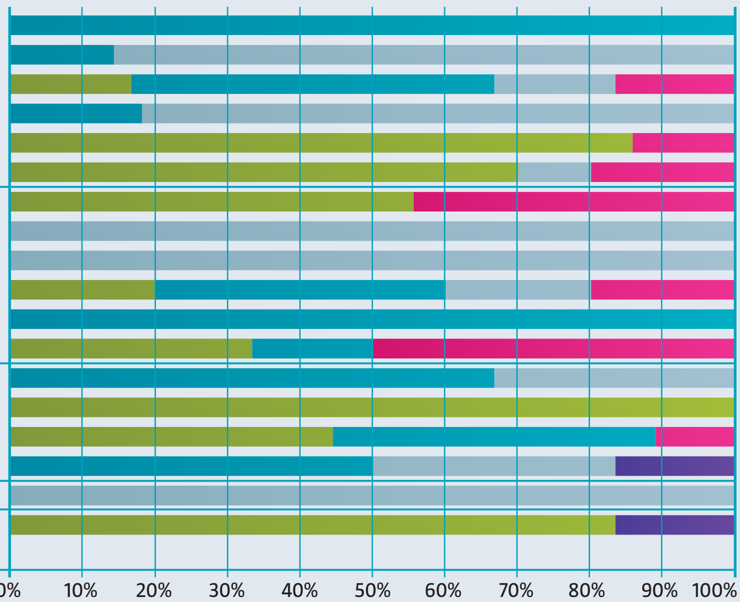
Environment
- Biodiversity
- Climate Transition of Financial Institutions
- Lifecycle Management of Mining
- Net Zero Carbon Emissions
- Single Use Plastics
- Sound Environmental Management

Social
- Digital Innovation in Healthcare
- Human Rights Due Diligence
- Labor Practices in a Post Covid-19 World
- Social Impact of Artificial Intelligence
- Social Impact of Gaming
- Sound Social Management

Corporate Governance
- Corporate Governance in Emerging Markets
- Corporate Governance Standards in Asia
- Good Governance
- Responsible Executive Remuneration

SDGs
- SDG Engagement

Global Controversy
- Global Controversy Engagement



Success | Positive progress | Flat progress | Negative progress | No success

CONTENTS

INTRODUCTION

The first half of 2022 has seen a lot of economic turmoil, from the Russia-Ukraine conflict disrupting energy and food markets, to growing uncertainty as inflation and interest rates rise across the world. These global events underline the ever-growing relevance of our corporate engagements: from our accelerated engagements around net zero carbon emissions that are now coinciding with European oil shortages, to our active participation in this year's AGM season, where we have been emphasizing the increasing importance of responsible corporate governance.

And while economic upheaval has been dominating the agenda, climate change continues to take center stage, not only through our engagements, but also during the 2022 AGM season. On the engagement side we have expanded our Net Zero Emissions theme to include 15 more companies to encourage them in their journey to become carbon neutral.

Meanwhile, we have seen growing support for environmental proposals at many AGMs, from investors asking for the reduction of single-use plastics, to requesting more disclosures on companies' climate risks. In our article on Good Governance, we explain how investors can not only put forward a clear message through their votes at AGMs, but can also leverage these shareholder interactions to establish a strong dialogue on corporate social responsibility.

As the 2022 voting season comes to a close, so does our engagement theme on Single-Use Plastics, in which we engaged with 10 companies across the plastic packaging value chain. Throughout the three year engagement, we saw great progress in promoting plastic recycling; we noticed some exciting innovations, and we were pleased to see growing industry collaboration to reduce plastic waste. Despite the impressive progress for some companies, none of the companies under engagement were able to set up a fully circular business model, leaving room for further improvement there.

As countries have loosened their Covid-19 restrictions, our engagement with the health care sector has come to an end. Through our Digital Innovation in Health Care program, launched in 2019, we have highlighted how the pressures from the pandemic on the health care sector have exposed key innovation and security gaps. Over three years, we joined health care companies on their digital journeys, from setting up concrete digital innovation strategies to growing collaborative initiatives between health care providers, fostering knowledge sharing and wider integration of care solutions. While we closed two-thirds of the engagements successfully, not all companies were able to take sufficient steps in addressing the digitalization risks, whether linked to data privacy, cybersecurity or broader industry evolution.

Lastly, we are proud to introduce our SDG engagement program in this quarterly update, marking a new way of engaging with companies. The theme focuses on the contributions that companies can make to one or more of the 17 Sustainable Development Goals, and calls for the integration of sustainable development principles within these companies' business models. Whether by encouraging animal pharmaceutical companies to expand into emerging markets, contributing to 'Zero Hunger' or underlining editing software companies' critical role in ensuring 'Peace, Justice and Strong Institutions' through their fight against digital content manipulation and the spread of fake news, we hope to exemplify the power of investor action.

The width of our engagement themes and the depth of our dialogues reflect the importance we attribute to sustainability as we move forward into the second half of 2022.

Carola van Lamoen
Head of Sustainable Investing

It is not only about achieving the end goal of net-zero, but how we get there

NET ZERO EMISSIONS

NICK SPOONER – *Engagement specialist*

The new Net Zero Emissions theme, launched in Q1 2022, is an extension of our existing corporate decarbonization theme, expanding our climate engagement by additional 15 companies. In this Q&A, Nick Spooner reflects on the continued urgency for climate action, explains the key changes to the theme and reiterates the importance of collaborative action as we step up our engagement under the Climate Action 100+ investor initiative.

What are the aims of the Net Zero theme?

As its name suggests, this engagement theme will work with companies towards achieving net-zero emissions globally by 2050. This is necessary to reduce greenhouse gas emissions and limit further temperature increases. Research by the Intergovernmental Panel on Climate Change (IPCC) has warned against the devastating impact of not meeting the Paris Agreement goals to combat global warming, with significantly higher levels of physical and economic damage occurring at 2°C of warming compared to pre-industrial levels, versus the lower goal of 1.5°C. Therefore, our collective ambition is to limit temperature increases to 1.5°C, or as close to this as possible.

The framing of net-zero is beneficial in setting out this longer-term goal. However, this framing also creates an overly simplistic conception of what is required, and the differentiation between pathways at a sectoral and regional level. Furthermore, the latest research by the IPCC issues a stark warning about the world needing much more action now to reduce the parts per million of carbon in the atmosphere by 2050. Since it is the cumulative emissions that ultimately matter, it is not only about achieving the end goal of net-zero, but how we get there. Specifically, this relates to how quickly we can bend the curve of emissions over the short and medium term. The current rate of annual emissions means the world will exhaust the carbon budget that would limit warming to 1.5°C within the next decade, and so early action is disproportionately beneficial in buying time to fully transition. Our engagement under this theme sets the expectation for companies to set long-term net-zero targets, and to substantiate them with credible short- and medium-term emissions reduction strategies, as well as transition plans that ensure a reduction in real-world emissions over the next decade.

'WHILE THE FOCUS OF MANY OF OUR ENGAGEMENTS IS ON EMISSIONS REDUCTION TARGETS OVER THE SHORT, MEDIUM AND LONG TERM, IT IS NECESSARY TO ENSURE THAT COMPANIES ARE CLEAR ABOUT THEIR PLANS TO ACHIEVE THIS.'

NICK SPOONER

What is a credible transition plan and what are the objectives that we look for in our engagement?

A credible climate strategy is difficult to define as each company will have its own challenges and approaches to decarbonization. Nevertheless, we can leverage external benchmarks, such as the Climate Action 100+ Net Zero Benchmark, in defining our objectives. We consider this approach to be well-rounded and thoughtful in terms of driving credible transition strategies. While the focus of many of our engagements is on emissions reduction targets over the short, medium and long term, it is necessary to ensure that companies are clear about their plans to achieve this. They need to disclose their climate governance structures, climate-related risks and opportunities, and have plans in place for deploying the capital necessary to decarbonize.

We are closely involved in the evolution of the Climate Action 100+ process and will continue to contribute to the development of metrics and indicators within the benchmark. Recent developments have brought in two new sub-themes around climate accounting and the 'just transition' in which social factors are also incorporated. We are also increasingly focused on the role of carbon offsets, seeking to ensure that companies follow the mitigation hierarchy and are carrying out proper due diligence around offset activities.

The proliferation of net-zero targets has accelerated the debate around carbon offsets. This is due to the fact that it challenges companies to think about what a net-zero business looks like for them as an organization. To reach this final point there is going to be a high degree of variability in abatement costs, both between companies and within companies. It may be the case that there are residual emissions for some companies, particularly in high-emitting, hard-to-abate sectors, meaning that some degree of negative emissions technology is required. When dealing with nature-based carbon offset solutions, we need to be cautious about the level of commitment that any one company makes, and the potential negative externalities associated with these investments, such as impacts on indigenous rights or biodiversity. If there is any one takeaway from the Covid-19 pandemic, it is how inter-related many of these issues are.

How does this engagement program differ from other engagement programs?

The new Net Zero theme, launched in Q1 2022, is an extension of our corporate decarbonization theme which opened in Q4 2020. Here, we have expanded the theme by engaging with an additional 15 companies. What is different about the approach we have taken in this net-zero expansion is the company selection process. As with the Acceleration to Paris engagement theme, we use our 'traffic light' assessment research to categorize companies based on their lack of alignment to the Paris Agreement. The Acceleration to Paris engagement program chose the 13 worst-performing companies to engage with; the Net Zero engagement program expands this by engaging with the next 12 worst-performing companies based on our assessment.

Three mining companies were not selected on this traffic light basis, but because of opportunities that arose within the wider Climate Action 100+ initiative. This brings the total of engaged companies to 15. Despite this divergence from the approach taken with the other companies, we consider these opportunities for collaborative engagement to be extremely valuable in terms of enhancing the impact of our engagement. The importance of the mining sector, both with regard to reducing emissions related to the combustion of fossil fuels and with the expansion of low-carbon mineral extraction, was a major consideration in our selection of these companies.

The addition of these three mining companies is reflective of the broader push we have made to expand our influence under the Climate Action 100+ initiative. In our new Net Zero value engagement theme, we are now co-leading the engagement for Climate Acton 100+ for five of the 15 companies and acting as a collaborative engager for another five companies.

How has engagement been progressing so far?

It is still too early in the process to comment around the success of engagement – we hope to see more quantitative results in 18-24 months' time. However, there are some notable cases to highlight so far, such as the one below:

Enel

We have co-led the engagement with Enel under the Climate Action 100+ initiative since 2018. We have seen significant progress across most of our engagement objectives since then. More recently, we have focused our engagement on Enel's climate lobbying and disclosures. Over the last year we have had intense engagement with the company on this topic and provided extensive feedback based on our expectations. In Q2 2022, we have seen positive results from this engagement effort, as the company has significantly improved its disclosures on climate lobbying. In Enel's 2021 Consolidated and Sustainability Reports, the company disclosed for the first time its assessment on the level of alignment with the goals the Paris Agreement. This is something that the industry associations that Enel is member of had been advocating for. Based on the enhanced transparency and adoption of good practice, InfluenceMap – an independent think-tank ranking corporate climate lobbying – has upgraded Enel's score from 21/100 to 57. This means Enel now ranks third among Climate Action 100+ focus companies that have published an industry association review.

A new era for AGMs?

GOOD GOVERNANCE

MICHIEL VAN ESCH – *Engagement specialist*

The AGM season, when most companies hold their annual general meeting of shareholders, presents a unique opportunity for investors to engage with companies. With the world moving out of lockdowns, companies are increasingly adopting hybrid AGMs to allow more people to attend. Meanwhile, investors are using AGMs to take stronger stances towards topics such as remuneration, social responsibility and climate action.

Hybrid AGMs; having your cake and eating it

Until the global pandemic, most institutional shareholders cast their votes by proxy well in advance of the AGM. The actual meeting is typically attended in person by retail shareholders. Institutional shareholders only show up to make a public statement in a few cases, with most dialogue happening well before the AGM.

The global health pandemic inherently changed all that. While digital meetings enable a wider set of shareholders to join meetings, they also allow the degree of interaction to be controlled by management or the board. Some companies have made a point of answering all the questions posed even under a digital set-up, yet other companies only answer the questions that were convenient to answer. The fully digital AGM allows many more shareholders to join in, but accountability is low, as management can avoid awkward questions, and there is little opportunity for shareholders to ask follow-up questions when the answers given are too vague.

‘WHILE DIGITAL MEETINGS ENABLE A WIDER SET OF SHAREHOLDERS TO JOIN MEETINGS, THEY ALSO ALLOW THE DEGREE OF INTERACTION TO BE CONTROLLED BY MANAGEMENT OR THE BOARD.’

MICHIEL VAN ESCH

During the 2022 season, we have seen that many companies are trying to have the best of both worlds. Hybrid meetings allow shareholders that cannot travel long distances to ask questions or make comments from their offices abroad. Shareholders who want to make sure that their messages are not ‘muted’ can show up at the meeting to make their voices heard. Currently, we see many different forms of AGMs taking place across the world. In some industries, the fully digital AGM seems to be preferred, whereas other markets show a clear preference for a return to pre-pandemic meetings in person.

We believe that the future set-up should allow for both; allowing a broad group of shareholders to attend online AGMs, whilst facilitating in-person attendance. In the Netherlands, several companies have already made this hybrid model work. For example, our attendance at the AGM of DSM showed us that meetings can be efficiently held with both shareholders calling into the meeting and asking questions from their location.

Obviously, there are also downsides to the in-person component of hybrid AGMs, such as when special interest groups join meetings as shareholders, claim a podium for themselves, and disrupt the flow of the meeting. An example of this was when several participants of the AGM of Shell (formally known as Royal Dutch Shell) glued themselves to their seats and caused the meeting to be delayed for several hours.

Remuneration; measuring with diverging standards

The time when shareholders viewed remuneration to be the only instrument they could use to align management with creating shareholder returns is over. An increasing number of remuneration reports and policies have been subject to shareholder dissent in recent years. Regulations such as the amended Shareholder Rights Directive (SRD2) in Europe give shareholders more tools with which to express their disapproval of remuneration practices. Additionally, the Covid-19 pandemic has changed the perspective on remuneration, both in the eyes of society and in what shareholders consider to be acceptable remuneration practices.

One example of a shareholder revolt was seen at Philips, where 80% of shareholders voted against the company’s bonus scheme because of re-adjustments of performance targets. The supervisory board claimed that supply chain challenges were simply external issues, and that the lagging performance could not be attributed to management. Even if this were true, shareholders seem to be uncomfortable allowing remuneration committees to adjust the financial outcome for management if this cannot also be applied to the company’s other stakeholders. Phillips’ shareholders suffered a 40% loss of capital due to the supply problems, while its customers were delivered faulty medical equipment and did not receive any compensation.

While in Europe shareholders consider a EUR 1.5 million bonus unacceptable in the light of a poor stakeholder experience, in the US, CEO pay levels are rising to new records, Apple’s CEO was paid USD 98 million for his performance this year. His performance-based long term incentive plan – with a grant date fair value of almost USD 45 million – is based on three-year performance against one sole metric, with a sizeable portion of the award still vesting in the event of below-median performance. Even though his pay package attracted a ‘vote against’ advisory from proxy voting advisor ISS, the vast majority of shareholders (64%) approved his remuneration anyway.

In our engagement with companies, we urge remuneration committees to use pay packages to align incentives with long-term value creation considering both financial returns and sustainability. This also means that we expect companies to apply moderation in their pay awards for CEOs. The concept of accountability for pay for many investors is shifting from a purely shareholder approach to one embracing all stakeholders.

Social topics are gaining support

Shareholders are increasingly using their voting rights to push companies to take responsibility for environmental and social ('E&S') issues.

For example, technology companies in the US are often asked to report on risks associated with privacy issues, or how their products are used in countries that are associated with human rights violations. Shareholder proposals remain unlikely to gain a majority support in technology companies owing to these firms' dual-share classes allowing management to control a significant portion of the vote.

Although shareholder proposals are a good way to flag some shareholders views that companies should make progress on E&S issues, such resolutions are not filed consistently across markets. In the US, shareholder resolutions are much more common and are often used as a starting point for engagement. In Europe on the other hand, constructive dialogue is often the preferred tool to influence management, but this often lacks the teeth of a vote. Therefore, we push companies to introduce additional mechanisms for accountability on E&S performance, for example by submitting their climate transition plans to a vote (the so-called Say on Climate), or by improving their risk reporting on sustainability issues.

European regulations will soon require companies to submit their sustainability reports to the AGM. This seems like a mere technicality, but allowing shareholders to have a specific voting item on sustainability can be a starting point for additional impetus for best practices on sustainability. It is also a means for shareholders to add their voice when demanding companies to make further progress on their sustainability performance. ■

The cost of circularity

SINGLE USE PLASTICS

SYLVIA VAN WAVEREN – *Engagement specialist*

From preserving food to transporting medicine, single-use plastics have become an essential part of modern life. However, the waste it generates is slowly catching up with us, flowing into seas and covering roadsides where there is no efficient waste infrastructure. To safeguard our planetary boundaries, companies must move towards a circular model that can alleviate the drawbacks of single-use plastics and have a positive business impact.

While delivering many benefits, the current use of plastic packaging has drawbacks that are becoming more apparent by the day. Single-use plastic products are made within seconds, used for just minutes, and remain as waste for centuries. From 2019 to 2022, Robeco engaged with 10 companies with the aim of driving the global plastics value chain towards a more circular economic model. After three years, we successfully closed 80% of our engagement dialogues.

Reduce, reuse, and recycle single-use plastic

Plastics are used in almost every part of our modern economy, combining superior functional properties with low cost. Their use has increased 20-fold since the 1970s and this is expected to double again in the next two decades. Today, nearly everyone, everywhere, encounters plastic packaging that is usually used only once on a daily basis. Reducing single-use plastic has become a priority for tackling the high degree of waste that it produces. A circular economy reduces the need for single-use plastics, innovates so that plastics can be reused or composted, and recirculates everything by keeping it within the 'loop' economy and away from the environment.

Challenges and issues

There are numerous, interlinked challenges and struggles with managing plastics, with some challenges arising from these solutions as well. We found that the development of responsible packaging sometimes conflicts with other solutions. For example, bioplastics are seen as a major solution to waste as they degrade more easily than regular plastics, but this can complicate recycling systems further. Bioplastics are made of non-fossil fuel-based feedstock, which is positive in their ability to reduce climate impact, but often have comparable negative impacts when they are not recycled as regular plastics. Furthermore, these compostable materials are often not of sufficient quality to protect the food that is wrapped in them.

'BY RECYCLING MORE EFFICIENTLY TO CREATE AN ECONOMICAL MARKET FOR RECYCLED PLASTICS, COMPANIES CAN SEIZE THE OPPORTUNITIES AND ADAPT THEIR BUSINESS MODELS ACCORDINGLY.'

SYLVIA VAN WAVEREN

Recycled plastic still too expensive

We also found that there is an urgent need to improve the supply and demand dynamics for recycled plastic. Recycling plastic into new packaging can be costly. Household plastic waste must be sorted, melted into pellets, and turned into new packaging. That is why recycled plastic is often more expensive than new plastic. By recycling more efficiently to create an economical market for recycled plastics, companies can seize the opportunities and adapt their business models accordingly.

Engagement focus

The aim of this theme was to drive the global plastic packaging value chain towards a more circular model and improve the supply and demand dynamics for recycled plastic. This engagement focused on improving sustainability within the plastic industry. The 10 companies that were targeted operate within industries that have the potential to combat plastic waste issues. We engaged with the whole plastics value chain from petrochemicals, plastic packaging and consumer packaged goods to retail companies.

The results of our engagement

Companies are implementing innovative recycling initiatives and are involved in industry-wide collaborations. However, we saw little progress towards a fully circular model, and evidence of more responsible lobbying efforts regarding regulation was limited. In April 2022, we closed eight of the 10 engagements successfully. We found that most companies were able to show good progress toward three of the engagement objectives, namely innovation management, plastic recycling and industry collaboration and partnerships. However, they showed less progress towards responsible lobbying for regulatory change and plastic harmonization.

Many initiatives, but still in early stages

Despite sizeable general progress, we noted that only a few companies have demonstrated concrete efforts to accede to a circular model. There was insufficient overall progress towards effective plastic harmonization efforts, primarily because lessening the effects of complex plastics is a very difficult challenge to mitigate. This could be seen in the earlier example of the paradox of solutions that also bring additional challenges, such as with bioplastics.

Another example of this kind of paradox is a company that has significantly invested in scaling up waste collection in Egypt, providing economic opportunities for unemployed local people while also educating the consumer about the value of recycling. However, this type of fully traceable plastic comes at a much higher cost than virgin plastic. Other examples are a company that launched an innovative drinking ecosystem initiative that was recognized by the UN PRI as a best practice in avoiding waste. Another company launched a recycling facility to return post-consumer plastic waste to its molecular form to be used as feedstock for new plastic materials.

Next steps

Robeco has been leading the call for a UN treaty on plastics and has urged other investors and financial industry stakeholders to sign up to it. This initiative, which begun in the summer of 2021, was heavily supported by the Ellen MacArthur Foundation, the WWF, and companies including BASF, Tesco, Coca Cola, Danone, Henkel, Mondelez, Nestle, P&G, PepsiCo, Unilever, and Amcor, among many others. In March 2022, the UN approved a mandate for the International Negotiating Committee to develop a legally binding treaty on plastic pollution. ■

CASE STUDY

An example of a best practice achievement is Nestlé, a Swiss multinational food and drink processing company. It is the largest publicly held food company in the world. The company launched an innovative drinking ecosystem initiative that was recognized by the UN PRI as a best practice in avoiding waste. Nestlé has developed two new packaging innovations for its natural mineral water bottles. The novel water bottles are designed to function just like traditional plastic bottles but with much less plastic.

The material used is an ultra-thin plastic bottle made entirely from recycled content. It uses two times less plastic than a classic 1L bottle. The plastic layer is surrounded by a fibre-based material made from 100% recycled cardboard and old newspapers. Proprietary technologies enable the plastic and fibre-based layers to be locked together to create a functional, sturdy water bottle that can be easily used without any damage.

Digital revolution in health care

DIGITAL INNOVATION IN HEALTHCARE

LAURA BOSCH – *Engagement specialist*

The digital transformation that health care has seen over recent decades is now accelerating on a wider scale. The onset of the Covid-19 pandemic has not only fast-tracked the adoption of digital technologies in the health care sector. It has also forced companies to overcome their non-technological barriers to adapt to the new dynamic and remain competitive in the post-pandemic era. As we close our engagement with the health care sector, we reflect on some of the key trends, opportunities and challenges that the digital transformation has brought about.

According to Accenture's research, 81% of health care executives say the pace of digital transformation at their organization is accelerating. To be successful, the health care C-suite must adopt a digital-first, people-centric approach across all areas of their organization. Many firms under engagement have written their first vision statements and set targets on utilizing digital innovation. The pharmaceutical industry is lagging slightly behind other industry players such as medical equipment suppliers or health care information technology providers. Until recently, there was no need to change their business-as-usual approach, and historically, there have been limited requests by the outside world for transparency.

For most companies that operate in the health care sector, innovating products or service offerings provides the principal source of competitive advantage, and hence represents the engine of an enterprise's future growth. The key to the success of digital innovation lies in having an integrated approach that allows solutions to be communicated across stakeholders, and which ultimately delivers more efficient, better-integrated care to patients. Through our engagement, we learned that companies are increasingly working towards outcome-based care models that focus on working to find the best patient solutions.

Opportunities and challenges

While business partnerships are not new, we are now seeing the adoption of multi-party systems that use shared data platforms to create a resilient, adaptable and trustworthy foundation for existing and future partnerships. The global pandemic has intensified active collaboration between public and private partners, where knowledge sharing and data exchange is used to serve the broader health care system. According to McKinsey, the number of partnerships will increase as a reflection of the necessary digital integration, as well as answering the subsequent patient privacy concerns. In line with increased partnerships, regulatory changes might facilitate data sharing through secure, interoperable electronic health care databases.

There have been some bottlenecks when it comes to the overall adoption of digital solutions in the health care sector. In light of the pandemic, health care centers have tightened their budgets and now have more limited resources to invest in high-tech solutions. Another challenge that companies flag is that customers expect digital services to be free, and are not willing to pay for it. Pharmaceutical companies have also experienced an increase in demand for digital clinical trials, yet the economic benefits of these remain to be seen. There are also certain trials that cannot be fully digitalized as there is added value from physical contact between patients and doctors.

Cybersecurity is paramount

Threats to cybersecurity are one of the biggest challenges that health systems have faced amid rapid digitalization in the last few years. It is imperative that cybersecurity and privacy is fully integrated by design in the piloting and deployment of new digital health care services and solutions. Industry players are beholden to responsibly embrace the drivers of change and the challenges to come, so they can not only deliver on the promise of the future of health, but can also ensure a safe and secure tomorrow for their consumers.

In our engagements, we observe an increased recognition of the importance of sound cybersecurity, either voluntarily, or sometimes involuntarily through learning their lessons following impactful cybersecurity breaches over recent years. Next to working together with industry stakeholders such as public research centers to mitigate risks, companies are increasingly training their supervisory boards and employees to be aware of these risks. They are gradually integrating cybersecurity by design, and are taking active steps to mitigate third-party risks.

'THE KEY TO THE SUCCESS OF DIGITAL INNOVATION LIES IN HAVING AN INTEGRATED APPROACH THAT ALLOWS SOLUTIONS TO BE COMMUNICATED ACROSS STAKEHOLDERS, AND WHICH ULTIMATELY DELIVERS MORE EFFICIENT, BETTER-INTEGRATED CARE TO PATIENTS.'

LAURA BOSCH

Modernizing sales and marketing

Sales and marketing spending comprises up to half of all the costs of pharmaceutical and biotechnology companies, meaning there is a potential for digital solutions to make the process more cost efficient. Health care sales have historically been a face-to-face process, with representatives going door to door, aiming to build long-term relationships to achieve a sale. Both the Covid-19 pandemic and the widespread adoption of digital communication in health care have made the traditional sales approach socially challenging and financially unsustainable.

A large number of companies under engagement aim to enhance their existing marketing and distribution infrastructure through digital tools. Developing a strong digital marketing function will depend on how companies can embed it in customer journeys, build internal capabilities, and use data and analytics to personalize communications to meet individual health care professionals' needs. We recognize that one of the largest barriers to success is the digital knowledge gap, which makes it difficult for organizations to find the right people to support their digital transformation.

Closure of engagement theme

In May 2022, we concluded our engagement program and closed two-thirds of the engagement cases successfully. Most companies under engagement have defined a comprehensive digital strategy and supported it by integrating newer digital technologies within their innovation process. Limited progress has been achieved on the engagement objectives 'cybersecurity' and 'sales and marketing strategy', where respectively only 54% and 23% of these were closed successfully. When it comes to cybersecurity, despite having robust policies in place, companies remain reluctant to share detailed information on external attacks and internal policy adherence failures due to commercial sensitivity issues. ■

CASE STUDY

Managed care companies face material data privacy risks given the volume of data collected and the number of contact points with patients. The US health company Anthem is working on an initiative to enhance the data privacy component of their patient data sets. The company creates synthetic data where they register a patient's health representative data, but in a way in which it could be completely delinked from the actual person that the data represents. Synthetic data can be used to share valuable primary care information for AI modelling without compromising patients' privacy.

Engaging for the goals

SDG ENGAGEMENT

ALEXANDRA MORTIMER – *Engagement specialist*

The United Nations' 17 Sustainable Development Goals (SDGs) provide a blueprint for a more sustainable future, with goals ranging from 'No poverty' and 'Industry, Innovation and Infrastructure' to 'Climate action'. Investors have a key role to play in attaining this ambition as they can leverage their influence to accelerate corporate contributions to the SDGs. To help attain these developmental ambitions, we have launched a targeted SDG engagement program, working with companies to improve their positive contributions to the goals.

With an end date of 2030, the SDGs provide a holistic, measurable roadmap to the world, outlining what countries, civil society, organizations and corporates should do to solve the planet's most pressing issues. The first companies are starting to see not only their potential to generate an impact, but also the business opportunities that can be captured by these goals. This could involve providing electricity and internet to remote communities, thereby connecting them to the labor market, facilitating better education or increasing agricultural productivity in emerging markets. In doing so companies can build more sustainable operations and avoid any negative environmental or social impacts that would attract reputational damage, regulatory action or fines.

However, many companies continue to see the SDGs as an add-on to their business, missing an integrated approach that could capture sustainable development opportunities within their business models and operations.

New beginnings

In 2021, this led to the creation of a new engagement program, focused on improving companies' contributions to the SDG's. Although Robeco has engaged with companies on the SDGs for several years, the SDG engagement theme marks a new engagement approach that focuses on seeking a measurable improvement in the contribution that investee companies can make to the goals.

More specifically, the new program has an increased frequency, intensity, and measurement of interactions with stakeholders related to each engagement case. Based on integrated research capabilities and formed around concrete objectives and SDG-relevant milestones, the engagements follow a tailored, yet consistent and structured approach. By echoing the broad scope of topics covered by the SDGs, what sets this theme apart is that it has the flexibility to address any set of issues we deem relevant to the company through a holistic engagement approach.

Our SDG framework

The SDG engagement program is an ongoing theme which focuses on companies with a high, unfulfilled potential when it comes to positively contributing to one or more of the 17 SDGs. Companies are selected for engagement using Robeco's proprietary SDG framework. This assesses contribution to the SDGs throughout the companies' products, procedures and potential involvement in controversies. It scores them on a scale of -3 for those making a highly negative impact on the goals, to +3 for a highly positive impact. The engagement theme focuses on those companies which score in the middle of this scale, from -1 to +1, as we believe in the impact these companies can have if engaged properly.

'MANY COMPANIES CONTINUE TO SEE THE SDGS AS AN ADD-ON TO THEIR BUSINESS, MISSING AN INTEGRATED APPROACH THAT COULD CAPTURE SUSTAINABLE DEVELOPMENT OPPORTUNITIES WITHIN THEIR BUSINESS MODELS AND OPERATIONS'.

ALEXANDRA MORTIMER

The aim of our engagement is to improve the positive and reduce the negative SDG contributions of the selected companies, thereby increasing the number of companies actively creating positive impact, and the likelihood that the SDGs might meet the 2030 deadline set by the United Nations.

An impact-driven approach

Guiding the SDG engagement are three key processes. Before starting an engagement, a fundamental analysis is conducted and an SDG engagement strategy is laid out for each company, setting SMART (specific, measurable, attainable, relevant and time-based) milestones. These are focused around five overarching engagement objectives, asking companies to establish strong corporate processes around impact planning, SDG reporting, target setting, stakeholder engagement and integrated governance.

Second, there is the engagement itself, during which we seek to explore the operational and product links between companies and the SDGs, and consequently encourage companies to strengthen those links in order to deliver a real-world impact.

Lastly, there is a continued evaluation of the engagement impact, from tracking companies' performance on predetermined KPIs, to asking them directly about the effectiveness of our engagement efforts. For the three to five-year engagements to be closed successfully, we require at least four out of five objectives to be met, with most milestones to be completed per objective.

A long road ahead

During its first year, we have initiated engagement with 35 companies, engaging them on one or more of the 17 SDGs. While companies recognize that the SDGs are in everyone's interest, from improving livelihoods to spurring economic growth, more structured and integrated approaches are needed to realize the 2030 goals.

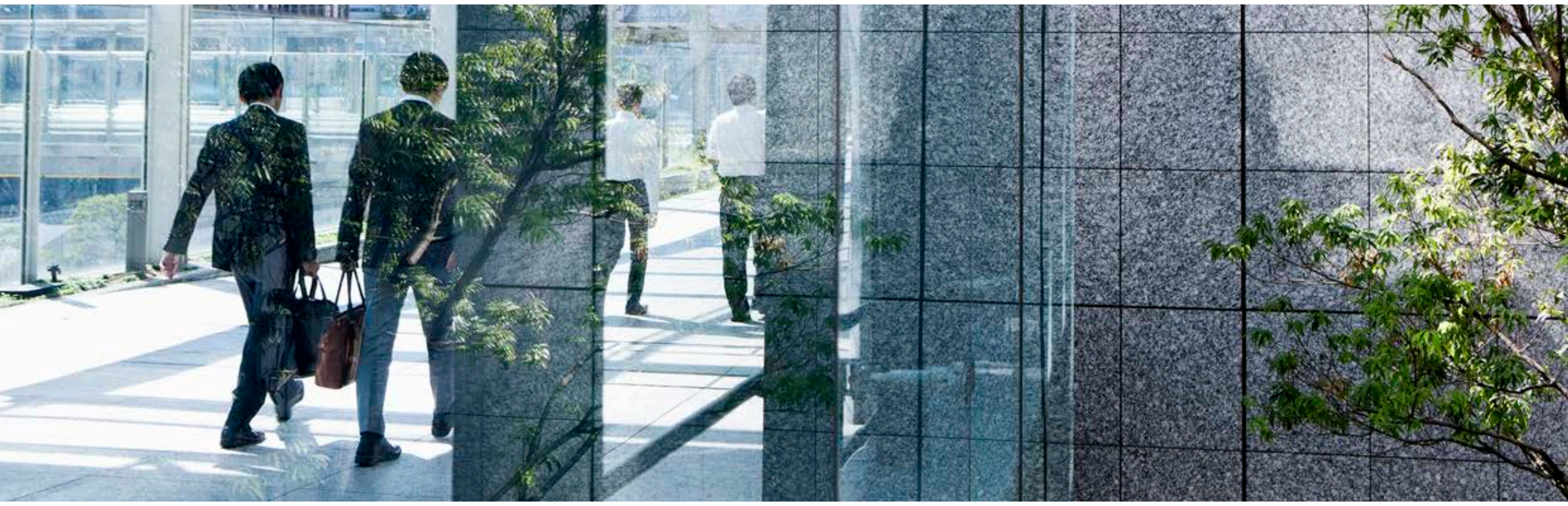
We are aware that the systemic change needed for a sustainable future requires not only company-specific but also global action. By seeking active collaboration and by sharing our journey and research on how we engage with companies on their contributions to the SDGs, we hope to exemplify what investor-led partnerships for the goals can achieve. ■

CASE STUDY

The software company Adobe's most significant link to the SDGs is characterized by its potential involvement in the manipulation of digital content, among which are AI-created 'deepfakes'. The potential for adverse use of products such as Photoshop and its video counterpart, Premier, exposes Adobe to societal risks embodied by SDG 16 (peace, justice and strong institutions).

To address these risks, Adobe has created a digital watermark to facilitate transparency and authentication, and we will encourage that this tool is rolled out to all its products. It has also taken a leading role in a cross-sector collaboration that seeks to create an open industry standard for content authentication, which we support.

COMPANIES UNDER ENGAGEMENT



Lifecycle Management of Mining
Newcrest Mining
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
Ecopetrol SA
Petroleo Brasileiro

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

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
InterContinental Hotels Group Plc
Meituan Dianping
Wal-Mart Stores

Social Impact of Artificial Intelligence
Microsoft
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.
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

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
Capital One Financial Corp.
OTP Bank Nyrt

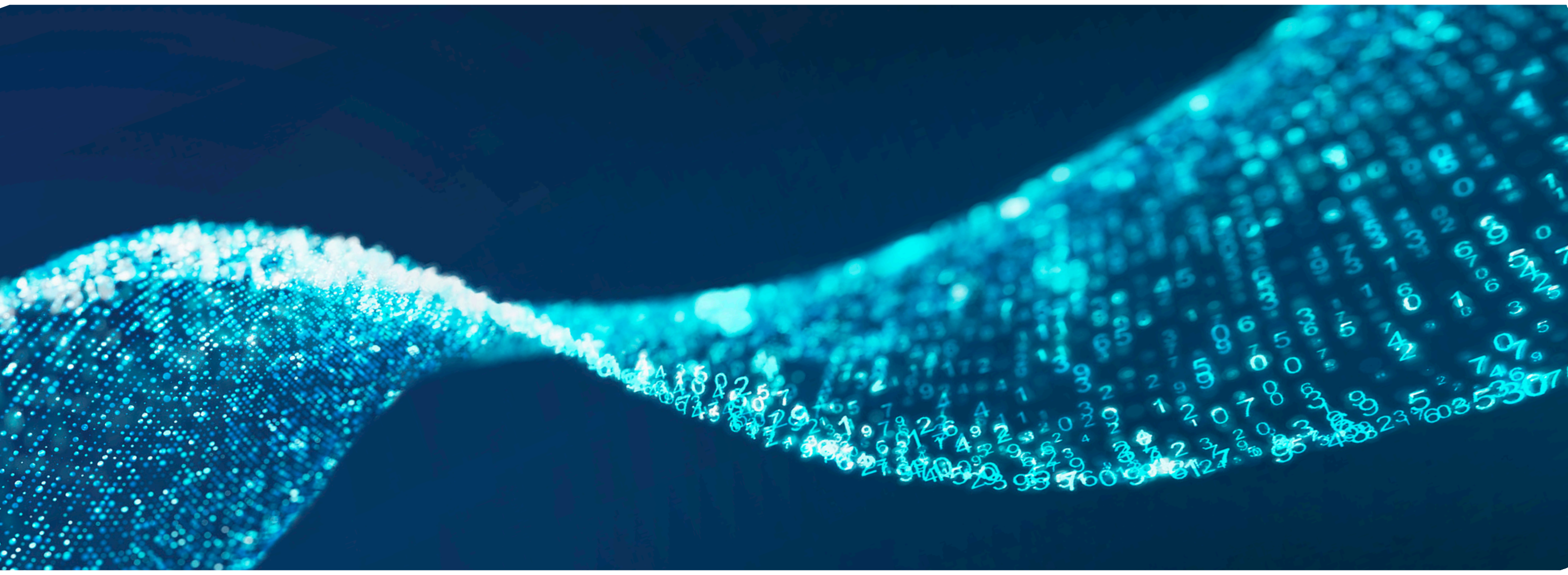
Global Controversy Engagement

During the quarter, 1 company was engaged based on potential breaches of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

ENGAGEMENT BY ASSET CLASS

Alphabet, Inc.	Equity
Anthem, Inc.	Equity
Aon Plc	Equity
Apple	Credit/Equity
Bank of America Corp.	Credit
Barclays Plc	Credit
Barrick Gold Corp.	Equity
Berkshire Hathaway	Credit/Equity
BNP Paribas SA	Credit
Capital One Financial Corp.	Credit
Charter Communications, Inc.	Credit
CRH Plc	Equity
Danske Bank AS	Credit
Ecopetrol SA	Credit
Enel	Credit
Facebook, Inc.	Equity
Fortescue Metals Group Ltd.	Credit
Henkel AG & Co. KGaA	Equity
HSBC	Credit
ING Groep NV	Credit
InterContinental Hotels Group Plc	Credit
JPMorgan Chase & Co., Inc.	Credit
Linde Plc	Credit
Microsoft	Equity
Midea Group Co. Ltd.	Equity
Mondelez International	Credit
OTP Bank Nyrt	Equity
Petroleo Brasileiro	Credit
Polyus Gold OAO	Equity
Procter & Gamble Co.	Credit/Equity
Samsung Electronics	Equity
Samsung Electronics	Equity
Sumitomo Mitsui Financial Group, Inc.	Credit
Suzano Papel e Celulose SA	Credit/Equity
Tencent Holdings Ltd.	Equity
Union Pacific	Equity
Visa, Inc.	Credit/Equity
Wal-Mart Stores	Equity
WEC Energy Group Inc	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

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The Investment Engineers

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I www.robeco.com

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Royal County of Berkshire Pension Fund - Responsible Investment Policy (2022)

Contents

Approved: 19 September 2022
Last approved: 22 March 2021

1. Introduction

This policy defines the commitment of the Royal County of Berkshire Pension Fund (the Fund) to Responsible Investment (RI). Its purpose is to detail the approach that the Fund aims to follow in integrating Environmental, Social and Governance (ESG) issues into its investment approach. This is consistent with the LGPS Management and Investment of Funds Regulations 2016 (the Regs) which states that the Investment Strategy Statement (ISS) must set out the Fund's "policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments". The Fund's ISS explicitly refers to this policy document as its approach to ESG. This policy is underpinned by the Fund's overarching and ultimate fiduciary responsibility to act in the best long-term financial interests of its members, considering the Fund's existing funding position as a priority.

1.1. Definitions

Responsible Investment	Is the integration of ESG considerations into investment management processes and active ownership practices in the belief that these factors can have a positive impact on financial performance. (Based on UN Principles on Responsible Investment)
Fiduciary Duty	Is defined as core responsibility, of such as trustees or equivalent persons, to act in the best interests of the pension scheme beneficiaries in order to ensure that such scheme / fund members in retirement, or dependants in the case of member death, can enjoy the expected income benefits. It includes the requirement that all participants should act in good faith, in the best long-term interests of the client and their beneficiaries, with loyalty and prudence, and in line with generally prevailing standards of decent behaviour. The term "fiduciary duty" is used in different ways by different people. The above definition is intended to reflect the ethos of the Fund and is based on definitions in the UKSIF's trustee best practice guide 2017 (UK Sustainable Investment and Finance Association www.uksif.org) and a Law Commission Report 2014.
ESG	Environmental, Social and Governance factors which may impact on company performance and therefore investment returns. Examples include resource management and pollution prevention, climate change impacts, labour management, product integrity, executive compensation, board independence and audit function.
Corporate Governance	Refers to the authoritative rules, controls and working practices in place within an organisation required to promote openness, inclusivity, integrity, accountability and best practice in the pursuit of the agreed objectives.
Active Ownership	Is the participation, where appropriate, in the governance decision-making of companies and assets in which it invests by way of voting and by engagement with company representatives, either directly or via its fund managers. It also recognises the relevance of engaging with regulatory bodies and other market players to support policies that promote long-term sustainable growth.
Stewardship	Is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. (UK Stewardship Code 2020 of the Financial Reporting Council)

1.2. Approach, context and implementation

The Fund is a Local Government Pension Scheme (LGPS) administered by the Royal Borough of Windsor and Maidenhead (RBWM). It is a Defined Benefit (DB) public sector pension scheme meaning that its members benefits (scheme liabilities) are defined in statute based on several defined factors. Such benefits are made available for payment in future through investing the contributions received today to ensure that there are sufficient scheme assets available in the future to pay these defined benefits.

To remain affordable over the long run (i.e., that scheme assets are available in future to meet scheme liabilities), strong and consistent levels of investment income and capital appreciation (investment returns) are essential to supplement the contributions to the fund. The primary focus of the Fund's investment activities is therefore to achieve these strong and consistent risk-adjusted returns to pay benefits in the future as they fall due.

The Fund has an underlying fiduciary duty and responsibility to protect the financial interests of the scheme members which is exercised through the approach to investment and the evaluation of investment risks and opportunities. In prioritising this fiduciary duty, and staying mindful of the Fund's existing funding level, the Fund seeks to invest in a responsible manner, considering ESG factors, provided this is compatible with its fiduciary duty.

There is a wide array of inconsistent and often conflicting information available that seeks to categorise investor's approach to ESG, however, a clear, useful and all-encompassing model to illustrate one approach is included in Annex 1. The Fund does not seek to define itself as falling within any specific category (for example a Responsible, Sustainable or Impact investor) because the Fund undertakes activities that may fall in any of the categories, and this widely varies by asset class and individual investment. Instead, the Fund wish to make clear in this policy that it is not a "financial-only" investor. Whilst financial returns are a key priority for the Fund, investment decisions are taken through the lens of ESG considerations and in considering the Fund's RI values, principals and priorities.

The implementation of the Fund's RI policy is undertaken by Local Pensions Partnership Investments (LPPI), a Financial Conduct Authority (FCA) regulated Investment Manager responsible for the management of 100% of the Fund's assets, comprising mostly pooled investment vehicles, with a smaller non-pooled allocation (also referred to as being 'on balance-sheet'). Around 75% of the Fund's assets are currently (September 2022) within LPPI's pooled investment vehicles and the Fund is one of three investors in these pooled investment vehicles.

In practice, LPPI's implementation of the Fund's RI policy will be taken alongside LPPI's other two clients RI policies in respect of the pooled investment vehicle assets. As such, the Fund will additionally benefit from the ESG approaches taken by LPPI as mandated by the other clients. Furthermore, the Fund will benefit from the ESG and RI approaches taken by LPPI unilaterally, for example their net-zero carbon emission commitment, their commitment to the UK stewardship code and their business sustainability certifications.

The Fund and LPPI work with a variety of organisations and providers who support the stewardship of the Fund's assets. These external parties assist the delivery of the Funds RI Policy either directly or through the development of tools, guidance and best practice or other support to the fund. A list of key organisations and their areas of focus appears at Annex 2

2. Responsible Investment Values and Principles

The Fund's values and principles reflect the need to deliver strong and consistent investment returns in order to pay pension benefits, prioritising the need to address the Fund's current funding deficit whilst also ensuring that employer contributions remain affordable.

The values and principles recognise the importance of assessing sources of risk and opportunity over an extended time horizon and emphasise the importance of diligent stewardship as part of engaged asset ownership.

2.1. Responsible Investment Values:

Consultative	The RI priorities reflect the views of the members of the Pension Fund Committee, the Local Pension Board and the Pension Fund Advisory Panel, and of evolving best industry practice within the management of LGPS pension funds.
Proactive	A proactive approach to evaluating ESG risks and opportunities is more likely to result in long term benefits for the Fund and is aligned with fulfilling the Fund's fiduciary duty.
Engagement	The Fund considers engagement to be a route for exerting a positive influence over investee companies and encouraging responsible corporate behaviour. The Fund is supportive of targeted dialogue in situations where positive changes can be brought about to align governance standards with the Fund's investment objectives.
Collaborative	The Fund recognises that working collaboratively can achieve greater influence than acting unilaterally. The Fund seeks to align itself with likeminded investors through collective organisations such as the Local Authority Pension Fund Forum (LAPFF), of which the Fund is a member.
Flexible	The Fund considers that its RI policy and approach should be reviewed regularly in order to continue recognising and reflecting best practice and addressing emerging priorities.
Continuous Improvement	The Fund recognises that this policy is set in the context of a continuously changing external environment. Therefore, aside from being regularly reviewed and improved in line with industry best practice, the policy should be forward looking with a view to improvement at each iteration. Where possible, the policy should be developed at each iteration taking relevant advice from industry leaders to ensure its influence is maximised.

2.2. Responsible Investment Principles

The RI principles translate the Fund's values and commitments into Responsible Investment practices which can help to deliver a sustainable and sufficient return on all of the Fund's investments. The Fund's RI principles inform the stewardship arrangements that have been agreed with LPPI as the Fund's provider of investment management services.

A summary of the key Responsible Investment principles are listed as follows:

- Effectively manage financially material ESG risks supporting the requirement to protect returns over the long term;
- Apply a robust approach to effective stewardship;
- Seek sustainable returns from well governed and sustainable assets where possible;
- Achieve improvements in ESG through effective partnerships that have robust oversight and interactions;
- Share and receive ideas on best practice to achieve wider and more valuable RI and ESG outcomes.

3. Responsible Investment Priorities

Identifying core priorities for RI is an important part of focussing the attention of LPPI on the issues of greatest importance to the Fund. It also helps the Fund to monitor the stewardship activities undertaken by LPPI on its behalf. The issues identified as being of primary concern to the Fund as asset owners are listed in sections 3.1 to 3.3. However, it is important to note that these priorities will evolve over time, as the macroeconomic environment changes, as new data and methodologies become available, and as the Fund's risk profile (and appetite) develops and evolves.

3.1. Environment

3.1.1. Climate Change

The Fund recognises the imperative to address and manage climate change as a systemic and long-term investment concern, as it poses material risks across all asset classes (with the potential for loss of shareholder value, including but not limited to stranded assets), as well as material investment opportunities.

The Fund will endeavour to carry out the following in relation to climate change:

- Engage with other LGPS funds, the wider investment community and other stakeholders to improve transparency and reporting, as well as to develop and share best practice.

- The Fund expects all investee companies in all sectors and geographical locations to be able to demonstrate planning for (and over a reasonable timescale the achievement of) the global transition to a low-carbon economy and for the future emissions reduction targets under the Paris Agreement 2015 or other appropriate initiatives. Where they are not, engagement* will be prioritised to encourage reform and behavioural change, with the consideration of divestment as a last resort provided this will result in no material financial detriment to the Fund (either through increased costs or increased investment risk).

- Where existing investments in fossil fuel companies are in place and identified, the Fund expect those companies to be able to demonstrate planning for (and the achievement of) the global transition to a low-carbon economy and for the future emissions reduction targets under the Paris Agreement 2015 or other appropriate initiatives. Where they are not, and opportunities for engagement* and reform of the company or project are not possible or do not exist, the Fund will make all reasonable efforts to divest provided this will result in no material financial detriment to the Fund (either through increased costs or increased investment risk). The fund notes that its investment manager LPPI decided to disinvest extractive fossil fuel companies from its Global Equities Fund at the end of the 2021 calendar year.

- Where the Fund's fiduciary duty allows, the Fund will not consider new investments in fossil fuel companies directly engaged in the extraction of coal, oil and natural gas as sources of energy which are not appropriately addressing the risks of climate change.

- Where the Fund's fiduciary duty allows, the Fund is committed to seeking sustainable investments which include projects that support the global transition to lower carbon products, services and infrastructure including renewable energy generation. In principle and subject to the achievement of its fiduciary duty, the Fund would like to see this proportion of its investment exposure grow over time.

- Examine the incoming legislation in this space, notably the Taskforce for Climate-related Financial Disclosures (TCFD), to inform its statutory reporting requirements and risk monitoring over time.

Note: **All engagement efforts and reporting outputs should be deemed proportionate and thus appropriate to the level of Fund investment in the investee companies. Consideration of materiality and impact should be taken considering the Fund's (or in some cases LAPFF's) influence over said companies based on the quantum of committed or invested capital.*

The Fund expects LPPI to take steps to ensure that the level of exposure to climate change investment risks (physical and transitional) are evaluated and monitored, and also to remain current with the revised reporting standards and targets such as those set out in the Paris Agreement 2015 and subsequent international agreements. This will involve the use of appropriate investigative and analytical tools such as the Transition Pathway Initiative (TPI) to increase information and provide appropriate input around investment decision making. The use of metrics (where available) will be reflected in regular reporting and assurance provided to the Fund to demonstrate the actual progress of companies. The Fund also expects LPPI to be aware of and assess climate related risks as a standard in all investment decision making when determining suitability for the Fund.

3.1.2. Pollution

Pollution is a term used to describe an imbalance created when harmful materials (pollutants) are introduced into the environment where they cause damage to water, air or land through contamination.

The Fund recognises the responsibilities investee companies have for understanding and managing the impact of their operations on the environment and preventing pollution in preference to addressing its negative outcomes retrospectively. Additionally, companies engaged in unsustainable business operations which cause pollution (or pollution that goes unrectified/unmitigated) face potentially increased financial and business risks (such as litigation) as well as erosion of longer-term value, which could reduce the Fund's financial resilience longer-term.

The Fund expects investee companies to plan for and manage the waste materials from their operations to prevent pollution and control the incidence of accidental contamination. The Fund also expects companies to design products and packaging which minimise, mitigate or avoid plastic pollution in use and/or disposal.

The Fund will endeavour to carry out the following in relation to pollution:

- Engage with other LGPS funds, the wider investment community and other stakeholders to improve transparency and reporting, as well as to develop and share best practice.

- Through LPPI and the Fund's asset managers, the Fund expects investee companies to plan for and manage the waste materials from their operations to prevent pollution and control the incidence of accidental contamination.

In addition to the above, the Fund anticipate the introduction of improved company reporting on this issue through future legislation. We will monitor the actual progress companies are making in this area of priority for the Fund and endeavour to adapt reporting as appropriate provided metrics are available, consistent and reliable.

3.1.3. Biodiversity

Biodiversity is a term which describes life on earth in all of its forms, and all of the interactions between biological elements covering plants, animals, insects, and microorganisms. Maintaining diversity is essential for a healthy environment in sustainable balance. The impact of human activity (through extraction, processing, waste and disturbance) is increasingly a concern for society, as it could overwhelm the capacity of natural systems to tolerate and regenerate.

Biodiversity loss has the potential to pose direct financial risk to companies through a negative impact on the availability of natural resources for business purposes, reduced health and productivity of natural capital, and an altered operating environment. This could adversely affect the Fund's level of risk over the longer-term.

Biodiversity is an area of particular interest. The Fund will therefore endeavour to carry out the following in relation to biodiversity:

- Engage with other LGPS funds, the wider investment community and other stakeholders to improve transparency and reporting, as well as to develop and share best practice.

- Examine the incoming research and work in this space, notably the Taskforce for Nature-related Financial Disclosures (TNFD), to inform its reporting and risk monitoring over time.

- As best practice in this space emerges, the Fund expects LPPI to take steps to ensure biodiversity related investment risks are evaluated, monitored, and mitigated over time, provided there is no conflict with the Fund's fiduciary responsibility.

In addition to the above, the Fund anticipates the introduction of improved company reporting on this issue through future legislation. We will monitor the actual progress companies are making in this area of priority for the Fund, and endeavour to adapt reporting as appropriate provided metrics are available, consistent and reliable.

3.2. Social

3.2.1. Affordable Housing

Housing affordability has become a deep-seated issue in the UK, contributing to both inequality as well as increased societal tensions. This has been driven by significant rises in house prices over the last 25 years, accentuated by a lack of sufficient new homes being built to meet current demand. Affordable housing looks to improve access to housing for those segments of society with lower levels of income.

Investing in real assets provides the Fund with both return opportunities and elements of risk mitigation, resulting from the (normally) inflation-linked cashflows that the asset class provides. The Fund has the ability to invest in a wide range of assets within the real estate sector, including affordable housing, with the overall aim of delivering on the Fund's fiduciary responsibility.

Where appropriate affordable housing opportunities are available within the real estate sector, it will be important to ensure they are in line with the Fund's risk appetite and investment requirements and enable the Fund to deliver on its fiduciary responsibility.

3.2.2. Local Investment

Local investment can help support the local economy and create jobs. The UK government has indicated that local government pension schemes should invest a small proportion of their assets into local investment. Our definition of local embraces investment within the UK in general and within the boundaries of the Royal County of Berkshire in particular.

The Fund have a preference for investing locally where appropriate projects or investments are available and are in line with the Fund's risk appetite and investment criteria along with its ability to deliver upon its fiduciary responsibility. The Fund's preference is to examine local investments with substantive security, a low risk profile and which can help the Fund diversify its portfolio investment risks. Additionally, the Fund's preference is to invest locally through LPPI or specialist managers as defined by the Fund.

LPPI (on behalf of the Fund) have recently created a specific place-based allocation within LPPI's Real Estate portfolio reserved for direct investments in commercial and residential property located within the Royal County of Berkshire. The Royal County of Berkshire real estate portfolio will invest in quality buildings meeting high industry standards for construction and refurbishment which exceed minimum requirements for energy efficiency. The selection of appropriate projects and the oversight of buildings owned by the portfolio are delegated to an expert real estate investment manager.

Through owning real estate (in the capacity of landlord) the Fund's investments will help to provide employment, premises, and wider accommodation which directly supports the people and the economy of Berkshire and the United Kingdom.

3.3. Governance

3.3.1. Corporate Governance

Good governance is essential to ensuring that companies act in the best interests of their shareholders, manage risks to the business effectively and ensure the sustainability of the enterprise. Linked to this, transparency is also essential to ensure that investors have sufficient knowledge of material facts which incubates trust. Strong corporate governance is aligned with the Fund's portfolio being financially resilient over time.

As an institutional investor, the Fund has interests in a range of companies, managers and investment vehicles worldwide, spanning multiple sectors and geographies. Corporate governance standards vary across the world, reflecting cultural and regulatory differences. Therefore, it is not likely to be practical or possible to apply one standard to all, but the Fund invests responsibly and recognises the reach and influence companies have through their contractual interactions and broader relationships with employees, customers, suppliers, communities, and wider stakeholder groups taking account of "good" local standards in the context of each investment.

The Fund will endeavour to carry out the following in relation to corporate governance:

- Engage with other LGPS funds, the wider investment community and other stakeholders to improve transparency and reporting, as well as to develop and share best practice in improving corporate governance.

- Have a preference for well managed companies which recognise their corporate responsibilities, uphold high standards, operate (in their local context) fair and just employment practices, promote diverse and inclusive workforces and oversee reasonable and equitable pay arrangements, provided that these companies and related investments are in line with the Fund's investment criteria, risk appetite and fiduciary duty.

- Have a preference for companies with a strong social license to operate, inclusive culture, and engaged workforce, and expect our managers to evaluate corporate governance standards as part of due diligence and oversight.

- The Fund expects LPPI to promote best practice governance, including transparency, across the firm itself as well as the underlying investments within its portfolios. The Fund also expects LPPI to engage to improve and mitigate gaps in governance, and to consider corporate governance standards within its assessment and monitoring of the Fund's investments.

4. Responsible Investment Implementation

The implementation of the Fund's approach to Responsible Investment divides into the following six areas of activity and is underpinned by its partnership with LPPI.

4.1. Training

The Fund recognises that for decisions to be effectively taken in all areas of RI, decision makers must be equipped with the necessary tools and knowledge to consider and make informed decisions.

Responsible Investment and ESG is of growing importance across the LGPS and the wider investment community, as a result there is an abundance of training and development materials available form a variety of third parties as well as RI making its way onto the top of most investment conference/seminar agendas.

The Fund's training frameworks shall be updated to ensure that its decision makers have access to the appropriate materials and thus are able to develop knowledge and understanding in this key complex area. These updated training frameworks shall apply to the Pension Fund Committee, the Pension Fund Advisory Panel, the Local Pension Board and senior Pension Fund Officers.

4.2. Voting Globally

The Fund recognises that effective stewardship arrangements protect the financial interests of scheme beneficiaries and contribute to enhancing the value of our investments. All aspects of shareholder voting form a fundamental part of compliance with the UK Stewardship Code (compliance with the UK Stewardship code 2020 is not mandatory for LGPS funds but has the support of the UK government and is on the Fund's future agenda).

The Fund's stewardship actions are implemented as an integral part of the investment management services of Local Pensions Partnership Investments (LPPI). The Fund's approach to voting globally is to place reliance upon the work undertaken by LPPI.

A shareholder engagement policy, shareholder voting policy and shareholder voting guidelines are all prepared and published by LPPI which the Fund place reliance upon through contract. The shareholder voting policy covers areas including voting arrangements, reporting and disclosures, and voting philosophy.
Practically the Fund recognises that LPPI needs to vote for a pooled fund, which on occasion may require compromise between its different client's views.

4.3. Engagement through Partnerships

The Fund works in partnership with like-minded organisations. We recognise that to gain the attention of companies in addressing governance concerns, we need to join other investors with similar concerns, and we do this through the Local Authority Pension Fund Forum (LAPFF) and by joining appropriate lobbying activities.

In terms of its engagement approach with other investors, it is most significant through LAPFF. This Forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of ESG best practice among the companies in which they invest. See the LAPFF website for further details: www.lapfforum.org.

The Fund are members of LAPFF and, as such, representatives of the Fund are invited to attend and contribute to the quarterly business meetings.

4.4. Shareholder Litigation

An approach, adopted by the Fund, in order to encourage corporate management to behave responsibly and honestly, is through shareholder litigation. The Fund has agreed arrangements through direct legal engagements and in conjunction with LPPI which ensure that emerging legal cases are monitored and that our rights and interests are represented via class actions and other shareholder actions globally where possible and where appropriate.

4.5. Active Investing

Since the implementation of asset pooling in 2018, the Fund no longer invests directly but LPPI actively seeks sustainable investments which meet our requirements for strong returns combined with best practice in ESG and corporate governance. Such investments include but are not limited to renewable energy.

As part of its commitment to Active Ownership LPPI seeks to use the ownership rights conveyed by the assets under its management to exert a positive influence in favour of transparent and sustainable management behaviour which recognises and addresses the broader trends which bring both risks and opportunities to their business.

4.6. Divestment

The Fund may, at its discretion, prefer to divest from a particular investment or sector due to RI considerations, provided that this would not result in any material financial detriment, (either through increased costs or increased investment risks). Divestment will usually only be considered where engagement has not resulted in positive change.

The Fund considers engagement to be a route for exerting a positive influence over investee companies and encouraging responsible corporate behaviour and as such is the Fund's preferred approach as opposed to divestment. Where opportunities for engagement and reform of the company or project are not possible or do not exist, the Fund will make all reasonable efforts to divest provided this will result in no material financial detriment to the Fund (either through increased costs or increased investment risk).

Annex 1

Spectrum of Capital

Delivering competitive financial returns

Mitigating Environmental, Social and Governance (ESG) risks

Pursuing Environmental, Social and Governance opportunities

Focusing on measurable high-impact solutions

	Financial-only	Responsible	Sustainable	Impact			Impact-only
Focus:	Limited or no regard for environmental, social or governance (ESG) practices	Mitigate risky ESG practices in order to protect value	Adopt progressive ESG practices that may enhance value	Address societal challenges that generate competitive financial returns for investors	Address societal challenges where returns are as yet unproven	Address societal challenges that require a below-market financial return for investors	Address societal challenges that cannot generate a financial return for investors
Examples:		• PE firm integrating ESG risks into investment analysis • Ethically-screened investment fund	• "Best-in-class" SRI fund • Long-only public equity fund using deep integration of ESG to create additional value	• Publicly-listed fund dedicated to renewable energy projects (e.g. a wind farm) • Microfinance structured debt fund (e.g. loans to microfinance banks)	• Social Impact Bonds / Development Impact Bonds	• Fund providing quasi equity or unsecured debt to social enterprises or charities	

Source: Bridges Fund Management "The Bridges Spectrum of Capital" Nov 2015

Annex 2

External Partner	Full Name	Status	Area of Focus
PRI	Principles for Responsible Investment https://www.unpri.org	Membership organisation/standard setter (LPPI is a PRI signatory)	The world's leading proponent of responsible investment. PRI works to: • understand the investment implications of environmental, social and governance (ESG) factors; • support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. PRI signatories commit to 6 principles and report in detail (annually and publicly) on their approach and activities
LAPFF	Local Authority Pension Fund Forum https://lapfforum.org	Membership organisation (RCBPF and LPPI are members)	Responsible Investment forum for Local Government Pension Schemes focussed on promoting high standards of corporate governance in investee companies.
IIGCC	Institutional Investor Group on Climate Change https://www.iigcc.org	Membership organisation (LPPI is a member)	European membership body for investor collaboration on climate change. Works to support and help define public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change.
FRC	Financial Reporting Council https://www.frc.org.uk/	UK Regulator/standard setter	Sets and oversees the UK's Corporate Governance and Stewardship Codes. Promotes transparency and integrity in business through work aimed at investors and others who rely on company reporting.
TPI	Transition Pathway Initiative https://www.transitionpathwayinitiative.org	Investor initiative/data provider (LPPI is a supporter and participant)	A global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy.

ISS	Institutional Shareholder Services	Service provider (to LPPI) shareholder voting services	External provider of shareholder voting services to the LPPI Global Equities Fund. Proxy voting execution and vote reporting capabilities via an online platform. Governance research and voting recommendations in line with a sustainability voting policy.
Robeco	Robeco Active Ownership Team	Service Provider (to LPPI)	Shareholder engagement with listed companies on material ESG issues. Focussed dialogue addressing material matters to achieve measurable improvement. This external provision supplements engagement underway with investee companies by LPPI and delegate asset managers.
Chronos	Chronos Sustainability	External Consultant (to LPPI)	Expert external consultant advising LPPI on net zero planning.
MSCI	MSCI ESG Research	Provider of portfolio ESG data (to LPPI)	Provision of datasets, tools and research via an online platform. Predominantly public market focussed (listed companies).
PLSA	Pensions and Lifetime Savings Association https://www.plsa.co.uk/	Membership organisation and industry body (RCBPF and LPPI are members)	PLSA represent pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest more than £1.3 trillion in the UK and abroad (DB & DC). Members also include asset managers, consultants, law firms, fintechs, and others who play an influential role in people’s financial futures. Objectives include improving policy, engagement, sustainability and bringing the industry together collectively.

LPPI Client Update on Net Zero

This is an update on progress made, work underway, and near-term milestones for LPPI's net zero project which shares insights with client pension funds on this high priority theme.

As a recap, LPPI made a public commitment to the long-term goal of achieving net zero portfolio emissions by 2050 by signing the IIGCC (Institutional Investor Group on Climate Change) Net Zero Asset Manager Commitment (NZAMC) in November 2021. Our net zero approach and planning is being informed by IIGCC's Net Zero Investment Framework (NZIF) which guides and sets expectations for investors who have made a net zero commitment.

Key requirements under the framework include:

- transparency (to promote accountability)
- translation (of the long-term goal into near term actions through interim targets which facilitate planning, action and progress monitoring).

Investors must publish information on interim targets for measures defined by IIGCC within 12 months of making their net zero commitment.

Making a net zero commitment isn't about preparing to divest and avoid all high emitting assets by radically restricting the investment universe for the next 30 years. It is almost the opposite. It is recognition that all companies contribute to global emissions and must decarbonise activities and manage broader impacts to slow climate change. All companies need to be planning for a net zero future where the emissions of their operations, supply chains and products are minimised, with residual emissions systematically captured or offset via efficient regulated solutions. In not doing this they risk cost increase, value leakage, disrepute relative to peers and (in the worst cases) asset stranding. A net zero commitment in LPPI's context is to be informed and vigilant about how climate change creates risks and opportunities for investee companies and integrating this insight into investment decisions. Going forward it will involve pressing companies to plan for and achieve the progress needed to be considered aligned with achieving net zero emissions by 2050, whilst identifying companies which either cannot achieve or will not commit to delivering the progress needed. It is the highest emitting companies which most need to decarbonise and which will make the biggest contribution to real world emissions reduction by instituting change in response to investor pressure.

Assessing a large, diversified investment portfolio for its degree of net zero alignment is a significant challenge. It requires investment in data, tools and expertise as foundations for embedding an entirely new focus and measurement discipline within core investment processes. The number of investors making net zero commitments is rising, but the market is still at an early stage of emerging universally agreed standards and approaches, and the aggregated data sources and modelling tools investors need to deploy these approaches in practice. Current gaps and dependencies influence what can be prioritised and achieved immediately versus those areas which will take more time.

Progress Made to Date

LPPI has focussed on putting resources in place to understand requirements, identifying gaps and key dependencies, and making a solid start from which we can build over time.

- ESG Programme Initiated
  Net zero along with numerous other ESG related initiatives, affect our entire AUM and investment, governance and risk processes; as a whole organisation programme, it requires dedicated project management support and well-planned resourcing across LPPI. We have appointed a project manager who will work across our ESG Programme, including net zero and TCFD projects and we have a well organised and documented approach to meeting the associated challenges.

- Net zero consultant engaged
  As previously advised, LPPI appointed Chronos Sustainability to provide advice and support in the first year of our net zero commitment. Chronos Sustainability have provided, and continue to provide, critical insights and expert advice as we develop our plans and put resources and approaches in place

- Data provider selected for the first asset classes in scope
  Net zero is heavily data dependent, involving measurement, modelling, and forward projection to evaluate, set targets and monitor progress. The scope of assets to be included in initial target setting was a key decision, directly influenced by the availability of emissions datasets and net zero pathway modelling capabilities. In this first year LPPI have focused on baselining, (establishing the emissions starting point and determining each investee company's alignment with a net zero pathway) producing targets and starting to monitor the net zero alignment of the LPPI Global Equities Fund. In year two we will work to bring additional asset classes into scope, commencing with corporate bonds and real estate.

  Investors with large portfolios require external data partners able to supply aggregated datasets and efficient modelling tools. LPPI has surveyed the market of possible data providers and the datasets and tools currently available to support our net zero work. We recently appointed MSCI as climate change data provider for the first three asset classes due to be in scope (global equities, corporate bonds and real estate). Data and tools are most developed for listed equities, with capabilities in other asset classes currently at an earlier stage of evolution.

- Approach to target setting agreed
  LPPI's Management Committee has agreed an approach to setting the targets required under the IIGCC NZIF, which reflects the availability of data and modelling capabilities at this point. With the approach agreed, the focus has shifted to detailed data analysis.

Work Underway

Efforts are currently focussed on target setting, with the Responsible Investment Team utilising MSCI tools to assist baselining. This is time-consuming work which involves the triangulation of several different data sources to evaluate the current position of a company and the trajectory suggested by forward targets and plans.

Baselining establishes how the portfolio is positioned currently as a basis for identifying priority companies for review and engagement. LPPI is working to produce an engagement plan, prioritising those companies which contribute the most to the portfolio's emissions intensity and which are either not yet aligned or are not taking the actions required to be considered "aligning" with net zero. The plan will be the basis for undertaking engagement with underlying companies and asset managers, urging active stewardship to achieve clear outcomes.

Upcoming Milestones

As a signatory to the IIGCC Net Zero Asset Manager Commitment, LPPI must publish initial targets for a first set of prescribed measures (portfolio decarbonisation, % of emissions aligned or under engagement, % of Global Equities either net zero, aligned, or aligning with net zero) by the end of October 2022.

LPPI will publish an initial set of net zero targets as part of a broader Climate Action Plan (CAP) which will contextualise our net zero commitment on behalf of the partnership and explain the approach we are taking. Publishing a CAP is not a compulsory deliverable, but we believe it will be helpful for clients and broader stakeholders to receive a dedicated communication. Following this initial introduction, we intend to report on our net zero activities and their outcomes annually within reporting under the Taskforce on Climate related Financial Disclosure (TCFD).

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (19/09/2022)

Essential information

Items to be assessed: (please mark ‘x’)

Strategy		**Policy**	**x**	**Plan**		**Project**		**Service/Procedure**	x

Responsible officer	Damien Pantling	**Service area**	Pension Fund	**Directorate**	Finance

Stage 1: EqIA Screening (mandatory)	Date created: 22/08/2022	**Stage 2 : Full assessment (if applicable)**	N/A

Approved by Head of Service / Overseeing group/body / Project Sponsor:
“I am satisfied that an equality impact has been undertaken adequately.”

Signed by (print):

Dated:

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (19/09/2022)

Guidance notes

What is an EqIA and why do we need to do it?

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'due regard' to:

- Eliminating discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advancing equality of opportunity between those with 'protected characteristics' and those without them.
- Fostering good relations between those with 'protected characteristics' and those without them.

EqIAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups. All completed EqIA Screenings are required to be publicly available on the council's website once they have been signed off by the relevant Head of Service or Strategic/Policy/Operational Group or Project Sponsor.

What are the "protected characteristics" under the law?

The following are protected characteristics under the Equality Act 2010: age; disability (including physical, learning and mental health conditions); gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

What's the process for conducting an EqIA?

The process for conducting an EqIA is set out at the end of this document. In brief, a Screening Assessment should be conducted for every new or reviewed strategy, policy, plan, project, service or procedure and the outcome of the Screening Assessment will indicate whether a Full Assessment should be undertaken.

Openness and transparency

RBWM has a 'Specific Duty' to publish information about people affected by our policies and practices. Your completed assessment should be sent to the Strategy & Performance Team for publication to the RBWM website once it has been signed off by the relevant manager, and/or Strategic, Policy, or Operational Group. If your proposals are being made to Cabinet or any other Committee, please append a copy of your completed Screening or Full Assessment to your report.

Enforcement

Judicial review of an authority can be taken by any person, including the Equality and Human Rights Commission (EHRC) or a group of people, with an interest, in respect of alleged failure to comply with the general equality duty. Only the EHRC can enforce the specific duties. A failure to comply with the specific duties may however be used as evidence of a failure to comply with the general duty.

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (19/09/2022)

Stage 1 : Screening (Mandatory)

1.1 What is the overall aim of your proposed strategy/policy/project etc and what are its key objectives?
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 a Responsible Investment (RI) policy on 22 March 2021 supported by several values, principles, and priorities. Since then, the Fund has been continuously improving its approach to RI and have been working towards an updated RI policy that is all encompassing and reflective of the current external environment – this updated RI policy is presented alongside this report in Appendix 4 as presented by the RI working group (Task & Finish group).

1.2 What evidence is available to suggest that your proposal could have an impact on people (including staff and customers) with protected characteristics? Consider each of the protected characteristics in turn and identify whether your proposal is Relevant or Not Relevant to that characteristic. If Relevant, please assess the level of impact as either High / Medium / Low and whether the impact is Positive (i.e. contributes to promoting equality or improving relations within an equality group) or Negative (i.e. could disadvantage them). Please document your evidence for each assessment you make, including a justification of why you may have identified the proposal as "Not Relevant".

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (19/09/2022)

Protected characteristics	Relevance	Level	Positive/negative	Evidence
Age			N/A	*Key data: The estimated median age of the local population is 42.6yrs [Source: ONS mid-year estimates 2020]. An estimated 20.2% of the local population are aged 0-15, and estimated 61% of the local population are aged 16-64yrs and an estimated 18.9% of the local population are aged 65+yrs. [Source: ONS mid-year estimates 2020, taken from Berkshire Observatory]*
Disability			N/A	
Gender re-assignment			N/A	
Marriage/civil partnership			N/A	
Pregnancy and maternity			N/A	
Race			N/A	*Key data: The 2011 Census indicates that 86.1% of the local population is White and 13.9% of the local population is BAME. The borough has a higher Asian/Asian British population (9.6%) than the South East (5.2%) and England (7.8%). The forthcoming 2021 Census data is expected to show a rise in the BAME population. [Source: 2011 Census, taken from Berkshire Observatory]*
Religion and belief			N/A	*Key data: The 2011 Census indicates that 62.3% of the local population is Christian, 21.7% no religion, 3.9% Muslim, 2% Sikh, 1.8% Hindu, 0.5% Buddhist, 0.4% other religion, and 0.3% Jewish. [Source: 2011 Census, taken from Berkshire Observatory]*
Sex			N/A	*Key data: In 2020 an estimated 49.6% of the local population is male and 50.4% female. [Source: ONS mid-year estimates 2020, taken from Berkshire Observatory]*
Sexual orientation			N/A	

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (19/09/2022)

Outcome, action and public reporting

Screening Assessment Outcome	Yes / No / Not at this stage	Further Action Required / Action to be taken	Responsible Officer and / or Lead Strategic Group	Timescale for Resolution of negative impact / Delivery of positive impact
Was a significant level of negative impact identified?	No	No	Damien Pantling	N/A
Does the strategy, policy, plan etc require amendment to have a positive impact?	No	No	Damien Pantling	N/A

If you answered **yes** to either / both of the questions above a Full Assessment is advisable and so please proceed to Stage 2. If you answered “No” or “Not at this Stage” to either / both of the questions above please consider any next steps that may be taken (e.g. monitor future impacts as part of implementation, re-screen the project at its next delivery milestone etc).

Stage 2 : Full assessment

2.1 : Scope and define

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (19/09/2022)

2.1.1 Who are the main beneficiaries of the proposed strategy / policy / plan / project / service / procedure? List the groups who the work is targeting/aimed at.
N/A – No full assessment required

2.1.2 Who has been involved in the creation of the proposed strategy / policy / plan / project / service / procedure? *List those groups who the work is targeting/aimed at.*
N/A – No full assessment required

2.2 : Information gathering/evidence

2.2.1 What secondary data have you used in this assessment? *Common sources of secondary data include: censuses, organisational records.*

N/A – No full assessment required

2.2.2 What primary data have you used to inform this assessment? *Common sources of primary data include: consultation through interviews, focus groups, questionnaires.*

N/A – No full assessment required

Eliminate discrimination, harassment, victimisation

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (19/09/2022)

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (19/09/2022)

Advance equality of opportunity

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

Foster good relations

Protected Characteristic	Advancing the Equality Duty : Does the proposal advance the Equality Duty Statement in relation to the protected characteristic (Yes/No)	If yes, to what level? (High / Medium / Low)	Negative impact : Does the proposal disadvantage them (Yes / No)	If yes, to what level? (High / Medium / Low)	Please provide explanatory detail relating to your assessment and outline any key actions to (a) advance the Equality Duty and (b) reduce negative impact on each protected characteristic.
Age					
Disability					
Gender reassignment					
Marriage and civil partnership					
Pregnancy and maternity					
Race					
Religion and belief					
Sex					
Sexual orientation					

2.4 Has your delivery plan been updated to incorporate the activities identified in this assessment to mitigate any identified negative impacts? If so please summarise any updates. *These could be service, equality, project or other delivery plans. If you did not have sufficient data to complete a thorough impact assessment, then an action should be incorporated to collect this information in the future.*
N/A – No full assessment required

ROYAL BOROUGH OF WINDSOR AND MAIDENHEAD

EQUALITY IMPACT ASSESSMENT

EqIA : Responsible Investment (19/09/2022)